



ASX Announcement | 16 October 2019  
Althea Group Holdings (ASX:AGH)

## Althea revenue increases 184% quarter on quarter – Peak signs first LOI for manufacture of cannabis-infused beverages

### INVESTMENT HIGHLIGHTS:

#### Patient numbers and sales

- 2,557 patients have now been prescribed Althea medicinal cannabis products amid a strong start to October
- Althea achieved unaudited revenue of AUD \$755,385 for the quarter ending September, up 184% quarter on quarter

#### Peak acquisition and progress

- In July, Althea agreed to acquire Canadian cannabis extraction and contract manufacturing company Peak Processing Solutions ('Peak') and raised A\$30m via an Institutional placement to fund both the acquisition and further Australian and International growth initiatives
- Post quarter, the acquisition of Peak was approved by shareholders
- Peak has entered into a Letter of Intent ('LOI') with Wildleaf Ventures Group Inc. for the contract manufacture and distribution of its cannabis-infused beverages throughout Canada

16 October 2019: **Australian medicinal cannabis company Althea Group Holdings Limited (ASX:AGH) ('Althea' or 'the Company')** is pleased to provide its Appendix 4C cash flow statement for the quarter ended September 30, 2019 (Q1 FY20) along with the following operational update.

#### Patient numbers and sales continue to rise in Australia

The September quarter again saw Althea achieve a significant step up in patient and prescriber numbers, which translated into a continued rise in revenue from sales. 2,329 patients were prescribed Althea medicinal cannabis products as of end-September, a quarter on quarter ('QoQ') increase of 55%.

2,557 patients have now been prescribed Althea medicinal cannabis products, amid a strong start to October. In addition, the number of Health Care Professionals ('HCPs') who have prescribed Althea's products has grown to 334.

Althea recorded unaudited revenue of AUD\$755,385 for the period, up from AUD\$411,663 in the prior quarter and representing a QoQ increase of 184%.

#### Product Supply

Althea is able to meet the growing patient demand for its pharmaceutical grade medicinal cannabis products via a robust supply chain established with Canadian licenced producer Aphria Inc, who continues to be involved at both an operational and investment level with the Company.

**Aphria CEO Irwin Simon said:** "Aphria continues to support Althea and their growing patient base with our high quality medical cannabis products and they remain a priority partner, strategically and financially."

#### Global expansion accelerates

##### Canada

Althea's global expansion accelerated during the September quarter, with the Company entering into a transaction to acquire Peak, which was subsequently approved by shareholders in October.



Peak has been established to operate under the new Canadian regulations, specialising in the extraction, toll processing, and contract manufacturing of cannabis-infused edibles, drinks, nutraceuticals and cosmetics products. In support of this early-mover strategy, Peak has applied for one of the industry's first large-scale (infused) cannabis process licences.

To support the acquisition and further strategic growth initiatives, Althea successfully completed a A\$30 million Institutional capital raising. For a full overview of the Peak acquisition, please refer to the Investor Presentation released to the ASX dated 25 July 2019.

#### **Peak LOI with Wildleaf**

Peak has entered into a contract manufacturing LOI with Wildleaf wherein Peak will manufacture and distribute Wildleaf-branded cannabis-infused beverages throughout Canada, out of Peak's 40,000 square foot facility in Tecumseh, Ontario.

Wildleaf is led by a team of veteran cannabis and infused beverage experts including the team behind Metta Beverages. Wildleaf, through a wholly owned subsidiary, has already developed ready-to-launch CBD-infused beverages in the USA under the Nyte brand.

The LOI contemplates an initial one-year term with manufacturing expected to commence in Q1 2020.

#### **Peak research partnership with the University of Windsor**

Peak has also entered into a research partnership with the University of Windsor to explore the formulation of novel cannabinoid nanoemulsion systems for incorporation into cannabis-infused products including beverages, edibles and topicals.

The partnership will provide Peak with access to the University's new Essex Centre of Research (Essex CORE), a state-of-the-art, CAD \$30 million building fully outfitted for world-leading chemical and biological research.

Outcomes of the cutting-edge research will be used by Peak to commercialise next generation cannabis products, exclusively for its customers.

#### **United Kingdom**

In what was a major milestone, the first patient prescribed Althea's medicinal cannabis in the UK received their medication on 31 July 2019.

The shipment followed Althea obtaining an export permit from the Australian Government's Office of Drug Control. Further product shipments are planned with import licences currently being assessed by the UK Home Office. Approximately a dozen more patients have been prescribed Althea medicinal cannabis in the UK. Media reports on the matter suggest that, as at August 2019, the company which handles approximately three-quarters of all medical cannabis imported into the UK has seen approximately 60 private prescriptions fulfilled to date<sup>1</sup>.

Althea continues to work closely with the Home Office in the UK with the view of reducing industry wide inefficiencies and obstacles in order to increase patient access in the highly regulated market. Althea continues to receive support from specialist prescribers, patients, advocacy groups, Drug Science and also the Medicines and Healthcare products Regulatory Agency in the UK and remains confident that patient numbers will increase rapidly as the early stage UK market matures.

Of the patients which have been prescribed Althea medicinal cannabis in the UK to date, most have been assessed at Althea's wholly owned 'MyAccess Clinics'. MyAccess Clinics has now opened its second clinic in

<sup>1</sup> <https://www.bbc.com/news/health-49333826>



Bristol to complement its London clinic presence. A third clinic is expected to be opened in the current quarter.

Althea is replicating the highly successful strategy it has employed in the Australian market to simplify patient access to medicinal cannabis in the UK, where only a limited number of patients have accessed medicinal cannabis – usually on compassionate grounds. With a population of 66 million people and research suggesting that there is potential for medical cannabis to treat up to 2.9 million, Althea believes that there are significant opportunities for its continued expansion in the UK.

**Althea CEO Josh Fegan said:** “We are very pleased with what was another successful quarter for Althea. With strong growth across key metrics at home and accelerating expansion abroad, we feel that we are well-positioned to become a global leader in the supply of high-quality, pharmaceutical-grade medicinal cannabis products. With cannabis 2.0 about to come into effect in Canada, we also believe that Peak is well positioned to achieve Health Canada licencing in early 2020 and, judging by customer interest, will certainly hit the ground running with production. I’d like to take this opportunity to thank shareholders for their support of the Peak acquisition and Althea’s continued growth.”

-ENDS-

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**Althea Group Holdings Limited (ASX:AGH)**

Althea is an Australian licensed producer, supplier and exporter of pharmaceutical grade medicinal cannabis and is listed publicly on the Australian Securities Exchange (ASX:AGH). 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 and the United Kingdom, with plans to expand into emerging markets throughout Asia and Europe.

**To learn more, please visit: [www.althea.life](http://www.althea.life)**

**Peak Processing Solutions**

Peak Processing Solutions is a manufacturing service provider, specializing in contract and tolling services for the Canadian and International cannabis market. Peak partners with licensed producers (LP) of cannabis, as well as non-LP businesses, to develop THC and CBD product lines.

Peak’s facility in Ontario will be equipped to manufacture a range of premium cannabis-infused products, including edibles, beverage products, small liquid products, water-soluble powder products, tinctures, vape pens and topicals.

**To learn more, please visit: [www.peakprocessing.com](http://www.peakprocessing.com)**



### **MyAccess Clinics**

MyAccess Clinics provides expert care for patients with unmet needs, that licensed medicines have failed to address, through the use of 'specials' medicines including unlicensed cannabis-based products for medical use.

To learn more, please visit: [www.myaccessclinics.co.uk](http://www.myaccessclinics.co.uk)

## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Althea Group Holdings Limited

**ABN**

786 269 669 43

**Quarter ended ("current quarter")**

30 September 2019

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               | 645                                | 645  |
| 1.2 Payments for  |                                    |  |
| (a) research and development                              |                                    |  |
| (b) product manufacturing and operating costs             | (709)                              | (709)  |
| (c) advertising and marketing                             | (1,786)                            | (1,786)  |
| (d) leased assets   | (74)                               | (74)   |
| (e) staff costs   | (809)                              | (809)  |
| (f) administration and corporate costs                    | (1,553)                            | (1,553)  |
| 1.3 Dividends received (see note 3)                       |                                    |  |
| 1.4 Interest received                                     | 117                                | 117  |
| 1.5 Interest and other costs of finance paid              | (3)                                | (3)  |
| 1.6 Income taxes paid                                     |                                    |  |
| 1.7 Government grants and tax incentives                  |                                    |  |
| 1.8 Other (provide details if material)                   |                                    |  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(4.172)</b>                     | <b>(4.172)</b>                                 |
| <b>2. Cash flows from investing activities</b>            |                                    |  |
| 2.1 Payments to acquire:                                  |                                    |  |
| (a) property, plant and equipment                         | (73)                               | (73)   |
| (b) businesses (see item 10)                              |                                    |  |
| (c) investments   |                                    |  |

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| (d) intellectual property                                 | (480)                              | (480)  |
| (e) other non-current assets                              |                                    |  |
| 2.2 Proceeds from disposal of:                            |                                    |  |
| (a) property, plant and equipment                         |                                    |  |
| (b) businesses (see item 10)                              |                                    |  |
| (c) investments   |                                    |  |
| (d) intellectual property                                 |                                    |  |
| (e) other non-current assets                              |                                    |  |
| 2.3 Cash flows from loans to other entities               | (1,135)                            | (1,135)  |
| 2.4 Dividends received (see note 3)                       |                                    |  |
| 2.5 Other (provide details if material)                   |                                    |  |
| <b>2.6 Net cash from / (used in) investing activities</b> | <b>(1,688)</b>                     | <b>(1,688)</b>                                 |

|   |               |               |
|---|---------------|---------------|
| <b>3. Cash flows from financing activities</b>                                  |               |               |
| 3.1 Proceeds from issues of shares  | 30,000        | 30,000        |
| 3.2 Proceeds from issue of convertible notes                                    |               |               |
| 3.3 Proceeds from exercise of share options                                     |               |               |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | (1,329)       | (1,329)       |
| 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   |               |               |
| <b>3.10 Net cash from / (used in) financing activities</b>                      | <b>28,671</b> | <b>28,671</b> |

|   |         |         |
|---|---------|---------|
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b> |         |         |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date              | 14,918  | 14,918  |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | (4,172) | (4,172) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | (1,688) | (1,688) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)            | 28,671  | 28,671  |

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|--|------------------------------------|--|
| 4.5   | Effect of movement in exchange rates on cash held  | (2)                                | (2)  |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of quarter</b> | <b>37,727</b>                      | <b>37,727</b>                                  |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 37,727                             | 4,918                               |
| 5.2        | Call deposits   |                                    |                                     |
| 5.3        | Bank overdrafts   |                                    |                                     |
| 5.4        | Other (Term Deposit / Bank Guarantees)  |                                    | 10,000                              |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>37,727</b>                      | <b>14,918</b>                       |

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

(130)

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

| <b>8. Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|--|---|--|
| 8.1 Loan facilities  |   |  |
| 8.2 Credit standby arrangements  |   |  |
| 8.3 Other (please specify)   |   |  |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |

|  |
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|  |
|--|

| <b>9. Estimated cash outflows for next quarter</b> | <b>\$A'000</b>  |
|--|-----------------|
| 9.1 Research and development                       |                 |
| 9.2 Product manufacturing and operating costs      | (1,856)         |
| 9.3 Advertising and marketing                      | (1,804)         |
| 9.4 Leased assets                                  | -               |
| 9.5 Staff costs                                    | (897)           |
| 9.6 Administration and corporate costs             | (1,050)         |
| 9.7 Other (Peak Processing Acquisition)            | (7,850)         |
| <b>9.8 Total estimated cash outflows</b>           | <b>(13,457)</b> |

| <b>10. Acquisitions and disposals of<br/>business entities<br/>(items 2.1(b) and 2.2(b) above)</b> | <b>Acquisitions</b> | <b>Disposals</b> |
|--|---------------------|------------------|
| 10.1 Name of entity  |                     |                  |
| 10.2 Place of incorporation or registration  |                     |                  |
| 10.3 Consideration for acquisition or disposal   |                     |                  |
| 10.4 Total net assets  |                     |                  |
| 10.5 Nature of business  |                     |                  |



**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.

Sign here:  .....

Date: .....16<sup>th</sup> October 2019.....

Print name: .....Robert Meissner.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.