



2019 Annual General Meeting CEO Address

Althea Group Holdings Limited (ASX:AGH) is pleased to provide the following address to be delivered by its CEO Joshua Fegan at the company's 2019 Annual General Meeting to be held in Melbourne today.

On behalf of Althea, I would like to extend a warm welcome to those in attendance at our second AGM, following our first full year as a listed entity.

Althea was established with the goal of supplying high-quality pharmaceutical-grade medicinal cannabis products to eligible patients suffering from debilitating conditions.

I am pleased to report that during the 2019 fiscal year, we made significant progress across all aspects of our operations. The year saw accelerated patient and prescriber growth, expansion into the UK, proposed expansion into Germany, and the obtainment of the full set of licenses required to cultivate, manufacture, import and export cannabis.

Regulatory tailwinds and growing public and medical acceptance mean that medicinal cannabis is on the rise in Australia.

According to recent research by Australian cannabis industry expert FreshLeaf Analytics, the market has overcome early obstacles to patient access and is now entering a rapid growth phase. As at July 2019, FreshLeaf estimated that the addressable market in Australia was up to 500,000 patients but only around 5,000 active patients were having their needs met¹.

In addition, a report from cannabis market consulting firm, Prohibition Partners, indicates that by 2028 Australia will be the leading marketplace in Oceania with a medicinal cannabis industry worth an estimated 11 billion Australian dollars.

I will now provide highlights of our achievements during the fiscal year and outline a number of Althea's activities in FY20.

The company listed successfully on the ASX in September 2018 and, in that same month, launched *Althea Concierge*, a free online platform for patients and healthcare professionals that allows patients and healthcare professionals to connect and provides healthcare professionals with education about the benefits of medicinal cannabis and streamlines the prescription process.

In October 2018, we achieved the first of many patient milestones by reaching 100 patients. At that time, 42 healthcare professionals were prescribing Althea medicinal cannabis products and our in-field team of medical science liaisons provided a 100% approval rate for all TGA applications, a record we maintain to this day.

We were granted licences to manufacture and export medicinal cannabis in November 2018, making us one of the only companies in Australia at that time to have been granted the full suite of licences and giving us the ability to become a fully-fledged global medicinal cannabis company.

We ended 2018 by obtaining our largest shipment of medicinal cannabis inventory to that point, including all five of the products we distribute in Australia. At the time, I noted that our patient growth trajectory was exceeding earlier estimates and that Althea was well placed to achieve its 1,000-patient target sooner than the original goal of November 2019. I am proud to say that my team achieved that milestone five months earlier

¹ Freshleaf Analytics 'Australian Medicinal Cannabis Market Patient, Product and Pricing Analysis Q3 2019'



than anticipated.

Althea kicked off 2019 with news that we had officially expanded into the United Kingdom via our 100% owned UK-based subsidiary, Althea MMJ UK Ltd.

With a population of 66 million people and research suggesting the potential for medicinal cannabis to treat up to 2.9 million patients, we are extremely positive about the significant opportunities in the UK market, and are working hard to advance the early progress made there.

Although we were expanding into the UK, we continued to maintain our focus and growth rates in Australia. Initiatives in Australia included the announcement in February that Althea had signed a product supply and distribution agreement with Cannvalate, which has one of Australia's largest networks of medicinal cannabis prescribing clinics across all states.

At that point, our prescribed patient numbers in Australia had reached 354 from 109 prescribing healthcare professionals.

In May, we launched *Althea Concierge* in the UK. Similar to benefits seen in Australia, the platform is supporting our entry into the UK market by streamlining the prescription process and facilitating patient referrals to Althea specialist prescribers.

Althea also entered a partnership with Drug Science, the UK's only independent scientific committee on drugs.

Continuing Althea's strategy of educating healthcare practitioners, we provided Drug Science with an educational grant, which will allow the non-profit to use our Medical Education in Cannabinoids (MEDIC) portal to educate healthcare professionals about medicinal cannabis.

We ended FY19 by achieving two very important milestones. On June 14th, 2019, we announced that we had achieved the 1,000-patient milestone five months ahead of schedule.

The second major milestone concerned our UK expansion. On June 25th, 2019, we announced that Althea had been selected to supply, on commercial terms, a range of products for Drug Science's Project TWENTY21, which aims to enrol 20,000 UK patients by the end of 2021.

The strong momentum we gathered across FY19 has continued into FY20.

In July, we entered an agreement to acquire Canadian extraction and contract manufacturing company Peak Processing Solutions, which was founded by four former senior personnel from one of the world's largest cannabis companies.

Peak is a business set up to operate under new Canadian regulations which came into effect in October 2019. The new regulations allow for the distribution and sale of cannabis-infused products, including edibles, topicals, beverages and nutraceuticals.

We believe that Peak is well-positioned to become a leading contract manufacturer for consumer brands looking to launch recreational cannabis and cannabidiol wellness products and see the potential for Peak's product delivery systems to be used in our medicinal cannabis products globally.

In support of the acquisition, Althea received commitments in a heavily oversubscribed \$30 million-dollar capital raising from new and existing institutional shareholders to fund the Peak acquisition and further strategic growth initiatives.

We also received a UK import licence in July allowing the first shipment of medicinal cannabis products from Australia. Accompanying this, we launched MyAccess Clinics in London, one of the UK's first cannabis referral clinics. Since then, MyAccess Clinics' Bristol site has received a licence from the Care Quality Commission (CQC),



the independent regulator of health and social care in England. Our Bristol clinic is only the second medicinal cannabis clinic in the UK to receive a licence which also allows for domiciliary care, meaning MyAccess Clinics prescribers are now available for home care services.

In the same month, Althea successfully exported the first shipment of our medicinal cannabis products into the UK. In yet another major milestone, the first patient prescribed Althea's medicinal cannabis in the UK received their medication on July 31st, 2019.

Althea is replicating its highly successful Australia-born strategy in the UK by simplifying patient access to medicinal cannabis and using a combination of in-field representatives and our proprietary *Althea Concierge* technology platform to encourage uptake.

We are also looking at expanding further into Europe. At the start of this month, we announced our intention to enter the German market via a memorandum of understanding with German pharmaceutical wholesaler nimbus health GmbH (**Nimbus**).

Nimbus is an independent and global pharmaceutical wholesaler specialising in the distribution and import of medicinal cannabis products. Nimbus is a wholesale pharmaceutical licence holder and has approximately a quarter of the medicinal cannabis market share in Germany.

With a population of 82.3 million and a favourable regulatory environment, Germany's medicinal cannabis market is expected to be one of the largest in Europe. The German market is unique in that health insurers typically cover the entire fee for medicinal cannabis meaning no cost to patients, with current approval rates from health insurance providers upwards of 70%. We believe that the partnership with Nimbus is a low risk and high reward strategy for us, as Nimbus has an existing and reputable sales distribution channel in Germany.

Last week, Nimbus lodged an import application for Althea products with the German authorities.

The strong growth trajectory of Althea's Australian patient numbers continues. As of 15th November, this year, 3,031 patients were prescribed Althea medicinal cannabis products by 375 healthcare professionals. To put that achievement into perspective, only 159 patients had been prescribed Althea products at the same time last year.

Althea's immediate focus remains on rapidly building our prescriber base, which will ultimately increase the number of patients who are prescribed Althea medicinal cannabis worldwide.

Funds from the recent capital raising, combined with revenue which significantly offsets operational expenditure, mean that Althea is well-funded to continue pursuing initiatives that add value for our shareholders. Our goals for next year include reaching 10,000 patients in Australia, adding new products to our portfolio like we have just done with Althea CBD100 and continuing our expansion into the UK and Germany.

I would like to thank our shareholders, Althea's board of directors and the medical community, for your ongoing support of our growing business.

On behalf of the management team of Althea, I thank you for your ongoing support.

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