



ASX Announcement | 29 January 2021
Althea Group Holdings (ASX:AGH)

Quarterly Results and Review of Operations for the period ending 31 December 2020

Althea achieves 29% quarterly growth amid record sales

Investment Highlights:

- Unaudited record revenue for the Quarter of \$2,721,164 – a 29% increase from the previous September quarter
- UK revenue grew by 168% for the Quarter with sales exceeding \$400,000
- Germany's health department (BfArM) granted all necessary licences for the sale and distribution of Althea products in Germany
- Wholesale supply agreement to import a range of Althea branded finished products for sale and distribution in South Africa, with initial term of the agreement representing approximately \$650,000 in forecasted revenue for the Company
- Althea subsidiary Peak Processing Solutions entered an agreement with The Tinley Beverage Company (CSE:TNY) for the manufacture and distribution of three non-alcoholic cannabis-infused beverages into the Canadian adult use cannabis market
- Capital raise via \$6.0m placement to institutional, sophisticated and professional investors and an oversubscribed Share Purchase Plan for \$3.78m to support further growth

29 January 2021: **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 31 December 2020 ('Quarter', 'Reporting Period').

Financial update for the December quarter

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

- Althea reported unaudited revenue of \$2,721,164 for the Quarter - a 29% increase from the September 2020 quarter revenues
- Cash receipts for the Quarter of \$2,622,863 – a 27% increase from the September 2020 quarter
- The number of Healthcare Professionals (HCPs) that have prescribed Althea's medicinal cannabis products increased to 834, up 32% on the prior quarter.

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Operational update for the December quarter

Australia

During the Reporting Period, Althea continued to grow product sales with unaudited revenue for the December Quarter of \$2,721,164 – a 29% increase from the previous September 2020 quarter.

During the Quarter, the Therapeutic Goods Administration issued its decision to down-schedule low dose CBD from Schedule 4 (Prescription only) to Schedule 3 (Pharmacist Only Medicines), meaning that patients will not need a doctor's prescription to access a low dose CBD product. This new medicinal cannabis product channel will create a significant opportunity for Althea.

The TGA have advised that products will need to be registered via the formal regulatory pathway for assessment of safety and efficacy data to support the proposed dose and indication. Further information regarding the regulatory application is still being confirmed by the TGA. Althea is exploring registration options for current and future products.

United Kingdom

During the Reporting Period, the Company continued to grow the UK business with record revenue of \$206,706 realised in December 2020, a 90% month on month increase.

MyAccess Clinics continues to add new patients at a healthy rate, with follow up appointments generating good repeat business. Appointment capacity continues to increase as more specialists come into the business and operational efficiencies are reached.

In December 2020, the Company announced that it had entered an agreement with Lyphe Group Limited for the supply and distribution of Althea products in the United Kingdom and Jersey. Under the agreement, Lyphe Group will have non-exclusive rights to distribute Althea's range of products in the United Kingdom, which will be available through The Medical Cannabis Clinics and dispensed through Lyphe Group owned pharmacy, Dispensary Green.

Germany

During the Quarter, Germany's health department (BfArM) granted all necessary licences for the sale and distribution of Althea products in Germany. A comprehensive sales and marketing program, incorporating Althea Concierge™, is in the final stages of planning and development with customer interactions due to commence shortly.

An initial shipment of Althea products is en route to Germany.

South Africa

During December 2020, Althea's wholly-owned subsidiary, Althea Company Pty Ltd, signed a wholesale supply agreement with MG Biotech Ventures (Pty) Ltd and AfriCann (Pty) Ltd (collectively, 'AfriCann'). Under the wholesale supply agreement, and following receipt of all required licences and permits, AfriCann will import a range of Althea branded finished products for sale and distribution within South Africa, with the agreement representing a revenue forecast amount of approximately \$650,000 for the Company over the initial term of 2.5 years.

Althea's first shipment of products is expected to be delivered in Q2 2021, with the agreement creating a significant opportunity for Althea given that the South African legal medicinal cannabis industry is estimated to be worth approximately USD\$667 million by 2023.

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Canada – Peak Processing Solutions

Althea subsidiary Peak Processing Solutions entered an agreement with The Tinley Beverage Company (CSE:TNY) for the manufacture and distribution of three non-alcoholic cannabis-infused beverages into the Canadian adult use cannabis market, being Tinley's™ '27 elixirs, Coconut Cask, Cinnamon Cask and Almond Cask. Under the agreement, Peak holds exclusivity for the manufacture and distribution of the above three Tinley's products in Canada until Tinley's meets established minimum quantities. An initial order representing more than CAD \$100,000 in revenue for Peak is planned for delivery in Q1 2021, with strong consumer demand expected to result in similar monthly orders. The agreement is for an initial 3-year period.

During the Reporting Period, Peak also entered into a Licence Agreement with Canadian-based Earth Kisses Sky to produce two customer branded topical products, with 150,000 units (75,000 of each) expected to be purchased in year one. Production under this agreement commenced in November 2020.

Also, in November 2020, Peak entered a Manufacturing and Distribution Services Agreement with Canadian high growth cannabis beverage start-up, Electric Brands, to produce two canned beverage SKUs. Electric Brands, a company founded by ex-Coca Cola Canada and Canopy Growth executives, aims to develop global, iconic cannabis infused beverages for the burgeoning Canadian adult use cannabis market.

Peak has now signed contracts with a total forecasted revenue of up to CAD\$4.65m over the next 12 months.

Strong balance sheet with increasing sales

Althea's healthy balance sheet was bolstered further during December 2020 when the Company announced the completion of a \$6M placement to institutional, sophisticated, and professional investors. The Company remains fully funded and in a strong financial position to meet its current and future financial obligations across its global operations with approximately \$8.96 million cash on hand as at 31 December 2020.

In January 2021, the Company announced the completion of its oversubscribed Share Purchase Plan (SPP), providing an additional \$3.78m in funding and not included in the chart below, which summarises cash outflows in the December quarter.



Chart 3: Bridging chart for quarter ended 31 December 2020 ('000)



During the quarter, the following expenses were incurred over and above the general operational expenses from prior quarters:

- Finished goods inventory – Althea is required to purchase stock in advance to continuously supply the growing number of patients who rely on its products
- One off expenses – The Company incurred approximately \$632,000 worth of expenses in the December quarter that were either one off expenses or annual payments, such as the Company’s global insurance premium
- CAPEX – Althea concluded its investment in the Peak Processing facility, with a final payment of approximately \$760,000 rolling over from the previous quarter. The state-of-the-art Canadian based cannabis processing facility was completed in line with the original budget communicated at the time of the Peak acquisition and capital raising.

In item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of \$348,919 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 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

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Appendix 4C

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

Name of entity

Althea Group Holdings Limited

ABN

786 269 669 43

Quarter ended ("current quarter")

31 December 2021

| 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 | 2,623 | 4,696 |
| 1.2 Payments for | | |
| (a) research and development | (19) | (49) |
| (b) product manufacturing and operating costs | (1,771) | (2,960) |
| (c) advertising and marketing | (222) | (477) |
| (d) leased assets | (136) | (156) |
| (e) staff costs | (2,796) | (4,851) |
| (f) administration and corporate costs | (1,276) | (2,089) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 2 | 5 |
| 1.5 Interest and other costs of finance paid | (6) | (7) |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | 794 | 890 |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (2,807) | (4,685) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | | |
| (b) businesses | | |
| (c) property, plant and equipment | (771) | (1,927) |
| (d) investments | | |
| (e) intellectual property | (71) | (425) |
| (f) other non-current assets | | |

| 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 | (842) | (2,352) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 6,000 | 6,000 |
| 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 | (333) | (333) |
| 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 | 5,667 | 5,667 |

| | | |
|---|---------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 6,985 | 10,397 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (2,807) | (4,685) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (842) | (2,352) |

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

| 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) | 5,667 | 5,667 |
| 4.5 | Effect of movement in exchange rates on cash held | (36) | (60) |
| 4.6 | Cash and cash equivalents at end of period | 8,967 | 8,967 |

| 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 | 8,642 | 6,677 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | 325 | 308 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 8,967 | 6,985 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

348

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

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

| Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|-------------------------------------|
| | |
| | |
| | |
| | |

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) | (2,807) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 8,967 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 8,967 |
| 8.5 | Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 3.19 |

- 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

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: 29 January 2021

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.