

ASX Announcement | 10 July 2023
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 30 June 2023

*AGH achieves record quarter with \$9.5 million in receipts from customers,
\$33 million for FY2023 – up 51% on previous year*

Financial Highlights:

Group

- AGH achieved \$33 million in receipts from customers for FY2023 – an increase of 51% from the previous year
- AGH also achieved another record quarter with \$9.5 million in receipts from customers for the quarter ending 30 June 2023 – an increase of 44% from the previous corresponding period
- Net cash used in operating activities decreased by 78% during the Quarter, down to an all-time low of \$368,000, a result of increased sales and continuing strict financial controls
- The Company remains fully funded with \$4.3 million cash on hand at the end of the Quarter and anticipates reporting a positive cash flow result for the September 2023 quarter

Division

- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('Peak'), achieved a record \$6 million in receipts from customers for the Reporting Period
- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, ('Althea'), achieved \$3.5 million in receipts from customers for the Quarter

10 July 2023: **Althea Group Holdings Limited (ASX:AGH) ('AGH', or 'the Company')**, a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products, is pleased to present its Appendix 4C cash flow statement and operational update for the quarter ended 30 June 2023 ('Quarter', 'Reporting Period').

Financial update for the Quarter

AGH achieved \$33 million in receipts from customers for FY2023 – an increase of 51% from the previous year. The Company also achieved another record quarter with \$9.5 million in receipts from customers for the quarter ending 30 June 2023 – an increase of 44% from the previous corresponding period.

Net cash used in operating activities for the Reporting Period was an all time-low \$368,000, down from \$1.63 million in the prior quarter, a result of increased sales and continuing strict financial controls.

The Company remains fully funded with \$4.3 million cash on hand at the end of the Quarter and anticipates reporting a positive cash flow result for the September 2023 quarter.

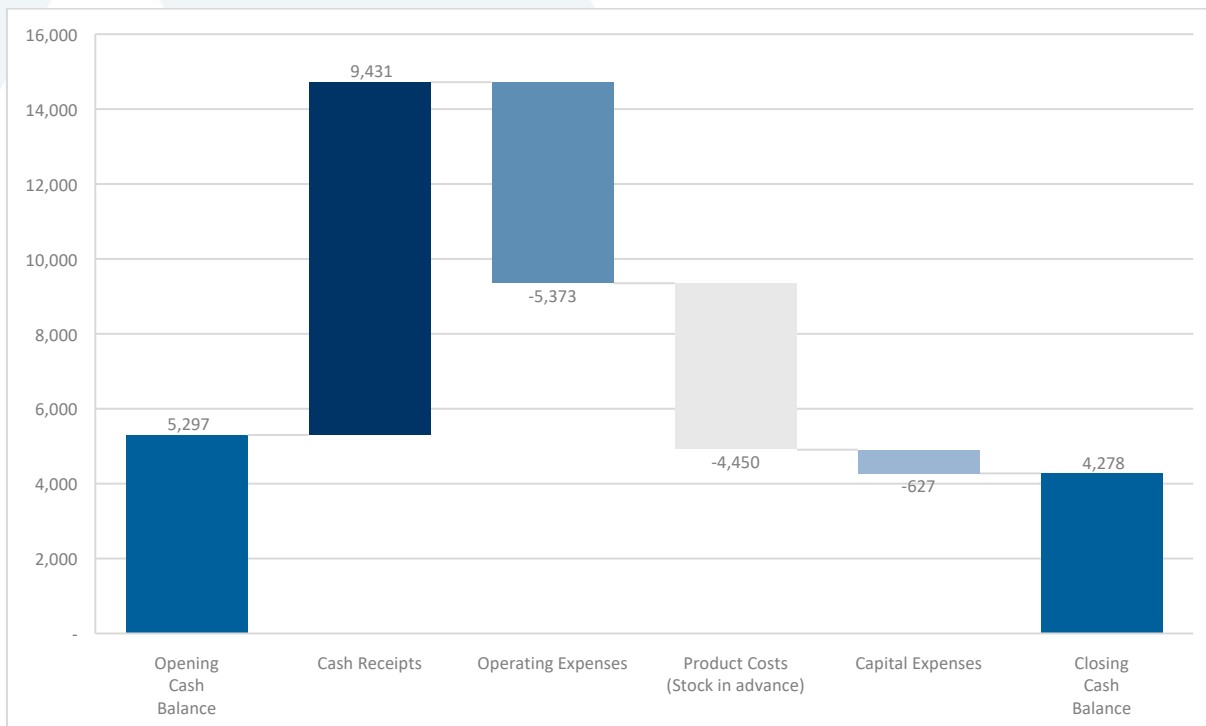


Further highlights for the Quarter include:

- Peak achieved \$19.23 million in receipts from customers for FY2023 – an increase of \$8.43 million over the previous year
- Peak achieved \$6 million in receipts from customers for the Reporting Period - an increase of \$2.4 million from the previous corresponding period
- Althea achieved \$13.87 million in receipts from customers for FY2023 – an increase of \$2.67 million over the previous year
- Althea achieved \$3.5 million in receipts from customers for the Reporting Period – an increase of \$600,000 from the previous corresponding period

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

Chart 1: Bridging chart for quarter ended 30 June 2023 ('000)



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

Product Costs (Stock in advance) –

- The Company invests in the forward purchasing of stock at a level consistent with its customer growth rates, with our suppliers requiring up to 6 months lead time

Closing Cash Balance –

- AGH remains fully funded with \$4.3 million of cash on hand at the end of the Quarter

Capital Expenses -



- \$616,000 was invested in capital improvements by Peak to support the previously announced supply agreement with the Boston Beer Company (ASX announcement 1 September 2021)

Operational update for the Quarter

Recreational cannabis - Peak Processing Solutions

Peak achieved a record \$6 million in receipts from customers for the Reporting Period, culminating in \$19.23 million for FY2023, which is an increase of \$8.43 million over the previous year.

Peak received 14 new Ontario Cannabis Store (OCS) listings during the Reporting Period, including for Canada's first cannabis-infused wine. Please see further product details below.

- Snap Back Blackberry Blast 355 ml Soda
- Snap Back 3 Pack 3 x 1.0 g Infused Pre-Rolls
- Snap Back Blood Orange Cream 1.0 g All-in-One
- Safety Meeting Punch In / Punch Out 2 x 0.7 g Pre-Roll
- Safety Meeting Punch In 14 g Whole Flower
- Safety Meeting Punch Out 14 g Whole Flower
- AMBR Purple Drank 355 ml Soda
- Ray's 355 ml Pineapple Lemonade
- RICCI cannabis Dolce Rd "Wine" 500ml
- Yandi Fresh Spiced Apple Cider 355 ml Beverage
- Fauna Three Sisters Ingestible Oil
- Fauna Deep Forest Bath Salts
- Fauna Three Sisters Bath Bombs
- Fauna Three Sisters Relief Cream

The OCS is the largest provincial distributor of adult-use cannabis products in Canada and can be used as a barometer for the rest of the provinces in terms of consumer trends and demand. Successful OCS listings are a strong indicator of successful listings in other Canadian provinces.

In addition to the healthy number of new listings, the spread across multiple product categories is very encouraging. Launching more mainstream products like pre-rolls and vapes is a significant development for Peak, as the business continues its evolution into a 'one-stop-shop' for all adult-use cannabis product development and manufacturing.

Pharmaceutical cannabis - Althea

Althea achieved \$3.5 million in receipts from customers for the Reporting Period, culminating in \$13.87 million for FY2023 – an increase of \$600,000 over the previous year.

During the Reporting Period, the Company announced (11 May 2023) that Althea CBD10:THC5 had been prescribed and reimbursed for UK patients, with chronic persistent pain, in the UK public health system (National Health Service).

UK receipts from customers for the Quarter totalled \$797,000, an increase of \$231,000 (or 41%) from the previous quarter.



The Company's Australian operations faced significant supply chain disruptions during the Reporting Period ahead of new regulations being introduced by the Therapeutic Goods Administration (TGA), which came into effect on July 1st 2023.

Announced by the TGA in 2022 and providing less than 15 months lead time, the new regulations relating to product conformity resulted in the Company having to review and pivot many aspects of its supply chain, including but not limited to product specifications, packaging and labelling.

Whilst Althea and its commercial partners were able to facilitate the new requirements for sale and distribution of medicinal cannabis products in Australia, as part of the transition, the Company experienced multiple delays which resulted in several high-selling SKU's being out of stock during the Reporting Period.

It is estimated that the stock outages resulted in a loss of sales of approximately \$3.2 million. The Australian sales team have a solid strategy in place to regain lost sales in the first half of the new financial year.

The Company considers the wholesale changes required of the Australian supply chain to be a 'one off' event, and product supply to the market is now back to normal.

The Company would like to take this opportunity to apologise to stakeholders for any inconvenience caused by the stock outages. Althea takes its obligations to patients and doctors extremely seriously and have implemented significant improvements within the business to ensure continuity of supply moving forward.

AGH CEO, Joshua Fegan said: "If not for stock outages in the Australian market resulting from the response required to conform with changes to the TGO93 effective from July 1st, 2023, the Reporting Period would have been our first cash flow positive quarter. Notwithstanding these disruptions, the Company still reduced net cash outflow by \$1.27 million, a result of increasing sales in our adult-use cannabis business (Peak), increased Althea sales in the UK, and our organisation wide cost rationalisation program implemented some months ago. AGH anticipates recording a positive cash flow result for the September quarter (FY24 Q1) and to continue improving its financial results into future quarters."

In item 6 of the Appendix 4C cash flow report for the Quarter, payments to Related Parties of \$201,000 comprised of salary paid to the Chief Executive Officer 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 ('AGH') is a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products. AGH services these sectors via two distinct business units. Althea, the company's pharmaceutical business, offers a comprehensive range of cannabis-based medicines which are made available to patients via prescription. Peak Processing Solutions, AGH's recreational cannabis business, produces legal cannabis products purchased by adult consumers in retail stores.

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

To learn more about Althea Group Holdings, please visit: www.altheagroupholdings.com

For more information on Peak, please visit: www.peakprocessing.com

For more information on Althea, please visit: www.althea.life



Appendix 4C

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

Name of entity

Althea Group Holdings Limited

ABN

78 626 966 943

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,431	33,100
1.2 Payments for		
(a) research and development		(10)
(b) product manufacturing and operating costs	(4,450)	(18,003)
(c) advertising and marketing	(148)	(829)
(d) leased assets	(137)	(475)
(e) staff costs	(3,712)	(14,749)
(f) administration and corporate costs	(1,352)	(6,281)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	39
1.5 Interest and other costs of finance paid	(10)	(61)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		370
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(368)	(6,899)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(627)	(1,290)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(627)	(1,290)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		2,193
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		(110)
3.5 Proceeds from borrowings		4,155
3.6 Repayment of borrowings	(91)	(160)
3.7 Transaction costs related to loans and borrowings	(25)	(277)
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(116)	5,801

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,297	6,569
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(368)	(6,899)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(627)	(1,290)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(116)	5,801
4.5	Effect of movement in exchange rates on cash held	92	97
4.6	Cash and cash equivalents at end of period	4,278	4,278

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	3,811	4,885
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	466	412
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,278	5,297

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	(201)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
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)	(368)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,278
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	4,278
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	11.6
<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:	
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:	
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:	
<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: 10 June 2023

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.