Althea Group Holdings

Half-year Financial Report

2024

For the period ended - 31 December 2023

Althea Group Holdings Limited and Controlled Entities

ABN 78 626 966 943

Lodged with the ASX under Listing Rule 4.2A

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Appendix 4D

1. COMPANY DETAILS

Name of entity: Althea Group Holdings Limited

ABN: 78 626 966 943

Reporting period: For the half-year ended 31 December 2023

Previous period: For the half-year ended 31 December 2022

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenues from ordinary activities	up	30.3%	to	15,390
Loss from ordinary activities after tax attributable to the owners of Althea Group Holdings Limited	up	77.7%	to	(16,629)
Loss for the half-year attributable to the owners of Althea Group Holdings Limited	up	77.7%	to	(16,629)

Comments

The loss for the consolidated entity after providing for income tax amounted to $16,629,000 (31 December 2022: $9,360,000).

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.43	2.93

Appendix 4D (continued)

4. LOSS OF CONTROL OVER ENTITIES

Not applicable.

5. DIVIDENDS

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

6. DIVIDEND REINVESTMENT PLANS

Not applicable.

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

8. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

International Financial Reporting Standards (IFRS).

9. AUDIT QUALIFICATION OR REVIEW

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. A material uncertainty related to going concern is included in the auditor's review report, however the auditor's opinion is not modified with respect to this matter.

10. ATTACHMENTS

Details of attachments (if any):

The Interim Report of Althea Group Holdings Limited for the half-year ended 31 December 2023 is attached.

11. SIGNED

Signed

Andrew Newbold
Chairman

Date: 29 February 2024

General information

The financial statements cover Althea Group Holdings Limited as a consolidated entity consisting of Althea Group Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Althea Group Holdings Limited's functional and presentation currency.

Althea Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Suite 2, Level 50, 360 Elizabeth Street, Melbourne, VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 February 2024.

Corporate Directory

Directors	Andrew Newbold (Chairman and Independent Non-Executive Director) Joshua Fegan (Chief Executive Officer and Managing Director) Alan Boyd (Independent Non-Executive Director) Penelope Dobson (Independent Non-Executive Director)
Company secretary	Robert Meissner
Registered office	Suite 2, Level 50 360 Elizabeth Street, Melbourne, VIC 3000
Principal place of business	Suite 2, Level 50 360 Elizabeth Street, Melbourne, VIC 3000
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067 1300 787 272
Auditor	RSM Australia Partners Level 27, 120 Collins Street, Melbourne VIC 3000
Solicitor	DLA Piper Australia 80 Collins Street, Melbourne, VIC, 3000
Stock exchange listing	Althea Group Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: AGH)
Website	www.altheagroupholdings.com

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CEO letter

CEO letter

Dear Shareholder,

Dear Shareholder, it is my pleasure to present to you Althea Group Holdings Limited's interim report for the half- year ended 31 December 2023.

HALF-YEAR HIGHLIGHTS

ASX ANNOUNCEMENTS	Release date
Peak signs contract manufacturing agreement with Tweed Inc	21 July 2023
Althea CBD12:THC10 approved for reimbursement in Ireland	24 July 2023
Peak signs contract extension with Electric Brands Inc	10 August 2023
Althea THC20:CBD1 approved for reimbursement in Ireland	26 October 2023
AGH completes AUD $5.32m sale and leaseback	20 November 2023

INTRODUCTION

Althea Group Holdings Limited (AGH, the Group or the Company) continues to drive innovation in the emerging global cannabis industry.

The Company is strategically positioned in the manufacturing, sales and distribution of premium quality recreational cannabis products and cannabis-based medicines, operating three separate and distinct strategic business units: Althea, MyAccess Clinics and Peak Processing Solutions.

Althea and MyAccess Clinics service the international pharmaceutical cannabis market, whilst Peak Processing Solutions operates in the federally legal Canadian recreational cannabis market.

AGH is uniquely positioned, offering shareholders a strong leadership position in both pharmaceutical and recreational cannabis markets.

CONSOLIDATED GROUP RESULTS

The half-year ended 31 December 2023 was another record period for the Company, achieving sales growth over the corresponding reporting period (being the half-year ended 31 December 2022), as well as sales growth over the previous six-month period to 30 June 2023.

Highlights from the first half of the financial year ending 30 June 2024 (FY24) include:

- The Group achieved revenue of $15,390,000 an increase of $3,580,000 (30.3%) from the previous corresponding period.
- Operating cash receipts from customers totalled $17,351,000, an increase of $2,463,000 (17%) from the previous corresponding period.
- Net cash used in operating activities totalled $1,882,000, a decrease of $3,495,000 (65%) from the previous corresponding period.
- The average Gross Profit Margin across the Group increased to 54%, up from 49% in the previous corresponding period.
- The Group successfully completed a sale and leaseback of the Company's Canadian facility. The proceeds from the sale and leaseback allowed the consolidated entity to repay in full its borrowings of AUD $3,879,000 as reported in its 30 June 2023 annual report.

PHARMACEUTICAL CANNABIS – ALTHEA

Althea is a brand of cannabis-based medicine, currently sold and distributed in Australia, the United Kingdom, Germany and Ireland.

Althea achieved sales revenue of $10,115,000 in the first half of FY24, an increase of $2,877,000 (39.7%) from the previous corresponding period, and reported an EBITDA positive result of $176,000 for the first half of FY24.

Australia

In the first half of FY24, Althea experienced a remarkable surge in revenue from its Australian customers, reaching a historic high of $7,392,000, marking a substantial 16.5% increase from the previous corresponding period. The primary driver behind this impressive growth was the overwhelming demand for cannabis extracts, where Althea firmly holds the dominant market share in Australia.

United Kingdom

Throughout the reporting period, Althea witnessed significant growth in revenue from its UK customer base, reaching a noteworthy $2,409,000, marking an impressive increase of $1,454,000 compared to the previous corresponding period.

Republic of Ireland

During the period Althea received reimbursement approval for Althea CBD12:THC10 and THC20:CBD1, and both products have also been approved by the Health Products Regulatory Authority (HPRA) for sale and distribution in Ireland. Althea is the only supplier with multiple cannabis oils approved for reimbursement in Ireland.

As of November 2023, MyAccess Clinics' Healthcare Professionals are now available to consult with Irish patients, with prescriptions fulfilled electronically and medicines delivered by mail.

The Irish expansion will utilise existing infrastructure and does not require any additional capital expenditure.

New Product Development

Subsequent to the reporting period (February 2024), Althea launched two new products, Althea CBD3:THC2, a balanced soft gel capsule, and Althea THC10, a THC-dominant soft gel capsule. Althea anticipates a positive uptake of the balanced and THC-dominant soft gel capsules following the successful launch of Althea CBD25 soft gel capsules.

Additionally, Althea is currently developing a widened range of exclusive cannabis dried flower products, expected to launch in the second half of FY24.

New product development remains critical to sustaining market leadership in a competitive and dynamic industry.

MYACCESS CLINICS

MyAccess Clinics are private health clinics operating in the UK and Ireland, specialising in treatment with cannabis-based medicines, delivering predictable and recurring sales of Althea products.

The business contributed meaningfully to UK sales in the first half of FY24. The business model requires minimal working capital, and the Company has expanded MyAccess Clinics further into Europe, with Ireland patient consultations commencing in FY24.

RECREATIONAL CANNABIS – PEAK PROCESSING SOLUTIONS

The Company's Canadian-based recreational cannabis business, Peak Processing Solutions (Peak), is a contract development and manufacturing organisation which works with consumer-packaged goods companies to develop, manufacture, and distribute recreational cannabis products, which are ultimately purchased by adult consumers in licensed retail stores.

Peak achieved sales revenue of $4,945,000 in the first half of FY24, an increase of 11.5% from the previous corresponding period. This was achieved despite a shutdown of the beverage production line in July 2023 for planned capital improvements to support the previously announced supply agreement with the Boston Beer Company (ASX announcement 1 September 2021) and other beverage customers, via the installation of its world-class tunnel pasteuriser.

The strategic investment of approximately CAD$1,000,000 ensures that Peak's cannabis-infused beverage offerings are not only more diverse, but also maintain the highest of quality standards. Cannabis-infused beverages are a rapidly growing product category within the Canadian recreational cannabis market, which is expected to experience significant growth in the coming years.

According to projections, the revenue in this market is set to reach AUD$7.21 billion in 2024. Furthermore, a promising annual market growth rate of 14.12% (CAGR 2024-2028) is anticipated, which will result in a market volume of AUD$12.23 billion by 2028.[1]

The Canadian adult-use cannabis industry has been challenging in its formative

1.https://www.statista.com/outlook/hmo/cannabis/canada?currency=AUD years with intense competition leading to price compression and more recently, consolidation. Peak's growth aspirations were deferred in the face of this market volatility, where competitors resorted to unsustainable discounting strategies.

Peak's direct competitor numbers have reduced significantly, with many suppliers moving to a 3rd party procurement model, as opposed to the vertical integration model preferred and adopted by Peak.

Peak is emerging as one of the industry's leading recreational cannabis contract development and manufacturing organisations and is well positioned to benefit from future market growth.

CONCLUSION

Althea Group Holdings Limited is well placed for a successful second half of FY24 and is determined to provide exceptional value for shareholders as its operations, revenue and margins continue to improve.

I would like to take this opportunity to thank all AGH employees for their continued dedication and contributions towards our goals and objectives, whilst also thanking shareholders for their continuing support, as we work towards building out one of the world's leading cannabis companies.

Yours sincerely,

Joshua Fegan

Althea Group Holdings Ltd CEO

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Directors' report

Directors' report

03

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Althea Group Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

DIRECTORS

The following persons were Directors of Althea Group Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- Andrew Newbold
- Joshua Fegan
- Alan Boyd
- Penelope Dobson

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the period were the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products. The parent entity services these sectors via two distinct business units:

- Althea, the company's pharmaceutical business, which offers a comprehensive range of cannabis-based medicines which are made available to patients via prescription.
- Peak Processing Solutions, the parent entity's recreational cannabis business, which produces legal cannabis products purchased by adult consumers in retail stores.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half-year.

REVIEW OF OPERATIONS

During the period, the consolidated entity generated revenue of $15,390,000 (31 December 2022: $11,810,000). The consolidated entity's loss for the period amounted to $16,629,000 (31 December 2022: $9,360,000).

Recorded in the loss for the period is a non-cash impairment adjustment to the consolidated entity's goodwill balance of $7,628,000. Excluding this non-cash movement, the consolidated entity's loss for the period amounted to $9,001,000, which represents a 4% improvement from the previous corresponding period.

Key achievements by the consolidated entity during the period are as follows:

- Net cash used in operating activities totalled $1,882,000, a decrease of $3,495,000 (65%) from the previous corresponding period. Operating cash receipts from customers totalled $17,351,000, an increase of $2,463,000

(17%) from the previous corresponding period.

- The average gross profit margin across the consolidated entity increased to 54%, up from 49% in the previous corresponding period.
- The consolidated entity successfully completed a sale and leaseback of its Canadian facility. The proceeds from the sale and leaseback allowed the consolidated entity to repay in full its borrowings of AUD $3,879,000 as reported in its 30 June 2023 annual report.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the interim report after consideration of the factors listed in Note 1. Going Concern.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On 2 February 2024, the company secured a loan facility of AUD $1,000,000. The loan has a nine month term, repayable in full on 2 November 2024, with 13% interest payable per annum.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

ROUNDING OF AMOUNTS

The company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Andrew Newbold
Chairman

29 February 2024

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Auditor's independence declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Althea Group Holdings Limited for the half year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

A L Whittingham

A L WHITTINGHAM
Partner

Date: 29 February 2024
Melbourne, Victoria

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Interim financial report

Consolidated statement of profit or loss and other comprehensive income

		Consolidated	
REVENUE	**Note**	**31 December 2023 $'000**	**31 December 2022 $'000**
Revenue	3	15,390	11,810
Cost of goods sold		(7,119)	(6,043)
Gross profit		8,271	5,767
Interest income	2	6	16
EXPENSES			
Employee benefits expense	4	(6,864)	(7,263)
Depreciation and amortisation expense	4	(1,128)	(1,430)
General and administrative expenses	4	(2,485)	(1,943)
Distribution expenses		(1,790)	(1,377)
Marketing expenses		(833)	(580)
Professional services	4	(1,279)	(1,309)
Finance costs	4	(758)	(177)
Foreign exchange (loss)/gain	4	(1,540)	(1,064)
Loss on disposal of assets	4	(601)	-
Impairment of Goodwill	7	(7,628)	-
Total expenses		**(24,906)**	**(15,143)**
Loss before income tax expense		(16,629)	(9,360)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Althea Group Holdings Limited		**(16,629)**	**(9,360)**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,170	618
Other comprehensive income/(loss) for the half-year, net of tax		1,170	618
Total comprehensive loss for the half-year attributable to the owners of Althea Group Holdings Limited		**(15,459)**	**(8,742)**
		Cents	**Cents**
Basic loss per share	17	(4.71)	(2.80)
Diluted loss per share	17	(4.71)	(2.80)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position

		Consolidated	
ASSETS	**Note**	**31 December 2023 $'000**	**30 June 2023 $'000**
Current assets			
Cash and cash equivalents		2,260	3,874
Trade and other receivables		3,568	4,129
Inventories		6,324	6,201
Other		1,997	1,513
Total current assets		**14,149**	**15,717**
Non-current assets			
Other financial assets		638	416
Property, plant and equipment	5	4,027	12,646
Right-of-use assets	6	8,471	921
Intangibles	7	10,747	18,640
Total non-current assets		**23,883**	**32,623**
Total assets		**38,032**	**48,340**
LIABILITIES			
Current liabilities			
Trade and other payables	8	13,927	10,696
Contract liabilities	9	807	1,658
Borrowings	10	-	3,879
Lease liabilities		315	186
Provisions		346	483
Other		578	18
Total current liabilities		**15,973**	**16,920**
Non-current liabilities			
Contract liabilities	11	1,200	557
Lease liabilities		5,457	787
Provisions		157	155
Other		74	152
Total non-current liabilities		**6,888**	**1,651**
Total liabilities		**22,861**	**18,571**
Net assets		**15,171**	**29,769**
EQUITY			
Issued capital	12	86,151	85,340
Reserves	13	2,389	1,180
Accumulated losses	14	(73,369)	(56,751)
Total equity		**15,171**	**29,769**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

CONSOLIDATED	Issued capital $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Deferred consideration reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	82,044	2,824	59	-	(43,477)	41,450
Loss after income tax expense for the half-year	-	-	-	-	(9,360)	(9,360)
Other comprehensive gain for the half-year, net of tax	-	-	618	-	-	618
Total comprehensive income/ (loss) for the half-year	**-**	**-**	**618**	**-**	**(9,360)**	**(8,742)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	2,001	-	-	-	-	2,001
Employee share issue, net of transaction costs	945	-	-	-	-	945
Share-based payments reclassified during the period	-	(60)	-	-	128	68
Share-based payments expensed during the period, relating to existing performance rights	-	(90)	-	-	-	(90)
Balance at 31 December 2022	**84,990**	**2,674**	**677**	**-**	**(52,709)**	**35,632**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity (continued)

CONSOLIDATED	Issued capital $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Deferred consideration reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2023	85,340	2,597	(1,417)	-	(56,751)	29,769
Loss after income tax expense for the half-year	-	-	-	-	(16,629)	(16,629)
Other comprehensive loss for the half-year, net of tax	-	-	1,170	-	-	1,170
Total comprehensive income/ (loss) for the half-year	**-**	**-**	**1,170**	**-**	**(16,629)**	**(15,459)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 12)	132	-	-	-	-	132
Share capital issued under conversion notice, net of transaction costs (note 12)	679	-	-	-	-	679
Share-based payments expensed during the period, relating to existing performance rights	-	43	-	-	-	43
Performance rights forfeited on termination	-	(4)	-	-	11	7
Balance at 31 December 2023	**86,151**	**2,636**	**(247)**	**-**	**(73,369)**	**15,171**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

		Consolidated	
CASH FLOWS FROM OPERATING ACTIVITIES	Note	31 December 2023 $'000	31 December 2022 $'000
Receipts from customers (inclusive of GST)		17,351	14,888
Payments to suppliers and employees (inclusive of GST)		(19,030)	(20,104)
Interest received		6	16
Interest paid		(209)	(177)
Net cash used in operating activities	16	**(1,882)**	**(5,377)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(123)	(184)
Payments for intangibles		-	(18)
Net proceeds from disposal of property, plant and equipment		2,729	-
Net cash from/(used in) investing activities		**2,606**	**(202)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs	12	126	1,977
Repayment of borrowings		(1,895)	(23)
Repayment of lease liabilities		(178)	(68)
Payment of bank guarantee		(360)	(35)
Net cash from/(used in) financing activities		**(2,307)**	**1,851**
Net decrease in cash and cash equivalents		(1,583)	(3,728)
Cash and cash equivalents at the beginning of the financial half-year		3,874	6,205
Effects of exchange rate changes on cash and cash equivalents		(31)	618
Cash and cash equivalents at the end of the financial half-year		**2,260**	**3,095**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the consolidated financial statements

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard *AASB 134 'Interim Financial Reporting'* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with *AASB 134* ensures compliance with International Financial Reporting Standard *IAS 34 'Interim Financial Reporting'*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Comparative balances have been re-classified to conform with the presentation of the Group's 30 June 2023 Annual Report, which is reflective of the business operations for the current period.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

GOING CONCERN

The interim consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As disclosed in the interim consolidated financial statements, the consolidated entity incurred a loss of $16,629,000 and had net cash outflows from operating activities of $1,882,000 for the half- year ended 31 December 2023. As at that date, the consolidated entity had net current liabilities of $1,824,000.
Included in the consolidated entity's loss is an impairment adjustment of $7,628,000,

Note 1. Material accounting policy information (continued)

attributable to the delay in a new revenue stream for the Canadian operations. Whilst management have impaired on this basis, the adjustment is non-cash and management have considered this in the forward looking cash flow forecast.

The net current liability position includes non-cash liabilities of $1,021,000.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- As a start-up business in an industry that is at best immature on a world scale, the consolidated entity has been progressively working towards break even operations and ultimately sustainable profitable operations with positive cash flows.
- In the absence of conventional loan funding opportunities, the availability of which are dependent upon a history of such positive cash flows, Althea Group Holdings Limited has raised capital a number of times and sought borrowings from sources available to it wherever possible. Subsequent to the half-year ended 31 December 2023, an AUD $1,000,000 loan facility was secured by a first ranking charge over all the assets and undertakings of Althea Group Holdings Limited. The facility carries a 9-month term and 13% interest per annum.
- The operating cash outflows of the consolidated entity are expected to significantly improve over the next six to twelve months. The Directors believe that the consolidated entity is approaching a sustainable break-even operating position and is expected to generate positive cash flows by the end of the 2024 calendar year.
- Management has recently completed an extensive organisational review and has identified further reductions to administrative, operational and supply chain expenditure, which are expected to create significant annualised savings and substantially improve the Group's cash flow position in the near term.
- The consolidated entity has the potential to raise further working capital from strategic partners and/or investors, pursuant to ASX listing rule 7.1 and 7.1A.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments: the international pharmaceutical segment (Pharmaceutical Cannabis), the Canadian recreational segment (Recreational Cannabis) and the shared corporate services (Corporate). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Major customers

During the half-year ended 31 December 2023 approximately 10% (2022: 15%) of the consolidated entity's external revenue was derived from sales to one customer.

Operating segment information

CONSOLIDATED - 31 DECEMBER 2023	Pharmaceutical Cannabis $'000	Recreational Cannabis $'000	Corporate $'000	Total $'000
Revenue				
Sales to external customers	10,115	4,945	-	15,060
Other revenue	-	266	64	330
Interest revenue	-	1	5	6
Total revenue	**10,115**	**5,212**	**69**	**15,396**
EBITDA	176	(1,657)	(5,640)	(7,121)
Depreciation and amortisation	(127)	(700)	(301)	(1,128)
Impairment of Goodwill	-	(7,628)	-	(7,628)
Interest revenue	-	1	5	6
Finance costs	(28)	(133)	(597)	(758)
Loss before income tax expense	21	(10,117)	(6,533)	(16,629)
Income tax expense				-
Loss after income tax expense				**(16,629)**
ASSETS				
Segment assets	8,453	29,554	25	38,032
Total assets				**38,032**
LIABILITIES				
Segment liabilities	8,008	14,824	29	22,861
Total liabilities				**22,861**

Note 2. Operating segments (continued)

Operating segment information

CONSOLIDATED - 31 DECEMBER 2022	Pharmaceutical Cannabis $'000	Recreational Cannabis $'000	Corporate $'000	Total $'000
Revenue				
Sales to external customers	7,238	4,433	-	11,671
Other revenue	-	40	99	139
Interest revenue	-	(4)	20	16
Total revenue	**7,238**	**4,469**	**119**	**11,826**
EBITDA	1,451	(2,744)	(6,476)	(7,769)
Depreciation and amortisation	(142)	(798)	(490)	(1,430)
Interest revenue	-	(4)	20	16
Finance costs	(50)	(2)	(125)	(177)
Loss before income tax expense	1,259	(3,548)	(7,071)	(9,360)
Income tax expense				-
Loss after income tax expense				**(9,360)**
ASSETS				
Segment assets	10,763	37,332	245	48,340
Total assets				**48,340**
LIABILITIES				
Segment liabilities	6,773	7,830	3,968	18,571
Total liabilities				**18,571**

Note 3. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	CONSOLIDATED	
CONSOLIDATED	31 December 2023 $'000	31 December 2022 $'000
Sales Channels		
Goods sold directly to registered pharmacies and consumers	8,037	7,385
Goods sold through intermediaries	7,023	4,286
Other income	330	139
	15,390	**11,810**
Geographical regions		
Australia	7,392	6,343
United Kingdom	2,409	955
Canada	5,210	4,472
Germany	378	40
Ireland	1	-
	15,390	**11,810**
Timing of revenue recognition		
Goods transferred at a point in time	15,266	11,403
Services transferred over time	124	407
	15,390	**11,810**

Note 4. Expenses

	CONSOLIDATED	
LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:	31 December 2023 $'000	31 December 2022 $'000
Employee benefits expense		
Employee benefits expense	6,817	6,400
Share-based employee expense	47	863
Total employee benefits expense	**6,864**	**7,263**
General and administrative expenses		
Office related expenses	664	229
Insurance	419	444
Licences and permits	151	118
Share registry and ASX compliance costs	63	103
Bad debt expenses	96	-
Stock adjustments	281	263
Travel expenses	350	378
IT related expenses	259	253
Other expenses	202	155
Total general and administrative expenses	**2,485**	**1,943**
Professional services expense		
Accounting and taxation services	219	186
Consulting services	899	1,019
Legal fees	161	79
Shared-based professional services expense	-	25
Total professional services expense	**1,279**	**1,309**
Depreciation and amortisation		
Property, plant and equipment depreciation	696	877
Buildings right-of-use assets depreciation	168	378
Intangible assets amortisation	264	175
Total depreciation and amortisation	**1,128**	**1,430**

Note 4. Expenses (continued)

	CONSOLIDATED	
LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:	**31 December 2023 $'000**	**31 December 2022 $'000**
Finance costs		
Interest and finance charges paid/payable on borrowings	567	41
Interest and finance charges paid/payable on lease liabilities	101	136
Other interest and finance charges paid/payable	90	-
Total finance costs expensed	**758**	**177**
Net foreign exchange (gain)/ loss		
Unrealised foreign exchange gain	1,568	1,051
Realised foreign exchange loss	(28)	13
Total net foreign exchange (gain)/ loss	**1,540**	**1,064**
Net loss on disposal of assets		
Loss on transfer of property. plant and equipment to right-of-use asset	104	-
Loss on disposal of property, plant and equipment	52	-
Loss on disposal of right-of-use assets	90	-
Fair value loss on disposal of financial liabilities	372	-
Gain on fair value of financial liabilities	(17)	-
Total net loss on disposal of assets	**601**	**-**

Note 5. Non-current assets - property, plant and equipment

	CONSOLIDATED	
	31 December 2023 $'000	30 June 2023 $'000
Land - at cost	-	640
Buildings - at cost	314	9,464
Less: Accumulated depreciation	(95)	(1,445)
	219	8,019
Asset under construction - at cost	288	1,226
Plant and equipment - at cost	5,670	4,486
Less: Accumulated depreciation	(2,586)	(2,235)
	3,084	2,251
Computer equipment - at cost	719	704
Less: Accumulated depreciation	(651)	(618)
	68	86
Office equipment - at cost	776	796
Less: Accumulated depreciation	(408)	(372)
	368	424
	4,027	**12,646**

On 17 November 2023, the consolidated entity's wholly-owned subsidiary, Peak Processing Solutions, completed the sale of its facility for CAD $4,600,000 and entered into an agreement to leaseback the land and building for a period of up to 15 years. The company transferred land with a carrying value of CAD $562,000 and buildings with a carrying value of CAD $6,688,000 to the buyer/lessor on sale of the facility and recognised a right-of-use asset of CAD $6,961,000.

Note 6. Non-current assets - right-of-use assets

	CONSOLIDATED	
	31 December 2023 $'000	30 June 2023 $'000
Land and buildings - right-of-use	8,900	1,182
Less: Accumulated depreciation	(429)	(261)
	8,471	**921**

Additions to the right-of-use assets during the half-year were $7,718,000 (30 June 2023: $nil), resulting from the sale and leaseback of the Canadian facility. A lease liability of $4,884,000 was recognised in the consolidated statement of financial position, and a loss of $104,000 was recognised in the consolidated statement of profit or loss and other comprehensive income relating to the property transferred to the buyer/lessor.

The consolidated entity leases land and buildings for its offices and manufacturing sites under agreements of between six to fifteen years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The consolidated entity also leases land and buildings under agreements less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 7. Non-current assets - intangibles

	CONSOLIDATED	
	31 December 2023 $'000	30 June 2023 $'000
Goodwill	17,737	17,737
Less: Impairment	(7,628)	-
	10,109	17,737
Website - at cost	369	374
Less: Accumulated amortisation	(289)	(253)
	80	121
Patents and trademarks - at cost	103	103
Less: Accumulated amortisation	(31)	(26)
	72	77
Software - at cost	2,315	2,326
Less: Accumulated amortisation	(2,228)	(2,055)
	87	271
Intellectual Property - at cost	571	571
Less: Accumulated amortisation	(172)	(137)
	399	434
	10,747	**18,640**

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
2682130 Ontario Limited ("Peak Processing Solutions")	17,737	17,737
Less: Impairment	(7,628)	-
	10,109	**17,737**

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation of the Peak Processing Solutions cash generating unit (CGU). This value-in-use calculation uses a discounted cash flow model, based on a one year projection period approved by management and

Note 7. Non-current assets - intangibles (continued)

extrapolated for a further four years using a steady growth rate, together with a terminal value. The resulting value-in-use recoverable amount is compared to the carrying value of the CGU at 31 December 2023, and in the event that the carrying value exceeds the recoverable amount, an impairment loss is recognised.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for Peak Processing Solutions business:

- 23.1% post-tax discount rate;
- forecasted revenue for the calendar year ending 31 December 2024 of CAD $23.8 million, an increase of CAD $14.4 million from the calendar year ending 31 December 2023;
- accelerated revenue growth of 25% for the 12 month period to 31 December 2025, representing expected volume growth from existing executed contracts at 31 December 2024;
- projected revenue growth rates of 20%, 15% and 10% in years three, four and five respectively;
- gradual improvement in gross margin percentage of 22% in year two, increasing to 26% in year five; and
- 3% terminal growth rate.

The discount rate of 23.1% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the Peak Processing Solutions division, the risk free rate and the volatility of the share price relative to market movements.

Management believe projected revenue growth rates to be justified based on the growth experienced to date and the strong reputation and capabilities of the Peak business. Furthermore, the recreational cannabis market continues to expand, with the onboarding of new provinces and expansion of product ranges. Management expect improvements in gross margins and EBITDA as production volumes increase and efficiencies are gained.

There were no other key assumptions for the Peak Processing Solutions business.

Based on the above, the recoverable amount of the Peak Processing Solutions business failed to exceed the carrying amount by CAD $6,785,000. As such, an impairment to Goodwill of AUD $7,628,000 was recognised for the half-year ended 31 December 2023.

As outlined in the CEO Letter, the outlook for Peak remains positive, however delays were experienced in the launching of new revenue streams which flowed through to the CGU's value-in-use calculation. The resulting impairment to the CGU is a non-cash adjustment and the impact of the delays on net cash operating outflows has been considered as part of the consolidated group's forward looking cash flow.

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Trade payables	7,252	7,499
Other payables	6,675	3,197
	13,927	**10,696**

Note 9. Current liabilities - contract liabilities

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Contract liabilities	**807**	**1,658**
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial half-year are set out below:		
Opening balance	1,658	637
Payments received in advance	1,837	4,244
Transfer to revenue - included in the opening balance	(414)	(637)
Transfer to revenue - other balances	(1,697)	(2,668)
Reclassified from non-current contract liabilities during the period	(577)	82
Closing balance	**807**	**1,658**

Note 10. Current liabilities - borrowings

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Loan	-	1,937
Financial Derivative Liability	-	314
Financial Liability	-	1,628
	-	**3,879**

On 17 November 2023, the consolidated entity's CAD $2,000,000 loan facility was terminated and repaid in full to the lenders. The 2,500,000 options issued to the lenders on the execution of the loan remain and have an expiry two years after the date of issue.

During the period, a gain of AUD $49,750 was recognised through the consolidated statement of profit or loss relating to the remeasurement of the financial derivative liability, and AUD $305,044 was recognised in interest expenses relating to the amortisation of the financial liability.

On 13 October 2023, the consolidated entity and the holder signed a Deed of Early Redemption, terminating the convertible note agreement. The consolidated entity redeemed the remaining 978,032 convertible securities for an aggregate face value of USD $1,180,973.64 (excluding fees). The holder retains 614,057 collateral shares and remains entitled to exercise the 4,800,000 options before their expiry date. A loss of AUD $317,767 was recognised in the consolidated statement of profit or loss on redemption of the convertible note agreement.

Note 11. Non-current liabilities - contract liabilities

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Contract liabilities	**1,200**	**557**
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial half-year are set out below:		
Opening balance	557	90
Payments received in advance	74	549
Transfer to revenue - included in the opening balance	(8)	-
Reclassified from non-current contract liabilities during the period	577	(82)
Closing balance	**1,200**	**557**

Note 12. Equity - issued capital

CONSOLIDATED	31 December 2023 Shares	30 June 2023 Shares	31 December 2023 $'000	30 June 2023 $'000
Ordinary shares - fully paid	401,083,953	381,288,586	86,151	85,340

Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 2023	381,288,586		85,340
Share capital issued to consultant	1 July 2023	5,040,000	$0.000	-
Capital raising costs	1 July 2023	-	$0.000	(2)
Share capital issued under conversion notice	20 July 2023	5,853,571	$0.036	211
Capital raising costs	20 July 2023	-	$0.000	(2)
Share capital issued to Directors	1 September 2023	2,089,553	$0.067	140
Capital raising costs	1 September 2023	-	$0.000	(7)
Share capital issued under conversion notice	15 September 2023	6,812,243	$0.032	216
Capital raising costs	15 September 2023	-	$0.000	(2)
Collateral shares redeemed under conversion notice	11 October 2023	-	$0.025	257
Balance	**31 December 2023**	**401,083,953**	-	**86,151**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Collateral Shares

On 30 January 2023, 11,000,000 Collateral Shares were issued in accordance with the terms of the Convertible Note Agreement. Where at any time the Company is required to issue shares to the holder under this Agreement, then the holder may, by written notice to the Company, elect to partially or wholly satisfy the Company's obligation to issue the relevant shares to the holder by reducing the Collateral Shareholding Number by the corresponding number of shares. On 11 October 2023, the holder redeemed 10,385,943 Collateral Shares, leaving a remaining balance of 614,057 Collateral Shares.

Note 12. Equity - issued capital (continued)

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial half- year.

The capital risk management policy remains unchanged from the 2023 Annual Report.

Note 13. Equity - reserves

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Foreign currency reserve	(247)	(1,417)
Share-based payments reserve	2,636	2,597
	2,389	**1,180**

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Note 14. Equity - accumulated losses

	Consolidated	
	31 December 2023 $'000	30 June 2023 $'000
Accumulated losses at the beginning of the financial half-year	(56,751)	(43,477)
Loss after income tax expense for the half-year	(16,629)	(13,725)
Transfer from share-based payments reserve	11	451
Accumulated losses at the end of the financial half-year	**(73,369)**	**(56,751)**

Note 15. Contingent liabilities

The consolidated entity has given deposits and bank guarantees as at 31 December 2023 of $775,273 (30 June 2023: $415,682). The bank guarantees are held for the operating and commercial leases of the consolidated entity's leased premises (located in Australia, Canada and the United Kingdom). Except for these, the consolidated entity currently has no contingent liabilities at the date of signing this report.

Note 16. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	31 December 2023 $'000	31 December 2022 $'000
Loss after income tax expense for the half-year	(16,629)	(9,360)
Adjustments for:		
Depreciation and amortisation	1,128	1,430
Net loss on disposal of right-of-use assets	90	-
Net loss on disposal of property, plant and equipment	52	-
Net loss on transfer of property, plant and equipment to right-of-use asset	104	-
Net fair value gain on financial liabilities	(17)	-
Net fair value loss on disposal of financial liabilities	372	-
Share-based payments	47	888
Foreign exchange differences	1,323	345
Interest paid on investing activities	549	23
Share-based payment re-classified during the year	-	60
Impairment of Goodwill	7,628	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	561	(957)
Increase in inventories	(123)	(414)
Increase in prepayments	(346)	(1,543)
Increase in trade and other payables	3,231	3,728
Decrease in contract liabilities	(208)	-
Decrease in employee benefits	(135)	(16)
Increase in other liabilities	491	439
Net cash used in operating activities	**(1,882)**	**(5,377)**

Note 17. Loss per share

	Consolidated	
	31 December 2023 $'000	31 December 2022 $'000
Loss after income tax	(16,629)	(9,360)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	352,835,080	334,103,707
Weighted average number of ordinary shares used in calculating diluted earnings per share	352,835,080	334,103,707
	Cents	Cents
Basic loss per share	(4.71)	(2.80)
Diluted loss per share	(4.71)	(2.80)

24,183,472 (31 December 2022: 9,585,194) performance options and 10,436,354 (31 December 2022: 3,136,354) options have been excluded from the above calculations as their inclusion would be anti-dilutive.

Note 18. Share-based payments

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Options

Set out below are summaries of options granted to the Company's Corporate Advisor and the Company's Lenders.

31 December 2023							
Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
20/01/2022	20/01/2025	$0.500	1,568,177	-	-	-	1,568,177
20/01/2022	20/01/2025	$0.750	1,568,177	-	-	-	1,568,177
26/01/2023	26/01/2025	$0.126	2,500,000	-	-	-	2,500,000
02/02/2023	02/02/2025	$0.115	4,800,000	-	-	-	4,800,000
			10,436,354	**-**	**-**	**-**	**10,436,354**

Note 18. Share-based payments (continued)

Performance options

The terms and conditions of each grant of performance options over ordinary shares are as follows:

Performance option class	Grant date	Vesting condition	Number
Class C[1]	01/07/2019	ATSR (CAGR) over relevant Measurement Period of $1.296	36,490
Class G[1]	01/07/2020	ATSR (CAGR) over relevant Measurement Period of $0.548	50,049
Class J[1]	16/12/2021	ATSR (CAGR) over relevant Measurement Period of $0.3355	300,571
Class K[2]	01/07/2022	Minimum of AUD $100,000,000 in revenue in any 12 month rolling period within the performance period	7,500,000
Class L[1]	01/07/2022	ATSR (CAGR) over relevant Measurement Period of $0.1631	509,766
Class M[1]	01/07/2022	ATSR (CAGR) over relevant Measurement Period of $0.4242	2,937,598
Class N[1]	01/07/2022	ATSR (CAGR) over relevant Measurement Period of $0.1732	3,539,921
Class O[1]	01/07/2023	ATSR (CAGR) over relevant Measurement Period of $0.0882	9,309,076

[1] The performance metric for vesting of these classes of performance rights is absolute total shareholder return (ATSR) on a compound annual growth rate (CAGR) basis tested over the Measurement Period. ATSR takes into account the difference in share price over the Measurement Period, as well as any dividends (assumed to be reinvested) and other capital adjustments.

[2] The performance metric for vesting of the above Class K performance rights is the achievement of a minimum $100,000,000 in consolidated group revenue in any 12 month rolling period within the performance period.

Set out below are summaries of performance rights granted under the Company's long term incentive performance rights plan:

31 December 2023							
Grant date	**Expiry date**	**Exercise price**	**Balance at the start of the half-year**	**Granted**	**Exercised**	**Expired/ forfeited/ other**[1]	**Balance at the end of the half-year**
01/07/2019	01/07/2034	$0.000	36,490	-	-	-	36,490
01/07/2020	01/07/2035	$0.000	50,049	-	-	-	50,049
16/12/2021	15/12/2036	$0.000	300,571	-	-	-	300,571
01/07/2022	30/06/2037	$0.000	7,500,000	-	-	-	7,500,000
01/07/2022	30/06/2037	$0.000	509,766	-	-	-	509,766
01/07/2022	30/06/2039	$0.000	3,584,232	-	-	(646,634)	2,937,598
01/07/2022	30/06/2040	$0.000	3,800,782	-	-	(260,861)	3,539,921
01/07/2023	30/06/2041	$0.000	-	9,309,076	-	-	9,309,076
			15,781,890	**9,309,076**	**-**	**(907,495)**	**24,183,471**

[1] Performance rights did not meet the required performance measurement hurdles for the rights to vest and/or be exercised.

The weighted average share price during the half-year was $0.04 (30 June 2023: $0.06).

The weighted average remaining contractual life of performance rights outstanding at the end of the half-year was 1.74 years (30 June 2023: 1.74 years).

Note 18. Share-based payments (continued)

For the performance rights grant, the valuation model inputs used to determine the fair value at the grant date, are as follows:

31 December 2023

Grant date	Vesting date	Share price at grant date	Share price hurdle for vesting	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2019	30/06/2022	$1.000	$1.296	80.00%	-	0.99%	$0.675
01/07/2020	30/06/2023	$0.335	$0.548	80.00%	-	0.26%	$0.225
16/12/2021	30/06/2024	$0.225	$0.335	70.00%	-	1.00%	$0.092
01/07/2022	30/06/2025	$0.066	$0.163	75.00%	-	3.24%	$0.035
01/07/2022	30/06/2024	$0.071	$0.424	74.00%	-	3.01%	$0.010
01/07/2022	30/06/2025	$0.071	$0.173	74.00%	-	3.00%	$0.040
01/07/2023	30/06/2026	$0.043	$0.088	74.00%	-	3.97%	$0.028

Note 19. Events after the reporting period

On 2 February 2024, the company secured a loan facility of AUD $1,000,000. The loan has a nine month term, repayable in full on 2 November 2024, with 13% interest payable per annum.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134 'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Andrew Newbold

Chairman

29 February 2024

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Independent Auditor's Review Report

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Althea Group Holdings Limited

Conclusion

We have reviewed the accompanying half-year financial report of Althea Group Holdings Limited which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Althea Group Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Althea Group Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates the consolidated entity incurred a loss of $16,629,000 and had net cash outflows from operating activities of $1,882,000 for the half year ended 31 December 2023 and as at that date the Consolidated entity had net current liabilities of $1,824,000. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Financial Report

The directors of the Althea Group Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RSM

RSM AUSTRALIA PARTNERS

A Whittingham

A L WHITTINGHAM
Partner

Date: 29 February 2024
Melbourne, Victoria

AGH

Opening minds. Enhancing value.