



Althea
Group
Holdings

Annual Financial Report

2024

For the year ended - 30 June 2024

Althea Group Holdings Limited
and Controlled Entities

ABN 78 626 966 943

Lodged with the ASX under
Listing Rule 4.3A

Appendix 4E

01

1. COMPANY DETAILS

Name of entity: Althea Group Holdings Limited

ABN: 78 626 966 943

Reporting period: For the year ended 30 June 2024

Previous period: For the year ended 30 June 2023

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | \$'000 |
|---|----|--------|----|----------|
| Revenues from ordinary activities | up | 21.0% | to | 30,365 |
| Loss from ordinary activities after tax attributable to the owners of Althea Group Holdings Limited | up | 133.6% | to | (32,057) |
| Loss for the year attributable to the owners of Althea Group Holdings Limited | up | 133.6% | to | (32,057) |

Comments

The loss for the consolidated entity after providing for income tax amounted to \$32,057,000 (30 June 2023: \$13,725,000).

The loss for the consolidated entity includes the following significant items:

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Consolidated loss before income tax expense | (32,057) | (13,725) |
| Termination payments | 183 | 808 |
| Share-base payments expense | 133 | 1,101 |
| Production trials | - | 264 |
| One-off legal fees | 313 | 203 |
| Loss from completed projects | 1,637 | - |
| Shares issued under incentive plans (non-cash) | 184 | 1,047 |
| Adjusted consolidated loss before income tax expense | (29,607) | (10,302) |
| Depreciation and amortisation | 2,221 | 2,683 |
| Impairment of Goodwill | 17,737 | - |
| Interest revenue | (8) | (36) |
| Finance costs | 1,275 | 808 |
| Loss on disposal of assets | 603 | 1,130 |
| Unrealised foreign exchange loss/ (gain) | 1,713 | (1,538) |
| Adjusted EBITDA | (6,066) | (7,255) |

The above adjusted loss before income tax expense and adjusted EBITDA table is unaudited. The unaudited information aims to provide shareholders with a greater understanding of the operating performance of the consolidated entity.

Appendix 4E (continued)

3. NET TANGIBLE ASSETS

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | (0.66) | 2.93 |

4. CONTROL GAINED OVER ENTITIES

Not applicable.

7. DIVIDEND REINVESTMENT PLANS

Not applicable.

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

6. 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.

9. FOREIGN ENTITIES

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

International Financial Reporting Standards (IFRS).

Appendix 4E (continued)

10. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued. A material uncertainty related to going concern is included in the auditor's report, however the auditor's opinion is not modified with respect to this matter.

11. ATTACHMENTS

Details of attachments (if any):

The Annual Report of Althea Group Holdings Limited for the year ended 30 June 2024 is attached.

12. SIGNED



Signed

Andrew Newbold
Chairman

Date: 30 August 2024



| | |
|---|-----------|
| Appendix 4E | 01 |
| CEO letter | 02 |
| Key businesses | 03 |
| Directors' report | 04 |
| Auditor's independence declaration | 05 |
| Annual financial report | 06 |
| Independent auditor's report | 07 |
| Shareholder information | 08 |



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 financial 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 30 August 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



AESUS
Packaging Systems

02

CEO letter

CEO letter

02

Dear Shareholder,

It is my pleasure to present to you Althea Group Holdings Limited's (AGH) annual report for the financial year ended 30 June 2024 (FY24).



FULL-YEAR HIGHLIGHTS

| ASX ANNOUNCEMENTS | Release date |
|---|------------------|
| Peaks signs contract manufacturing agreement with Tweed Inc | 21 July 2023 |
| Althea CBD12:THC10 approved for reimbursement in Ireland | 24 July 2023 |
| Peaks 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 |
| Althea launches THC Softgel Capsule Range | 23 January 2024 |
| AGH Organisational Review Update | 28 March 2024 |
| Althea Partners with Rocket Factory to Launch Dried Flower | 23 May 2024 |
| Peak Expands into USA Cannabis Beverages Market | 24 May 2024 |

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 two separate and distinct strategic business units: Althea and Peak Processing Solutions.

Althea services the international pharmaceutical cannabis market, whilst Peak Processing Solutions operates in the federally legal Canadian recreational cannabis market.

AGH remains uniquely positioned, offering shareholders a strong leadership position in both pharmaceutical and recreational cannabis markets. While the financial year included a necessary non-cash impairment, this strategic adjustment reflects our commitment to strengthening our long-term position while maintaining financial prudence.

CONSOLIDATED GROUP RESULTS

The financial year ended 30 June 2024 (FY24) was another record period for the Company, achieving strong revenue growth over the corresponding reporting period (being the financial year ended 30 June 2023).

Highlights from FY24 include:

- Revenue: the Group generated \$30.36 million, marking a \$5.27 million increase (+21%) from the previous year.
- Cost Savings: the Company's organisational review is projected to deliver \$2.5 million in annualised cost savings, with the impact beginning in May 2024.
- Adjusted EBITDA¹: improved by 16%, reducing losses to -\$6.07 million. This improvement reflects the success of strategic cost-saving initiatives and operational efficiencies, setting the stage for stronger financial performance in FY25.

Outlook for FY25:

- Management has identified an additional \$1.5 million in annualised cost savings through supply chain optimisation, expected to be realised throughout FY25. With expected revenue growth, a reduction in non-recurring expenses and \$4 million in annualised savings beginning in May 2024, the Company is well positioned for the year ahead.
-

PHARMACEUTICAL CANNABIS

Althea

Althea achieved global sales revenue of \$17.72 million during FY24, an increase of \$2.70 million (+18%) from the previous corresponding period, and once again reported an EBITDA² positive result of \$2.11 million, an increase of \$610,000 (+41%) from the previous corresponding period.

Australia

In the first half of FY24, Althea achieved a record \$7.39 million in revenue from Australian customers, up 16.5% year-over-year. In the second half, Althea transitioned to a new medicinal cannabis oil manufacturer to ensure long-term reliability and secure better trading terms to improve cash flow and gross profit margins. While this caused temporary stock shortages and missed sales, the company expects its full range of medicines to be restocked by Q1 FY25.

¹ Adjusted for significant items as disclosed in Appendix 4E of the Annual Report

² Adjusted for significant non-cash items, as disclosed in Note 3. Operating segments.

United Kingdom

During the reporting period, Althea experienced substantial revenue growth from its UK customer base, achieving a remarkable \$4.23 million in sales. This represents a significant increase of \$1.33 million, or 46%, compared to the same period last year.

Germany

Revenue from the Germany customers totalled \$918,000 for the report period, an increase of \$790,000 from the previous corresponding period.

Republic of Ireland

In the first half of the financial year, Althea achieved a significant milestone by securing reimbursement approval from the Health Products Regulatory Authority (HPRA) for its Althea CBD12:THC10 and Althea THC20: CBD1 medicinal cannabis oils in Ireland. Althea is currently the only supplier with multiple cannabis oils approved for reimbursement in the Irish market, reinforcing its position as a leader in the industry.

New Product Development

Ongoing product development is vital to sustaining market leadership in a competitive and fast-paced industry. In 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 is thrilled with the strong market response to these new offerings,

building on the success of the Althea CBD25 soft gel capsules launched in the previous financial year.

Subsequent to the reporting period, in July 2024 Althea successfully launched its new medicinal cannabis dried flower range, Atmos by Althea™, in collaboration with Canadian licensed producer Rocket Factory. The initial offerings, Althea Cosmic T-25 and Althea Blast T-18, cater to the mid-THC and high-THC market segments. These products are cultivated indoors using advanced technology to ensure premium quality and are GMP-certified for global distribution. This launch represents a major expansion into the premium dried flower market, with Althea planning to introduce additional Atmos by Althea™ products in the coming months.

MyAccess Clinics

MyAccess Clinics, a wholly-owned subsidiary of AGH, operates private healthcare clinics in the UK and Ireland, specialising in cannabis-based treatments. The clinic contributed meaningfully to UK sales in FY24, and its business model supports ongoing expansion into Europe, including the start of patient consultations in Ireland.

RECREATIONAL CANNABIS

Peak Processing Solutions

Impairment

The \$17.74 million impairment related to Peak Processing Solutions (Peak) represents an accounting adjustment based on the initial acquisition terms. This impairment is a non-cash charge reflecting the difference between the anticipated earnout targets and their actual performance. It's important to note that this accounting treatment does not diminish AGH's confidence in the future potential of Peak.

AGH strategically secured Peak at a fraction of the potential cost – just 5.7 million shares (currently valued at \$115,000) – due to the unmet earnout targets. This financial flexibility allowed AGH to retain a valuable asset while minimising expenditure.

Results and Outlook of Peak

Management's confidence in Peak's future is underscored by the significant changes made to its leadership team. The decision to replace the Founder and President with an experienced professional has not only stabilised the business but has also led to a substantial 19% increase in sales revenue, reaching \$11.68 million in FY24.

Further investments, including a CAD\$1 million enhancement in Peak's beverage production capabilities, reinforce our commitment to driving sustained long-term growth. These strategic improvements, coupled with Peak's expanding expertise

in cannabis beverages, have positioned the company to capture and maintain approximately 40% of the cannabis beverage market. This category represents approximately 2.1% of the broader Canadian adult-use cannabis market, which was expected to be worth CAD\$6.4 billion in 2023, with the cannabis beverage segment alone valued at CAD\$134 million and growing rapidly³.

Moreover, the strategic value of Peak's acquisition is evident in the recent joint venture with Flora Growth Corporation. This partnership leverages Peak's operational excellence to lead production efforts in the burgeoning U.S. cannabis beverage market. With the launch of six THC-infused beverages anticipated in Q1 FY25, Peak is set to be a key player in a market projected to grow from USD \$966.92 million in 2024 to USD \$19.06 billion by 2028⁴.

In summary, while the impairment reflects a prudent accounting adjustment, it in no way undermines our confidence in Peak Processing Solutions. The innovative products, robust management, and strategic partnerships emerging from this acquisition position both Peak and AGH for significant growth in the dynamic North American cannabis market.

³ <https://cannabisretailer.ca/2022/trends-in-cannabis-beverages/>

⁴ <https://www.marketdataforecast.com/market-reports/cannabis-beverages-market>

CONCLUSION

AGH is poised for a highly successful upcoming financial period. As the business and industry mature, we believe we have firmly established our footing and are positioned for continued growth. Our unwavering commitment to innovation, strategic partnerships, and measured market expansion is driving enhanced financial performance and increased revenue.

We extend our deepest gratitude to our dedicated AGH employees for their exceptional contributions and to our shareholders for their steadfast support. As we continue to reach new milestones, we look forward to navigating the evolving market with confidence and achieving even greater success together.

Yours sincerely,



Joshua Fegan

Althea Group Holdings Limited CEO



03

Key businesses

Making cannabis more accessible every day

Althea Group Holdings Limited endeavours to be the number one global cannabis company, driving innovation for cannabis users and providing the largest consumer markets access to world-class pharmaceutical cannabis medicines and recreational cannabis products.

We are passionate about the health benefits of cannabis and seek to help patients suffering from debilitating conditions by streamlining access to our Althea branded cannabis-based medicines.

But we aren't just a pharmaceutical company. We also believe that cannabis has a place in a regulated consumer goods market and aim to apply the same high-standard medicinal philosophy to our recreational offering.

Our cannabis manufacturing business, Peak Processing Solutions, produces a wide range of recreational cannabis products for sale and distribution into legalised adult-use cannabis markets. Peak's products include cannabis-infused beverages, edibles, topicals, and concentrates.



Pharmaceutical cannabis-based medicines

Althea is one of the world's leading suppliers of cannabis-based medicines, with more than 42,000 patients worldwide. Our mission is to improve the lives of people across the globe by streamlining access to our high-quality and needed medical cannabis products.

Althea understands the need for, and health benefits of, cannabis and provides a comprehensive range of the highest quality cannabis-based medicines, including cannabis oil and dried flower preparations. Althea is a leader in supporting healthcare professionals and patients in medical education and navigating medical cannabis treatment pathways.

In the United Kingdom, we also own and operate a private medical cannabis clinic network, MyAccess Clinics. The clinic is a leader in the UK and has over 2,600 registered patients. MyAccess Clinics was one of the first to open in the UK and provides access to Althea medicines to patients in need.

Althea is the pharmaceuticals division of Althea Group Holdings Limited, a company publicly listed on the Australian Securities Exchange (ASX:AGH) with operations in legal and regulated cannabis markets including Australia, the UK, Canada, Ireland and Germany.





Recreational cannabis products

Peak Processing Solutions (Peak), is a leader in the manufacture, sales and distribution of legal recreational cannabis products in Canada and North America.

Peak, a wholly-owned subsidiary of AGH, offers brand partners the opportunity to innovate through Peak's industry-leading end-to-end cannabis product development, processing and contract manufacturing capabilities.

To its partners in North America, Peak provides expert formulation and mass-manufacturing of recreational cannabis products including beverages, concentrates, topicals and more.





04

Directors' report

Directors' report

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 year ended 30 June 2024.

DIRECTORS

The following persons were Directors of Althea Group Holdings Limited during the whole of the financial 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 year.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$32,057,000 (30 June 2023: \$13,725,000).

The operational review contained in the CEO letter at Section 2 forms part of this Directors' Report.

During the period, the consolidated entity generated revenue of \$30,365,000 (30 June 2023: \$25,093,000). The consolidated entity's loss for the period amounted to \$32,057,000 (30 June 2023: \$13,175,000).

Recorded in the loss for the period is a non-cash impairment adjustment to the consolidated entity's goodwill balance of \$17,737,000. Excluding this non-cash movement, the consolidated entity's loss for the period amounted to \$14,320,000.

DIRECTORS' REPORT

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

- The consolidated entity achieved revenue of \$30,365,000, an increase of \$5,272,000 (21%) from the previous corresponding period.
- Net cash used in operating activities totalled \$4,395,000, a decrease of \$1,899,000 (30%) from the previous corresponding period.
- The average gross profit margin across the consolidated entity increased to 61%, up from 51% in the previous corresponding period.

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 annual report, after consideration of the factors listed in Note 1. Going Concern.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as announced progressively through the ASX Market Announcements Platform, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 July 2024, the company's wholly-owned subsidiary, Peak Processing Solutions, entered into an asset-based loan agreement with an external lender for a principal loan of up to CAD \$1,000,000. The loan is repayable in full on 28 May 2025, with 22% interest payable per annum. The total amount drawn down at 30 August 2024 is CAD \$575,000.

On 16 July 2024, the company announced its successful completion of a \$2,000,000 placement. 101,333,100 ordinary shares were issued to new and existing shareholders at a price of \$0.020 per share. The proceeds from the placement, excluding fees, were settled on 22 July 2024.

Subject to shareholder approval at the company's Extraordinary General Meeting expected to be held in September 2024, the company will grant:

- all participants of the placement one option for every one new share subscribed for under the placement (total options of 101,333,100) with a grant date in October 2024. The options will have a two-year expiry from grant date and an exercise price of \$0.030;
- 20,066,620 options to the lead manager of the placement with a grant date in October 2024. The options will have a three-year expiry from grant date and an exercise price of \$0.039 for 10,033,310 of the total options granted, and \$0.046 for the remaining 10,033,310 options granted, and

DIRECTORS' REPORT

- 4,000,000 options to the placement consultant with a grant date in October 2024. The options will have a three-year expiry from grant date and an exercise price of \$0.030.

On 31 July 2024, the company varied its existing loan agreement, as disclosed in Note 17, to: (i) extend the repayment date to 2 November 2025, and (ii) increase the maximum facility limit to \$2,000,000. Although the repayment date has been extended, at 30 June 2024 the loan is required to be shown as a current liability.

On 1 August 2024, the company received \$500,000 from the above lender, resulting in a total drawn down amount of \$1,500,000.

No other matter or circumstance has arisen since 30 June 2024 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

BUSINESS RISK

The consolidated entity recognises that risk is present in all aspects of its business and that managing risk effectively is essential in meeting the expectations of all shareholders, employees, customers, suppliers and regulators.

Set out below are matters which the consolidated entity has assessed as having potential to have a material impact on its operating and/or financial results and performance:

Regulatory Approval

The consolidated entity's ability to operate in both its pharmaceutical cannabis and recreational cannabis segments is reliant on maintaining certain authorisations, licences, permits and compliance with all relevant regulatory requirements. Any failure to comply with the regulations, or to renew the approvals and licences, would negatively impact the consolidated entity's ability to effectively operate.

Funding Risks

As disclosed in Note 1, subsequent to the end of the financial year, the consolidated entity has succeeded in: (i) deferring the cash outflows associated with the repayment of the current borrowings, (ii) completing a \$2,000,000 capital raise and, (iii) securing asset financing for its Canadian operations.

The consolidated entity continues to explore strategic partnership, capital raising and investment opportunities that will assist the consolidated entity in managing its ongoing

DIRECTORS' REPORT

funding requirements. A failure to effectively manage its funding requirements is likely to have a negative impact on the consolidated entity's financial performance.

Supply Risk

The consolidated entity relies on a number of suppliers to operate its medical division. Failure of any individual supplier may result in stock shortages. Any sustained stock shortage would have a material impact on the financial performance of the consolidated entity.

Foreign Exchange Risk

As disclosed in Note 28, foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. As such, significant unfavourable movements in the Australian dollar against the applicable foreign currencies would negatively impact the financial performance of the consolidated entity.

ENVIRONMENTAL REGULATION

The parent's subsidiary, Peak Processing Solutions, is subject to environmental regulations and other licences in respect of its manufacturing facility located in Ontario, Canada. The company monitors changes in its regulatory environment and ensures ongoing compliance with new requirements. Peak Processing Solutions is subject to regular inspections and audits by responsible Provincial and Federal authorities.

The consolidated entity considers it has complied with all necessary environmental regulations throughout the year ended 30 June 2024 and no related issues have arisen since the end of the financial year to the date of this report.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS



ANDREW NEWBOLD

Chairman and Independent
Non-executive Director

LLB / BEc

Experience and expertise: Andrew is a qualified lawyer having practised for nearly 20 years at a large commercial firm. Following his retirement from law in 2006, he founded a renewable energy business which he sold to Origin Energy in 2009. Since that time he has been involved in a start-up property app business which he sold to ANZ in 2015 and various other businesses.

Andrew has been a director of numerous private companies and not-for-profit organisations and currently is a director of Supra Capital, a Commissioner of the AFL and was Chairman of Golf Australia until September 2023.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Audit, Risk and Compliance Management Committee & Remuneration and Nomination Committee

Interests in shares: 2,814,269



JOSHUA FEGAN

Chief Executive Officer and
Managing Director

B Bus (Management and
Marketing)

Experience and expertise: Joshua is the founder of Althea Group Holdings Limited and has extensive experience in business building, sales and marketing. He has a range of proven business and strategy skills and has previously held a number of senior management roles at national value-based retailer, Strathfield Group.

Joshua founded Althea Health and Wellbeing in 2016, coinciding with registration of the Narcotic Drugs Amendment Act 2016 (Cth) (ND Amendment Act), an Act to amend the Narcotic Drugs Act 1967 (Cth) (ND Act), legalising medicinal cannabis.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Remuneration and Nomination Committee

Interests in shares: 57,588,651

Interests in rights: 8,310,337

INFORMATION ON DIRECTORS (continued)



ALAN BOYD

Independent Non-executive
Director

BA (Econ), former CA ANZ

Experience and expertise: Until 25 August 2021, Alan was the Chief Financial Officer of Ridley Corporation Limited, an ASX-listed provider of high performance animal nutrition solutions. Prior to his role, Alan occupied the same position with listed biotechnology companies Avexa Limited and Zenyth Therapeutics Limited, website pioneer Sausage Software Limited, and un-listed public entity HRL Limited, where he later served as a Non-executive Director and Chair of the Audit Committee. Alan retired on 18 July 2022.

Alan started his professional career in chartered accounting firms in England and Australia and has broad financial experience across many industry sectors.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Audit, Risk and Compliance Management Committee and Member of Remuneration and Nomination Committee

Interests in shares: 567,436, of which, 283,718 (50%) are indirectly held.



PENELOPE DOBSON

Independent Non-executive
Director

MBA (MGSM)

Experience and expertise: Penny is an experienced global healthcare executive. She has worked in the broad life-science space since her training as a pharmacist in New Zealand, including many years in the global pharmaceutical industry. Penny is currently a Principal at Valida Consulting, offering a range of services to companies in the healthcare, Pharma, Biotech, not-for-profit, Device and Diagnostics sector.

Other current directorships: Australian Nuclear Science and Technology Organisation, Invetus Ltd until April 2024.

Former directorships (last 3 years): None

Special responsibilities: Chair of Remuneration and Nomination Committee and Member of Audit, Risk and Compliance Management Committee

Interests in shares: 61,818

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

DIRECTORS' REPORT

COMPANY SECRETARY

Robert Meissner

Robert has held the role of Company Secretary since April 2019. He currently acts as the Chief Financial Officer of the consolidated entity and has held this position since October 2018. Robert was previously the Financial Controller for Village Cinemas who are one of the leading cinema operators in Australia. Robert is a Certified Practising Accountant.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each Director were:

| | Full Board | | Remuneration and Nomination Committee | | Audit and Risk Committee | |
|-----------------|------------|------|---------------------------------------|------|--------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Andrew Newbold | 8 | 8 | 1 | 1 | 4 | 4 |
| Joshua Fegan | 8 | 8 | 1 | 1 | 4 | 4 |
| Alan Boyd | 8 | 8 | 1 | 1 | 4 | 4 |
| Penelope Dobson | 8 | 8 | 1 | 1 | 4 | 4 |

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

On 19 August 2024, the company announced the appointment of Mr Vaughan Webber to Non-executive Director and Chairman of the Board, effective 30 August 2024. Current Non-executive Director and Chairman of the Board, Mr Andrew Newbold, announced his retirement from the Board immediately following the conclusion of the board meeting held 30 August 2024.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for Directors and executives. The

performance of the consolidated entity depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design,
- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value,
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience,
- reflecting competitive reward for contribution to growth in shareholder wealth,
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive Director remuneration is separate.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Non-executive Directors remuneration

Fees and payments to Non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive share options or other incentives.

Under the Company Constitution, the Board may decide the remuneration from Althea Group Holdings to which each Non-executive Director is entitled for their services as a Director.

However, the total amount of fees paid to all Non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by Althea Group Holdings Limited in a general meeting. The amount has been fixed at \$400,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits,
- short-term performance incentives,
- share-based payments,
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives (STI) program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (KPIs) being achieved. KPIs include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives (LTI) include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholder value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The

DIRECTORS' REPORT

Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2024.

Consolidated entity performance and link to remuneration

At-risk remuneration for the Chief Executive Officer, Company Secretary and other senior executives is directly linked to performance of the consolidated entity as the vesting of the performance rights offered is dependent on defined performance milestones being met.

Voting and comments made at the Company's 2023 Annual General Meeting (AGM)

At the 2023 Annual General Meeting (AGM) of Althea shareholders, the Remuneration Report only received the approval of 47.45% of the 99.73% of the total shareholders who voted on the resolution. A 'first strike' was received under Section 250U of the *Corporations Act 2001*. The Board values shareholder feedback and has endeavoured to engage shareholders and proxy advisors to ascertain their views and concerns with the Althea remuneration structure.

In acknowledgement of this feedback, Short Term and Long Term Incentives were internally reviewed and the weightings between financial, personal and safety performance reassessed accordingly. In addition, C-Suite executive remuneration and Non-executive Director remuneration were reduced for six months of the financial year by 10% and 25% respectively.

The Board does, however, believe that exemplary personal and safety performance can still be recognised and rewarded in a year when financial performance targets have not been achieved and that the recruitment and retention of high calibre candidates in a highly competitive and immature industry tempers the long term ability to make significant reductions of a permanent nature.

DIRECTORS' REPORT

DETAILS OF REMUNERATION

Amounts of remuneration

| 30 June 2024 | Fixed Remuneration | | | Total Fixed Remuneration | Variable Remuneration | | | | | Total Variable Remuneration |
|--|--------------------|---------------|-------------------------------|--------------------------|--------------------------|--------------------------------|-------------------------------------|--|--------------------|-----------------------------|
| | Cash salary | Super | Annual and Long Service Leave | | STI Awarded ¹ | Total LTI Awarded ² | LTI attributable to existing rights | LTI attributable to lapsed rights ³ | Other ⁴ | |
| Non-executive Directors: | | | | | | | | | | |
| Andrew Newbold | 108,676 | 11,954 | - | 120,630 | - | - | - | - | - | - |
| Alan Boyd | 57,534 | 6,329 | - | 63,863 | - | - | - | - | - | - |
| Penelope Dobson | 57,534 | 6,329 | - | 63,863 | - | - | - | - | - | - |
| | 223,744 | 24,612 | - | 248,356 | - | - | - | - | - | - |
| Executive Directors: | | | | | | | | | | |
| Joshua Fegan | 508,250 | 27,500 | (85,033) | 450,717 | 54,192 | (31,882) | (43,648) | 11,766 | 175,435 | 197,745 |
| Other Key Management Personnel: | | | | | | | | | | |
| Robert Meissner | 337,250 | 27,500 | 42,804 | 407,554 | 31,477 | 20,950 | 16,760 | 4,190 | - | 52,427 |
| | 1,069,244 | 79,612 | (42,229) | 1,106,627 | 85,669 | (10,932) | (26,888) | 15,956 | 175,435 | 250,172 |

¹ Represents short term incentives awarded and accrued in relation to actual performance during the 2024 financial year under the company's STI program, which contains financial and non-financial targets. No award or accrual has been granted for financial performance during the 2024 financial year.

² Represents the fair value of performance rights granted as remuneration at grant date in accordance with AASB 2 *Share-based Payment* and amortised over the vesting period.

³ Represents the fair values of performance rights due to vest on 30 June 2024, however lapsed due to not meeting performance conditions.

⁴ Other variable remuneration is composed of a living-away-from-home allowance paid to Joshua Fegan during the 2024 financial year.

DIRECTORS' REPORT

DETAILS OF REMUNERATION (continued)

Amounts of remuneration

| 30 June 2023 | Fixed Remuneration | | | Total Fixed Remuneration | Variable Remuneration | | | | | Total Variable Remuneration |
|--|--------------------|---------------|-------------------------------|--------------------------|--------------------------|--------------------------------|-------------------------------------|--|--------------------|-----------------------------|
| | Cash salary | Super | Annual and Long Service Leave | | STI Awarded ¹ | Total LTI Awarded ² | LTI attributable to existing rights | LTI attributable to lapsed rights ³ | Other ⁴ | |
| Non-executive Directors: | | | | | | | | | | |
| Andrew Newbold | 124,201 | 13,041 | - | 137,242 | - | - | - | - | - | - |
| Alan Boyd | 65,753 | 6,904 | - | 72,657 | - | - | - | - | - | - |
| Penelope Dobson | 65,753 | 6,904 | - | 72,657 | - | - | - | - | - | - |
| | 255,707 | 26,849 | - | 282,556 | - | - | - | - | - | - |
| Executive Directors: | | | | | | | | | | |
| Joshua Fegan | 515,000 | 27,500 | 60,411 | 602,911 | 60,833 | (70,448) | 80,943 | 151,390 | 160,518 | 150,903 |
| Other Key Management Personnel: | | | | | | | | | | |
| Robert Meissner | 342,500 | 27,500 | 51,054 | 421,054 | 21,670 | 31,345 | 9,851 | 21,494 | - | 53,015 |
| | 1,113,207 | 81,849 | 111,465 | 1,306,521 | 82,503 | (39,103) | 90,794 | 172,884 | 160,518 | 203,918 |

¹ Represents short term incentives awarded and accrued in relation to actual performance during the 2023 financial year under the company's STI program, which contains financial and non-financial targets. No award or accrual has been granted for financial performance during the 2023 financial year.

² Represents the fair value of performance rights granted as remuneration at grant date in accordance with AASB 2 *Share-based Payment* and amortised over the vesting period.

³ Represents the fair values of performance rights due to vest on 30 June 2023, however lapsed due to not meeting performance conditions.

⁴ Other variable remuneration is composed of a living-away-from-home allowance paid to Joshua Fegan during the 2023 financial year.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| NAME | Fixed remuneration | | At risk - STI and Other | | At risk - LTI Awarded | |
|--|--------------------|--------------|-------------------------|--------------|-----------------------|--------------|
| | 30 June 2024 | 30 June 2023 | 30 June 2024 | 30 June 2023 | 30 June 2024 | 30 June 2023 |
| Non-executive Directors: | | | | | | |
| Andrew Newbold | 100% | 100% | - | - | - | - |
| Alan Boyd | 100% | 100% | - | - | - | - |
| Penelope Dobson | 100% | 100% | - | - | - | - |
| Executive Directors: | | | | | | |
| Joshua Fegan | 70% | 80% | 35% | 29% | (5%) | (9%) |
| Other Key Management Personnel: | | | | | | |
| Robert Meissner | 89% | 55% | 7% | 5% | 4% | 6% |

DIRECTORS' REPORT

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---------------------------|---|
| Name: | Joshua Fegan |
| Title: | Chief Executive Officer and Managing Director |
| Term of agreement: | No fixed term |
| Details: | Either the Company or Joshua may terminate the agreement by giving 12 months' notice, during which the Company may request that he cease work prior to the 12 months, but must provide remuneration for the entire period. The Company may also terminate his engagement without notice in circumstances involving serious or persistent misconduct or for breaches of certain clauses of the agreement, including misuse of confidential information. Joshua's agreement includes a restraint on working for a competitor for up to 6 months after ceasing employment. |

| | |
|---------------------------|--|
| Name: | Robert Meissner |
| Title: | Chief Financial Officer and Company Secretary |
| Term of agreement: | No fixed term |
| Details: | Either the Company or Robert may terminate the executive services agreement by giving 3 months' notice, during which the Company may request that he cease work prior to 3 months, but must provide remuneration for the entire period. The Company may also terminate his engagement without notice in circumstances involving serious and persistent misconduct or breaches of certain clauses of the executive services agreement, for example misuse of confidential information. Robert's agreement includes a restraint on working for a competitor for up to 6 months after ceasing employment. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

DIRECTORS' REPORT

SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2024.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| NAME | Number of options granted | Grant date | Expiry date | Exercise price | Fair value per option at grant date | Fair value of options granted at grant date |
|-----------------|---------------------------|------------------|------------------|----------------|-------------------------------------|---|
| Robert Meissner | 1,755,333 | 23 February 2024 | 22 February 2039 | \$0.000 | \$0.037 | \$65,474 |

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| NAME | Number of rights granted | Grant date | Vesting date and exercisable date | Share price hurdle for vesting | Fair value per right at grant date |
|--|--------------------------|------------------|-----------------------------------|--------------------------------|------------------------------------|
| Joshua Fegan (Class J) ^{1,2} | 300,571 | 16 December 2021 | 30 June 2024 | \$0.336 | \$0.225 |
| Joshua Fegan (Class K) ³ | 7,500,000 | 1 July 2022 | 30 June 2025 | \$0.000 | \$0.066 |
| Joshua Fegan (Class L) ¹ | 509,766 | 1 July 2022 | 30 June 2025 | \$0.163 | \$0.035 |
| Robert Meissner (Class M) ^{1,2} | 658,499 | 1 July 2022 | 30 June 2024 | \$0.424 | \$0.010 |
| Robert Meissner (Class N) ¹ | 790,198 | 1 July 2022 | 30 June 2025 | \$0.173 | \$0.040 |
| Robert Meissner (Class O) ¹ | 1,572,920 | 1 July 2023 | 30 June 2026 | \$0.088 | \$0.030 |

¹ The performance metric for vesting of these 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 rights vesting on 30 June 2024 did not meet the required performance measurement hurdles for the rights to vest and/or be exercised. Accordingly, the performance rights expired on the vesting date.

³ 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.

Performance rights granted carry no dividend or voting rights.

DIRECTORS' REPORT

Details of performance rights over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

| NAME | Grant date | Vesting date | Number of rights granted | Value of rights granted \$ | Value of rights vested \$ | Number of rights lapsed | Value of rights lapsed \$ |
|---------------------------|------------------|--------------|--------------------------|----------------------------|---------------------------|-------------------------|---------------------------|
| Joshua Fegan (Class J) | 16 December 2021 | 30 June 2024 | 300,571 | 27,680 | - | 300,571 | (27,680) |
| Joshua Fegan (Class K) | 1 July 2022 | 30 June 2025 | 7,500,000 | 16,375 | - | - | - |
| Joshua Fegan (Class L) | 1 July 2022 | 30 June 2025 | 509,766 | 10,565 | - | - | - |
| Robert Meissner (Class M) | 1 July 2022 | 30 June 2024 | 658,499 | 6,694 | - | 658,499 | (6,694) |
| Robert Meissner (Class N) | 1 July 2022 | 30 June 2025 | 790,198 | 14,736 | - | - | - |
| Robert Meissner (Class O) | 1 July 2023 | 30 June 2026 | 1,572,920 | 9,372 | - | - | - |

ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years to 30 June 2024 are summarised below:

| | 2024 \$'000 | 2023 \$'000 | 2022 \$'000 | 2021 \$'000 | 2020 \$'000 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Sales revenue | 30,365 | 25,093 | 20,521 | 11,540 | 5,062 |
| EBITDA ¹ | (8,516) | (10,678) | (9,079) | (12,855) | (13,434) |
| Loss after income tax | (32,057) | (13,725) | (12,124) | (15,046) | (14,768) |

¹ Adjusted for significant non-cash items, as disclosed in Note 3. Operating segments.

The factors that are considered to affect total shareholders return (TSR) are summarised below:

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|--------|--------|--------|--------|--------|
| Share price at financial year end (\$) | 0.02 | 0.04 | 0.06 | 0.31 | 0.32 |
| Basic loss per share (cents per share) | (8.53) | (3.91) | (3.99) | (6.05) | (6.42) |

DIRECTORS' REPORT

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|------------------|------------------|--------------------------------|
| Ordinary shares | | | | | |
| Andrew Newbold | 2,068,000 | - | 746,269 | - | 2,814,269 |
| Joshua Fegan | 56,394,621 | - | 1,194,030 | - | 57,588,651 |
| Alan Boyd | 418,182 | - | 149,254 | (283,718) | 283,718 |
| Penelope Dobson | 61,818 | - | - | - | 61,818 |
| Robert Meissner | 428,135 | - | - | - | 428,135 |
| | 59,370,756 | - | 2,089,553 | (283,718) | 61,176,591 |

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Company, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Lapsed ¹ | Expired/forfeited/ other | Balance at the end of the year |
|--|----------------------------------|------------------|---------------------|--------------------------|--------------------------------|
| Performance rights over ordinary shares | | | | | |
| Joshua Fegan | 8,310,337 | - | (300,571) | - | 8,009,766 |
| Robert Meissner | 1,612,320 | 1,572,920 | (658,499) | - | 2,526,741 |
| | 9,922,657 | 1,572,920 | (959,070) | - | 10,536,507 |

¹ Performance rights vested during the period but did not meet the required performance measurement hurdles for the rights to be exercised.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

SHARES UNDER OPTION

Unissued ordinary shares of Althea Group Holdings Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------------|------------------|----------------|---------------------|
| 20 January 2022 | 20 January 2025 | \$0.500 | 1,568,177 |
| 20 January 2022 | 20 January 2025 | \$0.750 | 1,568,177 |
| 26 January 2023 | 26 January 2025 | \$0.126 | 2,500,000 |
| 02 February 2023 | 02 February 2025 | \$0.115 | 4,800,000 |
| 23 February 2024 | 23 February 2039 | \$0.000 | 8,711,183 |
| | | | 19,147,537 |

The 3,136,354 unlisted options were issued to the Company's corporate advisor with the following terms:

- half of the options will be issued with a \$0.50 exercise price and expiring three years from the date of issue; and
- half of the options will be issued with a \$0.75 exercise price and expiring three years from the date of issue.

The 2,500,000 unlisted options were issued to the Company's lenders in relation to the Company's loan facility, as announced to the market on 30 January 2023. The options have an expiry of two years after the date of issue.

The 4,800,000 unlisted options were issued in relation to the Company's convertible note, as announced to the market on 3 February 2023. The options have an expiry of two years after the date of issue.

The 8,711,183 unlisted options were issued in relation to the Company's short-term incentive plan.

Disposal Restrictions

Options issued under the convertible securities agreement must not be transferred, other than to an affiliate of the holder, or shareholder or member of the holder or any affiliate of the holder.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

DIRECTORS' REPORT

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Althea Group Holdings Limited under performance rights at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under rights |
|--------------------------|--------------|----------------|---------------------|
| 1 July 2019 | 1 July 2034 | \$0.000 | 36,490 |
| 1 July 2020 | 30 June 2035 | \$0.000 | 50,049 |
| 1 July 2022 ¹ | 30 June 2037 | \$0.000 | 7,500,000 |
| 1 July 2022 ¹ | 30 June 2037 | \$0.000 | 509,766 |
| 1 July 2022 | 30 June 2040 | \$0.000 | 2,731,764 |
| 1 July 2023 | 30 June 2041 | \$0.000 | 7,265,386 |
| | | | 18,093,455 |

¹ The performance rights issued to Mr Joshua Fegan under the Company's LTI Plan were approved for issue under ASX Listing Rule 10.14.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Althea Group Holdings Limited were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|----------------------|----------------|-------------------------|
| 4 March 2024 | \$0.000 | 1,287,497 |
| 28 May 2024 | \$0.000 | 727,193 |
| 28 May 2024 | \$0.000 | 443,740 |
| | | 2,458,430 |

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

DIRECTORS' REPORT

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

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.

DIRECTORS' REPORT

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.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

CORPORATE GOVERNANCE STATEMENT

The Board has created a framework for managing Althea Group Holdings Limited, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the consolidated

entity's business and which are designed to promote the responsible management and conduct of the consolidated entity. A copy of the consolidated entity's Corporate Governance Statement can be found on their website: altheagroupholdings.com.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Andrew Newbold
Chairman

30 August 2024



05

Auditor's independence declaration


RSM Australia Partners

Level 27, 120 Collins Street Melbourne VIC 3000

PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Althea Group Holdings Limited for the year ended 30 June 2024, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

A L WHITTINGHAM

Partner

Dated: 30 August 2024

Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation





06

Annual financial report

Consolidated statement of profit or loss and other comprehensive income

| | | Consolidated | |
|---|------|-----------------|-----------------|
| | | 30 June 2024 | 30 June 2023 |
| REVENUE | Note | \$'000 | \$'000 |
| Revenue from continuing activities | 4 | 30,365 | 25,093 |
| Cost of goods sold | 5 | (11,937) | (12,204) |
| Gross profit | | 18,428 | 12,889 |
| Interest income | | 8 | 36 |
| EXPENSES | | | |
| Employee benefits expense | 5 | (13,111) | (13,221) |
| General and administrative expenses | 5 | (5,219) | (4,045) |
| Distribution expenses | | (5,106) | (3,013) |
| Marketing expenses | | (840) | (987) |
| Professional services | 5 | (2,665) | (2,264) |
| Depreciation and amortisation expense | 5 | (2,221) | (2,683) |
| Finance costs | 5 | (1,275) | (808) |
| Foreign exchange (loss)/ gain | 5 | (1,716) | 1,501 |
| Impairment of assets | 14 | (17,737) | - |
| Loss on disposal of assets | 5 | (603) | (1,130) |
| Total expenses | | (50,493) | (26,650) |
| Loss before income tax expense | | (32,057) | (13,725) |
| Income tax expense | 6 | - | - |
| Loss after income tax expense for the year attributable to the owners of Althea Group Holdings Limited | | (32,057) | (13,725) |
| OTHER COMPREHENSIVE INCOME/ (LOSS) | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation | | 1,235 | (1,476) |
| Other comprehensive income/ (loss) for the year, net of tax | | 1,235 | (1,476) |
| Total Comprehensive loss for the year attributable to the owners of Althea Group Holdings Limited | | (30,822) | (15,201) |
| | | Cents | Cents |
| Basic loss per share | 38 | (8.53) | (3.91) |
| Diluted loss per share | 38 | (8.53) | (3.91) |

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

| | Note | Consolidated | |
|--------------------------------------|------|------------------------|------------------------|
| | | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 331 | 3,874 |
| Trade and other receivables | 8 | 4,864 | 4,129 |
| Inventories | 9 | 3,983 | 6,201 |
| Other | 10 | 1,711 | 1,513 |
| Total current assets | | 10,889 | 15,717 |
| Non-current assets | | | |
| Other financial assets | 11 | 703 | 416 |
| Property, plant and equipment | 12 | 3,515 | 12,646 |
| Right-of-use assets | 13 | 8,031 | 921 |
| Intangibles | 14 | 513 | 18,640 |
| Total non-current assets | | 12,762 | 32,623 |
| Total assets | | 23,651 | 48,340 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 13,525 | 10,696 |
| Contract liabilities | 16 | 1,663 | 1,658 |
| Borrowings | 17 | 972 | 3,879 |
| Lease liabilities | 18 | 329 | 186 |
| Provisions | 19 | 394 | 483 |
| Other | 20 | 19 | 18 |
| Total current liabilities | | 16,902 | 16,920 |
| Non-current liabilities | | | |
| Contract liabilities | 21 | 995 | 557 |
| Lease liabilities | 22 | 5,238 | 787 |
| Provisions | 23 | 71 | 155 |
| Other | 24 | 131 | 152 |
| Total non-current liabilities | | 6,435 | 1,651 |
| Total liabilities | | 23,337 | 18,571 |
| Net assets | | 314 | 29,769 |
| EQUITY | | | |
| Issued capital | 25 | 86,332 | 85,340 |
| Reserves | 26 | 2,726 | 1,180 |
| Accumulated losses | 27 | (88,744) | (56,751) |
| Total equity | | 314 | 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 year | - | - | - | - | (13,725) | (13,725) |
| Other comprehensive loss for the year, net of tax | - | - | (1,476) | - | - | (1,476) |
| Total comprehensive loss for the year | - | - | (1,476) | - | (13,725) | (15,201) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contributions of equity, net of transaction costs (note 25) | 1,990 | - | - | - | - | 1,990 |
| Employee share issue, net of transaction costs (Note 25) | 1,035 | - | - | - | - | 1,035 |
| Share capital issued under conversion notice | 271 | - | - | - | - | 271 |
| Share-based payments expensed during the period, relating to existing performance rights (note 39) | - | (35) | - | - | - | (35) |
| Forfeited/vested performance rights transferred to retained earnings during the period | - | (283) | - | - | 451 | 168 |
| Fair value of options issued under Convertible Note | - | 58 | - | - | - | 58 |
| Fair value of option issued under loan | - | 33 | - | - | - | 33 |
| Balance at 30 June 2023 | 85,340 | 2,597 | (1,417) | - | (56,751) | 29,769 |

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 year | - | - | - | - | (32,057) | (32,057) |
| Other comprehensive loss for the year, net of tax | - | - | 1,235 | - | - | 1,235 |
| Total comprehensive loss for the year | - | - | 1,235 | - | (32,057) | (30,822) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contributions of equity, net of transaction costs (note 25) | 133 | - | - | - | - | 133 |
| Employee share issue, net of transaction costs (note 25) | 115 | - | - | - | - | 115 |
| Share capital issued under conversion notice, net of transaction costs | 680 | - | - | - | - | 680 |
| Share-based payments expensed during the period, relating to existing performance rights (note 39) | - | 23 | - | - | - | 23 |
| Forfeited/vested performance rights transferred to retained earnings during the period | - | (37) | - | - | 64 | 27 |
| Consultant share issue, net of transaction costs (note 23) | 64 | - | - | - | - | 64 |
| Share Options issued during the period | - | 325 | - | - | - | 325 |
| Balance at 30 June 2024 | 86,332 | 2,908 | (182) | - | (88,744) | 314 |

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

Consolidated statement of cash flows

| | Note | Consolidated | |
|---|------|------------------------|------------------------|
| | | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) | | 31,468 | 36,380 |
| Payments to suppliers and employees (inclusive of GST) | | (35,172) | (42,386) |
| Interest received | | 8 | 36 |
| Interest paid | | (699) | (324) |
| Net cash used in operating activities | 36 | (4,395) | (6,294) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | 12 | (436) | (1,468) |
| Payments for intangibles | 14 | - | (19) |
| Net proceeds from disposal of property, plant and equipment | | 2,729 | |
| Net cash from/(used in) investing activities | | 2,293 | (1,487) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares, net of transaction costs | 25 | 124 | 1,953 |
| Repayment of borrowings, net of transaction costs | | (1,905) | - |
| Proceeds from borrowings, net of transaction costs | | 947 | 3,837 |
| Repayment of bank guarantee | | (362) | (90) |
| Proceeds from bank guarantee | | 75 | - |
| Repayment of lease liabilities | | (318) | (148) |
| Net cash from/(used in) financing activities | | (1,439) | 5,552 |
| Net decrease in cash and cash equivalents | | (3,541) | (2,229) |
| Cash and cash equivalents at the beginning of the financial year | | 3,874 | 6,205 |
| Effects of exchange rate changes on cash and cash equivalents | | (2) | (102) |
| Cash and cash equivalents at the end of the financial year | 7 | 331 | 3,874 |

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

Notes to the consolidated financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$32,057,000 and had net cash outflows from operating activities of \$4,395,000 for the year ended 30 June 2024. As at that date, the consolidated entity's current liabilities exceeded its total assets by of \$6,013,000.

Included in the consolidated entity's current liabilities are:

- borrowings of \$972,000, relating to a \$1,000,000 loan facility. Subsequent to year-end, the consolidated entity executed a variation to the loan agreement, extending the repayment date to November 2025. Although the repayment date has been extended as at the date of this report, at 30 June 2024 it is considered a current liability.

Included in the consolidated entity's loss is an impairment adjustment of \$17,737,000, attributable to the delay in generating new revenue streams from the recreational cannabis operations at Peak Processing Solutions in Canadian. Whilst management have impaired goodwill on this basis, the adjustment is non-cash and does not impact the forward-looking cash flow forecast or prospects for the Canadian operations.

Note 1. Significant accounting policies (continued)

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 and management believe that it is reasonably foreseeable that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- 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. In July 2024, the company completed a AUD \$2,000,000 placement (excluding fees), to support general working capital and the consolidated entity's expansion activities in the USA and Canada.
- During the second half of the financial year ended 30 June 2024, management completed an extensive organisational review and restructure which is expected to create significant annualised savings and substantially improve the consolidated entity's cash flow for the upcoming financial year. The Directors and management 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.

Although as at the date of this report the outcome of the above initiatives is uncertain, the Directors and management believe there is a reasonable prospect that these and other initiatives currently being implemented by management can deliver positive and sustainable cash flows for the consolidated entity to validate the retention of the going concern principle in the preparation and adoption of the financial statements for the year ended 30 June 2024.

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.

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Note 1. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Althea Group Holdings Limited (company or parent entity) as at 30 June 2024 and the results of all subsidiaries for the year then ended. Althea Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together

Note 1. Significant accounting policies (continued)

with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM, who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board of Directors.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars (AUD), which is Althea Group Holdings Limited's functional and presentation currency. The major controlled entities of Althea Group Holdings Limited have Australian dollars (AUD), British pound (GBP) and Canadian dollars (CAD) as their functional currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains

and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity:

Note 1. Significant accounting policies (continued)

identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable and is shown net of sales taxes (GST, VAT and HST) and recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Althea Group Holdings Limited (the parent entity) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The parent entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the parent entity to the subsidiaries nor a distribution by the subsidiaries to the parent entity.

Note 1. Significant accounting policies (continued)

R&D TAX INCENTIVE

Grants that compensate the group for expenditures incurred are recognised in profit or loss on a systematic basis in the periods in which the expenditures are recognised. R&D tax offset receivables will be recognised in profit before tax and depreciation and amortised over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. Such periods will depend on whether the R&D costs are capitalised or expensed as incurred. For R&D costs that have been capitalised, the grants related to those assets have been deferred and will be recognised over the useful economic life of the asset.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected

Note 1. Significant accounting policies (continued)

credit losses, which uses a lifetime expected loss allowance. At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that trade and other receivables have been impaired. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Credit losses are recognised in profit or loss.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

INVENTORIES

Inventory consisting of raw materials, work in progress and finished goods is stated at the lower of cost and net realisable value. Cost is determined using the average cost basis and is comprised of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Subsequent to initial measurement, balances held in inventory are reviewed at least annually and a provision raised where future use is no longer considered probable, principally due to reasons of obsolescence or product dating.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Note 1. Significant accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit

risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Note 1. Significant accounting policies (continued)

Assets under construction

Not depreciated in the financial year

Buildings

10-25 years

Plant and equipment

2-10 years

Computer equipment

2-5 years

Office equipment

2-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

RIGHT-OF-USE ASSETS

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for, as applicable, any

lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment.

Note 1. Significant accounting policies (continued)

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

During the reporting period, the consolidated entity capitalised costs associated with the development of software. Software has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Amortisation has commenced for implementation of software that has been completed and ready for use. Software that is not ready for use is capitalised as work in progress and

transferred to another class of assets on the date of completion. Software is amortised over its useful life ranging from 2 to 5 years.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and

Note 1. Significant accounting policies (continued)

value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

CONTRACT LIABILITIES

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

LEASE LIABILITIES

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or,

Note 1. Significant accounting policies (continued)

if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, the Company's history of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled

Note 1. Significant accounting policies (continued)

transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing

model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition

Note 1. Significant accounting policies (continued)

is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they have vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new awards are treated as if they were a modification.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement of the asset is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure

fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (continued)

EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Althea Group Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

GOODS AND SERVICES TAX (GST) AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

Note 1. Significant accounting policies (continued)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have

not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2024. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime

Note 2. Critical accounting judgements, estimates and assumptions (continued)

expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore the selection of which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the

use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Where the assets become either technically obsolete, non-strategic or are abandoned or sold, they will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, the liabilities for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. 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 year ended 30 June 2024 approximately 10% (2023: 13%) of the consolidated entity's external revenue was derived from sales to one customer.

Note 3. Operating segments (continued)

Operating segment information

| CONSOLIDATED - 30 JUNE 2024 | Pharmaceutical Cannabis \$'000 | Recreational Cannabis \$'000 | Corporate \$'000 | Total \$'000 |
|--|--------------------------------------|------------------------------------|---------------------|-----------------|
| Revenue | | | | |
| Sales to external customers | 17,723 | 11,678 | - | 29,401 |
| Other revenue | 411 | 467 | 86 | 964 |
| Interest revenue | - | 3 | 5 | 8 |
| Total revenue | 18,134 | 12,148 | 91 | 30,373 |
| EBITDA | | | | |
| EBITDA | 2,111 | (3,093) | (7,534) | (8,516) |
| Depreciation and amortisation | (212) | (1,540) | (469) | (2,221) |
| Impairment of Goodwill | - | (17,737) | - | (17,737) |
| Interest revenue | - | 3 | 5 | 8 |
| Finance costs | (49) | (464) | (762) | (1,275) |
| Loss on disposal of assets | - | (156) | (447) | (603) |
| Unrealised foreign exchange loss | - | - | (1,713) | (1,713) |
| Profit/(loss) before income tax expense | 1,850 | (22,987) | (10,920) | (32,057) |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | (32,057) |
| ASSETS | | | | |
| Segment assets | 4,558 | 19,077 | 16 | 23,651 |
| Total assets | | | | 23,651 |
| LIABILITIES | | | | |
| Segment liabilities | 6,532 | 16,797 | 8 | 23,337 |
| Total liabilities | | | | 23,337 |

Note 3. Operating segments (continued)

| CONSOLIDATED - 30 JUNE 2023 | Pharmaceutical Cannabis \$'000 | Recreational Cannabis \$'000 | Corporate \$'000 | Total \$'000 |
|--|--------------------------------------|------------------------------------|---------------------|-----------------|
| Revenue | | | | |
| Sales to external customers | 15,020 | 9,804 | - | 24,824 |
| Other revenue | - | 93 | 176 | 269 |
| Interest revenue | - | (2) | 38 | 36 |
| Total revenue | 15,020 | 9,895 | 214 | 25,129 |
| EBITDA | | | | |
| EBITDA | 1,501 | (4,508) | (7,671) | (10,678) |
| Depreciation and amortisation | (242) | (1,508) | (933) | (2,683) |
| Interest revenue | - | (2) | 38 | 36 |
| Finance costs | (84) | (40) | (684) | (808) |
| Loss on disposal of assets | - | - | (1,130) | (1,130) |
| Unrealised foreign exchange gain | - | - | 1,538 | 1,538 |
| Profit/(loss) before income tax expense | 1,175 | (6,058) | (8,842) | (13,725) |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | (13,725) |
| 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 4. Revenue

Disaggregation of revenue

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

| | CONSOLIDATED | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| CONSOLIDATED | | |
| Sales Channels | | |
| Goods sold directly to registered pharmacies and consumers | 13,975 | 14,394 |
| Goods sold through intermediaries | 15,426 | 10,430 |
| Other income | 964 | 269 |
| | 30,365 | 25,093 |
| Geographical regions | | |
| Australia | 13,068 | 12,183 |
| United Kingdom | 4,231 | 2,901 |
| Canada | 12,146 | 9,868 |
| Germany | 918 | 128 |
| Ireland | 2 | 13 |
| | 30,365 | 25,093 |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 30,058 | 24,553 |
| Services transferred over time | 307 | 540 |
| | 30,365 | 25,093 |

Note 5. Expenses

| | CONSOLIDATED | |
|---|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES: | | |
| Cost of goods sold | | |
| Cost of goods sold | 11,937 | 12,204 |
| Total cost of goods sold | 11,937 | 12,204 |
| Employee benefits expense | | |
| Employee benefits expense | 12,496 | 11,459 |
| Superannuation expense | 538 | 686 |
| Share-based employee expense | 77 | 1,076 |
| Total employee benefits expense | 13,111 | 13,221 |

Note 5. Expenses (continued)

| | CONSOLIDATED | |
|---|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES: | | |
| General and administrative expenses | | |
| Office related expenses | 1,493 | 463 |
| Insurance | 838 | 781 |
| Licences and permits | 156 | 203 |
| Share registry and ASX compliance costs | 116 | 153 |
| Bad debt expenses | 140 | 19 |
| Stock adjustments | 841 | 778 |
| Travel expenses | 734 | 669 |
| IT related expenses | 492 | 427 |
| Other expenses | 409 | 552 |
| Total general and administrative expenses | 5,219 | 4,045 |
| Professional services expense | | |
| Accounting and taxation services | 297 | 214 |
| Consulting services | 1,802 | 1,658 |
| Legal fees | 500 | 367 |
| Shared-based professional services expense | 66 | 25 |
| Total professional services expense | 2,665 | 2,264 |
| Depreciation and amortisation | | |
| Property, plant and equipment depreciation | 1,296 | 1,679 |
| Buildings right-of-use assets depreciation | 536 | 306 |
| Intangible assets amortisation | 389 | 698 |
| Total depreciation and amortisation | 2,221 | 2,683 |
| Finance costs | | |
| Interest and finance charges paid/payable on borrowings | 635 | 605 |
| Interest and finance charges paid/payable on lease liabilities | 364 | 203 |
| Other interest and finance charges | 276 | - |
| Total finance costs expensed | 1,275 | 808 |
| Net foreign exchange loss/ (gain) | | |
| Unrealised foreign exchange loss/(gain) | 1,713 | (1,538) |
| Realised foreign exchange loss | 3 | 37 |
| Total net foreign exchange loss/(gain) | 1,716 | (1,501) |

Note 5. Expenses (continued)

| | CONSOLIDATED | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES: | | |
| Net loss on disposal of assets | | |
| Loss on disposal of property, plant and equipment | 54 | 286 |
| Gain on fair value of financial liabilities | (17) | (45) |
| Loss on disposal of assets under construction | - | 1,454 |
| Loss/ (gain) on disposal of right-of-use assets | 90 | (565) |
| Fair value loss on disposal of financial liabilities | 372 | - |
| Loss on transfer or property, plant and equipment to right-of-use assets | 104 | - |
| Total net loss on disposal of assets | 603 | 1,130 |

Note 6. Income tax expense

| | CONSOLIDATED | |
|---|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Reconciliation of income tax benefit and tax at the average rate | | |
| Loss before income tax expense | (32,057) | (13,725) |
| Tax at the average tax rate of 24.5% (2023: 24.5%) | (7,854) | (3,363) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Depreciation and amortisation | 574 | 686 |
| Share-based payments | 37 | 280 |
| Sundry items | (333) | (870) |
| Impairment of Goodwill | 4,434 | - |
| | (3,142) | (3,267) |
| Current year tax losses not recognised | 3,121 | 3,287 |
| Difference in overseas tax rate | 21 | (20) |
| Income tax expense | - | - |

Total carried forward tax losses not recognised as at 30 June 2024 amount to \$68,748,120 (2023: \$54,284,137).

Note 7. Current assets - cash and cash equivalents

| | CONSOLIDATED | |
|--------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Cash at bank | 331 | 3,874 |

Note 8. Current assets - trade and other receivables

| | CONSOLIDATED | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Trade receivables | 5,052 | 4,052 |
| Less: Allowance for expected credit losses | (263) | (206) |
| | 4,789 | 3,846 |
| Other receivables | 75 | 283 |
| | 4,864 | 4,129 |

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$67,000 (2023: loss of \$19,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|----------------------|---------------------------|-------------------|------------------------|------------------------|--------------------------------------|------------------------|
| | 30 June 2024 % | 30 June 2023 % | 30 June 2024 \$'000 | 30 June 2023 \$'000 | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| CONSOLIDATED | | | | | | |
| Current | - | - | 4,189 | 3,786 | - | - |
| 1-30 days overdue | 4% | 2% | 625 | 59 | 25 | 1 |
| 31- 60 days overdue | 27% | 39% | - | - | - | - |
| 61- 90 days overdue | 80% | 97% | - | 6 | - | 6 |
| Over 91 days overdue | 100% | 99% | 238 | 201 | 238 | 199 |
| | | | 5,052 | 4,052 | 263 | 206 |

Note 8. Current assets - trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

| | CONSOLIDATED | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Opening balance | 206 | 187 |
| Additional provisions recognised | 67 | 19 |
| Receivables written off during the year as uncollectable | (10) | - |
| Closing balance | 263 | 206 |

Note 9. Current assets - inventories

| | CONSOLIDATED | |
|--------------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Raw materials - at cost | 2,400 | 2,383 |
| Work in progress - at cost | 223 | 92 |
| Finished goods - at cost | 640 | 3,092 |
| Less: Provision for impairment | (62) | (110) |
| | 578 | 2,982 |
| Packaging and supplies | 782 | 744 |
| | 3,983 | 6,201 |

Note 10. Current assets - other

| | CONSOLIDATED | |
|-------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Prepayments | 1,711 | 1,513 |

Note 11. Non-current assets - other financial assets

| | CONSOLIDATED | |
|-------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Security deposits | 703 | 416 |

Note 12. Non-current assets - property, plant and equipment

| | CONSOLIDATED | |
|------------------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Land - at cost | - | 640 |
| Buildings - at cost | 311 | 9,464 |
| Less: Accumulated depreciation | (104) | (1,445) |
| | 207 | 8,019 |
| Asset under construction - at cost | 379 | 1,226 |
| Plant and equipment - at cost | 5,612 | 4,486 |
| Less: Accumulated depreciation | (3,070) | (2,235) |
| | 2,542 | 2,251 |
| Computer equipment - at cost | 740 | 704 |
| Less: Accumulated depreciation | (682) | (618) |
| | 58 | 86 |
| Office equipment - at cost | 768 | 796 |
| Less: Accumulated depreciation | (439) | (372) |
| | 329 | 424 |
| | 3,515 | 12,646 |

Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| CONSOLIDATED | Land & Buildings \$'000 | Asset under construction \$'000 | Plant and Equipment \$'000 | Computer Equipment \$'000 | Office Equipment \$'000 | Total \$'000 |
|--------------------------------|----------------------------|------------------------------------|-------------------------------|------------------------------|----------------------------|-----------------|
| Balance at 1 July 2022 | 9,029 | 1,677 | 2,998 | 207 | 563 | 14,474 |
| Additions | 24 | 1,224 | 135 | 72 | 13 | 1,468 |
| Disposals | (24) | (221) | (12) | (5) | (29) | (291) |
| Exchange differences | 106 | - | 17 | 1 | 4 | 128 |
| Impairment of assets | - | (1,454) | - | - | - | (1,454) |
| Depreciation expense | (476) | - | (887) | (189) | (127) | (1,679) |
| Balance at 30 June 2023 | 8,659 | 1,226 | 2,251 | 86 | 424 | 12,646 |
| Additions | - | 378 | - | 58 | - | 436 |
| Disposals | (8,061) | (3) | - | - | - | (8,064) |
| Exchange differences | (209) | (15) | 31 | (3) | (11) | (207) |
| Transfers in/(out) | - | (1,207) | 1,207 | - | - | - |
| Depreciation expense | (182) | - | (947) | (83) | (84) | (1,296) |
| Balance at 30 June 2024 | 207 | 379 | 2,542 | 58 | 329 | 3,515 |

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 13. Non-current assets - right-of-use assets

| | CONSOLIDATED | |
|-----------------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Land and buildings - right-of-use | 8,818 | 1,182 |
| Less: Accumulated depreciation | (787) | (261) |
| | 8,031 | 921 |

Note 13. Non-current assets - right-of-use assets (continued)

Additions to the right-of-use assets during the period 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 building 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 14. Non-current assets - intangibles

| | CONSOLIDATED | |
|---|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Goodwill | 17,737 | 17,737 |
| Less: Accumulated amortisation | (17,737) | - |
| | - | 17,737 |
| Website - at cost | 371 | 374 |
| Less: Accumulated amortisation | (319) | (253) |
| | 52 | 121 |
| Patents and trademarks - at cost | 103 | 103 |
| Less: Accumulated amortisation | (37) | (26) |
| | 66 | 77 |
| Software - at cost | 2,325 | 2,326 |
| Less: Accumulated amortisation | (2,293) | (2,055) |
| | 32 | 271 |
| Intellectual Property - at cost | 571 | 571 |
| Less: Accumulated amortisation | (208) | (137) |
| | 363 | 434 |
| | 513 | 18,640 |

Note 14. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| CONSOLIDATED | Goodwill \$'000 | Website \$'000 | Patents and trademarks \$'000 | Software \$'000 | Intellectual property \$'000 | Total \$'000 |
|-------------------------|--------------------|-------------------|-------------------------------------|--------------------|------------------------------------|-----------------|
| Balance at 1 July 2022 | 17,737 | 191 | 85 | 794 | 506 | 19,313 |
| Additions | - | 16 | 3 | - | - | 19 |
| Exchange differences | - | 3 | (2) | 6 | (1) | 6 |
| Amortisation expense | - | (89) | (9) | (529) | (71) | (698) |
| Balance at 30 June 2023 | 17,737 | 121 | 77 | 271 | 434 | 18,640 |
| Exchange differences | - | (1) | - | - | - | (1) |
| Impairment of assets | (17,737) | - | - | - | - | (17,737) |
| Amortisation expense | - | (68) | (11) | (239) | (71) | (389) |
| Balance at 30 June 2024 | - | 52 | 66 | 32 | 363 | 513 |

Impairment testing

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

| | CONSOLIDATED | |
|---|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| 2682130 Ontario Limited (Peak Processing Solutions) | 17,737 | 17,737 |
| Impairment recognised at 31 December 2023 | (7,628) | - |
| Impairment recognised at 30 June 2024 | (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). The value-in-use calculation uses a discounted cash flow model, based on a one year projection period approved by management and 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 30 June 2024, 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 the Peak Processing Solutions business:

Note 14. Non-current assets - intangibles (continued)

- 21.5% post-tax discount rate;
- forecasted revenue for the financial year ending 30 June 2025 of CAD \$14,822,000, an increase of CAD \$4,034,000 (37%) from the actualised revenue achieved during the financial year ended 30 June 2024;
- accelerated revenue growth of 20% in year two, representing expected volume growth from existing executed contracts at 30 June 2024;
- projected revenue growth rates of 15%, 10% and 5% in years three, four and five respectively;
- gradual improvement in gross margin percentage to 25% in year two, increasing to 29% by year five; and
- 3% terminal growth rate.

The discount rate of 21.5% 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 business, 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.

Factoring in previously recognised impairment losses, the above value-in-use realistic case model resulted in the carrying amount of the Peak Processing Solutions business exceeding the recoverable amount by AUD \$8,917,000 (CAD \$7,931,000).

As such, the remaining Goodwill attributable to the Peak Processing Solutions CGU decreases to AUD \$1,192,000 (CAD \$1,060,000) under the current value-in-use realistic case model. Whilst management and the Board firmly believe in Peak's ability to achieve its 30 June 2025 forecast, an inherent uncertainty and sensitivity exists within the realistic case five-year value-in-use model and as such, a conservative approach has been taken to adopt the value-in-use base case model and recognise a full impairment to the Goodwill balance of the CGU as at 30 June 2024.

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 15. Current liabilities - trade and other payables

| | CONSOLIDATED | |
|----------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Trade payables | 11,459 | 7,499 |
| Other payables | 2,066 | 3,197 |
| | 13,525 | 10,696 |

Note 16. Current liabilities - contract liabilities

| | CONSOLIDATED | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Contract liabilities | 1,663 | 1,658 |
| Reconciliation | | |
| Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening balance | 1,658 | 637 |
| Payments received in advance | 5,113 | 4,244 |
| Transfer to revenue - included in the opening balance | (644) | (637) |
| Transfer to revenue - other balances | (4,026) | (2,668) |
| Reclassified from non-current contract liabilities during the period | (438) | 82 |
| Closing balance | 1,663 | 1,658 |

Note 17. Current liabilities - borrowings (continued)

| | CONSOLIDATED | |
|--------------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Loan | 972 | 1,937 |
| Financial Derivative Liability | - | 314 |
| Financial Liability | - | 1,628 |
| | 972 | 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 of 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 \$1,180,974 (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.

On 2 February 2024, the consolidated entity secured a new loan facility of AUD \$1,000,000, with a 9-month term and 13% interest payable per annum.

Refer to note 28 for further information on financial instruments.

Note 18. Current liabilities - lease liabilities

| | CONSOLIDATED | |
|-----------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Lease liability | 329 | 186 |

Refer to note 28 for further information on financial instruments.

Note 19. Current liabilities - provisions

| | CONSOLIDATED | |
|--------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Annual leave | 332 | 483 |
| Long service leave | 62 | - |
| | 394 | 483 |

Note 20. Current liabilities - other

| | CONSOLIDATED | |
|---------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Other current liabilities | 19 | 18 |

Note 21. Non-current liabilities - contract liabilities

| | CONSOLIDATED | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Contract liabilities | 995 | 557 |
| Reconciliation | | |
| Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening balance | 557 | 90 |
| Payments received in advance | - | 549 |
| Transfer to revenue - included in the opening balance | - | - |
| Reclassified to current contract liabilities during the period | 438 | (82) |
| Closing balance | 995 | 557 |

Note 22. Non-current liabilities - lease liabilities

| | CONSOLIDATED | |
|-----------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Lease liability | 5,238 | 787 |

Refer to note 28 for further information on financial instruments.

Note 23. Non-current liabilities - provisions

| | CONSOLIDATED | |
|--------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Long service leave | 71 | 155 |

Note 24. Non-current liabilities - other

| | CONSOLIDATED | |
|-------------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Other non-current liabilities | 131 | 152 |

Note 25. Equity - issued capital

| CONSOLIDATED | 30 June 2024 Shares | 30 June 2023 Shares | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
|------------------------------|------------------------|------------------------|------------------------|------------------------|
| Ordinary shares - fully paid | 406,503,376 | 381,288,586 | 86,332 | 85,340 |

Note 25. Equity - issued capital (continued)

Movements in ordinary share capital

| DETAILS | DATE | SHARES | ISSUE PRICE | \$'000 |
|---|---------------------|--------------------|-------------|---------------|
| Balance | 1 July 2022 | 316,004,879 | | 82,044 |
| Employee share issue | 4 July 2022 | 11,589,743 | \$0.077 | 892 |
| Capital raising costs | 4 July 2022 | - | \$0.000 | (3) |
| Employee share issue | 14 October 2022 | 677,738 | \$0.087 | 59 |
| Capital raising costs | 14 October 2022 | - | \$0.000 | (4) |
| Placement | 10 November 2022 | 20,074,628 | \$0.067 | 1,345 |
| Capital raising costs | 10 November 2022 | - | \$0.000 | (88) |
| Share purchase plan | 19 December 2022 | 13,031,986 | \$0.067 | 873 |
| Capital raising costs | 19 December 2022 | - | \$0.000 | (140) |
| Exercised performance rights | 3 April 2023 | 435,439 | \$0.087 | 38 |
| Employee share issue | 3 April 2023 | 1,229,888 | \$0.047 | 58 |
| Capital raising costs | 3 April 2023 | - | \$0.000 | (5) |
| Collateral shares issued under convertible note | 3 April 2023 | 11,000,000 | \$0.000 | - |
| Share capital issued under convertible note conversion notice | 19 June 2023 | 7,244,285 | \$0.037 | 271 |
| Balance | 30 June 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 |
| Share capital issued to consultant | 4 March 2024 | 2,140,541 | \$0.031 | 66 |
| Share capital issued to employees | 4 March 2024 | 1,287,497 | \$0.037 | 48 |
| Share capital issued to employees | 20 March 2024 | 820,452 | \$0.032 | 26 |
| Capital raising costs | 20 March 2024 | - | \$0.000 | (3) |
| Share capital issued to employees | 28 May 2024 | 1,170,933 | \$0.037 | 44 |
| Balance | 30 June 2024 | 406,503,376 | | 86,332 |

Note 25. Equity - issued capital (continued)

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 October 11 2023, the holder redeemed 10,385,943 Collateral Shares, leaving a remaining balance of 614,057 Collateral Shares.

Share buy-back

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

Capital risk management

The consolidated entity's singular objective 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 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 year.

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

Note 26. Equity - reserves

| | Consolidated | |
|-----------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Foreign currency reserve | (182) | (1,417) |
| Share-based payment reserve | 2,908 | 2,597 |
| | 2,726 | 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.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| CONSOLIDATED | Foreign currency translation reserve \$'000 | Share-based payment reserve \$'000 | Total \$'000 |
|--|---|--|-----------------|
| Balance at 1 July 2022 | 59 | 2,824 | 2,883 |
| Foreign currency translation | (1,476) | - | (1,476) |
| Share-based payments expensed during the period | - | (35) | (35) |
| Vested rights transferred to retained earnings during the period | - | (283) | (283) |
| Fair value of options issued under Convertible Note | - | 58 | 58 |
| Fair value of options issued under loan | - | 33 | 33 |
| Balance at 30 June 2023 | (1,417) | 2,597 | 1,180 |
| Foreign currency translation | 1,235 | - | 1,235 |
| Share-based payments expensed during the period | - | 23 | 23 |
| Vested rights transferred to retained earnings during the period | - | (37) | (37) |
| Share Options issued during the period | - | 325 | 325 |
| Balance at 30 June 2024 | (182) | 2,908 | 2,726 |

Note 27. Equity - accumulated losses

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Accumulated losses at the beginning of the financial year | (56,751) | (43,477) |
| Loss after income tax expense for the year | (32,057) | (13,725) |
| Transfer from share-based payments reserve | 64 | 451 |
| Accumulated losses at the end of the financial year | (88,744) | (56,751) |

Note 28. Financial instruments

FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in

respect of investment portfolios to determine market risk.

Risk management is carried out by the Chief Financial Officer (Finance) under policies approved by the Board of Directors (the Board). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

MARKET RISK

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Note 28. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Exposure to foreign currency risk may result in the fair value of future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the consolidated entity holds financial instruments which are other than the Australian dollar functional currency of the consolidated entity.

The average exchange rates and reporting date exchange rates applied were as follows:

| | Average exchange rates | | Reporting date exchange rates | |
|---------------------------|------------------------|--------------|-------------------------------|--------------|
| | 30 June 2024 | 30 June 2023 | 30 June 2024 | 30 June 2023 |
| Australian dollars | | | | |
| Pound Sterling | 1.9204 | 1.7890 | 1.9004 | 1.9039 |
| Canadian dollars | 1.1260 | 1.1095 | 1.0970 | 1.1380 |
| US dollars | 1.5253 | 1.4860 | 1.5097 | 1.5085 |
| Euros | 1.6495 | 1.5560 | 1.6089 | 1.6371 |

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|-------------------------|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| CONSOLIDATED | | | | |
| Pound Sterling | 50 | 364 | (56) | (26) |
| Canadian dollars | - | - | - | (1) |
| US dollars | 149 | 314 | (263) | (78) |
| Euros | 3 | 258 | - | (16) |
| | 202 | 936 | (319) | (121) |

Note 28. Financial instruments (continued)

The consolidated entity had net liabilities denominated in foreign currencies of \$117,000 (liabilities of \$319,000 less assets of \$202,000) as at 30 June 2024 (2023: net assets of \$815,000 (assets of \$936,000 less liabilities of \$121,000)). Based on this exposure, had the Australian dollars weakened by 5%/strengthened by 5% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$41,000 lower/\$41,000 higher (2023: \$41,000 higher/\$41,000 lower) and equity would remain unchanged (2023: unchanged). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2024 was \$1,716,000 (2023: gain of \$1,501,000).

PRICE RISK

The consolidated entity is not exposed to any significant price risk.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit

limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

LIQUIDITY RISK

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Note 28. Financial instruments (continued)

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have

been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| CONSOLIDATED - 30 June 2024 | Weighted average interest rate % | 1 year or less \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | Remaining contractual maturities \$'000 |
|------------------------------------|----------------------------------|-----------------------|------------------------------|------------------------------|---------------------|---|
| NON-DERIVATIVES | | | | | | |
| Non-interest bearing | | | | | | |
| Trade payables | - | 11,459 | - | - | - | 11,459 |
| Other payables | - | 2,066 | - | - | - | 2,066 |
| Interest-bearing - variable | | | | | | |
| Other loans | 14.00% | 1,043 | - | - | - | 1,043 |
| Lease liability | 9.00% | 816 | 825 | 2,131 | 6,066 | 9,838 |
| Total non-derivatives | | 15,384 | 825 | 2,131 | 6,066 | 24,406 |

| CONSOLIDATED - 30 June 2023 | Weighted average interest rate % | 1 year or less \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | Remaining contractual maturities \$'000 |
|--------------------------------------|----------------------------------|-----------------------|------------------------------|------------------------------|---------------------|---|
| NON-DERIVATIVES | | | | | | |
| Non-interest bearing | | | | | | |
| Trade payables | - | 7,499 | - | - | - | 7,499 |
| Other payables | - | 3,198 | - | - | - | 3,198 |
| Interest-bearing - variable | | | | | | |
| Lease liability | 5.00% | 231 | 240 | 620 | - | 1,091 |
| Interest-bearing - fixed rate | | | | | | |
| Other loans | 15.00% | 2,475 | - | - | - | 2,475 |
| Convertible notes payable | - | 1,947 | - | - | - | 1,947 |
| Total non-derivatives | | 15,350 | 240 | 620 | - | 16,210 |

Note 28. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

| CONSOLIDATED | 30 June 2024 | | 30 June 2023 | |
|--------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Assets | | | | |
| Cash at bank | 331 | 331 | 3,874 | 3,874 |
| Trade receivables | 4,789 | 4,789 | 3,846 | 3,846 |
| Other receivables | 75 | 75 | 283 | 283 |
| | 5,195 | 5,195 | 8,003 | 8,003 |
| Liabilities | | | | |
| Trade payables | 11,459 | 11,459 | 7,499 | 7,499 |
| Other payables | 2,066 | 2,066 | 3,197 | 3,198 |
| Lease liability | 5,567 | 5,567 | 973 | 973 |
| Loan | 972 | 972 | 1,937 | 1,937 |
| Financial derivative liability | - | - | 314 | 314 |
| Financial liability | - | - | 1,628 | 1,628 |
| | 20,064 | 20,064 | 15,548 | 15,548 |

Note 29. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2024 of \$702,814 (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).

The Group is currently engaged in a contractual dispute with a former overseas supplier. The Group has brought to account

at 30 June 2024 all legal costs incurred prior to year-end and the full amount for products received from that supplier which were within the required specification. Management believes the dispute will be resolved in due course and that no additional liabilities are required to be brought to account for the year ended 30 June 2024.

Except for these, the consolidated entity currently has no contingent liabilities at the date of signing this report.

Note 30. Commitments

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Committed at the reporting date but not recognised as liabilities, payable: Within one year | - | 2,190 |

Commitments at 30 June 2023 consist of contracted minimum volume orders for the company's pharmaceutical cannabis products.

Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, and its network firms:

| | Consolidated | |
|--|--------------------|--------------------|
| | 30 June 2024 \$ | 30 June 2023 \$ |
| Audit services - RSM Australia Partners | | |
| Audit or review of the financial statements | 159,100 | 90,191 |
| Other services - RSM Australia Partners | | |
| Other services | - | 46,557 |
| | 159,100 | 136,748 |
| Audit services - network firms | | |
| Audit or review of the financial statements | - | 46,620 |

For the financial year ended 30 June 2023, RSM Australia Partners engaged a network firm to assist with financial statement audit of the consolidated entity's subsidiary, Peak Processing Solutions. For the financial year ended 30 June 2024, all audit services for the consolidated group were performed by RSM Australia Partners.

Note 32. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|--------------------|--------------------|
| | 30 June 2024 \$ | 30 June 2023 \$ |
| Short-term employee benefits | 1,260,358 | 1,421,086 |
| Post-employment benefits | 79,611 | 81,848 |
| Long-term benefits | 27,762 | 46,608 |
| Share-based payments | (10,932) | (39,103) |
| | 1,356,799 | 1,510,439 |

Note 33. Related party transactions

Parent entity

Althea Group Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the Directors' report.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | Parent | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| (Loss)/profit after income tax | (18,861) | (967) |
| Total comprehensive (loss)/income | (18,861) | (967) |

During the reporting period, the parent entity recognised an impairment expense of \$17,127,568 from the investment in its wholly-owned subsidiary Peak Processing Solutions.

| STATEMENT OF FINANCIAL POSITION | Parent | |
|----------------------------------|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Total current assets | 1 | 221 |
| Total assets | 68,530 | 89,985 |
| Total current liabilities | 7 | 3,961 |
| Total liabilities | 7 | 3,969 |
| Equity | | |
| Issued capital | 86,332 | 85,340 |
| Share-based payment reserve | 2,908 | 2,597 |
| Accumulated losses | (20,716) | (1,921) |
| Total equity | 68,524 | 86,016 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| NAME | Principal place of business / Country of incorporation | Ownership interest | |
|---|--|--------------------|----------------|
| | | 30 June 2024 % | 30 June 2023 % |
| Althea Company Pty Limited | Australia | 100.00% | 100.00% |
| Althea MMJ UK Limited | United Kingdom | 100.00% | 100.00% |
| MMJ Clinic Group Limited | United Kingdom | 100.00% | 100.00% |
| 1214029 B.C. Limited ¹ | Canada | 100.00% | 100.00% |
| 2613035 Ontario Limited ² | Canada | 100.00% | 100.00% |
| 2682130 Ontario Limited ² | Canada | 100.00% | 100.00% |
| MMJ Clinic Group Ireland Limited | Ireland | 100.00% | 100.00% |
| Peak USA JV LLC | United States of America | 100.00% | - |

¹ 1214029 B.C. Limited is an entity associated with the acquisition of Peak Processing Solutions.

² Collectively known as Peak Processing Solutions.

Note 36. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Loss after income tax expense for the year | (32,057) | (13,725) |
| Adjustments for: | | |
| Depreciation and amortisation | 2,221 | 2,683 |
| Net loss on disposal of assets | 603 | 1,175 |
| Fair value gain on financial liabilities | - | (45) |
| Share-based payments | 143 | 1,169 |
| Foreign exchange differences | 1,581 | (1,501) |
| Share-based payment re-classified during the year | 417 | (59) |
| Interest paid on investing activities | 576 | 539 |
| Impairment of Goodwill | 17,737 | - |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | (735) | 2,176 |
| Decrease/(increase) in inventories | 2,218 | (2,382) |
| Increase in prepayments | (198) | (66) |
| Increase in trade and other payables | 2,829 | 3,696 |
| Increase in contract liabilities | 443 | - |
| (Decrease)/increase in employee benefits | (173) | 46 |
| Net cash used in operating activities | (4,395) | (6,294) |

Note 37. Non-cash investing and financing activities

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Shares issued under employee share plan | 184 | 1,047 |

Note 38. Loss per share

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Loss after income tax attributable to the owners of Althea Group Holdings Limited | (32,057) | (13,725) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 375,893,765 | 351,049,915 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 375,893,765 | 351,049,915 |
| | Cents | Cents |
| Basic loss per share | (8.53) | (3.91) |
| Diluted loss per share | (8.53) | (3.91) |

18,093,455 (30 June 2023: 15,781,890) performance options and 19,147,537 (30 June 2023:10,436,354) options have been excluded from the above calculations as their inclusion would be anti-dilutive.

Note 39. 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 Remuneration and Nomination 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 Remuneration and Nomination Committee.

Options

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

Note 39. Share-based payments (continued)

30 June 2024

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the 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 |
| 23/02/2024 | 23/02/2039 | \$0.000 | - | 8,711,183 | - | - | 8,711,183 |
| | | | 10,436,354 | 8,711,183 | - | - | 19,147,537 |

Performance options

The terms and conditions of each grant of performance options over the 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 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 N ¹ | 01/07/2022 | ATSR (CAGR) over relevant Measurement Period of \$0.1732 | 2,731,764 |
| Class O ¹ | 01/07/2023 | ATSR (CAGR) over relevant Measurement Period of \$0.0882 | 7,265,386 |

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.

Note 39. Share-based payments (continued)

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

| 30 June 2024 | | | | | | | |
|--------------|-------------|----------------|----------------------------------|------------------|-----------|--|--------------------------------|
| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other ¹ | Balance at the end of the 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 | - | - | (3,584,232) | - |
| 01/07/2022 | 30/06/2040 | \$0.000 | 3,800,782 | - | - | (1,069,018) | 2,731,764 |
| 01/07/2023 | 30/06/2041 | \$0.000 | - | 9,309,076 | - | (2,043,690) | 7,265,386 |
| | | | 15,781,890 | 9,309,076 | - | (6,997,511) | 18,093,455 |

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 financial year was \$0.04 (2023: \$0.06).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.89 years (2023: 1.74 years).

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

| 30 June 2024 | | | | | | | |
|--------------|--------------|---------------------------|--------------------------------|---------------------|----------------|-------------------------|--------------------------|
| 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 40. 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 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 30 August 2024. The Directors have the power to amend and reissue the financial statements.

Note 41. Events after the reporting period

On 3 July 2024, the company's wholly-owned subsidiary, Peak Processing Solutions, entered into an asset-based loan agreement with an external lender for a principal loan of up to CAD \$1,000,000. The loan is repayable in full on 28 May 2025, with 22% interest payable per annum. The total amount drawn down at 30 August 2024 is CAD \$575,000.

On 16 July 2024, the company announced its successful completion of a \$2,000,000 placement. 101,333,100 ordinary shares were issued to new and existing shareholders at a price of \$0.020 per share. The proceeds from the placement, excluding fees, were settled on 22 July 2024.

Subject to shareholder approval at the company's Extraordinary General Meeting expected to be held in September 2024, the company will grant:

- all participants of the placement one option for every one new share subscribed for under the placement (total options of 101,333,100) with a grant date in October 2024. The options will have a two-year expiry from grant date and an exercise price of \$0.030;
- 20,066,620 options to the lead manager of the placement with a grant date in October 2024. The options will have a three-year expiry from grant date and an exercise

Note 41. Events after the reporting period (continued)

price of \$0.039 for 10,033,310 of the total options granted, and \$0.046 for the remaining 10,033,310 options granted, and

- 4,000,000 options to the placement consultant with a grant date in October 2024. The options will have a three-year expiry from grant date and an exercise price of \$0.030.

On 31 July 2024, the company varied its existing loan agreement, as disclosed in Note 17, to: (i) extend the repayment date to 2 November 2025, and (ii) increase the maximum facility limit to \$2,000,000.

Although the repayment date has been extended, at 30 June 2024 the loan is required to be shown as a current liability.

On 1 August 2024, the company received \$500,000 from the lender, resulting in a total drawn down amount of \$1,500,000.

No other matter or circumstance has arisen since 30 June 2024 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.

Consolidated entity disclosure statement

| Entity name | Entity type | Place formed / Country of incorporation | Ownership interest % | Tax residency |
|----------------------------------|----------------|---|----------------------------|-----------------------------|
| Althea Company Pty Limited | Body corporate | Australia | 100.00% | Australia ¹ |
| Althea MMJ UK Limited | Body corporate | United Kingdom | 100.00% | United Kingdom |
| MMJ Clinic Group Limited | Body corporate | United Kingdom | 100.00% | United Kingdom |
| 1214029 B.C. Limited | Body corporate | Canada | 100.00% | Canada |
| 2613035 Ontario Limited | Body corporate | Canada | 100.00% | Canada |
| 2682130 Ontario Limited | Body corporate | Canada | 100.00% | Canada |
| MMJ Clinic Group Ireland Limited | Body corporate | Ireland | 100.00% | Ireland |
| Peak USA JV LLC | Body corporate | United States of America | 100.00% | United States of America |

¹ Althea Group Holdings Limited (the parent entity) and its wholly-owned Australian subsidiary has formed an income tax consolidated group under the tax consolidation regime.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Andrew Newbold

Chairman

30 August 2024



07

Independent auditor's report

RSM Australia Partners

Level 27, 120 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

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

Opinion

We have audited the financial report of Althea Group Holdings Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* (the Code) that are relevant to our audit of the 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$32.1m and operating cash outflows of \$4.4m during the year ended 30 June 2024 and, as of that date, the Group's current liabilities exceeded its total assets by \$6.0 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our audit addressed this matter |
|---|---|
| <p>Impairment of Goodwill Refer to Note 14 in the financial statements</p> | |
| <p>The Group had goodwill of \$17.7 million relating to its acquisition of Peak Processing Solutions ('Peak').</p> <p>We identified this area as a Key Audit Matter due to the size of the goodwill balance, and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements regarding the future underlying cash flows of the business and the discount rates applied to them.</p> <p>For the year ended 30 June 2024 management have performed an impairment assessment over the goodwill balance by:</p> <ul style="list-style-type: none"> Calculating the value in use of the CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for the CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's weighted average cost of capital (WACC) adjusted for the CGU; and Comparing the resulting value in use of the CGU to their respective book values. <p>Management also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuation.</p> | <p>Our audit procedures in relation to management's assessment of impairment included:</p> <ul style="list-style-type: none"> Assessing the overall valuation methodology used to determine the value in use; Comparing the forecast made in June 2024 with the actual results in the year; Challenging the reasonableness of key assumptions, including the cash flow projections, revenue growth rates, discount rates, and sensitives used; Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence such as approved budgets, and considering the reasonableness of these budgets; and Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies. |

Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed this matter |
|--|---|
| <p>Inventories Refer to Note 9 in the financial statements</p> | |
| <p>The Group has inventories of \$3.9 million at 30 June 2024 of which \$2.7 million is held by Peak.</p> <p>The existence and valuation of inventory held by Peak Processing was considered a Key Audit Matter due to the materiality of the balance, the existence of inventories held on behalf of third parties, and the significant estimates involved including:</p> <ul style="list-style-type: none"> - valuing work-in-progress and finished goods which involves assumptions around the conversion costs of direct labour, overheads, utilities, raw materials and other variable costs; and - complexities in weighing certain inventory products (when tare weights are used). | <p>Our audit procedures in relation to the valuation and existence of Peaks inventories included:</p> <ul style="list-style-type: none"> • Attending the physical inventory count at Peak Processing as at 30 June 2024 to observe management's stocktake procedures; • Testing a sample of inventory costing by verifying each of the inputs in the cost of conversion calculation to supporting documentation and evaluating the reasonableness of management's estimates in compliance with AASB 102 <i>Inventories</i>; • Testing a sample of inventory to ensure amounts are being held at the lower of cost or net realisable value; and • Assessing the company's application of its policy for determining the provision for obsolescence including assessing the ageing of inventory items for potential obsolescence. |
| <p>Revenue Recognition Refer to Note 4 in the financial statements</p> | |
| <p>The Group predominately earns revenue from distribution contracts with third parties who sell Althea's medicinal cannabis products to registered pharmacies and consumers.</p> <p>Peak manufacturers cannabis products on behalf of third parties in the current financial year. Each of Peak's customer contracts are unique and can include numerous performance obligations and variable pricing conditions.</p> <p>Revenue recognition was considered a Key Audit Matter due to the materiality and significance of the balance, as well as the complexities included in the customer contracts.</p> | <p>Our audit procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"> • Assessing whether the Group's revenue recognition policies are in compliance with AASB 15 <i>Revenue with Contracts with Customers</i>; • Evaluating the operating effectiveness of management's controls related to revenue recognition; • Assessing sales transactions before and after year-end to ensure that revenue is recognised in the correct period; and • Performing detailed testing procedures on each material revenue stream. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b. the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Althea Group Holdings Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads 'A L Whittingham'.

A L WHITTINGHAM

Partner

Dated: 30 August 2024

Melbourne, Victoria



08

Shareholder information

The shareholder information set out below was applicable as at 31 July 2024.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Options over ordinary shares | |
|--|-------------------|--------------------------|------------------------------|--------------------------|
| | Number of holders | % of total shares issued | Number of holders | % of total shares issued |
| 1 to 1,000 | 1,540 | 0.22 | - | - |
| 1,001 to 5,000 | 3,869 | 1.86 | - | - |
| 5,001 to 10,000 | 1,195 | 1.83 | - | - |
| 10,001 to 100,000 | 2,118 | 13.77 | - | - |
| 100,001 and over | 520 | 82.32 | 13 | 100.00 |
| | 9,242 | 100.00 | 13 | 100.00 |
| Holding less than a marketable parcel | - | - | - | - |

EQUITY SECURITY HOLDERS

Substantial Holders

The 20 largest shareholders in the consolidated entity are set out below:

| Name | Ordinary shares | |
|---|--------------------|--------------------------|
| | Numbers held | % of total shares issued |
| Adman Lanes Pty Ltd | 60,000,000 | 14.76 |
| Joshua Michael Fegan | 57,444,030 | 14.13 |
| UBS nominees Pty Ltd | 10,769,451 | 2.65 |
| Citicorp Nominees Pty Limited | 10,558,096 | 2.60 |
| Mancann Pty Ltd | 10,000,000 | 2.46 |
| Hootch Pty Ltd | 7,500,000 | 1.85 |
| Hunt Prosperity Pty Ltd Investius PB Micro Cap A/C> | 7,500,000 | 1.85 |
| Hosanda Corporation Pty Limited | 6,500,000 | 1.60 |
| Mr Thomas Mark Nowak | 5,000,000 | 1.23 |
| HSBC Custody Nominees (Australia) Limited | 4,807,529 | 1.18 |
| Pither Investments Pty Ltd Pither Investments A/C> | 4,800,000 | 1.18 |
| Rizzo Super Pty Ltd Rizzo Super Fund A/C> | 4,500,000 | 1.11 |
| McLennan Trading Pty Ltd | 4,100,000 | 1.01 |
| Kevevans Pty Ltd | 3,850,000 | 0.95 |
| Vidog Capital Pty Ltd | 3,770,834 | 0.93 |
| Mr Orlando Alfredo Guerra Curvelo | 3,500,000 | 0.86 |
| Mrs Nola Kendall Fletcher | 3,250,000 | 0.80 |
| Nintieth Y Pty Ltd I K Cldwell & Co Staff A/C> | 3,000,000 | 0.74 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 2,952,629 | 0.73 |
| Mr Hooi Giap Toh Yang and Toh Family A/C> | 2,500,000 | 0.62 |
| | 216,302,569 | 53.24 |

UNQUOTED EQUITY SECURITIES

There are no unquoted equity securities.

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.



Opening minds. Enhancing value.