

ASX Announcement | 11 October 2023
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 30 September 2023

AGH achieves positive cash flow milestone

Financial Highlights:

Group

- AGH has achieved its first quarter of positive cash flow from operating activities
- AGH also achieved another record quarter with \$9.5 million in receipts from customers for the quarter ending 30 September 2023 – an increase of 46% from the previous corresponding period
- The Company's Non-Executive Directors have resolved to take a 25% reduction in remuneration for the next six months, commencing October 2023
- The Company's CEO and CFO will also take a 10% reduction in salary for the next six months, commencing October 2023
- The Company remains fully funded with \$3.6 million cash on hand at the end of the quarter, has now completed its capital expenditure program, and anticipates reporting another positive cash flow result for the December 2023 quarter

Division

- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, ('Althea'), achieved a record \$4.9 million in receipts from customers for the Quarter
- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('Peak'), achieved \$4.6 million in receipts from customers for the Reporting Period, despite a shutdown of the beverage production line in July 2023 to complete the final capital improvements at the facility

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

Financial update for the Quarter

AGH is pleased to announce that it has achieved its first quarter of positive cash flow from operating activities with net cash inflow of \$35,000, a result of strong sales achieved by Althea (pharmaceutical cannabis) and the continuing benefits of previously announced operational expense reduction programs.

AGH also achieved another record quarter with \$9.5 million in receipts from customers for the quarter ending 30 September 2023 – an increase of 46% from the previous corresponding period.



Peak invested a final \$528,000 in capital expenditure during the Quarter, which was the remaining balance of the installation of its world-class tunnel pasteuriser, to be utilised for existing (and new) beverage customers particularly Boston Beer Company (SAM:NYSE) (USD\$4.34B market cap). The payments complete the planned capital improvements to the Peak facility and sets the business up for servicing clients for years to come.

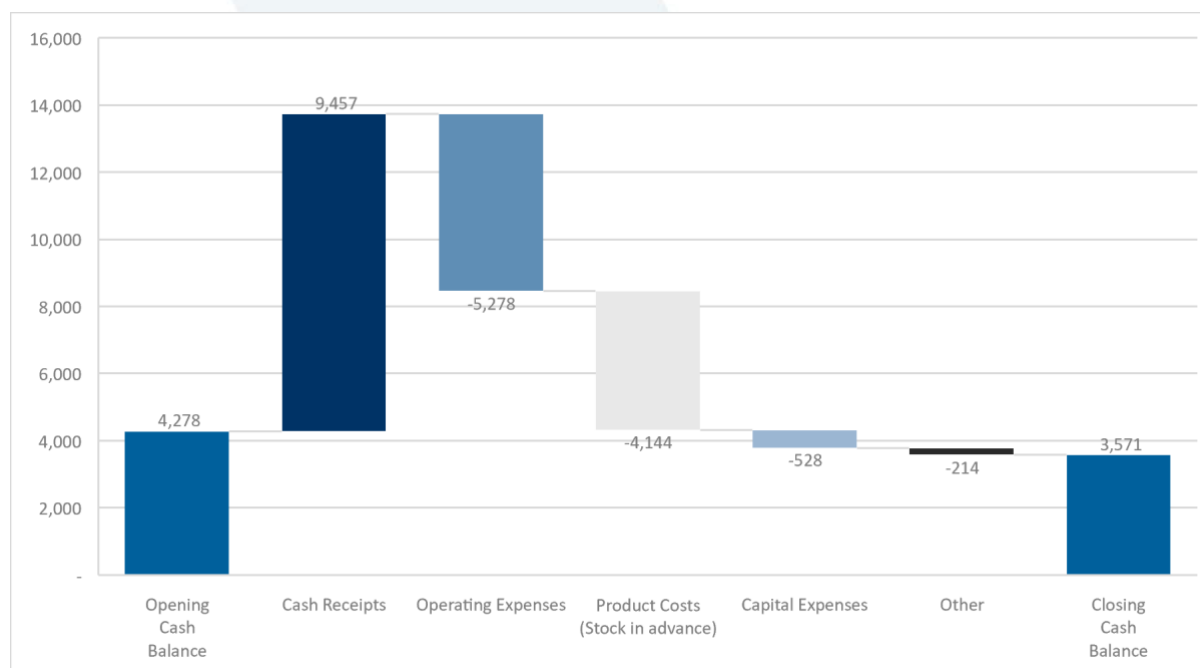
The Company remains fully funded with \$3.6 million cash on hand at the end of the quarter.

Further highlights for the Quarter include:

- Althea achieved a record \$4.9 million in receipts from customers for the Quarter – an increase of \$1.6 million over the previous year
- Peak achieved \$4.6 million in receipts from customers for the Reporting Period, despite a shutdown of the beverage production line in July 2023 for the final phase of the planned capital improvements (see below)

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

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



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

Product Costs (Stock in advance) –

- In order to ensure a continuous supply of Althea medicines for a growing number of patients, the Company invests in the forward purchasing of stock at a level consistent with its patient growth rates, with our suppliers requiring up to 6 months lead time

Closing Cash Balance –



- As at 30 September 2023, AGH remains fully funded with \$3.6 million of cash on hand at the end of the quarter

Capital Expenses -

- A final \$528,000 was invested in capital improvements by Peak to support the previously announced supply agreement with the Boston Beer Company (ASX announcement 1 September 2021) and other beverage customers, via the installation of its world-class tunnel pasteuriser (see below)

Operational update for the Quarter
Pharmaceutical cannabis - Althea

Althea achieved \$4.9 million in receipts from customers for the Reporting Period, an increase of \$1.6 million over the previous corresponding period.

Althea made up a lot of ground during the Quarter from the stock outages experienced in the first half of CY2023 and the outlook for continuing sales growth is positive, with dried flower product sales accelerating and cannabis extracts (oils and soft gel capsules) on a solid upward trajectory.

Althea plans to launch an additional two soft gel capsule products to the market during the December quarter, building upon the successful launch of Althea CBD25 soft gel capsules, which achieved 46% month-over-month growth from August to September.

The Company also plans to launch an additional exclusive three dried flower products in the first quarter of CY2024, capitalising on a product category which is currently being underserved.

Recreational cannabis - Peak Processing Solutions

Peak achieved \$4.6 million in receipts from customers for the Reporting Period, despite a shutdown of the beverage production line in July 2023 for the final of the planned capital improvements to support the previously announced supply agreement with the Boston Beer Company (ASX announcement 1 September 2021) and other beverage customers, via the installation of its world-class tunnel pasteuriser.

Innovation at its Best

Peak's new tunnel pasteurizer isn't just a piece of equipment; it's a catalyst for creativity. It empowers Peak to launch novel beverage recipes and remain one of the market leaders. The addition of tunnel pasteurisation capabilities positions Peak as the only cannabis beverage manufacturer in Canada with both flash and tunnel process capabilities.

Image: Peak's newly installed tunnel pasteuriser





A necessary pause for long-term gain

The decision to interrupt Peak's beverage production line for the month of July 2023 allowed the integration of the tunnel pasteuriser to be completed, a step which was essential to elevate its production capabilities.

The strategic investment of approximately CAD\$1,000,000, which is now complete, ensures that Peak's cannabis-infused beverage offerings are not only more diverse, but maintain the highest of quality standards. The Company believes that taking a short break from production will pay dividends in the long run, as Peak enhances its product offerings and streamlines operations for key customers.

Strengthening strategic partnerships

Peak's collaboration with Boston Beer Company, specifically for the unique formulations of its *Teapot* branded beverages, demanded precise and advanced processing capabilities. The installation of Peak's tunnel pasteuriser is testament to its commitment to this partnership and to ensuring that the highest of product quality standards are met.

Peak's ability to incorporate a world-class tunnel pasteuriser also played a pivotal role in securing Canopy Growth's cannabis-infused beverages business during the Quarter and it showcases Peak's adaptability and readiness to cater to innovative and high margin market segments, expanding its portfolio and reach.

The tunnel pasteuriser represents more than just a piece of machinery; it's a statement of Peak's intent. Peak is looking ahead, anticipating market demands, and preparing itself to meet all current

and future customer desires head on. This forward-thinking approach is at the heart of Peak's growth strategy.

AGH CEO, Joshua Fegan said: "This is an important moment in time for AGH, achieving a cash flow positive result in our consolidated business. The current market demands small-cap companies reach this important milestone and we are incredibly proud to achieve this result, being one of the only cannabis companies to be in cash flow positive territory. The Board's decision to reduce their compensation, along with our CFO and myself, is testament to our comprehension of the challenging capital market environment for up-and-coming businesses and their shareholders. We trust that this course of action, in combination with our most recent financial result, signifies our unrelenting pursuit for AGH to become one of the preeminent suppliers of cannabis products, globally."

In item 6 of the Appendix 4C cash flow report for the Quarter, payments to Related Parties of \$201,000 comprised of salary paid to the Chief Executive Officer and fees paid to Non-Executive Directors.

-ENDS-

Authorised by: Robert Meissner, Company Secretary

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Althea Group Holdings Limited (ASX:AGH)

Althea Group Holdings Ltd ('AGH') is a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products. AGH services these sectors via two distinct business units. Althea, the company's pharmaceutical business, offers a comprehensive range of cannabis-based medicines which are made available to patients via prescription. Peak Processing Solutions, AGH's recreational cannabis business, produces legal cannabis products purchased by adult consumers in retail stores.

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

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

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

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



Appendix 4C

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

Name of entity

Althea Group Holdings Limited

ABN

78 626 966 943

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		9,457	9,457
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(4,144)	(4,144)
(c) advertising and marketing		(158)	(158)
(d) leased assets			
(e) staff costs		(3,303)	(3,303)
(f) administration and corporate costs		(1,831)	(1,831)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid		(11)	(11)
1.6 Income taxes paid			
1.7 Government grants and tax incentives		25	25
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		35	35
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities			
(b) businesses			
(c) property, plant and equipment		(528)	(528)
(d) investments			
(e) intellectual property			
(f) other non-current assets			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(528)	(528)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	60	60
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(93)	(93)
3.7	Transaction costs related to loans and borrowings	(47)	(47)
3.8	Dividends paid		
3.9	Other (provide details if material)	(160)	(160)
3.10	Net cash from / (used in) financing activities	(240)	(240)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,278	4,278
4.2	Net cash from / (used in) operating activities (item 1.9 above)	35	35
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(528)	(528)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(240)	(240)
4.5	Effect of movement in exchange rates on cash held	27	27
4.6	Cash and cash equivalents at end of period	3,571	3,571

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,129	3,811
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	442	466
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,571	4,278`

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(202)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	35
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,571
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	3,571
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 11 October 2023

Authorised by: The Board of Directors

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.