

ASX Announcement | 31 January 2025
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 31 December 2024

AGH records \$9.01 million in receipts from customers

Financial Highlights and Commentary: Group

- AGH recorded \$9.01 million in receipts from customers for the quarter ending 31 December 2024 – an increase of 20% from the previous quarter
- Receipts from customers for the first half of FY25 reached \$16.53 million
- Net cash used in operating activities for the quarter ending 31 December 2024 was \$1.19 million
- Net cash used in operating activities for the first half of FY25 was \$896,000
- While cash receipts across the business remain stable or have improved from the previous quarter, sales have fallen short of budget expectations. As a result, the FY25 market guidance is under review
- During December 2024, AGH secured \$2 million funding in the form of unsecured loan notes with an interest rate of 0%, via a loan notes placement
- In December 2024, a series of corporate governance lapses — most notably, the delayed lodging of required Cleansing Notices — were identified, resulting in the suspension of AGH shares. Since then, the Board and management have taken significant steps to strengthen the Company's corporate governance framework. As previously disclosed, a Federal Court hearing is scheduled for 31 January 2025 to address the remediation of these Cleansing Notice issues

Division

- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('**Peak**'), achieved \$6.25 million in receipts from customers for the Reporting Period, an increase of 20% from the previous corresponding period
- The December quarter has traditionally been Peak's weakest due to winter seasonality, with the following two quarters historically stronger, as Canada enters spring and summer, driving demand for infused-cannabis beverages
- In December 2024, Peak USA successfully completed its inaugural commercial manufacturing run, leveraging its Florida-based emulsion manufacturing facility
- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, ('**Althea**'), achieved \$2.75 million in cash receipts from customers for the Quarter, an increase of 19% from the previous corresponding period
- Althea continues to recover from prolonged stock outages, which have plagued the business since late 2023, when it was forced to change product suppliers



- Despite customer receipts being lower than the prior corresponding period (\$4.11 million), the cost reduction program implemented in the first half of FY25 significantly minimised net cash used in operating activities
- During the Quarter, the Company completed the sale of its MyAccess Clinics business in the UK and Ireland to Montu Group UK Ltd for a cash consideration of \$1.0 million. The transaction will result in annual operating cost savings of approximately \$1.5 million
- Additionally, Althea recently conducted a robust strategic review, leading to leadership changes, a shift in focus, and a further \$1.4 million in annualised cost savings commencing from January 2025

31 January 2025: **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 31 December 2024 ('Quarter', 'Reporting Period').

Operational update for the Quarter

Recreational Cannabis - Peak Processing Solutions

Peak Canada - Facility Improvements

Peak Canada commenced key infrastructure upgrades at its Ontario manufacturing facility, supported by an allocation of funds from the strategic \$2.0 million Loan Notes Placement secured during the quarter. These improvements include expanded production capacity, connection of wastewater systems to the mains, and automation of tax stamp application processes. These investments will enhance Peak's operational efficiency and scalability as it prepares for increased demand.

Seasonal Sales Patterns

The December quarter has traditionally been Peak Canada's weakest due to winter seasonality, which impacts consumer demand for cannabis beverages. Historically, the March and June quarters have shown stronger performance as warmer weather drives beverage consumption.

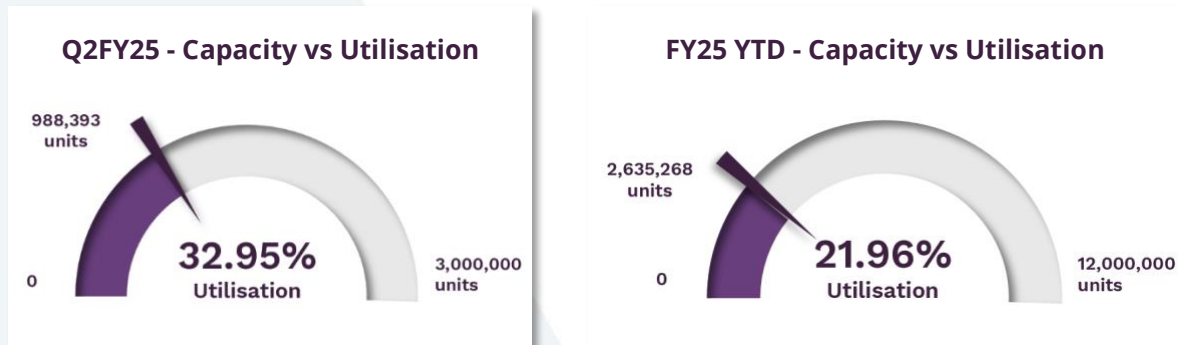
Cannabis beverages - Capacity vs Utilisation

The following Capacity vs Utilisation illustrations provide a clear view of Peak Canada's current operational metrics. These visuals illustrate how the business's production is aligning with available capacity, giving shareholders a transparent look into Peak Canada's manufacturing capabilities as it capitalises on growth opportunities in the cannabis sector:

- The first illustration shows Peak Canada's quarterly results, highlighting how production utilisation aligns with available capacity each quarter
- The second illustration provides a year-to-date (YTD) view of annual capacity versus utilisation, offering a comprehensive look at Peak Canada's production efficiency over the year



Image 1 & 2: Cannabis beverage production - Capacity vs Utilisation – Q2FY25 and YTD



Strategic Review of Vape Business

The production of cannabis vapes was included in the company's FY25 budget; however, the business withdrew from a potential contract worth up to \$8.2 million in the first half of FY25 due to regulatory, ethical, financial, and strategic concerns.

- **Regulatory & Ethical Risks:** Evolving Canadian regulations and public health concerns posed compliance challenges and reputational risks, particularly regarding youth appeal
- **Market & Financial Risks:** Declining consumer trust and volatile demand made vapes an unattractive investment with uncertain returns
- **Strategic Focus:** The company is prioritising high-growth, lower-risk categories, such as the burgeoning cannabis beverages sector, which more closely aligns with long-term objectives

This decision reflects responsible risk management, financial discipline, and corporate integrity.

Peak USA - Inaugural Manufacturing Run

In December 2024, Peak USA successfully completed its inaugural commercial manufacturing run, leveraging its Florida-based emulsion manufacturing facility. This milestone marks a critical step in scaling operations within the United States and establishing Peak USA's presence in the high-growth THC beverages market.

Expansion and Growth

Peak USA's operations are experiencing multiple growth opportunities, with expanded product offerings, new distribution partnerships, and evolving commercial strategies. The Company continues to advance its position in the US market, with further developments underway. These exciting developments and their impact on the business will form part of the consideration in the FY25 guidance.



Pharmaceutical Cannabis - Althea Recovery from Stock Outages

Althea continues to recover from prolonged stock shortages caused by the transition to new product suppliers in late 2023. These disruptions impacted inventory levels and customer order fulfilment. During the quarter, the Company stabilised its supply chain, with stock availability now returning to normal levels, ensuring consistent delivery to patients and healthcare professionals.

Market conditions, consumer behaviour, and pricing pressure have necessitated operational changes at Althea to adapt to a rapidly evolving marketplace. The Company remains committed to strict cost control and a strong focus on outcomes across this business unit.

Cost Management and Strategic Changes

During the Quarter, Althea conducted a comprehensive review of its business and commercial strategy, leading to a shift in direction and leadership within the business unit. While Althea's sales did not materialize as anticipated, the Company had already invested in inventory, which retains its value due to a long shelf life.

As part of this strategic realignment, a round of redundancies was implemented in January 2025, delivering approximately \$1.4 million in annualised cost savings. These changes position Althea for improved operational efficiency and a more focused approach to market demands in the year ahead.

Given these market shifts and the Company's cost management response, these factors will be considered in the FY25 guidance review.

Funding and Guidance

AGH secured \$2.0 million through a Loan Notes Placement during the Quarter, strengthening its financial position and supporting supply chain improvements and production expansion. The Company closed the quarter with \$2.96 million in available funding, providing the resources needed to advance strategic priorities and navigate current challenges.

Given various factors outlined in this update, the FY25 market guidance is under review.

Despite these developments, Peak's Canadian and US operations continue to perform strongly, driven by growing demand for cannabis beverages and ongoing operational efficiencies, positioning the Company for future growth.

Strengthening Governance & Compliance at Althea Group Holdings

In December 2024, AGH voluntarily suspended trading to seek Federal Court relief for historical administrative lapses in lodging Cleansing Notices under the Corporations Act.

The Company is actively working to rectify these issues through a court-approved remediation process with the Federal Court hearing scheduled for 31 January 2025.

To address the corporate governance lapses, the Company has appointed Adam Gallagher as AGH Company Secretary. Adam is a seasoned governance and compliance professional with over 25 years



of experience. His leadership will strengthen oversight and improve the AGH governance frameworks to ensure these lapses do not occur again.

These corrective measures ensure AGH remains well-positioned for sustainable growth, reinforcing investor confidence while maintaining strict regulatory adherence. With stronger governance structures now in place, AGH is focused on operational execution and value creation.

Further updates will be provided following the Federal Court hearing on January 31, 2025.

AGH CEO, Joshua Fegan said: “This quarter demonstrates Peak’s position as a global leader in the development and manufacturing of cannabis beverages. The successful launch of Peak USA’s first commercial manufacturing run and commencement of key Canadian facility upgrades highlight our ability to execute in this rapidly growing market. With Althea stabilising and delivering efficiencies in an evolving market, we are poised to accelerate growth and create exceptional value for our shareholders as we enter 2025 with strong momentum.”

In item 6 of the Appendix 4C cash flow report for the Quarter, payments to Related Parties of \$180,000 comprised of salary paid to Chief Executive Officer and fees paid to Non-Executive Directors.

-ENDS-

Authorised by: the Board of the Company

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

AGH operates in highly regulated and legal cannabis markets across the world with burgeoning



operations in North America, Europe and Australia.

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")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,012	16,531
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(4,403)	(8,139)
(c) advertising and marketing	50	(63)
(d) leased assets		
(e) staff costs	(3,785)	(6,168)
(f) administration and corporate costs	(2,088)	(3,090)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(44)	(47)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	59	80
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,199)	(896)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(179)	(533)
(d) investments	(275)	(275)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property		
	(f) other non-current assets		
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	(454)	(808)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		1,887
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	590	1,469
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(49)	(410)
3.8	Dividends paid		
3.9	Other (provide details if material)	(220)	(662)
3.10	Net cash from / (used in) financing activities	321	2,284

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,746	833
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,199)	(896)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(454)	(808)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	321	2,284
4.5	Effect of movement in exchange rates on cash held	(50)	(50)
4.6	Cash and cash equivalents at end of period	1,364	1,364

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	563	1,890
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	801	856
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,364	2,746

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	(180)
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	3,403	1,993
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		1,410
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. Loan 1 – AUD\$1mil facility from AMAL Security Services. Maturity date of November 2025 and a 14.31% annual interest rate. Loan 2 – CAD\$575,000 asset-based loan facility with Stoke Partners. Maturity date of May 2025 and a 22% annual interest rate. Loan 3 – AUD\$2mil in the form of unsecured loan notes with an interest rate of 0% via a loan note placement lead managed by Taurus Capital Group Pty Ltd. The Loan Notes may become convertible into ordinary shares solely subject to Shareholder approval under Listing Rule 7.1 at a General Meeting of Shareholders, in which case, the face value of the Loan Notes (being \$2.0mil in aggregate) will be converted into shares by dividing the aggregate face value by a conversion price of \$0.03, resulting in the issue of 66,666,666 shares. For further detail, see ASX announcement of 24 December 2024.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,199)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,364
8.3	Unused finance facilities available at quarter end (item 7.5)	1,410
8.4	Total available funding (item 8.2 + item 8.3)	2,774
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.31
	<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

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.

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: 31 January 2025

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.