

ASX Announcement | 11 July 2022
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 30 June 2022

AGH achieves record quarter with \$6.5 million in receipts from customers, \$22 million for FY2022 – up 113% on previous year

Financial Highlights:

Group

- AGH achieved \$22 million in receipts from customers for FY2022 – an increase of 113% from the previous year
- AGH also achieved another record quarter with \$6.5 million in receipts from customers for the period ending 30 June 2022 – an increase of 130% from the previous corresponding period
- Net cash used in operating activities decreased by 50% during the Quarter, down to an all-time low of \$1.1 million, a result of increased sales and strict cost controls
- The Company remains fully funded with \$6.6 million of cash on hand and no debt

Division

- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('Peak'), achieved a record \$3.6 million in receipts from customers for the Reporting Period
- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, ('Althea'), achieved \$2.9 million in receipts from customers for the Quarter

11 July 2022: **Althea Group Holdings Limited (ASX:AGH) ('AGH', or 'the Company')**, a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products, is pleased to present its Appendix 4C cash flow statement and operational update for the quarter ended 30 June 2022 ('Quarter', 'Reporting Period').

Financial update for the Quarter

AGH achieved \$22 million in receipts from customers for FY2022 – an increase of 113% from the previous year. The Company also achieved another record quarter with \$6.5 million in receipts from customers for the quarter ending 30 June 2022 – an increase of 130% from the previous corresponding period.

Net cash used in operating activities for the Reporting Period was an all time-low \$1.1 million, down from \$2.2 million in the prior quarter, a result of increased sales and strict cost controls.

Additionally, the Company is finalising its annual review of operating expenditure and has identified approximately \$1 million in annualised savings (derived mainly from corporate overheads). These further cost saving measures will be implemented in the current quarter.

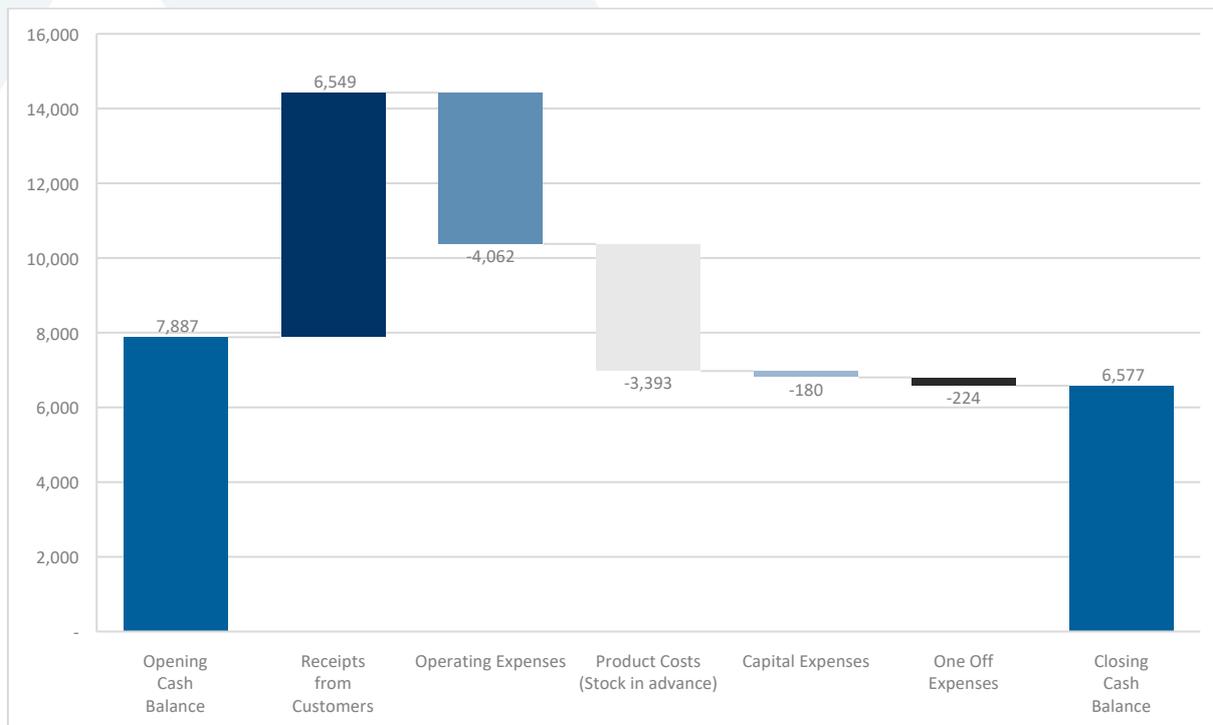


Further highlights for the Quarter include:

- Peak achieved \$10.8 million in receipts from customers for FY2022 – an increase of \$9.4 million over the previous year
- Peak achieved \$3.6 million in receipts from customers for the Reporting Period - an increase of \$2.9 million from the previous corresponding period
- Althea achieved \$11.2 million in receipts from customers for FY2022 – an increase of \$2.5 million over the previous year
- Althea achieved \$2.9 million in receipts from customers for the Reporting Period - an increase of 41% from the previous corresponding period

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

Chart 1: Bridging chart for quarter ended 30 June 2022 ('000)



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

Product Costs (Stock in advance) –

- Althea continues to invest in purchasing stock to support the future growth in sales, and continuous supply, of its cannabis-based medicines to patients around the globe

Closing Cash Balance –

- As at 30 June 2022, AGH remains fully funded with \$6.6 million of cash on hand and no debt



Operational update for the Quarter

Recreational cannabis - Peak Processing Solutions

Peak achieved a record \$3.6 million in receipts from customers for the Reporting Period, culminating in \$10.8 million for FY2022, which is an increase of \$9.4 million over the previous year.

Of note, due to key customer delays in providing input materials for Peak to process, along with supply chain disruptions for certain core components, the launch of multiple new products produced by Peak, including the first cannabis beverage for signature customer Boston Beer Company, will now rollover into the next (quarterly) purchasing cycle for provincial distributors.

The above issues impacted sales and cash receipts for the Quarter, however, it is expected that this will be reconciled in future quarters as the majority of products in question have achieved listing status with provincial distributors and will be included from Q1 FY2023.

Peak has completed a review of its procurement practices and entire supply chain to identify mitigation opportunities to deal with current global supply chain interruptions.

Peak became EBITDA positive as of October 2021.

Pharmaceutical cannabis - Althea

Althea achieved a record \$2.9 million in receipts from customers for the Reporting Period, culminating in \$11.2 million for FY2022 – an increase of \$2.5 million over the previous year.

The FY2022 result was achieved despite serious macro headwinds throughout the year, including but not limited to prolonged COVID-19 restrictions - which prevented the sales team from calling on doctors as they normally would, COVID-19 related staff impacts, along with the flooding witnessed in Queensland and Northern NSW.

The Company anticipates a significantly higher level of sales activity across all territories in FY2023 as market access returns to pre-COVID-19 levels.

Althea's Australian receipts from customers for FY2022 was a record \$9.2 million – an increase of 14% from the previous year.

Pleasingly, Althea's UK receipts from customers increased by 216% in FY2022 up to \$1.9 million. The Company's UK business is nearing positive EBITDA, having right-sized its cost base over the last 12 months in line with the country's highly regulated approach to medicinal cannabis.

Althea is expecting regulatory reform in the UK in FY2023, having recently contributed to a report on the state of the industry for the UK government, in association with The Centre for Medicinal Cannabis.

In addition to scaling its European operations in the UK, Germany, and recently receiving product approval in Ireland (ASX Announcement 20 May 2022), Althea has a range of innovative new products set for launch during the first quarter of FY2023. The Company believes new product development is cornerstone to its market share leadership and plans to reach more doctors and patients than ever before, with these new preparations.



AGH CEO, Joshua Fegan said: “Both the quarterly and FY2022 results were the best yet for AGH. With too many headwinds to mention this past year, we are very pleased to now be approaching a cash flow positive position. Peak is proving to be one of the most promising recreational cannabis businesses in North America, quickly establishing itself as the leading supplier of cannabis beverages in Canada within a year of commencing operations. At the same time, Althea managed to grow in all territories despite sub-optimal trading conditions over the last 12 months, with our sales team’s access to doctors limited due to COVID-19 restrictions, impacting sales. Althea continues to see very strong underlying demand for its cannabis-based medicines and aims this financial year to return to pre COVID-19 growth rates.”

In item 6 of the Appendix 4C cash flow report for the Quarter, payments to Related Parties of \$185,000 comprised of salary paid to Chief Executive Officer and their associates and fees paid to Non-Executive Directors.

-ENDS-

Authorised by: Robert Meissner, Company Secretary

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Althea Group Holdings Limited (ASX:AGH)

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

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

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

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

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



Appendix 4C

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

Name of entity

Althea Group Holdings Limited

ABN

78 626 966 943

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,549	21,954
1.2 Payments for		
(a) research and development		(106)
(b) product manufacturing and operating costs	(3,393)	(10,723)
(c) advertising and marketing	(172)	(1,156)
(d) leased assets	(128)	(506)
(e) staff costs	(3,574)	(14,270)
(f) administration and corporate costs	(1,046)	(4,975)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(10)	(44)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	643	798
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,130)	(9,026)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(181)	(984)
(d) investments		
(e) intellectual property		(61)
(f) other non-current assets		

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	1	1
(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	(180)	(1,044)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		10,644
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		(673)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(5)	(7)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(5)	9,964

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,887	6,761
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,130)	(9,026)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(180)	(1,044)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5)	9,998
4.5	Effect of movement in exchange rates on cash held	(3)	(120)
4.6	Cash and cash equivalents at end of period	6,569	6,569

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	6,189	7,506
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	380	381
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,569	7,887

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	(185)
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. 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)	(1,130)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,569
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	6,569
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.81
<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 July 2022

Authorised by: Robert Meissner – Company Secretary

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

Notes

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