

ASX Announcement | 16 October 2023
Althea Group Holdings (ASX:AGH)

Sale and leaseback agreement to raise CAD\$4.6m (AUD\$5.32m)

Highlights:

- Realisation of the Company's Canadian land & building assets via executed sale agreement
- The property sale will generate CAD\$4.6m (approx. AUD\$5.32m)
- The proposed sale and leaseback includes a secure lease term of (up to) 15 years
- Funds received will be applied to the repayment of the entirety of AGH's debt, including the full repayment and redemption of the outstanding convertible notes
- Following the repayment of the convertible notes and Canadian loan, the Company's balance sheet will be substantially strengthened, with the net proceeds of the transaction of approx. AUD\$1.2m adding to the 30 September 2023 cash balance, for a total of AUD\$4.8m

16 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 announce that it has entered into a sale agreement with a private investor in Canada, as part of a proposed sale and leaseback of its property in Ontario, Canada ('the Property'), for the amount of CAD\$4.6 million (AUD\$5.32 million).

Sale and leaseback details

The Property was purchased by AGH in 2019 for CAD\$2.6 million and is home to the Company's wholly-owned subsidiary, Peak Processing Solutions ('**Peak**'), a Health Canada specially licensed contract manufacturer of adult-use cannabis products.

Peak will be unaffected by the proposed sale and leaseback and is business as usual in terms of day-to-day operations.

Key terms of the sale agreement:

- Property address: 2065 Solar Crescent, Ontario, Canada
- Purchase Price: CAD\$4,600,000
- Deposit: CAD\$25,000
- Completion date: 17 November 2023
- Condition precedent: completion of the sale agreement is conditional on the parties entering into a lease for the property, on or before 27 October 2023, to be effective on the completion date
- Exclusions: all personal property and fixtures of Peak on the property including, without limitation, Peak's manufacturing, extraction, development, testing, canning and/or storage machinery and equipment

Key terms of the proposed lease:

- Term: 5 years with two further terms of 5 years each exercisable by Peak (total term of up to 15 years)
- Lease payments:



- Initial term: Lease payments will total CAD\$43.7k per month, plus common area maintenance charges
- First renewal term: Lease payments will total CAD\$48k per month, plus common area maintenance charges
- Second renewal term: Lease payments will total CAD\$51.9k per month, plus common area maintenance charges
- First right of refusal: AGH will have the first right of refusal to purchase the property during the initial term and/or any renewal term

Convertible Note redemption

AGH has agreed terms with Obsidian Global GP, LLC ('Obsidian') for an early redemption of the Convertible Notes ('the Notes') and termination of the Convertible Note Agreement ('Agreement'), which was agreed between the parties (ASX announcement 3 February 2023).

The parties have agreed that the Convertible Securities have an aggregate Face Value of USD\$1,180,973.64. The cash repayment including the additional early repayment fee will equal USD\$1,233,473.64 and will be funded using part of the proceeds of the property sale.

Under the agreed terms, Obsidian will be issued and will retain 614,057 ordinary AGH shares as part of the early redemption and no further conversion notices will be issued by Obsidian. Additionally, Obsidian will not sell any AGH shares until after settlement of the property sale and finalisation of the new lease, expected by 17 November 2023.

AGH would like to thank Obsidian for their support and appreciate their efficiency and professionalism on this deal.

Repayment of Canadian loan

AGH has agreed with its lenders in Canada, as part of the sale and leaseback agreement, to extinguish the CAD\$2 million loan facility agreement (ASX announcement 30 January 2023) upon repayment at settlement of the property sale, on or around 17 November 2023. The lenders have agreed to forgo any penalties associated with the early repayment of the loan.

Following the repayment of the Notes and Canadian loan, the Company's balance sheet will be substantially strengthened, with the net proceeds of the transaction of approximately AUD\$1.2 million adding to the 30 September 2023 cash balance, for a total of AUD\$4.8 million.

AGH CEO, Joshua Fegan said: "The sale and leaseback deal unlocks significant value from our balance sheet that allows the business, in very challenging financial markets conditions, to redeem all of the outstanding convertible notes and pay down all of its debt. This deal coincides with AGH recently reporting our strongest financial results to date, including positive operating cash flow during the September quarter."

Upon and subject to completion of the transaction, the Company expects to recognise a balance sheet write down of approximately \$4.3 million, reflecting the difference between the sale price and the current carrying value of the building. AGH will update the market on the sale and leaseback once the condition precedent has been met.

-ENDS-



Authorised by: Robert Meissner, Company Secretary

For further information, please contact:

Althea Group Holdings Ltd

Joshua Fegan

CEO & Managing Director

M: 1300 70 20 20

E: contact@althea.life

Media & Investor Enquiries

Media & Investor Relations

P: +613 9650 5096

E: investors@althea.life

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

