



ASX Announcement | 20 January 2022
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 31 December 2021

AGH achieves record quarter with \$5.5 million in receipts from customers, \$9.9 million for 1HFY22

Financial Highlights:

Group

- AGH has recorded its best quarter ever with \$5.5 million in receipts from customers for the period ending 31 December 2021 – an increase of 107% from the previous corresponding period and an increase of 21% on the prior quarter
- Receipts from customers for the first half of FY22 are also a record at \$9.9 million
- The Company's expenditure decreased by \$354,000 during the quarter, following the completion of the previously announced business review

Division

- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('Peak'), achieved a record \$2.7 million in receipts from customers for the Reporting Period – an increase of 60% from the prior quarter
- Peak became EBITDA positive as of October 2021
- Peak is forecasting to produce receipts from customers in excess of \$15 million in FY22
- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, Althea, achieved a record \$1.2 million in receipts from customers for the month of December 2021 – an increase of 56% from the prior month – as the business rebounded from the easing of various COVID-19 restrictions in place in Sydney and Melbourne, during the Reporting Period

20 January 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 31 December 2021 ('Quarter', 'Reporting Period').

Financial update for the Quarter

AGH has recorded its best quarter ever with \$5.5 million in receipts from customers for the period ending 31 December 2021, with receipts from customers for the first half of FY22 a record \$9.9 million.

Further highlights during the Quarter include:

- An increase of \$2.8 million, or 107%, in receipts from customers from the previous corresponding period

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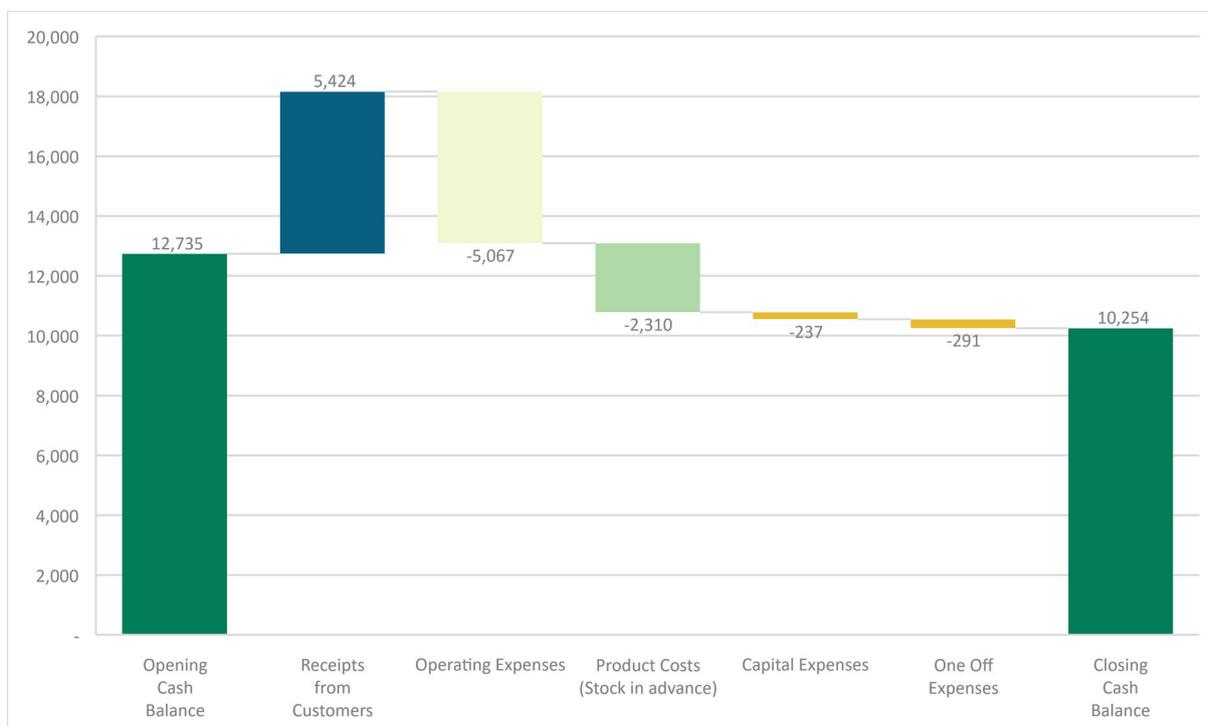
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- An increase of \$1 million, or 21%, in receipts from customers from the previous record quarter (period ending 30 September 2021)
- Peak achieved \$2.7 million in receipts from customers for the Reporting Period, an increase of 60% from the prior quarter
- Peak became EBITDA positive as of October 2021
- Althea achieved \$2.8 million in receipts from customers for the Reporting Period, including a record \$1.2 million in receipts from customers for the month of December 2021 - an increase of 56% from the prior month

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

Chart 1: Bridging chart for quarter ended 31 December 2021 ('000)



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

Finished Product Inventory –

- 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

Expenses –

- Annualised expenditure has been reduced by approximately \$1.0 million following the completion of a previously announced business review and subsequently, the Company's expenses decreased by \$354,000 during the Reporting Period

Operational update for the Quarter



Recreational cannabis - Peak Processing Solutions

The Peak business achieved a record \$2.7 million in receipts from customers for the period ending 31 December 2021 - an increase of 60% from the prior quarter.

As a result of the strong performance, the Company is proud to announce that Peak achieved the positive EBITDA milestone at the end of October 2021 and continued to be EBITDA positive each throughout the quarter.

Key sales wins for the business during the Reporting Period included the Peak produced *Collective Projects - Blood Orange, Yuzu & Vanilla Sparkling Juice* being crowned as the top selling cannabis beverage in Ontario, with more than 100,000 units sold.¹ Overall, Peak had two products represented in the state-run Ontario Cannabis Store's top 10 selling cannabis beverages, for the quarter ended 31 December 2021.²

The province of Ontario currently represents 50% of the entire Canadian legal cannabis market, and 57% of the rapidly growing cannabis beverage category.³

Peak is forecasting to produce cash receipts from customers in excess of \$15 million in FY22, replacing revenue as previously advised (ASX announcement 19 October 2021).

Pharmaceutical cannabis - Althea

The Althea business experienced record growth in pharmaceutical cannabis sales during the Reporting Period with a total \$2.8 million in receipts from customers, including a record \$1.2 million for the month of December 2021 - an increase of 56% from the prior month and previous best result.

Althea's United Kingdom operations recorded its best sales results during the quarter, continuing to contribute to the wider business's growth at a time when Althea's Australian operations were under significant pressure from various COVID-19 restrictions leading up to, and at the beginning of, the Reporting Period.

AGH CEO, Joshua Fegan said: "Althea achieved a record \$1.2 million in receipts from customers from pharmaceutical cannabis sales for the month of December 2021 – an increase of 56% from the prior month – as the business rebounded following the easing of various COVID-19 restrictions in place in Sydney and Melbourne, during the Reporting Period. Moving forward, we expect a stronger growth trajectory as more and more COVID-19 restrictions are removed, and patients return to visit their doctors as normal."

Peak continues to prosper as it cements itself as one of the leading manufacturers of recreational cannabis products in Canada. The achievement of the positive EBITDA milestone from its operations in the Canadian adult-use cannabis market is remarkable and somewhat unique to the sector, with the Company expecting to see fantastic results from the business in the months and years ahead, as it continues to forge greater market share across multiple product categories and foster strong brand partner relationships."

^{1,2,3} HeadSet SO data – ON, BC, AB, SK – 2021 Full year



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, please visit: www.althea.life

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

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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 2021

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	5,424	9,896
1.2 Payments for		
(a) research and development	(32)	(74)
(b) product manufacturing and operating costs	(2,310)	(4,656)
(c) advertising and marketing	(281)	(669)
(d) leased assets	(95)	(226)
(e) staff costs	(3,687)	(7,485)
(f) administration and corporate costs	(1,230)	(2,566)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(18)	(23)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	51	88
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,177)	(5,714)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(236)	(670)
(d) investments		
(e) intellectual property	(1)	(42)
(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 (6 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	(237)	(712)

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	(34)	(673)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
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	(34)	9,971

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	12,735	6,761
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,177)	(5,714)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(237)	(712)

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 (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(34)	9,971
4.5	Effect of movement in exchange rates on cash held	(33)	(52)
4.6	Cash and cash equivalents at end of period	10,254	10,254

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	9,873	12,354
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	381	381
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,254	12,735

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)	(2,177)
8.2 Cash and cash equivalents at quarter end (item 4.6)	10,254
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	10,254
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.7
<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: 20 January 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.