

ASX Announcement | 30 April 2024
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 31 March 2024

AGH records a total of \$26.6 million in receipts from customers for Q1-Q3 FY24

Financial Highlights:

Group

- AGH recorded \$8.4 million in receipts from customers for the quarter ending 31 March 2024, with the Q1-Q3 FY24 total reaching \$26.6 million
- Net cash used in operating activities for the three quarters Q1-Q3 FY24 totalled \$2.0 million, a reduction of \$4.5 million from the previous corresponding period
- AGH has completed the restructuring and overhead reduction phases of its cost reduction program, part of the Company's recently announced organisational review
- The restructure is expected to deliver \$2.5 million in annualised savings from May 2024

Division

- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, ('Althea'), achieved \$4.2 million in cash receipts from customers for the Quarter, an increase of 12% from the previous corresponding period
- The March quarter has traditionally been Althea's weakest due to Australian summer seasonality, when doctors take their summer holidays
- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('Peak'), achieved \$4.2 million in receipts from customers for the Reporting Period

30 April 2024: **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 March 2024 ('Quarter', 'Reporting Period').

Financial update for the March Quarter

AGH has successfully concluded the restructuring and overhead reduction phases of its cost reduction program, a pivotal component highlighted in the Company's recent organisational review. This strategic restructure is poised to yield \$2.5 million in annualised savings, effective from May 2024 onwards. Phase 3 of the program, supply chain optimisation, is ongoing and aims to deliver even further savings and significant cash flow improvements for the Company.

AGH recorded \$8.4 million in receipts from customers for the quarter ending 31 March 2024.

Receipts from customers for Q1-Q3 FY24 have reached \$26.6 million – an increase of 13% from the previous corresponding period – with Q4 remaining.



Net cash used in operating activities for Q1-Q3 FY24 was \$2.0 million – a reduction of \$4.5 million from the previous corresponding period.

Further highlights for the Quarter include:

- Althea achieved \$4.2 million in receipts from customers for the Reporting Period - an increase of 12% from the previous corresponding period
- Peak achieved \$4.2 million in receipts from customers for the Reporting Period - an increase of \$90,000 from the previous quarter
- Net cash used in operating activities for the quarter was \$1.0 million – a reduction of 39% from the previous corresponding period

Operational update for the Quarter

Pharmaceutical cannabis - Althea

Softgel Capsules

Althea is proud to expand its innovative softgel capsule range with the launch of **Althea CBD3:THC2** (3 mg cannabidiol [CBD], 2.5 mg delta-9-tetrahydrocannabinol [THC]) and **Althea THC10** (10 mg THC, <0.5 mg CBD) capsules.

These additions complete the full portfolio of softgel capsules across Althea's three core market segments: CBD-dominant, balanced, and THC-dominant medicines.

Althea foresees a positive uptake of the balanced and THC-dominant softgel capsules following the successful launch of **Althea CBD25** softgel capsules.

Expanding Markets

France

French authorities have confirmed their decision to legalise medicinal cannabis extracts, excluding dried flower cannabis products from the emerging market. Althea intends to work closely with the French National Agency for Medicines and Health Products Safety to gain the necessary product authorisations for its innovative range of softgel capsules.

Germany

Germany's Federal Council has approved the bill for the legalisation of recreational cannabis for personal use, effective 1 April 2024. Althea plans to capitalise on this positive sentiment by expanding its presence in Germany through its medical cannabis clinic, MyAccess Clinics.

Vessel Vape Pens and Accessories

Althea has entered into an exclusive distribution agreement with Just Brands International Ltd to become the sole supplier of Vessel branded vape pens and accessories for the UK medical market. This fills a market gap for reusable vape pens and accessories, serving the increasing number of UK medical cannabis patients.



Recreational cannabis - Peak Processing Solutions Collective Project

During the quarter Peak signed a contract manufacturing agreement with Collective Project, a leading cannabis-infused beverage brand in Canada. Peak will manufacture 6 cannabis-infused beverage products on a contract manufacturing basis for Collective Project, for a term of 3 years, to serve the Canadian adult-use market.

The exceptional performance of Collective Project's Blood Orange Yuzu & Vanilla beverage in the Canadian market deserves special mention. This unique cannabis-infused beverage has become the best-selling single SKU in Canada, commanding an impressive 5.1% market lead in Ontario.

Collective Project's existing range of cannabis beverages have annualised sales of approximately 700,000 units with a retail sales value of approximately CAD\$6.5 million (excluding future growth).

Canada's leading cannabis beverage producer

Cannabis-infused beverages are a rapidly growing product category within the cannabis industry and currently represents 2.1% of the Canadian adult-use cannabis market, which equates to approximately CAD\$134.4 million¹.

Peak estimates as at the end of Q3FY2024, it produces approximately 40% of all cannabis beverages available in Canada. Peak expects to expand this share over the coming quarters as its sales pipeline is at record levels.

AGH CEO, Joshua Fegan said: "We're thrilled to announce the strategic expansion of our unique softgel capsules range in Australia and the UK, marking a significant step forward in our journey. This development not only adds diversification to our portfolio but also grants us a formidable competitive advantage in these bustling markets. Our latest offerings, Althea CBD3:THC2 and Althea THC10 softgel capsules, underscore our unwavering dedication to innovation and catering to the evolving needs of patients. We see softgel capsules as the future of cannabis extracts and are leading from the front.

Moreover, our achievements in Canada's recreational sector through Peak highlight our relentless pursuit of excellence. The upcoming quarters for Peak are set to be some of the most exciting to date as a record sales pipeline and other opportunities in the lead up to the busy summer period are providing much improved market conditions."

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: Robert Meissner, Company Secretary

¹ <https://cannabisretailer.ca/2022/trends-in-cannabis-beverages/>



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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 North America, Europe and Australia.

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

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

For more information on MyAccess Clinics, please visit: www.myaccessclinics.com

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



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 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,387	26,648
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,623)	(11,909)
(c) advertising and marketing	(123)	(417)
(d) leased assets		
(e) staff costs	(3,731)	(10,978)
(f) administration and corporate costs	(1,912)	(5,331)
1.3 Dividends received (see note 3)		
1.4 Interest received		3
1.5 Interest and other costs of finance paid	(12)	(47)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	9	65
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,005)	(1,965)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(216)	(826)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		5,088
	(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	(216)	4,262

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		140
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	1,000	1,000
3.6	Repayment of borrowings	(28)	(4,273)
3.7	Transaction costs related to loans and borrowings	(61)	(135)
3.8	Dividends paid		
3.9	Other (provide details if material)	(377)	(1,101)
3.10	Net cash from / (used in) financing activities	534	(4,369)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,809	4,278
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,005)	(1,965)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(213)	4,262

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	534	(4,369)
4.5	Effect of movement in exchange rates on cash held	32	(49)
4.6	Cash and cash equivalents at end of period	2,157	2,157

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	1,496	2,150
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	658	658
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,155	2,809

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>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(1,005)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,155
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	2,155
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.14
<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: 30 April 2024

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.