

ASX Announcement | 12 April 2023
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 31 March 2023

AGH achieves record quarter with \$9.24 million in cash receipts

Financial Highlights:

Group

- AGH achieved a record quarter with \$9.24 million in cash receipts for the period ending 31 March 2023 – an increase of 68% from the previous corresponding period
- AGH recorded \$1.49 million in positive cash flow for the month of March 2023, simultaneously achieving its maiden monthly operating profit
- The Company invested \$1.96 million in product inventory during the Reporting Period, to be used for future medical sales
- Operating expenses continue to fall as a result of recent cost cutting programs
- The Company expects to report a substantially improved cash flow position and record a quarterly operating profit, for the final quarter of FY23

Division

- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('**Peak**'), achieved a record \$5.15 million in receipts from customers for the Reporting Period
- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, ('**Althea**'), achieved a record \$3.75 million in receipts from customers for the Quarter

12 April 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 present its Appendix 4C cash flow statement and operational update for the quarter ended 31 March 2023 ('**Quarter**', '**Reporting Period**').

Financial update for the Quarter

AGH achieved a record quarter with \$9.24 million in cash receipts for the period ending 31 March 2023 – an increase of 68% from the previous corresponding period.

Net cash outflows reduced by 24%, or \$516,000, for the Quarter to \$1.63 million, down from \$2.15 million in the prior quarter. Included in the Quarter net cash outflows was \$1.96 million in product purchases, to be used for future medical sales, as our suppliers require up to 6 months lead time.

The Company expects to report a substantially improved cash flow position and record a quarterly operating profit, for the final quarter of FY23.

Further highlights for the Quarter include:

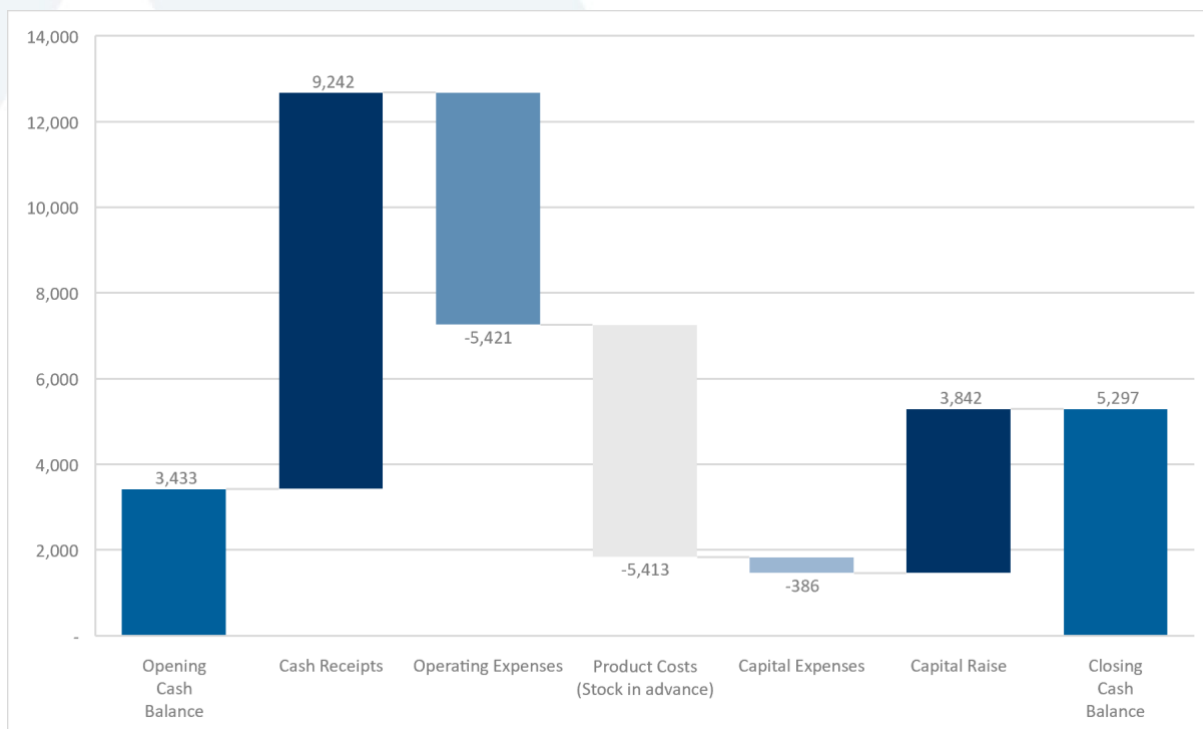
- An increase of \$2.60 million, or 39%, in receipts from customers from the December quarter



- Operating expenses continue to fall as a result of recent cost cutting programs
- Peak achieved a record \$5.15 million in receipts from customers for the Reporting Period - an increase of 57% from the December quarter
- Althea achieved a record \$3.75 million in receipts from customers for the Reporting Period - an increase of 11% from the December quarter
- AGH announced on 30 January 2023 that it had secured a CAD\$2 million loan facility from lenders in Canada. In addition to the loan facility, the Company announced on 03 February 2023 a further \$2.2 million of convertible debt funding, provided by a US-based institutional investor

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

Chart 1: Bridging chart for quarter ended 31 March 2023 ('000)



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

Product Costs (Stock in advance) –

- In order to ensure a continuous supply of Althea medicines for a growing number of patients, the Company invests in the forward purchasing of stock at a level consistent with its patient growth rates, with our suppliers requiring up to 6 months lead time

Operating Expenses –

- Cost saving measures implemented in previous quarters saw staff costs reduce by 11% during the Reporting Period

Capital Expenses -

- Approximately \$360,000 was invested by Peak to support the previously announced supply agreement with the Boston Beer Company (ASX announcement 1 September 2021)

Operational update for the Quarter

Recreational cannabis - Peak Processing Solutions

The Boston Beer Company

The Boston Beer Company's ('BBC') first cannabis product called TeaPot Lemon Black (the infused-cannabis version of BBC's extremely popular Twisted Tea alcoholic beverage) is now selling in Ontario, after initially launching in Saskatchewan and Manitoba. TeaPot Lemon Black will launch in British Columbia and Quebec in April 2023. Notably, this will be the first Peak manufactured beverage available for sale in Quebec, Canada's second most populous province.

A second and third BBC product is expected to launch in the coming months, just in time for the northern summer, with a planned roll out in Ontario, British Columbia, Quebec, Manitoba and Saskatchewan.

Electric Brands

Peak's longest standing beverage customer, Electric Brands, had a wildly successful 2022 selling nearly 700,000 units of their Sweet Justice branded infused-cannabis beverages.

Sweet Justice is now the #1 independent infused-cannabis beverage brand in Canada, with 12% market share and four of its SKUs in the top 20 of category sales.

Electric Brands is projecting to sell more than 1.3 million units in 2023.

Pharmaceutical cannabis - Althea

Althea soft gel capsules

Sales of Althea's first soft gel capsule, Althea CBD25, continues to grow as an increased number of doctors are educated about Althea's newest preparation. Althea CBD25 soft gel capsules provide convenient and patient friendly administration and are widely recognised for maximising patient acceptability and compliance.

Althea expects to launch two more soft gel capsule SKUs in the June quarter, providing the requisite regulatory approvals are received.

Althea cannabis dried flower now available in 30 grams SKUs



A majority of patients in established medicinal cannabis markets consume 30 grams of cannabis dried flower per month or above.^{1,2} In Australia, most cannabis dried flower products are only available in 5g or 10g packs.

In response, Althea recently launched 30g SKUs of its Althea THC18 (18% THC, *Skywalker OG*, indica dominant strain) and Althea THC25 (25% THC, *Powdered Donuts*, indica dominant strain) cannabis dried flower products in Australia.

AGH CEO, Joshua Fegan said: “March 2023 was a landmark turning point for the Company as we achieved record monthly cash receipts and a maiden monthly operating profit. This underpinned the record quarterly receipts and improved the Quarterly result, despite the usual January seasonality we see in both operating divisions, which comes about as a result of the northern winter in Canada and the Australian summer holidays. To close out the Quarter with such a strong month (March) sets us up well for an expected substantial improvement in cash flow position, and a quarterly operating profit, for the final quarter of FY23.”

In item 6 of the Appendix 4C cash flow report for the Quarter, payments to Related Parties of \$201,000 comprised of salary paid to the Chief Executive Officer 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

¹ Health Canada. Information for Healthcare Professionals Cannabis (marihuana marijuana) and the cannabinoids. Published October 2018. Accessed March 2023. <https://www.canada.ca/content/dam/hc-sc/documents/services/drugs-medication/cannabis/information-medical-practitioners/information-health-care-professionals-cannabis-cannabinoids-eng.pdf>

² Althea data on file - An Examination of Flower Consumption in Clinic Patient Cohort in the UK





Althea
Group
Holdings

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



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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 March 2023

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	8,911	23,669
1.2 Payments for		
(a) research and development		(10)
(b) product manufacturing and operating costs	(5,413)	(13,553)
(c) advertising and marketing	(210)	(681)
(d) leased assets	(122)	(338)
(e) staff costs	(3,354)	(11,037)
(f) administration and corporate costs	(1,772)	(4,929)
1.3 Dividends received (see note 3)		
1.4 Interest received	9	29
1.5 Interest and other costs of finance paid	(18)	(51)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	331	370
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,638)	(6,531)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(386)	(663)
(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		
	(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	(386)	(663)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		2,193
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		(110)
3.5	Proceeds from borrowings	4,160	4,160
3.6	Repayment of borrowings	(65)	(74)
3.7	Transaction costs related to loans and borrowings	(252)	(252)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	3,842	5,916

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,433	6,569
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,638)	(6,531)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(386)	(663)

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

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)	3,842	5,916
4.5	Effect of movement in exchange rates on cash held	45	5
4.6	Cash and cash equivalents at end of period	5,297	5,297

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	4,885	3,021
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	412	412
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,297	3,433

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	(201)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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)	(1,638)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,297
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	5,297
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.2
<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: 12 April 2023

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.