



ASX Announcement | 19 October 2021
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 30 September 2021

AGH records its best quarter ever with \$4.5 million in receipts from customers

Financial Highlights:

Group

- AGH has recorded its best quarter ever with \$4.5 million in receipts from customers for the period ending 30 September 2021 – an increase of 116% from the previous corresponding period and an increase of 57% on the prior quarter
- In August, the Company successfully completed a \$10.6 million (before costs) capital raising to support strategic growth initiatives and continued global expansion
- The Company's annualised operating expenditure has been reduced by approximately \$1.0 million during the quarter, following the completion of a recent business review

Territory

- **Canada** - AGH's wholly owned subsidiary, Peak Processing Solutions ('Peak'), achieved \$1.7 million in receipts from customers for the Reporting Period – an increase of 142% from the prior quarter - and is forecasting to produce revenue in excess of \$15.0 million in FY22
- **Australia** – Althea Australia finished the Quarter with 20,280 patients, including a record 1,204 new patients onboarded during September, a month-on-month increase of 28%
- **United Kingdom** – Althea UK continues to deliver on expectations, with record revenue for the Quarter and accelerating growth as COVID-19 recedes in the UK

19 October 2021: **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 September 2021 ('Quarter', 'Reporting Period').

Financial update for the Quarter

AGH has recorded its best quarter ever with \$4.5 million in receipts from customers for the period ending 30 September 2021.

Further highlights during the Quarter include:

- An increase of \$2.4 million, or 116%, in receipts from customers from the previous corresponding period
- An increase of \$1.7 million, or 57%, in receipts from customers from the previous record quarter (period ending 30 June 2021)

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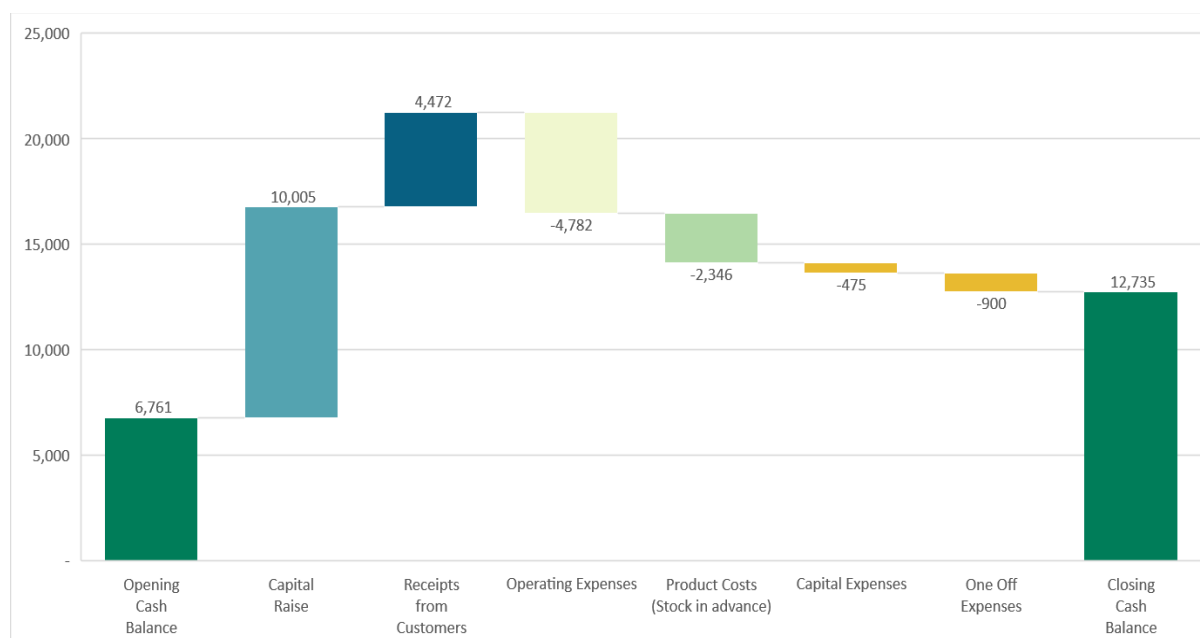
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- Peak achieved \$1.7 million in receipts from customers for the Reporting Period – an increase of 142% from the prior quarter - and is forecasting to produce revenue in excess of \$15.0 million in FY22
- Peak is on track to become EBITDA positive before the end of the year
- In August 2021, the Company successfully completed a \$10.6 million capital raising (before costs) to support strategic growth initiatives and continued global expansion

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

Chart 1: Bridging chart for quarter ended 30 September 2021 ('000)



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

Finished Product Inventory –

- As the disruptions caused by COVID-19 steadily recedes in all markets, Althea continues to invest in purchasing stock to support the future growth in sales, and to continuously supply patients around the globe

One Off Expenses –

- Annualised operating expenditure has been reduced by approximately \$1.0 million following the completion of a recent business review and a selective reduction in headcount in the business. The company incurred one-off implementation costs of approximately \$450,000 in the quarter and will have an ongoing reduction in staff costs of approximately \$250,000 per quarter
- The Company paid a UK employment tax payment of approximately \$450,000 during the Quarter and moving forward, payments will be distributed monthly



Operational update for the Quarter

Peak Processing Solutions

AGH entered the Canadian recreational cannabis market through the acquisition of specialist cannabis extraction and contract manufacturing start-up, Peak Processing Solutions, in October 2019. After several months of completing commissioning and licensing requirements, Peak commenced manufacturing products for customers in late 2020.

In August 2021, Peak executed a manufacturing agreement with Supreme Cannabis Ltd, a subsidiary of Canopy Growth Corporation, the world's largest cannabis company by market capitalisation. Minimum order quantities over the initial one-year term of the agreement are valued at approximately CAD\$600,000.

In September 2021, Peak executed a binding USD\$3.4 million product development agreement and exclusive 5-year supply and manufacturing agreement with a newly formed subsidiary of The Boston Beer Company (NYSE:SAM) ('BBC'), to launch a new range of non-alcoholic cannabis-infused beverages in Canada.

Under the product development agreement, Peak will provide research and development services, including laboratory support and the testing of various product formulations and recipes, for a new line of BBC cannabis products. BBC will provide Peak with funding of up to USD\$2.0 million for capital improvements associated with the project, focussing on enhancing Peak's beverage manufacturing capabilities and increasing production capacity.

In addition, Peak will receive a minimum of USD\$285,000 for each year of the Term of the agreement (totalling approx. USD\$1.4m). BBC and Peak have now commenced product development, with investment in the facility underway.

Under the supply and manufacturing agreement with BBC, Peak is the exclusive manufacturer of all cannabis beverages produced or sold in Canada under BBC branding, and Peak has secured a right of first refusal to act as BBC's exclusive provider to commercialise any of its intellectual property in connection with the development or manufacture of cannabis products outside of Canada, including but not limited to the USA.

Althea Australia

Althea Australia finished the Quarter with 20,280 patients, including a record 1,204 new patients onboarded during September, a month-on-month increase of 28%. The Company views the growth witnessed in Australia as exceptional, considering both Sydney and Melbourne markets were subject to various COVID-19 restrictions throughout the Reporting Period.

Althea United Kingdom

Althea UK dispensed its highest ever number of units during the Reporting Period, along with achieving record revenue, as COVID-19 recedes in the UK and the economy stabilises.

Althea Germany

Althea continues to make good progress in Germany, as its team of in-field representatives increase their activity with doctors, following the successful rollout of the nation's COVID-19 vaccination program (supported primarily by general practitioners).

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AGH CEO, Joshua Fegan said: “This has been the strongest quarter to date for Althea Group Holdings. The Company is growing sales and increasing market share in our pharmaceutical cannabis business in Australia, the UK and Germany, and delivering strong commercial progress at Peak, our recreational cannabis business in Canada. In its first year of operations, Peak has contracted with some of the region’s most significant cannabis and beverage companies, and following a period of significant investment, is on track to become EBITDA positive before the end of the year.”

-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")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		4,472	4,472
1.2 Payments for			
(a) research and development		(42)	(42)
(b) product manufacturing and operating costs		(2,346)	(2,346)
(c) advertising and marketing		(388)	(388)
(d) leased assets		(131)	(131)
(e) staff costs		(3,798)	(3,798)
(f) administration and corporate costs		(1,336)	(1,336)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid		(5)	(5)
1.6 Income taxes paid			
1.7 Government grants and tax incentives		37	37
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		(3,537)	(3,537)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities			
(b) businesses			
(c) property, plant and equipment		(434)	(434)
(d) investments			
(e) intellectual property		(41)	(41)
(f) other non-current assets			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(475)	(475)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,644	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	(639)	(639)
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	10,005	10,005

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,761	6,761
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,537)	(3,537)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(475)	(475)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,005	10,005
4.5	Effect of movement in exchange rates on cash held	(19)	(19)
4.6	Cash and cash equivalents at end of period	12,735	12,735

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	12,354	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)	12,735	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.</i> <i>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)	(3,537)
8.2	Cash and cash equivalents at quarter end (item 4.6)	12,735
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	12,735
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.6
	<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: 19 October 2021

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.