

June 2025 Quarterly Activities & Cashflow Report

AGH Group

- AGH recorded \$4.98 million in customer receipts for the quarter ended 30 June 2025
- Net cash used in operating activities was \$2.9 million, including \$1.73 million in non-recurring costs
- As of 30 June 2025, available funding totalled \$0.71 million, comprising cash and undrawn finance facilities
- Successfully completed divestment of the pharmaceutical division for \$1.0 million cash, with proceeds used to reduce secured debt
- Appointed Mr. Brian Mbesha as Chief Financial Officer, bringing extensive expertise in North American manufacturing and finance
- The Company is confident that the business is well positioned to benefit from revenue growth initiatives and accordingly has no plans to raise equity capital at this time

Peak Canada

- AGH's wholly owned Canadian subsidiary, Peak Processing Solutions Canada ("**Peak Canada**" or "**Peak**"), recorded \$4.3 million in customer receipts for the quarter ended 30 June 2025, up slightly from \$4.2 million in the prior quarter and \$4.2 million in the same quarter last year
- Gross margins improved to 39% compared to 37% in prior quarter and 34% in the corresponding quarter in 2024
- Maintained a 98% On Time and In Full (OTIF) fulfilment rate, a significant improvement from 58% in the same quarter last year
- Peak Canada solidified its leadership in the Canadian THC-infused beverage market, retaining a 35% share of national sales and representing approximately 60% of all brands available across every province
- Peak made a series of investments to capitalise on clear momentum into the next quarter and beyond:
 - An increased work-in-progress representing approximately \$1.0 million in revenue to be billed post-quarter
 - An increased spending on core materials to realise existing revenue opportunities
 - Inventory investments to support a major Canadian licensed producer's re-launch; and
 - Production of proprietary products is expected to drive revenue in future quarters

Peak USA

- Peak USA, AGH's wholly owned U.S.-based subsidiary, successfully launched commercial manufacturing with a second subsequent manufacturing run completed in July
- Peak Canada incurred joint venture (JV) expenses and effectively leveraged its expertise in product development and manufacturing, collaborating with its JV partner and production facility leased space at a third-party manufacturing site to achieve favourable outcomes
- Products were manufactured and invoiced prior to quarter-end, with cash collection expected in Q1 FY2026
- This milestone marks the onset of revenue generation for Peak USA, underscoring AGH's commitment to establishing a robust U.S. platform with significant near-term commercial potential.
- Peak USA remains a critical strategic growth driver as the U.S. THC beverage category evolves
- Following the successful initial manufacturing run, Peak USA initiated negotiations with non-JV partners for co-manufacturing services, including existing Canadian beverage partners, many of whom are active in the rapidly growing hemp-derived THC beverage market

Althea Group Holdings Limited (ASX:AGH) ("the **Company**" or "**AGH**"), a leading FMCG organisation specialising in the manufacturing, sales, and distribution of THC beverages, is pleased to provide its quarterly activities report for the period ending 30 June 2025 ('**Quarter**', '**Reporting Period**').

Peak Canada Summary

Peak Processing Solutions Canada ("**Peak Canada**") recorded robust cash receipts of \$4.3 million, reflecting its strong position in the Canadian THC-infused beverages formulation and manufacturing market. Peak Canada continues to showcase operational resilience and strategic foresight.

Peak Canada generated momentum in business activity and, as a result, invested in several areas that are expected to drive cash flow and revenue growth next quarter and beyond. Included in this are:

- A buildup of work-in-progress representing approximately \$1.0 million in revenue to be billed in Q1FY26
- Peak Canada entered into a strategic arrangement to transfer listings from a major Canadian licensed producer for a fast-moving, high-margin brand. Under this agreement, Peak produced substantial volumes to ensure sustained high-volume sales during the license transition period, and these revenues will be fully realised in Q1 FY26 derived directly from sales to Provincial crown corporations
- To capitalise on the spring and summer demand surge, Peak Canada proactively increased its pre-purchasing of core raw materials.

While this led to a temporary rise in cash outflows, the strategy ensures supply chain stability, locks in input costs, and positions Peak Canada for higher margins in Q4 FY25 and Q1 FY26. Additionally, planned facility upgrades in H1 FY26 is expected to drive further efficiencies and cost savings, paving the way for stronger earnings and cashflows in the coming quarters.

Margin Growth and Operational Efficiency

Peak Canada's focus on cost control and operational efficiencies is yielding tangible results. The Company achieved an underlying gross margin of 39%, up from 37% in the previous quarter and 34% in the prior corresponding period (Q3 FY24). This improvement reflects Peak's commitment to continuous improvement, a cornerstone of its manufacturing culture. The company remains confident in its ability to further improve margins over time through ongoing process optimisations.

Strategic Brand Expansion

Through meticulous market analysis, Peak Canada identifies opportunities to address gaps in the Canadian THC beverage market. Peak's proprietary product strategy reached a key milestone with the completion of production for initial product lines at a cash cost of \$0.3 Million (approx.), including the Snap Back rosin-based SKU, in Q4 FY25, with direct revenues expected to start in Q1 FY26. This small-scale launch has gained positive feedback from the provincial buyers, validating the strategic direction. The Company plans to scale this initiative cost-effectively and efficiently.

This proprietary brand effort also strengthens partnerships by encouraging existing brand partners to adopt this line extension strategy, generating additional revenue streams. By producing in-house brands, Peak Canada leverages excess production capacity, reduces overheads across existing customer brands by spreading costs over more units, and secures volume purchase advantages. This approach captures higher margins without incurring significant new selling, general, and administrative (SG&A) expenses or capital expenditure (CapEx), while building brand equity in premium market segments without competing with partners.

Market Leadership and Growth

Peak Canada solidified its market leadership, increasing its national market share to 35% (up from 32% in March 2025). With products available in every Canadian province, the Company is well-positioned in a beverage market that grew 16% nationally in the previous calendar year, outpacing all other cannabis categories. Representing over 60% of all beverage SKUs currently available, Peak Canada is committed to further expanding its market share as the overall market continues to expand.

Peak USA Summary

This quarter Peak Processing Solutions USA (Peak USA) achieved a company milestone by completing its first production run through its Joint Venture (JV) operations. Leveraging key insights from the Peak Canada team, this initial run at a third-party manufacturing site provided valuable learnings, which were effectively applied to a second successful production run in July. These achievements underscore Peak USA's growing operational expertise, with plans to scale production under the JV to meet rising demand in the U.S. THC beverage market.

Strategic Expansion into the U.S Market

Peak USA is strategically positioned to capitalise on the rapidly expanding U.S. THC beverage market by extending its proven Canadian manufacturing capabilities. This strategic move will bolster Peak USA's ability to serve a growing customer base efficiently and effectively.

Premium Product Offerings

Through its JV, Peak USA has introduced some of the only THC beverages in the U.S. market backed by third-party Certificates of Analysis and detailed formulaic disclosures. These high-quality products, which adhere to the stringent standards developed by Peak Canada, have begun gaining traction among large retailers in Q4. Unlike many new entrants to the THC beverage space struggling with potency and taste, Peak USA's sophisticated formulations deliver superior flavor and consistency, setting a new benchmark in the industry.

Growing Industry Recognition and Partnerships

The exceptional quality of Peak USA's beverages has gained significant attention from retailers, distributors and manufacturers alike. The JV is actively engaged in discussion with distributors to expand the sales footprint into states with strong THC beverage demand. Additionally, Peak USA has initiated preliminary talks with major alcohol beverage manufacturers to explore co-manufacturing opportunities. These partnerships highlight the JV's role as a critical proving ground for Peak USA capabilities, serving as both a platform for innovation and a gateway to new customers, including many aligned with Peak Canada's existing brand portfolio.

Looking Ahead

Peak USA's strategic focus on operational excellence, premium product quality, and targeted market expansion positions it for continued success in the dynamic U.S. THC beverage market. By leveraging its JV operations and Canadian expertise, Peak USA is well-equipped to build on its early achievements, forge new partnerships, and deliver innovative, high-quality beverages to a growing customer base.

Althea Group Holdings

Sale of Althea Pharmaceutical Cannabis Subsidiary

AGH divested select assets of its wholly owned subsidiary, Althea Company Pty Ltd, to Tasmanian Botanics Pty Ltd for \$1 million cash, with proceeds applied to reduce debt, plus a revenue share on remaining inventory. The transaction included all pharmaceutical branding, trademarks, digital assets, and customer data. It was completed post quarter-end.

This marks the final exit from AGH's legacy pharmaceutical division, enabling full strategic focus on Peak Processing Solutions and the THC beverage sector.

Capital Management and Governance

AGH successfully completed capital-raising initiatives, securing \$2.32 million in funding by the end of April.

Following shareholder approval at the Extraordinary General Meeting (EGM) held in April 2025, \$3.5 million of loan notes, managed by Taurus Capital Group Pty Ltd, were converted into equity.

CFO appointment

Mr. Brian Mbesha was appointed Chief Financial Officer effective 9 June 2025. Mr. Mbesha has brought over two decades of senior finance experience across manufacturing and contract services.

He will be based at Peak's Windsor, Ontario facility and will support financial governance across the AGH Group.

CEO Resignation

Post quarter (24 July 2025) Mr. Joshua Fegan resigned from his roles as Chief Executive Officer and Director of the Company, effective immediately.

The Board of AGH appointed Mr. Barry Katzman as Interim CEO. With over two and a half years of leadership at Peak Processing Solutions, Mr. Katzman brings deep expertise and a proven track record to the role. His appointment comes at a pivotal moment as the Company sharpens its focus on becoming a leading THC beverage manufacturer.

Group One-Off Outflows in Operating Expenditures

During the Reporting Period, AGH incurred approximately \$1.73 million in non-recurring expenses relating to activities including:

- \$0.23 Million for costs related to the Sale of the Pharmaceutical business
- \$0.09 Million legacy legal and advisory fees
- \$1.41 Million of legacy costs not related to the current quarter

In addition, the group operational cash outflow included \$0.24 Million, related to the operations of the discontinued business of Althea PTY.

Excluding one-off and strategic investment items, as well as the impact of Althea's discontinued operations, AGH's cashflows will continue to improve – highlighting stronger operational control and disciplined cost management across the Company.

The \$106k in aggregate number of payments to related parties and their associates disclosed in Section 6 of the Appending 4C includes payments to the non-executive Directors and the former Managing Director.

-ENDS-

The Board of Althea Group Holdings Ltd authorised this announcement to be lodged with the ASX.

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About Althea Group Holdings

Althea Group Holdings Ltd (ASX: AGH) is a leading FMCG organisation specializing in the manufacturing, sales, and distribution of THC beverages. Through its innovative business unit, Peak Processing Solutions, AGH develops premium, compliant products that resonate with adult consumers in regulated global markets, including USA and Canada.

Learn more about Althea Group Holdings at www.altheagroupholdings.com

Visit www.peakprocessing.com to explore Peak Processing Solutions

Appendix 4C

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

Name of entity	
Althea Group Holdings Limited	
ABN	Quarter ended ("current quarter")
78 626 966 943	30 June 2025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,981	26,536
1.2 Payments for		
(a) research and development	-	(14)
(b) product manufacturing and operating costs	(4,781)	(17,132)
(c) advertising and marketing	(12)	(75)
(d) leased assets	-	-
(e) staff costs	(1,215)	(9,954)
(f) administration and corporate costs	(1,870)	(6,375)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	158	158
1.5 Interest and other costs of finance paid	(229)	(319)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	81
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,968)	(7,094)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses ¹	-	-
(i) property, plant and equipment	(84)	(920)
(j) investments	-	(275)
(k) intellectual property	-	-
(l) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) Entities		
(b) Businesses		
(i) <i>Assets of UK MyAccess Clinic</i>	-	991
(ii) <i>Assets of Althea Company Pty. Ltd.</i>	1,000	1,000
(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)	182	182
2.6 Net cash from / (used in) investing activities	1,098	978
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,323	4,490
3.2 Proceeds from issue of convertible debt securities	-	3,500
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(188)	(847)
3.5 Proceeds from borrowings	-	476
3.6 Repayment of borrowings	(1,000)	(1,000)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(65)	(307)
3.10 Net cash from / (used in) financing activities	1,070	6,313

¹Net of cash acquired from business acquisition.

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 (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,329	331
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,968)	(7,094)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,098	978
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,070	6,313
4.5	Effect of movement in exchange rates on cash held	(15)	(14)
4.6	Cash and cash equivalents at end of period	514	514
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	514	1,329
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	514	1,329
6.	Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1	Aggregate number of payments to related parties and their associates included in item 1	106	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-	
<p><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></p>			

Appendix 4C
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	500	500
7.2 Credit standby arrangements		
7.3 Other (STOKE LoC)	1,124	928
7.4 Total financing facilities	1,624	1,428
7.5 Unused financing facilities available at quarter end		196
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.		
<p>Loan 1 – The facility from AMAL Security Services is fully drawn at \$0.5mil. Maturity date of November 2025 and a 13% annual interest rate.</p> <p>Loan 2 – CAD\$1m asset-based loan facility with Stoke Partners. CAD\$825,000 drawn. This loan has a 22% annual interest rate and while the maturity date was May 2025, Peak has opted to renew the facility per contract renewal provisions and is the final stages of preparing the documentation to execute this renewal imminently.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,968)
8.2 Cash and cash equivalents at quarter end (item 4.6)	514
8.3 Unused finance facilities available at quarter end (item 7.5)	196
8.4 Total available funding (item 8.2 + item 8.3)	710
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.24
<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: No. The net operating cash outflows for the June quarter included approximately \$1.7 million in one-off items, relating costs associated with the sale of a subsidiary business, net cash outflows of the discontinued business for the period in which it was still part of the Althea group, and payments for legacy costs. These non-recurring expenditures are not expected to continue in future quarters. Further, underlying operating cashflows are anticipated to improve as cost-saving measures take effect and revenues which are projected to increase, particularly from Peak Canada and Peak USA.

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:

The Company is in active dialogue with their existing lenders and other providers of receivable financing regarding capacity to increase short-term borrowing back by the strength of the underlying quality of the receivables (being State/Province). The Company maintains strong relationships with its investors as demonstrated by the capital raisings that have occurred this calendar year and believes it would be able to secure additional equity capital if required although there are no plans to do so.

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: Yes. The Company expects to continue its operations and meet its business objectives based on initiatives to improve operational cashflows, the execution of strategic actions that will bring annual savings, and revenue growth from Peak Canada (market growth and own brands) and Peak USA. The business is positioned for margin expansion and stronger financial performance in the next quarter and beyond.

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.

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: 31/07/2025

Authorized by: By the board

(Name of body or officer authorizing 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 authorized for release to the market by your board of directors, you can insert here: "By the board". If it has been authorized for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorized for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorized 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.