Althea Group Holdings

Annual Financial Report

2023

For the year ended - 30 June 2023

Althea Group Holdings Limited and Controlled Entities

ABN 78 626 966 943

Lodged with the ASX under Listing Rule 4.3A

Appendix 4E

01

1. COMPANY DETAILS

Name of entity: Althea Group Holdings Limited

ABN: 78 626 966 943

Reporting period: For the year ended 30 June 2023

Previous period: For the year ended 30 June 2022

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenues from ordinary activities	up	22.3%	to	25,093
Loss from ordinary activities after tax attributable to the owners of Althea Group Holdings Limited	up	13.2%	to	(13,725)
Loss for the year attributable to the owners of Althea Group Holdings Limited	up	13.2%	to	(13,725)

Comments

The loss for the consolidated entity after providing for income tax amounted to $13,725,000 (30 June 2022: $12,124,000).

The loss for the consolidated entity includes the following significant items:

	Consolidated 30 June 2023 $'000
Consolidated loss before income tax expense	(13,725)
Adjustment for the following signifcant items:	
Termination payments	808
Share-based payments	1,101
Production trials	264
Net loss on disposal of assets relating to abandoned Skye production facility	1,175
One-off legal fees	203
Adjusted consolidated loss before income tax expense	**(10,174)**
Adjusted EBITDA	**(6,719)**

The above adjusted loss before income tax expense and adjusted EBITDA table is unaudited. The unaudited information aims to provide shareholders with a greater understanding of the performance of the consolidated entity.

Appendix 4E (continued)

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.93	7.15

4. CONTROL GAINED OVER ENTITIES

Not applicable.

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

6. DIVIDENDS

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. DIVIDEND REINVESTMENT PLANS

Not applicable.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

9. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

International Financial Reporting Standards (IFRS).

Appendix 4E (continued)

10. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued. A material uncertainty related to going concern is included in the auditor's report, however the auditor's opinion is not modified with respect to this matter.

11. ATTACHMENTS

Details of attachments (if any):

The Annual Report of Althea Group Holdings Limited for the year ended 30 June 2023 is attached.

12. SIGNED

Signed

Andrew Newbold
Chairman

Date: 31 August 2023

General information

The financial statements cover Althea Group Holdings Limited as a consolidated entity consisting of Althea Group Holdings Limited and the entities it controlled at the end of, or during, the financial year. The financial statements are presented in Australian dollars, which is Althea Group Holdings Limited's functional and presentation currency.

Althea Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Suite 2, Level 50, 360 Elizabeth Street, Melbourne, VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2023.

Corporate Directory

Directors	Andrew Newbold (Chairman and Independent Non-executive Director) Joshua Fegan (Chief Executive Officer and Managing Director) Alan Boyd (Independent Non-executive Director) Penelope Dobson (Independent Non-executive Director)
Company secretary	Robert Meissner
Registered office	Suite 2, Level 50 360 Elizabeth Street Melbourne, VIC 3000
Principal place of business	Suite 2, Level 50 360 Elizabeth Street Melbourne, VIC 3000
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067 1300 787 272
Auditor	RSM Australia Partners Level 21, 55 Collins Street, Melbourne VIC 3000
Solicitor	DLA Piper Australia 80 Collins Street, Melbourne VIC 3000
Stock exchange listing	Althea Group Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: AGH)
Website	www.altheagroupholdings.com

02

CEO letter

CEO letter

Dear Shareholder,

It is my pleasure to present to you Althea Group Holdings Limited's (AGH) annual report for the financial year ended 30 June 2023 (FY23).

FULL-YEAR HIGHLIGHTS

ASX ANNOUNCEMENTS	Release date
Althea launches next generation products	15 September 2022
AGH announces capital raising to support ongoing growth	3 November 2022
Althea signs MOU with Dr Reddy's subsidiary	11 November 2022
AGH secures new CAD$2 million term loan facility	30 January 2023
AGH secures additional $2.2 million funding	3 February 2023
NHS reimbursement achieved for treatment of chronic pain	11 May 2023
Althea THC20:CBD1 approved for sale in Ireland	19 May 2023

INTRODUCTION

Althea Group Holdings Limited (AGH, the Group or the Company) continues to drive innovation in the emerging global cannabis industry.

The Company is strategically positioned in the manufacturing, sales and distribution of premium quality recreational cannabis products and cannabis-based medicines, operating three separate and distinct strategic business units: Althea, MyAccess Clinics and Peak Processing Solutions.

Althea and MyAccess Clinics service the international pharmaceutical cannabis market, whilst Peak Processing Solutions operates in the federally legal Canadian recreational cannabis market.

AGH is uniquely positioned, offering shareholders a strong leadership position in both recreational and pharmaceutical cannabis markets.

CONSOLIDATED GROUP RESULTS

FY23 was another record year for the Company, achieving growth over the previous corresponding reporting period (FY22) despite significant macro and micro environmental challenges.

Highlights from the financial year include:

- The Group achieved revenue of $25.09 million, an increase of $4.57 million (+22.3%) from the previous corresponding period.
- Operating cash receipts from customers totalled $36.38 million, an increase of $13.96 million (+62.2%) from the previous corresponding period.
- Net cash used in operating activities totalled $6.29 million, a decrease of $2.76 million (-30.5%) from the previous corresponding period.
- Gross Profit Margin (average) across the Group increased to 51%, up from 47% in the previous corresponding period.
- The Group successfully raised $2.2 million in capital (before costs) and secured a further $4.32 million of funding (before costs) to support ongoing growth.

Cost reduction

The Company previously advised (ASX announcement 11 July 2022) that its annual review of operating expenditure had identified approximately $1 million in annualised savings (derived mainly from corporate overheads). These cost saving measures commenced during the first half of the financial year. Management identified approximately $900,000 in further annualised cost savings (ASX announcement 31 October 2022).

As a result of the cost reduction program, the Company incurred one-off expenses related to staff terminations, including but not limited to redundancies and share-based payments. Redundancy payments increased employee benefits expenses by 8% in FY23 ($12.14 million versus $11.26 million in FY22), whilst share-based payments were 27% higher in FY23 ($1.1 million versus $794,000 in FY22).

The cost reduction program has already reduced net cash outflows significantly and will flow through to statutory financial reporting in the first half of FY24.

PHARMACEUTICAL CANNABIS

Althea

Althea is a brand of cannabis-based medicine, currently sold and distributed in Australia, the United Kingdom, Germany and Ireland. Althea has over 42,000 patients globally.

Althea achieved sales revenue of $15.02 million in FY23, an increase of $2.79 million (+23%) from the previous corresponding period. Althea also posted positive EBITDA of $1.5 million for the financial year.

Australia

Revenue from Althea's Australian customers totalled a record $12.18 million for the financial year, representing an increase of 16.6% from the previous corresponding period. The majority of sales were in the 'cannabis extracts' category, where Althea has the dominant market share in Australia.

Althea entered the high-THC cannabis 'dried flower' product category in quarter two FY23 with the launch of Althea THC25, an exclusive 25% THC, indica-dominant strain of cannabis.

Althea THC25 achieved rapid sales growth, becoming the Company's strongest selling product by the end of FY23.

The Company expects sales to continue to grow strongly in FY24, as existing cannabis dried flower prescribers migrate customers to Althea, given our outstanding reputation in the medical community along with our ethical approach to the sale and distribution of cannabis-based medicines.

Stock outages

Althea's Australian operations faced significant supply chain disruptions during FY23 ahead of new regulations being introduced by the Therapeutic Goods Administration (TGA), which came into effect on 1 July 2023.

Announced by the TGA in 2022 and providing less than 15 months lead time, the new regulations relating to product conformity resulted in the Company having to review and pivot many aspects of its supply chain, including but not limited to product specifications, packaging and labelling.

As part of the supply chain transition, the Company experienced multiple delays which resulted in several high selling products being temporarily out of stock during the reporting period.

It is estimated that the stock outages resulted in a loss of sales of approximately $3.2 million. The Australian sales team have a solid strategy in place to regain lost sales in the first half of FY24.

Product supply to the Australian market, along with all international markets, has returned to normal and no further disruptions are anticipated.

United Kingdom

Revenue from UK customers totalled $2.90 million for the reporting period, an increase of 41% from the previous corresponding period. This is despite Althea witnessing some temporary stock outages during the reporting period as a result of the Medicines and Healthcare products Regulatory Agency (MHRA) completing a thorough review of cannabis-based medicines supplied into the country by all industry participants, which necessitated a pause in supply.

As a result of the MHRA review, a number of suppliers in the UK had products removed from sale due to a lack of conformity, a situation the Company intends to take full advantage of given all of its products were cleared by the MHRA.

Germany

Sales of Althea products continue to build at a steady rate post the pandemic in Germany and the Company expects FY24 to be a breakout year for the brand as smaller competitors retreat and Althea's medical education program begins to bear fruit.

On 11 November 2022, the Company announced a non-binding memorandum of understanding with Nimbus Health GmbH, a wholly-owned medical cannabis focussed subsidiary of the global pharmaceutical company Dr Reddy's Laboratories Ltd. Under the proposed transaction, Althea and Nimbus Health have joined forces exclusively to promote, market, sell and distribute Althea products in further European and other jurisdictions.

Republic of Ireland

Althea's flagship THC-dominant cannabis oil, Althea THC20:CBD1, has been approved for sale and distribution in Ireland under the country's Medical Cannabis Access Program (MCAP). Althea becomes the only supplier with multiple cannabis oils approved by Ireland's Health Products Regulatory Authority (HPRA), being Althea CBD12:THC10 and Althea THC20:CBD1, with just one other supplier to have a THC-based oral solution registered in Ireland.

In July 2023, Althea received reimbursement approval for Althea CBD12:THC10, a product which has also been approved by HPRA for sale and distribution in Ireland. The first shipment of Althea CBD12:THC10 arrived in Ireland in June 2023.

New Product Development

Althea launched two new products during FY23 being Althea THC25, a high-THC (25%) cannabis dried flower product, and Althea CBD25, 25mg CBD soft gel capsules. The Company envisions that its soft gel capsule preparations will overtake sales of its cannabis oils (tinctures) in the long term, given its familiarity and ease of use.

Additionally, Althea is currently developing a widened range of exclusive cannabis dried flower products, expected to launch in the first half of FY24.

New product development remains critical to sustaining market leadership in a competitive and dynamic industry.

MyAccess Clinics

A fully-owned subsidiary of AGH, MyAccess Clinics, is a UK-based private health clinic specialising in treatment with cannabis-based medicines, which delivers predictable and recurring sales of Althea products.

The business contributed meaningfully to UK sales in the first half of FY23, a result of over 2,600 patient appointments during the reporting period. The business model requires minimal working capital and the Company is expanding MyAccess Clinics further into Europe, with Germany and Ireland patient consultations anticipated to launch in the first half of FY24.

RECREATIONAL CANNABIS

The Company's Canadian-based recreational cannabis business, Peak Processing Solutions (Peak), is a contract manufacturing organisation which works with consumer-packaged goods companies to develop, manufacture, and distribute recreational cannabis products, which are ultimately purchased by adult consumers in licensed retail stores.

Peak achieved sales revenue of $9.80 million in FY23, an increase of $1.96 million (+25%) from the previous corresponding period.

AGH undertook an extensive review of Peak's commercial strategy and senior management in late FY22 and, during the first half of FY23, the Company announced the appointment of Mr. Barry Katzman as Managing Director of Peak, effective 1 October 2022

Mr. Katzman brings a wealth of experience from both the beer and wine industry to Peak and, post the reporting period, has already succeeded in attracting new, high-profile customers to Peak, with the Company announcing the signing of commercial agreements with Tweed Inc. (a subsidiary of Canopy Growth Corp.) and Electric Brands Inc in July and August 2023, respectively. Furthermore, Peak received ten new initial Ontario Cannabis Store (OCS) listings in June 2023.

Peak is rapidly emerging as one of the world's leading recreational cannabis contract development and manufacturing organisations and aspires to expand its operations into emerging recreational cannabis markets, including Germany, which is slated to legalise the sale of recreational cannabis products in 2024.

CONCLUSION

The Company continued to grow revenue and increase margins during FY23, despite encountering some transitory headwinds and supply chain issues during the year.

AGH is well placed for a successful FY24 and is determined to provide value for shareholders as its operations, revenue and margins continue to improve.

I would like to take this opportunity to thank all AGH employees for their continued dedication and contributions towards our goals and objectives, whilst also thanking shareholders for their continuing support, as we work towards becoming one of the world's leading cannabis companies.

Yours sincerely,

Joshua Fegan

Althea Group Holdings Ltd CEO

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Key businesses

Making cannabis more accessible every day

Althea Group Holdings Limited endeavours to be the number one global cannabis company, driving innovation for cannabis users and providing the largest consumer markets access to world-class pharmaceutical cannabis medicines and recreational cannabis products.

We are passionate about the health benefits of cannabis and seek to help patients suffering from debilitating conditions, by streamlining access to our Althea branded cannabis-based medicines.

But we aren't just a pharmaceutical company. We also believe that cannabis has a place in a regulated consumer goods market and aim to apply the same high-standard medicinal philosophy to our recreational offering.

Our cannabis manufacturing business, Peak Processing Solutions, produces a wide range of recreational cannabis products for sale and distribution into legalised adult-use cannabis markets. Peak's products include cannabis-infused beverages, edibles, topicals, and concentrates.

Pharmaceutical cannabis-based medicines

Althea is one of the world’s leading suppliers of cannabis-based medicines, with more than 42,000 patients worldwide. Our mission is to improve the lives of people across the globe by streamlining access to our high-quality and needed medical cannabis products.

Althea understands the need for, and health benefits of, cannabis and provides a comprehensive range of the highest quality cannabis-based medicines, including cannabis oil and dried flower preparations. Althea is the leader in supporting Healthcare Professionals and patients in medical education and navigating medical cannabis treatment pathways.

In the United Kingdom, we also own and operate a private medical cannabis clinic network, MyAccess Clinics. The clinic is a leader in the UK and has over 2,600 registered patients. MyAccess Clinics was one of the first to open in the UK and provides access to Althea medicines to patients in need.

Althea is the pharmaceuticals division of Althea Group Holdings Limited, a company publicly listed on the Australian Securities Exchange (ASX:AGH) with operations in legal and regulated cannabis markets including Australia, the UK, Canada, Ireland and Germany.

Recreational cannabis products

Peak Processing Solutions (Peak), is a leader in the manufacture, sales and distribution of legal recreational cannabis products in Canada and North America.

Peak, a wholly-owned subsidiary of AGH, offers brand partners the opportunity to innovate through Peak's industry-leading end-to-end cannabis product development, processing and contract manufacturing capabilities.

To its partners in North America, Peak provides expert formulation and mass-manufacturing of recreational cannabis products including beverages, concentrates, topicals and more.

PEAK

04

Directors' report

Directors' report

04

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the consolidated entity) consisting of Althea Group Holdings Limited (referred to hereafter as the Company or parent entity) and the entities it controlled at the end of, or during, the year ended 30 June 2023.

DIRECTORS

The following persons were Directors of Althea Group Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Andrew Newbold
- Joshua Fegan
- Alan Boyd
- Penelope Dobson

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the period were the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products. The parent entity services these sectors via two distinct business units:

- Althea, the Company's pharmaceutical business, which offers a comprehensive range of cannabis-based medicines which are made available to patients via prescription.
- Peak Processing Solutions, the parent entity's recreational cannabis business, which produces legal cannabis products purchased by adult consumers in retail stores.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The operational review contained in the CEO letter at Section 2 forms part of this Directors' Report.

During the period, the consolidated entity generated revenue of $25,093,000 (30 June 2022: $20,521,000). The consolidated entity's loss for the period amounted to $13,725,000 (30 June 2022: $12,124,000).

Key achievements by the consolidated entity during the year are as follows:

- Operating cash receipts from customers totalled $36.38 million, an increase of $13.96 million (62.2%) from the previous corresponding period.
- Significant year-on-year sales growth with the consolidated entity's revenue exceeding $25 million, an increase of 22.3% compared to 30 June 2022. The Group's pharmaceutical business contributed sales revenue of $15.02 million (30 June 2022: $12.23 million) and an EBITDA of $1.5 million (30 June 2022: $730,000) to this consolidated result.

- Successfully raised $2.2 million of capital (before costs) and secured a further $4.32 million (before costs) of funding to support ongoing growth.

The Directors consider that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- As a start-up business in an industry that is at best immature on a world scale, the consolidated entity has been progressively working towards break even operations and ultimately sustainable profitable operations with positive cash flows.
- In the absence of conventional loan funding opportunities, the availability of which are dependent upon a history of such positive cash flows, Althea Group Holdings Limited has raised capital a number of times and sought borrowings from sources available to it wherever possible. These activities have been essential to maintain the consolidated entity as a going concern and have given rise to the borrowings referred to above which, absent any renegotiation or conversion to equity, are due for repayment in the 2024 financial year.
- Management and the Directors have prepared cash flow forecasts and believe that the consolidated entity is approaching a break-even operating position and is expected to generate positive cash flows by the end of the 2024 financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as announced progressively through the ASX Announcements Platform, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 20 July 2023, the Company issued 5,853,571 fully paid ordinary shares in accordance with a conversion notice received under the convertible securities agreement. This conversion reduces the capped number of shares available to the convertible note holder to 30,108,990, and the outflow required to repay the convertible note from $1,947,121 at balance date to $1,731,526 as at the date of this report.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The parent's subsidiary, Peak Processing Solutions, is subject to environmental regulations and other licences in respect of its manufacturing facility located in Ontario, Canada. The Company monitors changes in its regulatory environment and ensures ongoing compliance with new requirements. Peak Processing Solutions is subject to regular inspections and audits by responsible Provincial and Federal authorities.

The consolidated entity considers it has complied with all necessary environmental regulations throughout the year ended 30 June 2023 and no related issues have arisen since the end of the financial year to the date of this report.

BUSINESS RISK

The consolidated entity recognises that risk is present in all aspects of its business and that managing risk effectively is essential in meeting the expectations of all shareholders, employees, customers, suppliers and regulators.
Set out below are matters which the consolidated entity has assessed as having potential to have a material impact on its operating and/or financial results and performance:

Regulatory Approval

The consolidated entity's ability to operate in both its pharmaceutical cannabis and recreational cannabis segments is reliant on maintaining certain authorisations, licences, permits and compliance with all relevant regulatory requirements. Any failure to comply with the regulations, or to renew the approvals and licences, would negatively impact the consolidated entity's ability to effectively operate.

Funding Risks

As disclosed in Note 1, the consolidated entity has commenced the implementation of initiatives to eliminate or defer the cash outflows associated with the repayment of the current borrowings. These initiatives include negotiations directly with the respective borrowers, a small-scale capital raising supported by a leading wealth management advisor, asset-secured financing from conventional banking sources in Canada and potential merger and/or acquisition transaction activities. Failure to secure any of the planned funding activities may have a negative impact on the consolidated entity's financial performance.

Supply Risk

The consolidated entity relies on a number of suppliers to operate its medical division. Failure of any individual supplier may result in stock shortages. Any sustained stock shortage would have a material impact on the financial performance of the consolidated entity.

Foreign Exchange Risk

As disclosed in Note 28, foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. As such, significant unfavourable movements in the Australian dollar against the applicable foreign currencies would negatively impact the financial performance of the consolidated entity.

INFORMATION ON DIRECTORS

ANDREW NEWBOLD

Chariman and Independent Non-executive Director

LLB / BEc

Experience and expertise: Andrew is a qualified lawyer having practised for nearly 20 years at a large commercial firm. Following his retirement from law in 2006, he founded a renewable energy business which he sold to Origin Energy in 2009. Since that time he has been involved in a start-up property app business which he sold to ANZ in 2015 and various other businesses.

Andrew has been a director of numerous private companies and not-for-profit organisations and currently is a director of Supra Capital, a Commissioner of the AFL and Chairman of Golf Australia.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Audit, Risk and Compliance Management Committee & Remuneration and Nomination Committee

Interests in shares: 2,068,000

JOSHUA FEGAN

Chief Executive Officer and Managing Director

B Bus (Management and Marketing)

Experience and expertise: Joshua is the founder of Althea Group Holdings Limited and has extensive experience in business building, sales and marketing. He has a range of proven business and strategy skills and has previously held a number of senior management roles at national value-based retailer, Strathfield Group.

Joshua founded Althea Health and Wellbeing in 2016, coinciding with registration of the Narcotic Drugs Amendment Act 2016 (Cth) (ND Amendment Act), an Act to amend the Narcotic Drugs Act 1967 (Cth) (ND Act), legalising medicinal cannabis.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Remuneration and Nomination Committee

Interests in shares: 56,394,621

Interests in rights: 8,310,337

INFORMATION ON DIRECTORS (continued)

ALAN BOYD

Independent Non-executive Director

BA (Econ), CA ANZ

Experience and expertise: Until 25 August 2021, Alan was the Chief Financial Officer of Ridley Corporation Limited, an ASX-listed provider of high performance animal nutrition solutions. Prior to his role, Alan occupied the same position with listed biotechnology companies Avexa Limited and Zenyth Therapeutics Limited, website pioneer Sausage Software Limited, and un-listed public entity HRL Limited, where he later served as a non-executive director and Chair of the Audit Committee. Alan retired on 18 July 2022.

Alan started his professional career in chartered accounting firms in England and Australia and has broad financial experience across many industry sectors.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Audit, Risk and Compliance Management Committee and Member of Remuneration and Nomination Committee

Interests in shares: 418,182

PENELOPE DOBSON

Independent Non-executive Director

MBA (MGSM)

Experience and expertise: Penny is an experienced global healthcare executive. She has worked in the broad life-science space since her training as a pharmacist in New Zealand, including many years in the global pharmaceutical industry. Penny is currently a Principal at Valida Consulting, offering a range of services to companies in the healthcare, Pharma, Biotech, not-for-profit, Device and Diagnostics sector.

Other current directorships: Australian Nuclear Science and Technology Organisation, Invetus Ltd

Former directorships (last 3 years): None

Special responsibilities: Chair of Remuneration and Nomination Committee and Member of Audit, Risk and Compliance Management Committee

Interests in shares: 61,818

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Robert Meissner

Robert has held the role of Company Secretary since April 2019. He currently acts as the Chief Financial Officer of the consolidated entity and has held this position since October 2018. Robert was previously the Financial Controller for Village Cinemas who are one of the leading cinema operators in Australia. Robert is a Certified Practising Accountant.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Andrew Newbold	7	7	1	1	4	4
Joshua Fegan	7	7	1	1	4	4
Alan Boyd	7	7	1	1	4	4
Penelope Dobson	7	7	1	1	4	4

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery

REMUNERATION REPORT (AUDITED) (continued)

of reward. The Board of Directors ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for Directors and executives. The performance of the consolidated entity depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design,
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value,
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience,
- reflecting competitive reward for contribution to growth in shareholder wealth,
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive Director remuneration is separate.

Non-executive Directors remuneration

Fees and payments to Non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive share options or other incentives.

Under the Company Constitution, the Board may decide the remuneration from Althea Group Holdings to which each Non-executive Director is entitled for their services as a Director.

REMUNERATION REPORT (AUDITED) (continued)

However, the total amount of fees paid to all Non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by Althea Group Holdings Limited in a general meeting. The amount has been fixed at $400,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits,
- short-term performance incentives,
- share-based payments,
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives (STI) program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (KPIs) being achieved. KPIs include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives (LTI) include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholder value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2023.

Consolidated entity performance and link to remuneration

At-risk remuneration for the Chief Executive Officer, Company Secretary and other senior executives is directly linked to performance of the consolidated entity as the vesting of the performance rights offered is dependent on defined performance milestones being met.

Voting and comments made at the Company's 2022 Annual General Meeting (AGM)

At the 2022 AGM, the remuneration report for the year ended 30 June 2022 was put forward for shareholder approval with 92.02% votes recorded in favour. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

DETAILS OF REMUNERATION

Amounts of remuneration

30 June 2023	Fixed Remuneration				Variable Remuneration					
	Cash salary	Super	Annual and Long Service Leave	Total Fixed Remuner-ation	STI Awarded[1]	Total LTI Awarded[2]	*LTI attributable to existing rights*	*LTI attributable to lapsed rights[3]*	Other[4]	Total Variable Re-muneration
Non-executive Directors:										
Andrew Newbold	124,201	13,041	-	**137,242**	-	-	-	-	-	**-**
Alan Boyd	65,753	6,904	-	**72,657**	-	-	-	-	-	**-**
Penelope Dobson	65,753	6,904	-	**72,657**	-	-	-	-	-	**-**
	255,707	26,849	-	**282,556**	-	-	-	-	-	**-**
Executive Directors:										
Joshua Fegan	515,000	27,500	60,411	**602,911**	60,833	(70,448)	80,943	151,390	160,518	**150,903**
Other Key Management Personnel:										
Robert Meissner	342,500	27,500	51,054	**421,054**	21,670	31,345	9,851	21,494	-	**53,015**
	1,113,207	**81,849**	**111,465**	**1,306,521**	**82,503**	**(39,103)**	**90,794**	**172,884**	**160,518**	**203,918**

[1] Represents short term incentives awarded and accrued in relation to actual performance during the 2023 financial year. This includes performance rights granted as remuneration that are valued at grant date in accordance with *AASB 2 Share-based Payment* and amortised over the vesting period.

[2] Represents the fair value of performance rights granted as remuneration at grant date in accordance with *AASB 2 Share-based Payment* and amortised over vesting period.

[3] Represents the fair values of performance rights due to vest on 30 June 2023, however lapsed due to not meeting performance conditions.

[4] Other variable remuneration is composed of relocation costs paid during the 2023 financial year.

DETAILS OF REMUNERATION (continued)

Amounts of remuneration

30 June 2022	Fixed Remuneration				Variable Remuneration					
	Cash salary	Super	Annual and Long Service Leave	Total Fixed Remuner-ation	STI Awarded[1]	Total LTI Awarded[2]	*LTI attributable to existing rights*	*LTI attributable to lapsed rights*[3]	Other[4]	Total Variable Re-muneration
Non-executive Directors:										
Andrew Newbold	124,201	12,420	-	**136,621**	-	-	-	-	-	-
Alan Boyd	65,753	6,575	-	**72,328**	-	-	-	-	-	-
Penelope Dobson	65,753	6,575	-	**72,328**	-	-	-	-	-	-
	255,707	25,570	-	**281,277**	-	-	-	-	-	-
Executive Directors:										
Joshua Fegan	460,000	27,500	12,274	**499,774**	12,580	(373,198)	(383,693)	10,495	172,702	**(187,916)**
Other Key Management Personnel:										
Robert Meissner	275,000	27,500	12,043	**314,543**	89,137	169,204	10,752	158,452	-	**258,341**
	990,707	**80,570**	**24,317**	**1,095,594**	**101,717**	**(203,994)**	**(372,941)**	**168,947**	**172,702**	**70,425**

[1] Represents short term incentives awarded and accrued in relation to actual performance during the 2022 financial year. This includes performance rights granted as remuneration that are valued at grant date in accordance with *AASB 2 Share-based Payment* and amortised over the vesting period.

[2] Represents the fair value of performance rights granted as remuneration at grant date in accordance with *AASB 2 Share-based Payment* and amortised over vesting period.

[3] Represents the fair values of performance rights due to vest on 30 June 2022, however lapsed due to not meeting performance conditions.

[4] Other variable remuneration is composed of relocation costs paid during the 2022 financial year.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI and Other		At risk - LTI Awarded	
NAME	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Non-executive Directors:						
Andrew Newbold	100%	100%	-	-	-	-
Alan Boyd	100%	100%	-	-	-	-
Penelope Dobson	100%	100%	-	-	-	-
Executive Directors:						
Joshua Fegan	80%	160%	29%	59%	(9%)	(119%)
Other Key Management Personnel:						
Robert Meissner	89%	55%	5%	16%	6%	29%

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Joshua Fegan
Title:	Chief Executive Officer and Managing Director
Term of agreement:	No fixed term
Details:	Either the Company or Joshua may terminate the agreement by giving 12 months' notice, during which the Company may request that he cease work prior to the 12 months, but must provide remuneration for the entire period. The Company may also terminate his engagement without notice in circumstances involving serious or persistent misconduct or for breaches of certain clauses of the agreement, including misuse of confidential information. Joshua's agreement includes a restraint on working for a competitor for up to 6 months after ceasing employment.

Name:	Robert Meissner
Title:	Chief Financial Officer and Company Secretary
Term of agreement:	No fixed term
Details:	Either the Company or Robert may terminate the executive services agreement by giving 3 months' notice, during which the Company may request that he cease work prior to 3 months, but must provide remuneration for the entire period. The Company may also terminate his engagement without notice in circumstances involving serious and persistent misconduct or breaches of certain clauses of the executive services agreement, for example misuse of confidential information. Robert's agreement includes a restraint on working for a competitor for up to 6 months after ceasing employment.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

NAME	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Joshua Fegan (Class H) [1,3]	390,625	26 November 2020	30 June 2023	26 November 2035	$0.548	$0.345
Robert Meissner (Class G) [1,3]	190,972	1 July 2020	30 June 2023	30 June 2035	$0.548	$0.225
Joshua Fegan (Class I) [2]	5,100,000	1 December 2020	30 November 2022	30 November 2022	$0.000	$0.515
Joshua Fegan (Class J) [1]	300,571	16 December 2021	30 June 2024	15 December 2036	$0.336	$0.225
Joshua Fegan (Class K) [4]	7,500,000	1 July 2022	30 June 2025	30 June 2037	$0.000	$0.066
Joshua Fegan (Class L) [1]	509,766	1 July 2022	30 June 2025	30 June 2037	$0.163	$0.035
Robert Meissner (Class M) [1]	658,499	1 July 2022	30 June 2024	30 June 2039	$0.424	$0.010
Robert Meissner (Class N) [1]	790,198	1 July 2022	30 June 2025	30 June 2040	$0.173	$0.040

[1] The performance metric for vesting of these performance rights is absolute total shareholder return (ATSR) on a compound annual growth rate (CAGR) basis tested over the Measurement Period. ATSR takes into account the difference in share price over the Measurement Period, as well as any dividends (assumed to be reinvested) and other capital adjustments.

[2] The performance metric for vesting of the above Class I performance rights is the achievement of a minimum $30,000,000 in consolidated group revenue in any 12 month rolling period within the performance period. The required performance metric was not met for the rights to vest and/or be exercised.

[3] The performance rights vesting on 30 June 2023 did not meet the required performance measurement hurdles for the rights to vest and/or be exercised.

[4] The performance metric for vesting of the above Class K performance rights is the achievement of a minimum $100,000,000 in consolidated group revenue in any 12 month rolling period within the performance period.

Performance rights granted carry no dividend or voting rights.

Details of performance rights over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

NAME	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Value of rights vested $	Number of rights lapsed	Value of rights lapsed $
Joshua Fegan (Class H)	26 November 2020	30 June 2023	390,625	134,766	-	390,625	(134,766)
Joshua Fegan (Class I)	1 December 2020	30 November 2022	5,100,000	207,526	-	5,100,000	(207,526)
Joshua Fegan (Class J)	16 December 2021	30 June 2024	300,571	15,914	-	-	-
Robert Meissner (Class G)	1 July 2020	30 June 2023	190,972	42,969	-	190,972	(42,969)
Joshua Fegan (Class K)	1 July 2022	30 June 2025	7,500,000	65,321	-	-	-
Joshua Fegan (Class L)	1 July 2022	30 June 2025	509,766	5,268	-	-	-
Robert Meissner (Class M)	1 July 2022	30 June 2024	658,499	2,503	-	-	-
Robert Meissner (Class N)	1 July 2022	30 June 2025	790,198	7,348	-	-	-

ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Sales revenue	25,093	20,521	11,540	5,062	767
EBITDA	(10,270)	(9,079)	(12,855)	(13,434)	(8,827)
EBIT	(12,953)	(11,825)	(14,869)	(14,282)	(8,875)
Loss after income tax	(13,725)	(12,124)	(15,046)	(14,768)	(8,675)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2023	2022	2021	2020	2019
Share price at financial year end ($)	0.04	0.06	0.31	0.32	1.01
Basic loss per share (cents per share)	(3.91)	(3.99)	(6.05)	(6.42)	(5.11)

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Ordinary shares					
Andrew Newbold	2,068,000	-	-	-	2,068,000
Joshua Fegan	56,394,621	-	-	-	56,394,621
Alan Boyd	418,182	-	-	-	418,182
Penelope Dobson	61,818	-	-	-	61,818
Robert Meissner	428,135	-	-	-	428,135
	59,370,756	**-**	**-**	**-**	**59,370,756**

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Lapsed[1]	Expired/forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Joshua Fegan	5,791,196	8,009,766	(5,490,625)	-	8,310,337
Robert Meissner	354,595	1,448,697	(190,972)	-	1,612,320
	6,145,791	**9,458,463**	**(5,681,597)**	**-**	**9,922,657**

[1] Performance rights vested during the period but did not meet the required performance measurement hurdles for the rights to be exercised.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Althea Group Holdings Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
20 January 2022	20 January 2025	$0.500	1,568,177
20 January 2022	20 January 2025	$0.750	1,568,177
26 January 2023	26 January 2025	$0.126	2,500,000
02 February 2023	02 February 2025	$0.115	4,800,000
			10,436,354

The 3,136,354 unlisted options were issued to the Company's corporate advisor with the following terms:

- half of the options will be issued with a $0.50 exercise price and expiring three years from the date of issue; and
- half of the options will be issued with a $0.75 exercise price and expiring three years from the date of issue.

The 2,500,000 unlisted options were issued to the Company's lenders in relation to the Company's loan facility, as announced to the market on 30 January 2023. The options have an expiry of two years after the date of issue.

The 4,800,000 unlisted options were issued in relation to the Company's convertible note, as announced to the market on 3 February 2023. The options have an expiry of two years after the date of issue.

Disposal Restrictions

Options issued under the convertible securities agreement must not be transferred, other than to an affiliate of the holder, or shareholder or member of the holder or any affiliate of the holder.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Althea Group Holdings Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
1 July 2019	1 July 2034	$0.000	36,490
1 July 2020	30 June 2035	$0.000	50,049
1 July 2022[1]	30 June 2037	$0.000	7,500,000
1 July 2022[1]	30 June 2037	$0.000	509,766
16 December 2021[1]	15 December 2036	$0.000	300,571
1 July 2022	30 June 2039	$0.000	3,584,232
1 July 2022	30 June 2040	$0.000	3,800,782
			15,781,890

[1] The performance rights issued to Mr Joshua Fegan under the Company's LTI Plan were approved for issue under ASX Listing Rule 10.14.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Althea Group Holdings Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

CORPORATE GOVERNANCE STATEMENT

The Board has created a framework for managing Althea Group Holdings Limited, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the consolidated entity's business and which are designed to promote the responsible management and conduct of the consolidated entity. A copy of the consolidated entity's Corporate Governance Statement can be found on their website: altheagroupholdings.com.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Andrew Newbold
Chairman

31 August 2023

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Auditor's independence declaration

RSM Australia Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199
www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Althea Group Holdings Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 31 August 2023
Melbourne, Victoria

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Annual financial report

Consolidated statement of profit or loss and other comprehensive income

		Consolidated	
REVENUE	**Note**	**30 June 2023 $'000**	**30 June 2022 $'000**
Revenue from continuing activities	4	25,093	20,521
Cost of goods sold	5	(12,204)	(10,783)
Gross profit		12,889	9,738
Interest income		36	5
EXPENSES			
Employee benefits expense	5	(13,221)	(11,951)
General and administrative expenses	5	(4,045)	(2,781)
Distribution expenses		(3,013)	(1,903)
Marketing expenses		(987)	(1,168)
Professional services	5	(2,264)	(1,509)
Depreciation and amortisation expense	5	(2,683)	(2,747)
Finance costs	5	(808)	(303)
Foreign exchange gain	5	1,501	661
Loss on disposal of assets	5	(1,130)	(166)
Total expenses		**(26,650)**	**(21,867)**
Loss before income tax expense		(13,725)	(12,124)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Althea Group Holdings Limited		**(13,725)**	**(12,124)**
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(1,476)	(215)
Other Comprehensive loss for the year, net of tax		(1,476)	(215)
Total Comprehensive loss for the year attributable to the owners of Althea Group Holdings Limited		**(15,201)**	**(12,339)**
		Cents	**Cents**
Basic loss per share	39	(3.91)	(3.99)
Diluted loss per share	39	(3.91)	(3.99)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position

		Consolidated	
ASSETS	**Note**	**30 June 2023 $'000**	**30 June 2022 $'000**
Current assets			
Cash and cash equivalents	7	3,874	6,205
Trade and other receivables	8	4,129	6,305
Inventories	9	6,201	3,819
Other	10	1,513	1,447
Total current assets		**15,717**	**17,776**
Non-current assets			
Other financial assets	11	416	326
Property, plant and equipment	12	12,646	14,474
Right-of-use assets	13	921	4,676
Intangibles	14	18,640	19,313
Total non-current assets		**32,623**	**38,789**
Total assets		**48,340**	**56,565**
LIABILITIES			
Current liabilities			
Trade and other payables	15	10,696	8,479
Contract liabilities	16	1,658	637
Borrowings	17	3,879	-
Lease liabilities	18	186	141
Provisions	19	483	517
Other	20	18	-
Total current liabilities		**16,920**	**9,774**
Non-current liabilities			
Contract liabilities	21	557	90
Lease liabilities	22	787	4,996
Provisions	23	155	75
Other	24	152	180
Total non-current liabilities		**1,651**	**5,341**
Total liabilities		**18,571**	**15,115**
Net assets		**29,769**	**41,450**
EQUITY			
Issued capital	25	85,340	82,044
Reserves	26	1,180	2,883
Accumulated losses	27	(56,751)	(43,477)
Total equity		**29,769**	**41,450**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

CONSOLIDATED	Issued capital $'000	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Deferred consideration reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	68,046	3,630	274	10,866	(40,120)	42,696
Loss after income tax expense for the year	-	-	-	-	(12,124)	(12,124)
Other comprehensive loss for the year, net of tax	-	-	(215)	-	-	(215)
Total comprehensive loss for the year	**-**	**-**	**(215)**	**-**	**(12,124)**	**(12,339)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 25)	10,040	-	-	-	-	10,040
Share-based payments (note 40)	57	737	-	-	-	794
Exchangeable shares converted to ordinary capital as a result of performance conditions being met, net of transaction costs	3,645	-	-	(3,652)	-	(7)
Vested performance rights transferred to retained earnings during the period	-	(1,553)	-	-	1,553	-
Performance rights exercised during the period, net of transaction costs	260	(261)	-	-	-	(1)
Transaction costs relating to employee share issue	(4)	-	-	-	-	(4)
Performance rights re-classified during the period	-	271	-	-	-	271
Exchangeable shares issued on acquisition not met and transferred to retained earnings	-	-	-	(7,214)	7,214	-
Balance at 30 June 2022	**82,044**	**2,824**	**59**	**-**	**(43,477)**	**41,450**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity (continued)

CONSOLIDATED	Issued capital $'000	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Deferred consideration reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	82,044	2,824	59	-	(43,477)	41,450
Loss after income tax expense for the year	-	-	-	-	(13,725)	(13,725)
Other comprehensive loss for the year, net of tax	-	-	(1,476)	-	-	(1,476)
Total comprehensive loss for the year	**-**	**-**	**(1,476)**	**-**	**(13,725)**	**(15,201)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 25)	1,990	-	-	-	-	1,990
Employee share issue, net of transaction costs (Note 25)	1,035	-	-	-	-	1,035
Share capital issued under conversion notice	271	-	-	-	-	271
Share-based payments expensed during the period, relating to existing performance rights (note 40)	-	(35)	-	-	-	(35)
Forfeited/vested performance rights transferred to retained earnings during the period	-	(283)	-	-	451	168
Fair value of options issued under Convertible Note	-	58	-	-	-	58
Fair value of option issued under loan	-	33	-	-	-	33
Balance at 30 June 2023	**85,340**	**2,597**	**(1,417)**	**-**	**(56,751)**	**29,769**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

		Consolidated	
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**30 June 2023 $'000**	**30 June 2022 $'000**
Receipts from customers (inclusive of GST)		36,380	22,424
Payments to suppliers and employees (inclusive of GST)		(42,386)	(31,180)
Interest received		36	5
Interest paid		(324)	(303)
Net cash used in operating activities	37	**(6,294)**	**(9,054)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	12	(1,468)	(849)
Payments for intangibles	14	(19)	(133)
Net cash used in investing activities		**(1,487)**	**(982)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs	25	1,953	10,040
Share issue transaction costs		-	(13)
Proceeds from/ (repayments of) borrowings, net of transaction costs		3,837	(6)
(Repayment of)/ Proceeds from bank guarantee		(90)	23
Repayment of lease liabilities		(148)	(158)
Net cash from financing activities		**5,552**	**9,886**
Net decrease in cash and cash equivalents		(2,229)	(150)
Cash and cash equivalents at the beginning of the financial year		6,205	6,388
Effects of exchange rate changes on cash and cash equivalents		(102)	(33)
Cash and cash equivalents at the end of the financial year	7	**3,874**	**6,205**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the consolidated financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss after income tax expense of $13,725,000 and had net cash outflows from operating activities of $6,294,000 for the year ended 30 June 2023. As at that date, the consolidated entity had net current liabilities of $1,203,000.

Included in current liabilities are borrowings of $3,879,000 comprising:

i. A Financial Derivative Liability of $314,000 plus associated Financial Liability of $1,628,000 as a result of the convertible note agreement entered into on 2 February 2023 and convertible at any time at the discretion of the note holder prior to 9 February 2024; and

ii. A loan facility of Canadian Dollars (CAD) $2,000,000 (AUD $2,200,000) with a 12-month term expiring on 30 January 2024 (converted to and reported in Australian dollars at fair value as at 30 June 2023).

The prima facie cash flow implication arising from the repayment of the Canadian loan facility is an outflow of CAD $2,000,000. The cash outflow required to repay the convertible note balance as at 30 June 2023 was AUD $1,947,121, which has reduced by AUD $215,595 to AUD $1,731,526 as at the date of signing this report, following the post balance date conversion of note.

Note 1. Significant accounting policies (continued)

The above factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors consider that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- Management and the Directors have prepared cash flow forecasts and believe that the consolidated entity is approaching a break-even operating position and is expected to generate positive cash flows by the end of the 2024 financial year.
- While the budget for the consolidated entity adopted by management and the Board targets positive cash flow from operations and positive profit after income tax for the full 2024 financial year, there is a material uncertainty regarding going concern (MURGC) as to the consolidated entity's ability to repay in full, in cash, the entirety of the Current borrowings of $3,879,000 in January and February 2024.

  In light of the above, the consolidated entity has already commenced the implementation of initiatives to eliminate or defer the cash outflows associated with the repayment of the Current borrowings. These initiatives include negotiations directly with the respective borrowers, a small-scale capital raising supported by a leading wealth management advisor, asset-secured financing from conventional banking sources in Canada and potential merger and/or acquisition transaction activities.
- Management have the ability to identify and execute further reductions to overhead and administrative expenditure if required.

Although the outcome of the above initiatives are uncertain, management and the Directors believe that there is a reasonable prospect of the initiatives coming to fruition, either partially or in whole, but at least to an extent to validate the retention of the going concern principle in the preparation and adoption of the financial statements for the year ended 30 June 2023.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of

Note 1. Significant accounting policies (continued)

applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Althea Group Holdings Limited (Company or parent entity) as at 30 June 2023 and the results of all subsidiaries for the year then ended. Althea Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM, who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board of Directors.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars (AUD), which is Althea Group Holdings Limited's functional and presentation currency. The major controlled entities of Althea Group Holdings Limited have Australian dollars (AUD), British pound (GBP) and Canadian dollars (CAD) as their functional currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling

Note 1. Significant accounting policies (continued)

price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable and is shown net of sales taxes (GST, VAT and HST) and recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

Note 1. Significant accounting policies (continued)

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Althea Group Holdings Limited (the parent entity) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The parent entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the parent entity to the subsidiaries nor a distribution by the subsidiaries to the parent entity.

R&D TAX INCENTIVE

Grants that compensate the group for expenditures incurred are recognised in profit or loss on a systematic basis in the periods in which the expenditures are recognised. R&D tax offset receivables will be recognised in profit before tax and depreciation and amortised over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. Such periods will depend on whether the R&D costs are capitalised or expensed as incurred. For R&D costs that have been capitalised, the grants related to those assets have been deferred and will be recognised over the useful economic life of the asset.

Note 1. Significant accounting policies (continued)

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that trade and other receivables have been impaired. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Credit losses are recognised in profit or loss.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

INVENTORIES

Inventory consisting of raw materials, work in progress and finished goods is stated at the lower of cost and net realisable value. Cost is

Note 1. Significant accounting policies (continued)

determined using the average cost basis and is comprised of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Subsequent to initial measurement, balances held in inventory are reviewed at least annually and a provision raised where future use is no longer considered probable, principally due to reasons of obsolescence or product dating.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and

Note 1. Significant accounting policies (continued)

supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Assets under construction
Not depreciated in the financial year

Buildings
10-25 years

Plant and equipment
2-10 years

Computer equipment
2-5 years

Office equipment
2-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 1. Significant accounting policies (continued)

RIGHT-OF-USE ASSETS

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

During the reporting period, the consolidated entity capitalised costs associated with the development of software. Software has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Amortisation has commenced for implementation of software that has been completed and ready for

Note 1. Significant accounting policies (continued)

use. Software that is not ready for use is capitalised as work in progress and transferred to another class of assets on the date of completion. Software is amortised over its useful life ranging from 2 to 5 years.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

CONTRACT LIABILITIES

Contract liabilities represent the consolidated entity 's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 1. Significant accounting policies (continued)

BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

LEASE LIABILITIES

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 1. Significant accounting policies (continued)

EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, the Company's history of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they have vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new awards are treated as if they were a modification.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 1. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement of the asset is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Althea Group Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

GOODS AND SERVICES TAX (GST) AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 1. Significant accounting policies (continued)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days

Note 2. Critical accounting judgements, estimates and assumptions (continued)

overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore the selection of which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Where the assets become either technically obsolete, non-strategic or are abandoned or sold, they will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, the liabilities for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments: the international pharmaceutical segment (Pharmaceutical Cannabis), the Canadian recreational segment (Recreational Cannabis) and the shared corporate services (Corporate). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Major customers

During the year ended 30 June 2023 approximately 13% (2022: 6%) of the consolidated entity's external revenue was derived from sales to one customer.

Note 3. Operating segments (continued)

Operating segment information

CONSOLIDATED - 30 JUNE 2023	Pharmaceutical Cannabis $'000	Recreational Cannabis $'000	Corporate $'000	Total $'000
Revenue				
Sales to external customers	15,020	9,804	-	24,824
Other revenue	-	93	176	269
Interest revenue	-	(2)	38	36
Total revenue	**15,020**	**9,895**	**214**	**25,129**
EBITDA	1,501	(4,508)	(7,263)	(10,270)
Depreciation and amortisation	(242)	(1,508)	(933)	(2,683)
Interest revenue	-	(2)	38	36
Finance costs	(84)	(40)	(684)	(808)
Profit/(loss) before income tax expense	1,175	(6,058)	(8,842)	(13,725)
Income tax expense				-
Loss after income tax expense				**(13,725)**
ASSETS				
Segment assets	10,763	37,332	245	48,340
Total assets				**48,340**
LIABILITIES				
Segment liabilities	6,773	7,830	3,968	18,571
Total liabilities				**18,571**

Note 3. Operating segments (continued)

CONSOLIDATED - 30 JUNE 2022	Pharmaceutical Cannabis $'000	Recreational Cannabis $'000	Corporate $'000	Total $'000
Revenue				
Sales to external customers	12,229	7,842	5	20,076
Other revenue	2	120	323	445
Interest revenue	-	4	1	5
Total revenue	**12,231**	**7,966**	**329**	**20,526**
EBITDA	730	(2,376)	(7,433)	(9,079)
Depreciation and amortisation	(305)	(1,456)	(986)	(2,747)
Interest revenue	-	4	1	5
Finance costs	(32)	(6)	(265)	(303)
Profit/(loss) before income tax expense	393	(3,834)	(8,683)	(12,124)
Income tax expense				-
Loss after income tax expense				**(12,124)**
ASSETS				
Segment assets	13,928	37,778	4,859	56,565
Total assets				**56,565**
LIABILITIES				
Segment liabilities	7,901	6,944	270	15,115
Total liabilities				**15,115**

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	CONSOLIDATED	
CONSOLIDATED	30 June 2023 $'000	30 June 2022 $'000
Sales Channels		
Goods sold directly to registered pharmacies and consumers	14,394	12,590
Goods sold through intermediaries	10,430	7,486
Other income	269	445
	25,093	**20,521**
Geographical regions		
Australia	12,183	10,446
United Kingdom	2,901	2,062
Canada	9,868	7,961
Germany	128	52
Ireland	13	-
	25,093	**20,521**
Timing of revenue recognition		
Goods transferred at a point in time	24,553	19,986
Services transferred over time	540	535
	25,093	**20,521**

Note 5. Expenses

	CONSOLIDATED	
LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:	30 June 2023 $'000	30 June 2022 $'000
Cost of goods sold		
Cost of goods sold	12,204	10,783
Total cost of goods sold	**12,204**	**10,783**
Employee benefits expense		
Employee benefits expense	11,459	10,577
Superannuation expense	686	684
Share-based employee expense	1,076	690
Total employee benefits expense	**13,221**	**11,951**

Note 5. Expenses (continued)

LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:	CONSOLIDATED 30 June 2023 $'000	CONSOLIDATED 30 June 2022 $'000
General and administrative expenses		
Office related expenses	463	498
Insurance	781	618
Licences and permits	203	148
Share registry and ASX compliance costs	153	135
Bad debt expenses	19	144
Stock adjustments	778	408
Travel expenses	669	422
IT related expenses	427	369
Other expenses	552	39
Total general and administrative expenses	**4,045**	**2,781**
Professional services expense		
Accounting and taxation services	214	180
Consulting services	1,658	860
Legal fees	367	365
Shared-based professional services expense	25	104
Total professional services expense	**2,264**	**1,509**
Depreciation and amortisation		
Property, plant and equipment depreciation	1,679	1,641
Buildings right-of-use assets depreciation	306	373
Intangible assets amortisation	698	733
Total depreciation and amortisation	**2,683**	**2,747**
Finance costs		
Interest and finance charges paid/payable on borrowings	605	61
Interest and finance charges paid/payable on lease liabilities	203	242
Total finance costs expensed	**808**	**303**
Net foreign exchange (gain)/ loss		
Unrealised foreign exchange gain	(1,538)	(690)
Realised foreign exchange loss	37	29
Total net foreign exchange (gain)/ loss	**(1,501)**	**(661)**
Net loss on disposal of assets		
Loss on disposal of property, plant and equipment	286	166
Gain on fair value of financial liabilities	(45)	-
Loss on disposal of assets under construction	1,454	-
Gain on disposal of right-of-use assets	(565)	-
Total net loss on disposal of assets	**1,130**	**166**

Note 6. Income tax expense

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Reconciliation of income tax benefit and tax at the average rate		
Loss before income tax expense	(13,725)	(12,124)
Tax at the average tax rate of 24.5% (2022: 24%)	(3,363)	(2,910)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	686	699
Share-based payments	280	218
Research and development expenditure	-	12
Sundry items	(870)	(429)
	(3,267)	(2,410)
Current year tax losses not recognised	3,287	2,440
Difference in overseas tax rate	(20)	(30)
Income tax expense	-	-

Total carried forward tax losses not recognised as at 30 June 2023 amount to $54,284,137 (2022: $42,259,768).

Note 7. Current assets - cash and cash equivalents

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Cash at bank	3,874	6,205

Note 8. Current assets - trade and other receivables

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Trade receivables	4,052	6,087
Less: Allowance for expected credit losses	(206)	(187)
	3,846	**5,900**
Other receivables	283	405
	4,129	**6,305**

Allowance for expected credit losses

The consolidated entity has recognised a loss of $19,000 (2022: loss of $144,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
CONSOLIDATED	30 June 2023 %	30 June 2022 %	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000
Current	-	-	3,786	3,703	-	-
1-30 days overdue	2%	-	59	1,123	1	-
31- 60 days overdue	39%	1%	-	313	-	3
61- 90 days overdue	97%	-	6	464	6	-
Over 91 days overdue	99%	38%	201	484	199	184
			4,052	**6,087**	**206**	**187**

Movements in the allowance for expected credit losses are as follows:

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Opening balance	187	74
Additional provisions recognised	19	144
Receivables written off during the year as uncollectable	-	(31)
Closing balance	206	187

Note 9. Current assets - inventories

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Raw materials - at cost	2,383	2,258
Work in progress - at cost	92	106
Finished goods - at cost	3,092	1,183
Less: Provision for impairment	(110)	(228)
	2,982	955
Packaging and supplies	744	500
	6,201	**3,819**

Note 10. Current assets - other

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Prepayments	1,513	1,447

Note 11. Non-current assets - other financial assets

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Security deposits	416	326

Note 12. Non-current assets - property, plant and equipment

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Land - at cost	640	632
Buildings - at cost	9,464	9,375
Less: Accumulated depreciation	(1,445)	(978)
	8,019	8,397
Asset under construction - at cost	1,226	1,677
Plant and equipment - at cost	4,486	4,342
Less: Accumulated depreciation	(2,235)	(1,344)
	2,251	2,998
Computer equipment - at cost	704	652
Less: Accumulated depreciation	(618)	(445)
	86	207
Office equipment - at cost	796	810
Less: Accumulated depreciation	(372)	(247)
	424	563
	12,646	**14,474**

Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	Land & Buildings $'000	Asset under construction $'000	Plant and Equipment $'000	Computer Equipment $'000	Office Equipment $'000	Total $'000
Balance at 1 July 2021	8,965	1,818	3,231	350	585	14,949
Additions	127	46	483	100	93	849
Disposals	-	(129)	(38)	(4)	(22)	(193)
Exchange differences	348	-	133	6	23	510
Transfers in/(out)	58	(58)	-	-	-	-
Depreciation expense	(469)	-	(811)	(245)	(116)	(1,641)
Balance at 30 June 2022	9,029	1,677	2,998	207	563	14,474
Additions	24	1,224	135	72	13	1,468
Disposals	(24)	(221)	(12)	(5)	(29)	(291)
Exchange differences	106	-	17	1	4	128
Impairment of assets	-	(1,454)	-	-	-	(1,454)
Depreciation expense	(476)	-	(887)	(189)	(127)	(1,679)
Balance at 30 June 2023	**8,659**	**1,226**	**2,251**	**86**	**424**	**12,646**

Note 13. Non-current assets - right-of-use assets

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Land and buildings - right-of-use	1,182	5,116
Less: Accumulated depreciation	(261)	(440)
	921	**4,676**

During the year, the Company terminated two of its leases, both of which were due to expire in June 2048. This resulted in a gain to the consolidated statement of profit or loss and other comprehensive income of $565,000. Additions to the right-of-use assets during the year were nil (2022: $1,830,000).

The consolidated entity leases a building for its head office under an agreement of six years. On renewal, the terms of the lease are renegotiated.

The consolidated entity also leases land and buildings under agreements less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 14. Non-current assets - intangibles

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Goodwill	17,737	17,737
Website - at cost	374	345
Less: Accumulated amortisation	(253)	(154)
	121	191
Patents and trademarks - at cost	103	101
Less: Accumulated amortisation	(26)	(16)
	77	85
Software - at cost	2,326	2,284
Less: Accumulated amortisation	(2,055)	(1,490)
	271	794
Intellectual Property - at cost	571	571
Less: Accumulated amortisation	(137)	(65)
	434	506
	18,640	**19,313**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	Goodwill $'000	Website $'000	Patents and trademarks $'000	Software $'000	Intellectual property $'000	Total $'000
Balance at 1 July 2021	17,737	201	82	1,387	529	19,936
Additions	-	81	10	-	42	133
Disposals	-	(15)	-	-	-	(15)
Exchange differences	-	-	-	(8)	-	(8)
Amortisation expense	-	(76)	(7)	(585)	(65)	(733)
Balance at 30 June 2022	17,737	191	85	794	506	19,313
Additions	-	16	3	-	-	19
Exchange differences	-	3	(2)	6	(1)	6
Amortisation expense	-	(89)	(9)	(529)	(71)	(698)
Balance at 30 June 2023	**17,737**	**121**	**77**	**271**	**434**	**18,640**

Note 14. Non-current assets - intangibles (continued)

Impairment testing

Goodwill acquired through business combinations has been allocated to the following cash-generating units:

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
2682130 Ontario Limited (Peak Processing Solutions)	17,737	17,737

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a one year projection period approved by management and extrapolated for a further four years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for Peak Processing Solutions business:

- 23.2% post-tax discount rate;
- forecasted revenue for the financial year ending 30 June 2024 of AUD $25.3 million, an increase of AUD $15.4 million from the financial year ending 30 June 2023;
- accelerated revenue growth of 20% in year two representing expected volume growth from existing executed contracts at 30 June 2023 and product development revenue;
- projected revenue growth rates of 18%, 15% and 10% in years three, four and five respectively;
- gradual improvement in gross margins and EBITDA percentage of 22% in year two, increasing to 27% by year five; and
- 3% terminal growth rate.

The discount rate of 23.2% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the Peak Processing Solutions division, the risk free rate and the volatility of the share price relative to market movements.

Management believe projected revenue growth rates to be justified based on the rapid and continued growth expected driven by the overall size of the recreational cannabis market in Canada. Management expect improvements in gross margins and EBITDA as production volumes increase and efficiencies are gained.

There were no other key assumptions for the Peak Processing Solutions business.

Based on the above, the recoverable amount of the Peak Processing Solutions business exceeded the carrying amount by CAD$3,965,000.

Note 14. Non-current assets - intangibles (continued)

Sensitivity

As disclosed in note 2, the Directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Revenue growth rates over years one to five would need to decrease by more than 5.1% in each year for the Peak Processing Solutions business before the goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by more than 4% for the Peak Processing Solutions business before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of Peak Processing Solutions business goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Note 15. Current liabilities - trade and other payables

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Trade payables	7,499	5,410
Other payables	3,197	3,069
	10,696	**8,479**

Refer to note 28 for further information on financial instruments.

Note 16. Current liabilities - contract liabilities

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Contract liabilities	1,658	637
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	637	762
Payments received in advance	4,244	4,213
Transfer to revenue - included in the opening balance	(637)	(762)
Transfer to revenue - other balances	(2,668)	(3,756)
Reclassified from non-current contract liabilities during the period	82	180
Closing balance	**1,658**	**637**

Note 17. Current liabilities - borrowings

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Loan	1,937	-
Financial Derivative Liability	314	-
Financial Liability	1,628	-
	3,879	**-**

On 30 January 2023, the consolidated entity secured a new loan facility of CAD $2,000,000 (AUD $2,200,000) with a 12-month term and 15% interest payable per annum. 2,500,000 options were issued to the lenders on execution of the loan, in accordance with the terms of the loan agreement. The options have an expiry two years after the date of issue.

The financial derivative liability and financial liability represent the fair value of the convertible securities agreement the consolidated entity entered into on 2 February 2023. The consolidated entity issued 1,538,680 convertible notes, with a face value of USD $1.15, for total proceeds of AUD $2,200,000. No interest is payable and the face value of each convertible security increased to USD $1.20 after 1 May 2023. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder until 9 February 2024.

The holder may elect to convert the notes on the basis of either:

- the fixed conversion price (equal to 130% of the volume-weighted average price (VWAP) for the five actual trading days immediately prior to the execution date), or
- the variable conversion price (equal to 90% of the average lowest three daily VWAPs during the actual ten trading days prior to the date of the conversion notice being issued).

4,800,000 options were issued to the convertible securities holder on execution date. The options have an expiry of two years after the date of issue. Total transaction costs were $135,000 at the date of issue and unamortised transaction costs of $180,945 (2022: $nil) have been offset against the convertible notes payable liability. The convertible notes are unsecured.

Given that the holder has the right to a variable number of shares, the instrument is classified as a hybrid instrument under *AASB 9 Financial Instruments,* with a host non-derivative liability and an embedded derivative liability recognised on inception.

The derivative liability is initially recognised at fair value and then subsequently remeasured at each reporting period with the corresponding gain or loss recognised through the consolidated statement of profit or loss. The remaining value is initially recognised as a financial liability and amortised over the life of the loan, using an effective interest rate of 44.79%.

During the period, a $45,000 gain was recognised through the consolidated statement of profit or loss relating to the remeasurement of the financial derivative liability and $296,000 was recognised in interest expenses relating to the amortisation of the financial liability.

Refer to note 28 for further information on financial instruments.

Note 18. Current liabilities - lease liabilities

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Lease liability	186	141

Refer to note 28 for further information on financial instruments.

Note 19. Current liabilities - provisions

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Annual leave	483	517

Note 20. Current liabilities - other

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Other current liabilities	18	-

Note 21. Non-current liabilities - contract liabilities

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Contract liabilities	557	90
Reconciliation Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	90	239
Payments received in advance	549	31
Reclassified to current contract liabilities during the period	(82)	(180)
Closing balance	**557**	**90**

Note 22. Non-current liabilities - lease liabilities

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Lease liability	787	4,996

Refer to note 28 for further information on financial instruments.

Note 23. Non-current liabilities - provisions

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Long service leave	155	75

Note 24. Non-current liabilities - other

	CONSOLIDATED	
	30 June 2023 $'000	30 June 2022 $'000
Other non-current liabilities	152	180

Note 25. Equity - issued capital

CONSOLIDATED	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 $'000	30 June 2022 $'000
Ordinary shares - fully paid	381,288,586	316,004,879	85,340	82,044

Note 25. Equity - issued capital (continued)

Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 2021	262,373,621		68,046
Placement	31 August 2021	44,351,804	$0.240	10,644
Capital raising costs	31 August 2021	-	$0.000	(604)
Exchangeable shares	19 November 2021	5,705,598	$0.640	3,652
Capital raising costs	19 November 2021	-	$0.000	(7)
External consultant share issue	20 January 2022	2,278,000	$0.240	547
Capital raising costs	20 January 2022	-	$0.000	(547)
Employee share issue	27 January 2022	58,536	$0.205	12
Capital raising costs	27 January 2022	-	$0.000	(3)
Exercised performance rights	11 March 2022	573,248	$0.262	150
Exercised performance rights	11 March 2022	30,574	$0.675	21
Exercised performance rights	11 March 2022	37,515	$0.225	8
Exercised performance rights	11 March 2022	118,999	$0.503	60
Exercised performance rights	11 March 2022	-	$0.000	(1)
Exercised performance rights	20 May 2022	98,412	$0.225	22
Employee share issue	20 May 2022	378,572	$0.120	45
Capital raising costs	20 May 2022	-	$0.000	(1)
Balance	**30 June 2022**	**316,004,879**		**82,044**
Employee share issue	4 July 2022	11,589,743	$0.077	892
Capital raising costs	4 July 2022	-	$0.000	(3)
Employee share issue	14 October 2022	677,738	$0.087	59
Capital raising costs	14 October 2022	-	$0.000	(4)
Placement	10 November 2022	20,074,628	$0.067	1,345
Capital raising costs	10 November 2022	-	$0.000	(88)
Share purchase plan	19 December 2022	13,031,986	$0.067	873
Capital raising costs	19 December 2022	-	$0.000	(140)
Exercised performance rights	3 April 2023	435,439	$0.087	38
Employee share issue	3 April 2023	1,229,888	$0.047	58
Capital raising costs	3 April 2023	-	$0.000	(5)
Collateral shares issued under convertible note[1]	3 April 2023	11,000,000	$0.000	-
Share capital issued under conversion notice	19 June 2023	7,244,285	$0.037	271
Balance	**30 June 2023**	**381,288,586**		**85,340**

[1] The 11,000,000 Collateral Shares were issued in accordance with the terms of the Convertible Note Agreement. Where at any time the Company is required to issue shares to the holder under this Agreement, then the holder may, by written notice to the Company, elect to partially or wholly satisfy the Company's obligation to issue the relevant shares to the holder by reducing the Collateral Shareholding Number by the corresponding number of shares.

Note 25. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's singular objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or Company was seen as value adding relative to the Company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2022 Annual Report.

Note 26. Equity - reserves

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Foreign currency reserve	(1,417)	59
Share-based payment reserve	2,597	2,824
	1,180	**2,883**

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

CONSOLIDATED	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Deferred consideration reserve $'000	Total $'000
Balance at 1 July 2021	274	3,630	10,866	14,770
Foreign currency translation	(215)	-	-	(215)
Exchangeable shares converted to ordinary capital as a result of performance conditions being met	-	-	(3,652)	(3,652)
Exchangeable shares issued on acquisition not met and transferred to retained earnings	-	-	(7,214)	(7,214)
Share-based payments expensed during the period	-	737	-	737
Vested rights transferred to retained earnings during the period	-	(1,553)	-	(1,553)
Performance rights exercised during the period	-	(261)	-	(261)
Performance rights reclassified during the period	-	271	-	271
Balance at 30 June 2022	**59**	**2,824**	**-**	**2,883**
Foreign currency translation	(1,476)	-	-	(1,476)
Share-based payments expensed during the period	-	(35)	-	(35)
Vested rights transferred to retained earnings during the period	-	(283)	-	(283)
Fair value of options issued under Convertible Note		58		58
Fair value of options issued under loan	-	33	-	33
Balance at 30 June 2023	**(1,417)**	**2,597**	**-**	**1,180**

Note 27. Equity - accumulated losses

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Accumulated losses at the beginning of the financial year	(43,477)	(40,120)
Loss after income tax expense for the year	(13,725)	(12,124)
Transfer from share-based payments reserve	451	1,553
Transfer from deferred consideration reserve	-	7,214
Accumulated losses at the end of the financial year	(56,751)	(43,477)

Note 28. Financial instruments

FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Chief Financial Officer (Finance) under policies approved by the Board of Directors (the Board). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

MARKET RISK

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Note 28. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Exposure to foreign currency risk may result in the fair value of future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the consolidated entity holds financial instruments which are other than the Australian dollar functional currency of the consolidated entity.

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Australian dollars				
Pound Sterling	1.7890	1.7876	1.9039	1.7612
Canadian dollars	1.1095	1.0722	1.1380	1.1235
US dollars	1.4860	1.3790	1.5085	1.4462
Euros	1.5560	1.5544	1.6371	1.5163

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
CONSOLIDATED	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000
Pound Sterling	364	145	(26)	-
Canadian dollars	-	2	(1)	(2)
US dollars	314	358	(78)	(49)
Euros	258	126	(16)	(174)
	936	**631**	**(121)**	**(225)**

Note 28. Financial instruments (continued)

The consolidated entity had net assets denominated in foreign currencies of $815,000 (assets of $936,000 less liabilities of $121,000) as at 30 June 2023 (2022: net assets of $406,000 (assets of $631,000 less liabilities of $225,000)). Based on this exposure, had the Australian dollars weakened by 5%/strengthened by 5% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $41,000 higher/$41,000 lower (2022: $20,300 higher/$20,300 lower) and equity would remain unchanged (2022: unchanged). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2023 was $1,501,000 (2022: gain of $661,000).

PRICE RISK

The consolidated entity is not exposed to any significant price risk.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

LIQUIDITY RISK

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Note 28. Financial instruments (continued)

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

CONSOLIDATED - 30 June 2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
NON-DERIVATIVES						
Non-interest bearing						
Trade payables	-	7,499	-	-	-	7,499
Other payables	-	3,198	-	-	-	3,198
Interest-bearing - variable						
Lease liability	5.00%	231	240	620	-	1,091
Interest-bearing - fixed rate						
Other loans	15.00%	2,475	-	-	-	2,475
Convertible notes payable	-	1,947	-	-	-	1,947
Total non-derivatives		**15,350**	**240**	**620**	**-**	**16,210**

CONSOLIDATED - 30 June 2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
NON-DERIVATIVES						
Non-interest bearing						
Trade payables	-	5,410	-	-	-	5,410
Other payables	-	3,069	-	-	-	3,069
Interest-bearing - variable						
Lease liability	5.00%	411	427	1,386	7,457	9,681
Total non-derivatives		**8,890**	**427**	**1,386**	**7,457**	**18,160**

Note 28. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

	30 June 2023		30 June 2022	
CONSOLIDATED	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets				
Cash at bank	3,874	3,874	6,205	6,205
Trade receivables	3,846	3,846	5,900	5,900
Other receivables	283	283	405	405
	8,003	8,003	12,510	12,510
Liabilities				
Trade payables	7,499	7,499	5,410	5,410
Other payables	3,197	3,198	3,069	3,069
Lease liability	973	973	5,137	5,137
Loan	1,937	1,937	-	-
Financial derivative liability	314	314	-	-
Financial liability	1,628	1,628	-	-
	15,548	15,548	13,616	13,616

Note 29. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

CONSOLIDATED - 30 JUNE 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Financial Derivative Liability	-	314	-	314
Financial Liability	-	1,628	-	1,628
Total liabilities	**-**	**1,942**	**-**	**1,942**

There were no transfers between levels during the financial year.

Note 30. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2023 of $415,682 (2022: $326,050) to various landlords for the operating and commercial leases of the consolidated entity's two premises located in Melbourne, Australia and in London, United Kingdom. Except for these, the consolidated entity currently has no contingent liabilities at the date of signing this report.

Note 31. Commitments

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Committed at the reporting date but not recognised as liabilities, payable: Within one year	2,190	4,690
One to five years	-	2,190
	2,190	**6,880**

Commitments at 30 June 2023 consist of contracted minimum volume orders for the Company's pharmaceutical cannabis products.

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, and its network firms:

	Consolidated	
	30 June 2023 $	30 June 2022 $
Audit services - RSM Australia Partners		
Audit or review of the financial statements	90,191	76,000
Other services - RSM Australia Partners		
Other services	46,557	25,500
	136,748	101,500
Audit services - network firms		
Audit or review of the financial statements	46,620	38,690

Note 33. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	30 June 2023 $	30 June 2022 $
Short-term employee benefits	1,421,086	1,277,719
Post-employment benefits	81,848	80,570
Long-term benefits	46,608	11,724
Long-term share-based payments	(39,103)	(203,994)
	1,510,439	**1,166,019**

Note 34. Related party transactions

Parent entity

Althea Group Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 36.

Key management personnel

Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	30 June 2023 $	30 June 2022 $
Payment for employee benefits:		
Compensation paid to Joshua Fegan's family members	-	408,740

Payments to Joshua Fegan's family members have been paid at an arm's length to full-time contracted employees.

Note 34. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 35. Parent entity information

Set out below is the supplementary information about the parent entity.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Parent	
	30 June 2023 $'000	30 June 2022 $'000
(Loss)/profit after income tax	(967)	478
Total comprehensive (loss)/income	(967)	478

STATEMENT OF FINANCIAL POSITION	Parent	
	30 June 2023 $'000	30 June 2022 $'000
Total current assets	221	4,826
Total assets	89,985	83,742
Total current liabilities	3,961	180
Total liabilities	3,969	270
Equity		
Issued capital	85,340	82,044
Share-based payment reserve	2,597	2,824
Accumulated losses	(1,921)	(1,396)
Total equity	**86,016**	**83,472**

Note 35. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 36. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
NAME	Principal place of business / Country of incorporation	30 June 2023 %	30 June 2022 %
Althea Company Pty Limited	Australia	100.00%	100.00%
Althea MMJ UK Limited	United Kingdom	100.00%	100.00%
MMJ Clinic Group Limited	United Kingdom	100.00%	100.00%
1214029 B.C. Limited [1]	Canada	100.00%	100.00%
2613035 Ontario Limited [2]	Canada	100.00%	100.00%
2682130 Ontario Limited [2]	Canada	100.00%	100.00%
MMJ Clinic Group Ireland Limited	Ireland	100.00%	-

[1] 1214029 B.C. Limited is an entity associated with the acquisition of Peak Processing Solutions.

[2] Collectively known as Peak Processing Solutions.

Note 37. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Loss after income tax expense for the year	(13,725)	(12,124)
Adjustments for:		
Depreciation and amortisation	2,683	2,747
Net loss on disposal of assets	1,175	216
Net fair value gain on financial liabilities	(45)	-
Share-based payments	1,169	794
Foreign exchange differences	(1,501)	(644)
Share-based payment re-classified during the year	(59)	214
Interest paid on investing activities	539	-
Change in operating assets and liabilities:		
Decrease/ (increase) in trade and other receivables	2,176	(3,622)
Decrease/ (increase) in inventories	(2,382)	1,394
Increase in prepayments	(66)	(847)
Increase in trade and other payables	3,696	2,898
Increase/ (decrease) in employee benefits	46	(80)
Net cash used in operating activities	**(6,294)**	**(9,054)**

Note 38. Non-cash investing and financing activities

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Additions to the right-of-use assets	-	1,830
Shares issued under employee share plan	1,047	865
Exchangeable shares converted to ordinary capital	-	3,652
	1,047	**6,347**

Note 39. Loss per share

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Loss after income tax attributable to the owners of Althea Group Holdings Limited	(13,725)	(12,124)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	351,049,915	304,159,065
Weighted average number of ordinary shares used in calculating diluted earnings per share	351,049,915	304,159,065
	Cents	Cents
Basic loss per share	(3.91)	(3.99)
Diluted loss per share	(3.91)	(3.99)

15,781,890 (30 June 2022: 7,262,456) performance options and 10,436,354 (30 June 2022: 5,811,354) options have been excluded from the above calculations as their inclusion would be anti-dilutive.

Note 40. Share-based payments

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Remuneration and Nomination Committee, grant options over ordinary shares in the Company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration and Nomination Committee.

Options

Set out below are summaries of options granted to Pre-IPO Consultants, the Company's Corporate Advisor and the Company's Lenders:

Note 40. Share-based payments (continued)

30 June 2023							
Grant date	**Expiry date**	**Exercise price**	**Balance at the start of the year**	**Granted**	**Exercised**	**Expired/ forfeited/ other**	**Balance at the end of the year**
21/09/2018	21/09/2022	$0.000	2,675,000	-	-	(2,675,000)	-
20/01/2022[1]	20/01/2025	$0.500	1,568,177	-	-	-	1,568,177
20/01/2022[1]	20/01/2025	$0.750	1,568,177	-	-	-	1,568,177
26/01/2023[2]	26/01/2025	$0.126	-	2,500,000	-	-	2,500,000
02/02/2023[3]	02/02/2025	$0.115	-	4,800,000	-	-	4,800,000
			5,811,354	**7,300,000**	**-**	**(2,675,000)**	**10,436,354**

[1] The 3,136,354 unlisted options were issued to the Company's corporate advisor with the following terms:

- half of the options will be issued with a $0.50 exercise price and expiring three years from the date of issue; and
- half of the options will be issued with a $0.75 exercise price and expiring three years from the date of issue.

[2] The 2,500,000 unlisted options were issued to the Company's lenders in relation to the Company's loan facility, as announced to the market on 30 January 2023. The options have an expiry of two years after the date of issue.

[3] The 4,800,000 unlisted options were issued in relation to the Company's convertible note, as announced to the market on 3 February 2023. The options have an expiry of two years after the date of issue.

Performance options

The terms and conditions of each grant of performance options over the ordinary shares are as follows:

Performance option class	Grant date	Vesting condition	Number
Class C [1]	01/07/2019	ATSR (CAGR) over relevant Measurement Period of $1.296	36,490
Class G [1]	01/07/2020	ATSR (CAGR) over relevant Measurement Period of $0.548	50,049
Class J[1]	16/12/2021	ATSR (CAGR) over relevant Measurement Period of $0.3355	300,571
Class K[2]	01/07/2022	Minimum of AUD $100,000,000 in revenue in any 12 month rolling period within the performance to period	7,500,000
Class L[1]	01/07/2022	ATSR (CAGR) over relevant Measurement Period of $0.1631	509,766
Class M[1]	01/07/2022	ATSR (CAGR) over relevant Measurement Period of $0.4242	3,584,232
Class N[1]	01/07/2022	ATSR (CAGR) over relevant Measurement Period of $0.1732	3,800,782

[1] The performance metric for vesting of these classes of performance rights is absolute total shareholder return (ATSR) on a compound annual growth rate (CAGR) basis tested over the measurement period. ATSR takes into account the difference in share price over the measurement period, as well as any dividends (assumed to be reinvested) and other capital adjustments.

[2] The performance metric for vesting of the above Class K performance rights is the achievement of a minimum $100,000,000 in consolidated group revenue in any 12 month rolling period within the performance period.

Note 40. Share-based payments (continued)

Set out below are summaries of performance rights granted under the Company's long term incentive performance rights plan:

30 June 2023							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other[1]	Balance at the end of the year
01/07/2019	01/07/2034	$0.000	36,490	-	-	-	36,490
01/07/2020	01/07/2035	$0.000	1,434,770	-	-	(1,384,721)	50,049
26/11/2020	26/11/2035	$0.000	390,625	-	-	(390,625)	-
01/12/2020	30/11/2022	$0.000	5,100,000	-	-	(5,100,000)	-
16/12/2021	15/12/2036	$0.000	300,571	-	-	-	300,571
01/07/2022	30/06/2037	$0.000	-	7,500,000	-	-	7,500,000
01/07/2022	30/06/2037	$0.000	-	509,766	-	-	509,766
01/07/2022	30/06/2039	$0.000	-	3,584,232	-	-	3,584,232
01/07/2022	30/06/2040	$0.000	-	3,800,782	-	-	3,800,782
			7,262,456	**15,394,780**	**-**	**(6,875,346)**	**15,781,890**

[1] performance rights did not meet the required performance measurement hurdles for the rights to vest and/or be exercised.

The weighted average share price during the financial year was $0.06 (2022: $0.28).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.74 years (2022: 0.63 years).

For the performance rights grant, the valuation model inputs used to determine the fair value at the grant date, are as follows:

30 June 2023							
Grant date	Vesting date	Share price at grant date	Share price hurdle for vesting	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2019	30/06/2022	$1.000	$1.296	80.00%	-	0.99%	$0.675
01/07/2020	30/06/2023	$0.335	$0.548	80.00%	-	0.26%	$0.225
16/12/2021	30/06/2024	$0.225	$0.335	70.00%	-	1.00%	$0.092
01/07/2022	30/06/2025	$0.066	$0.163	75.00%	-	3.24%	$0.035
01/07/2022	30/06/2024	$0.071	$0.424	74.00%	-	3.01%	$0.010
01/07/2022	30/06/2025	$0.071	$0.173	74.00%	-	3.00%	$0.040

Note 41. General information

The financial statements cover Althea Group Holdings Limited as a consolidated entity consisting of Althea Group Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Althea Group Holdings Limited's functional and presentation currency.

Althea Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, Level 50, 360 Elizabeth Street,
Melbourne, VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2023. The Directors have the power to amend and reissue the financial statements.

Note 42. Events after the reporting period

On 20 July 2023, the company issued 5,853,571 fully paid ordinary shares in accordance with a conversion notice received under the convertible securities agreement. This conversion reduces the capped number of shares available to the convertible note holder to 30,108,990, and the outflow required to repay the convertible note from $1,947,121 at balance date to $1,731,526 as at the date of this report.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, *the Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Andrew Newbold

Chairman

31 August 2023

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Independent auditor's report

RSM

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Althea Group Holdings Limited

Opinion

We have audited the financial report of Althea Group Holdings Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $13.7 million and operating cash outflows of $6.2 million during the year ended 30 June 2023 and, as of that date, the Group's current liabilities exceeded its total assets by $1.2 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Impairment of Goodwill ***Refer to Note 14 in the financial statements***	
The Group has goodwill of $17.7 million relating to its acquisition of Peak Processing Solutions ('Peak'). We identified this area as a Key Audit Matter due to the size of the goodwill balance, and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements regarding the future underlying cash flows of the business and the discount rates applied to them. For the year ended 30 June 2023 management have performed an impairment assessment over the goodwill balance by: • Calculating the value in use of the CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for the CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's weighted average cost of capital (WACC) adjusted for the CGU; and • Comparing the resulting value in use of the CGU to their respective book values. Management also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuation.	Our audit procedures in relation to management's assessment of impairment included: • Assessing management's determination that the goodwill should be allocated to a single CGU based on the nature of the Group's business and the manner in which results are monitored and reported; • Assessing the valuation methodology used; • Challenging the reasonableness of key assumptions, including the cash flow projections, revenue growth rates, discount rates, and sensitivities used; • Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence such as approved budgets, and considering the reasonableness of these budgets; and • Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies.

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Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Inventories ***Refer to Note 9 in the financial statements***	
The Group has inventories of $6.2 million at 30 June 2023 of which $2.1 million is held by Peak. The existence and valuation of inventory held by Peak Processing was considered a Key Audit Matter due to the materiality of the balance, the existence of inventories held on behalf of third parties, and the significant estimates involved including: - valuing work-in-progress and finished goods which involves assumptions around the conversion costs of direct labour, overheads, utilities, raw materials and other variable costs; and - complexities in weighing certain inventory products (when tare weights are used).	Our audit procedures in relation to the valuation and existence of Peaks inventories included: • Attending the physical inventory count at Peak Processing as at 30 June 2023 to observe management's stocktake procedures; • Testing a sample of inventory costing by verifying each of the inputs in the cost of conversion calculation to supporting documentation and evaluating the reasonableness of management's estimates in compliance with AASB 102 *Inventories*; • Testing a sample of inventory to ensure amounts are being held at the lower of cost or net realisable value; and • Assessing the company's application of its policy for determining the provision for obsolescence including assessing the ageing of inventory items for potential obsolescence.
Revenue Recognition ***Refer to Note 4 in the financial statements***	
The Group predominately earns revenue from distribution contracts with third parties who sell Althea's medicinal cannabis products to registered pharmacies and consumers. Peak manufacturers cannabis products on behalf of third parties in the current financial year. Each of Peak's customer contracts are unique and can include numerous performance obligations and variable pricing conditions. Revenue recognition was considered a Key Audit Matter due to the materiality and significance of the balance, as well as the complexities included in the customer contracts.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group's revenue recognition policies are in compliance with AASB 15 *Revenue with Contracts with Customers*; • Evaluating the operating effectiveness of management's controls related to revenue recognition; • Assessing sales transactions before and after year-end to ensure that revenue is recognised in the correct period; and • Performing detailed testing procedures on each material revenue stream.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Althea Group Holdings Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 31 August 2023
Melbourne, Victoria

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Shareholder information

The shareholder information set out below was applicable as at 31 July 2023.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	1,601	16.08	-	-
1,001 to 5,000	4,267	42.86	-	-
5,001 to 10,000	1,388	13.94	-	-
10,001 to 100,000	2,258	22.68	-	-
100,001 and over	442	4.44	-	-
	9,956	**100.00**	**-**	**-**
Holding less than a marketable parcel	**7,400**	**-**	**-**	**-**

EQUITY SECURITY HOLDERS

Substantial Holders

The 20 largest shareholders in the consolidated entity are set out below:

	Ordinary shares	
Name	**Numbers held**	**% of total shares issued**
Joshua Michael Fegan	56,250,000	14.34
HSBC Custody Nominees (Australia) Limited	26,002,357	6.63
Citicorp Nominees Pty Limited	11,055,551	2.82
Obsidian Global GP LLC	10,360,036	2.64
Mancann Pty Ltd	10,000,000	2.55
Hootch Pty Ltd	7,500,000	1.91
Hosanda Corporation Pty Limited	4,250,000	1.08
BNP Paribas Nominees Pty Ltd <IB. AU Noms Retail client DRP>	4,249,269	1.08
Mr Ingo Appel	4,000,000	1.02
Mid Dig Investments Pty Ltd <Mid Dig Super Fund A/C>	3,761,813	0.96
Mr Philip John Cawood	2,770,834	0.71
Pither Investments Pty Ltd <Pither Investments A/C>	2,550,000	0.65
Tilkeridis Investments Pty Ltd <Tilkeridis Family A/C>	2,400,763	0.61
Pac Partners Securities Pty Ltd	2,397,545	0.61
J P Morgan Nominees Australia Pty Limited	2,385,664	0.61
Nurturing Evolutionary Development Pty Ltd	2,180,000	0.56
Adman Lanes Pty Ltd	2,150,000	0.55
Palmos Investments Pty Limited <Palmos Property A/C>	2,000,000	0.51
Mr Hooi Giap Toh <Yang and Toh Family A/C>	2,000,000	0.51
Mr Robin Poulose Thekkekara	1,891,745	0.48
	160,155,577	**40.83**

UNQUOTED EQUITY SECURITIES

There are no unquoted equity securities.

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

AGH

Opening minds. Enhancing value.