

ASX Announcement | 03 February 2023  
Althea Group Holdings (ASX:AGH)

## AGH secures \$2.2 million additional funding; Fully funded to reach cash flow break even and operating profitability

### Highlights:

- AGH secures \$2.2 million funding via convertible notes
- The Company may at any time prior to the maturity date buy back some or all of the outstanding convertible securities by giving notice to the investor
- The maximum number of shares to be issued is capped at 54,206,846
- AGH remains fully funded and anticipates achieving cashflow breakeven and operating profitability during March 2023

03 February 2023: **Althea Group Holdings Limited (ASX:AGH) ('AGH', or 'the Company')**, a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products, is pleased to announce that it has secured \$2.2 million from US-based institutional investor, Obsidian Global Partners LLC ('Investor'), via convertible notes. Full details of the convertible notes are set out below in Appendix A.

### Successful fundraising

The Company successfully raised \$2.08 million during the December quarter, with a further \$4.32 million of funding secured in January and February 2023, including these convertible notes.

Funds will be utilised to support the launch of new SKU's in the coming months, to continue growing the existing product range and to provide general working capital, as the Company aggressively pursues initiatives to increase revenue and build upon a milestone half (1HFY23) which was underpinned by sales growth and record gross profit margins.

AGH remains fully funded and anticipates achieving cashflow breakeven and operating profitability during March 2023.

**AGH CEO, Joshua Fegan, commented:** "The Company is pleased to announce the funding of \$2.2 million from a US-based institutional investor. The Company believes that the participation of US investors is pivotal to attracting new long-term shareholders to AGH, especially with Peak well positioned in the burgeoning North American recreational cannabis market. AGH remains fully funded and focused on returning value to shareholders in 2023, through prudent financial controls and a profitable, sustainable future."



## Appendix A - Convertible Notes

Key terms:

Number of notes and Face Value	That number which is equivalent to the actual amount paid in US\$ by the investor, so as to procure the transfer of the Purchase Price to the Company, rounded upwards to the next whole number with a face value of US\$1.15 per convertible note, provided that for any Convertible Securities outstanding on 1 May 2023, the Face Value of those Convertible Securities will automatically increase by 5%
Purchase Price	\$2,200,000
Interest rate	No interest is payable
Maturity Date	12 months from the date which is 5 business days from the date of execution of the relevant agreement
Security	Unsecured
Maximum number of shares to be issued	The maximum share number to be issued is 54,206,846
Conversion Option	<p>A fixed price equal to a 30% premium to the 5 day VWAP prior to the execution date (<b>Fixed Price</b>).</p> <p>Starting 1 May 2023, the Investor will have the option to convert the notes (in whole or in part) at the lessor of:</p> <ol style="list-style-type: none"> <li>The Fixed Price, or</li> <li>A 10% discount to the average of the lowest 3 daily VWAPs during the 10 actual trading days prior to the date of a conversion notice provided to the Company</li> </ol>
Conversion	<p>The Investor may in its discretion elect to convert one or more convertible securities at the relevant conversion price by providing the Company notice, provided that, where an issue of Shares would result in the voting power (as defined in Chapter 6 of the Corporations Act) in the Company of the Investor or any other person exceeding 19.99%:</p> <ol style="list-style-type: none"> <li>the investor must make reasonable efforts for the issue not to have that result; and</li> <li>the Company must not issue the relevant Shares to the Investor but must instead repay to the Investor the aggregate total of the Face Values of each of the outstanding convertible securities and</li> </ol>

	all other amounts payable by the Company to the investor in relation to the outstanding convertible securities
Redemption	<p><b>Maturity</b> On the Maturity Date, the Company must redeem all outstanding convertible securities by paying the aggregate total of the Face Values of each of the outstanding convertible notes and all other amounts payable by the Company to the investor in relation to the outstanding convertible notes.</p> <p><b>By the Company</b> Other than in relation to notes the subject of an existing conversion notice, or where an event of default has occurred, the Company may at any time prior to the Maturity Date redeem some or all of the outstanding convertible notes.</p> <p>Events of default include an insolvency event, appointment of an administrator, a failure by the Company to pay any amount due to the investor, the Company materially breaching or failing to comply with its material obligations under the relevant agreement (and not curing the breach within 5 business days' notice), information (including any warranty) provided by the Company being inaccurate, false or misleading in any material respect as of the date it was provided</p>
Early Redemption by Company	Other than in relation to convertible notes the subject of an existing conversion notice, or if an event of default has occurred, the Company may at any time prior to the Maturity Date redeem some or all of the outstanding convertible securities by giving notice to the investor
Collateral Shares	The Company shall issue the investor shares equal to 30% of the Purchase Price upfront. If the note is still outstanding after 30 April 2023, the investor may use these shares to repay any balance of their note (at the Investors option)
Transferability	Convertible notes are transferable, however, the Investor may only assign a convertible note if the assignee executes a deed of covenant in favour of the Company in a form agreed to by the Company (acting reasonably)
Options and Exercise Price	4,800,000 with an exercise price equal to 200% of the 5 actual trading days immediately prior to mutual execution of the relevant agreement
Option Expiration Date	2 years from the date of issue of the options
Option Transferability	Non-transferrable, other than to an affiliate of the investor, or the shareholder or member of the investor or any affiliate of the investor.
Origination Fee	6% of the Purchase Price + \$15k in upfront legal costs

-ENDS-

*Authorised by: Robert Meissner, Company Secretary*

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**Althea Group Holdings Limited (ASX:AGH)**

Althea Group Holdings Ltd ('AGH') is a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products. AGH services these sectors via two distinct business units. Althea, the company's pharmaceutical business, offers a comprehensive range of cannabis-based medicines which are made available to patients via prescription. Peak Processing Solutions, AGH's recreational cannabis business, produces legal cannabis products purchased by adult consumers in retail stores.

AGH operates in highly regulated and legal cannabis markets across the world with burgeoning operations in Europe, North America, Australia and Africa.

To learn more about Althea Group Holdings, please visit: [www.altheagroupholdings.com](http://www.altheagroupholdings.com)

For more information on Peak, please visit: [www.peakprocessing.com](http://www.peakprocessing.com)

For more information on Althea, please visit: [www.althea.life](http://www.althea.life)

