30 July 2021

QUARTERLY ACTIVITIES REPORT – 30 June 2021

Highlights:

- **Revenue of $1,633,000 generated during the quarter – an 18% increase on previous period (Q1CY2021: $1,385,000)[i] and second consecutive quarter of record revenue growth**
- **Q2 CY2021 revenue highlights a 451% increase on the previous corresponding period (Q2 CY2020: A$311,353)**

Mernova Medicinal Inc. ("Mernova") – Cannabis cultivation and sales division (Canada):

- **A$966,459 (~C$914,210[ii]) in sales revenue recorded for the quarter – a 21% increase on the previous quarter**
- **Multiple purchase orders ("PO") secured from province partners and returning customers, highlighting the ongoing shift towards a recurring revenue model**
- **First orders received for new *Ritual Green* one ounce bag offering with ongoing demand received for other products**
- **Craft Designation awarded by Ontario Cannabis Store (OCS) for *Ritual Green* products**
- **Product sales remain strong across Canada highlighting growing consumer demand, product development and expansion efforts ongoing**

Creso Switzerland – Nutraceutical division (Europe):

- **A$607,344 (~CHF467,806[iii]) in revenue recorded for the quarter**
- **Three new Hemp CBD based products launched under established cannaQIX ® brand: cannaQIX® tea, cannaQIX® NITE tea and cannaQIX® Immunity tea**
- **Bilateral commercial agreement with Cannabis Queen, South Africa for marketing and distribution of topical and Hemp CBD tea products in Africa**
- **Development of anibidiol® swine product finalised – a hemp flour and oat bran complimentary feedstock for swine**
- **Letter of intent with Polvet Healthcare Teodorowski Spółka Jawnafor marketing and distribution of Creso Pharma's animal health product range in Poland**
- **Distribution Agreement with Route 2 Pharm Pvt Ltd. expanded to allow for distribution of Creso Pharma's products into Ecuador – agreement now extends to 14 countries**

Halucenex Life Sciences Inc. ("Halucenex"):

- **Post quarter end, the acquisition of Halucenex Life Sciences Inc. was completed**
- **Creso Pharma is now the first ASX-listed company with a 100% owned psychedelics subsidiary**
- **Acquisition provides access to the emerging global market for psychedelic medicines – estimated addressable market anticipated be worth up to US100Bn[iv]**
- **Advisory agreement with company Growing Together Research Inc. allows Halucenex to progress studies on components of psilocybin and use for specific conditions**

- **Letter of intent with nanotechnology company Sixth Wave Innovations Inc. focused on Molecularly Imprinted Polymers (MIPs) for imprinting, capturing and releases substances**
- **Agreement secured with contract testing laboratory R&D partner Nucro-Technics to test stability and shelf life of psilocybin liquid formulations for use in phase II clinical trial**
- **Additional pharmaceutical grade psilocybin supply secured, Halucenex is now one of the largest holders of single batch GMP grade synthetic psilocybin in Canada**
- **Consultancy agreement with HeteroGeneity, LLC to assist with US expansion for Halucenex's botanical psilocybin products**
- **Strategic decision to expand phase II clinical trial beyond veterans and first responders**

Corporate developments:

- **US OTC dual listing completed to gain exposure to deeper capital market and greater levels of liquidity for North American Investors**
- **OTC listing provides additional opportunities to attract institutional and retail investors and for Creso Pharma to expand its investor base in the US**
- **Creso Pharma and Red Light Holland enter definitive agreement to merge and create The HighBrid Lab, a leading cannabinoid and psychedelics company**
- **The combined company is expected to have a cash balance of approximately A$48m, providing considerable financial flexibility to progress its growth strategy**
- **Leading board and management team to be led by cannabis entrepreneur Bruce Linton**
- **Rapid scale up planned targeting high growth market verticals**
- **Approximately $16m Cash at bank as at 31 July 2021**

Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to provide this Quarterly Activities Report for the period ended 30 June 2021, together with its Appendix 4C Quarterly Cash Flow Report.

Commentary:

Non-Executive Chairman Mr Adam Blumenthal said: *"This quarter solidified Creso Pharma's intent to become a world leader in the psychedelic, CBD, and recreational and medicinal cannabis space. The successful acquisition of Halucenex is a major milestone for the Company, as it looks to commercialise new psychedelic-assisted psychotherapy treatments in the future. The merger with Red Light Holland to create The HighBrid Lab presents an opportunity to take advantage of several synergies available across the businesses, allowing the combined company to considerably scale up operations in both the near and long term.*

"Operationally, we have continued to work with a number of new and existing partners to further advance the business and unlock value for our shareholders. Several agreements and LOIs signed during the quarter bode well for the future outlook and growth prospects during H2 CY21 and beyond.

"With the US OTC listing now completed, this provides the Company with exposure into a deep and liquid pool of North American investors. We look forward to attracting and expanding new retail and institutional investors in the US.

"The board and management team are confident the application and execution of our growth strategy will continue as more opportunities on several fronts open up. The ever-changing regulatory landscape in the US will allow us to pursue synergies for The HighBrid Lab and scale up activities to further commercialise our business divisions."

Financial overview:

As at quarter end, Creso Pharma had cash reserves of A$13.56m. Subsequent to the end of the period, 50,596,347 CPHOA Options ($0.05, 22 Jan 2023) were exercised into fully paid ordinary shares, raising an additional $2.529 million. This takes Creso Pharma's cash balance to ~16m at 31 July 2021.

The Company also advises that outstanding options, worth approximately $5m are expected to be exercised during the coming months, which will provide an additional capital injection.

Further details of Creso Pharma's funding are set out below in the accompanying Appendix 4C Quarterly Cash Flow Report.

Corporate highlights:

Proposed merger with Red Light Holland to create a leading global psychedelics and cannabis company:

Creso Pharma and Red Light Holland Corporation ("Red Light Holland") (CSE:TRIP, FRA:4Yx, OTC Pink:TRUFF) entered a definitive scheme implementation deed to combine businesses and create The HighBrid Lab Inc., a leading global psychedelics and cannabinoid company ("the Combined Company"). Red Light Holland is an Ontario-based corporation engaged in the production, growth and sale of magic truffles to the legal, recreational market within the Netherlands

Red Light Holland's current CEO Todd Shapiro will lead the Combined Company as Chief Executive Officer and Director. The board of directors of the Combined Company will consist of seven members, three of which, including Mr. Shapiro, will be current directors of Red Light Holland, and three of which, will be directors or nominees of Creso Pharma.

The transaction will be carried out by way of statutory schemes of arrangement under the Corporations Act 2001. As per previous ASX announcements (refer ASX announcement: 17 June 2021), Red Light Holland will acquire all of the issued fully paid ordinary shares of Creso Pharma, and all of the issued listed options of Creso Pharma in exchange for the issue of common shares of Red Light Holland. Shareholders of Creso Pharma will receive 0.395 of a Red Light Holland Share (subject to adjustment in accordance with the mechanism set out in the Deed) for each fully paid ordinary share of Creso Pharma held on the record date for the scheme. Listed optionholders of Creso Pharma will receive 0.257 of a Red Light Holland Share for each listed option of Creso Pharma held on the record date for the option scheme and holder's of the various other classes of unlisted Creso Pharma securities will be offered Red Light Holland options or warrants based on ratios detailed in the Deed.

Upon implementation of the scheme and the option scheme, it is expected that the former Creso Pharma securityholders will own approximately 57.4% of the pro forma issued and outstanding Red Light Holland Shares, resulting in a reverse takeover of Red Light Holland by the Creso Pharma securityholders.

Image: The HighBrid Lab

The HighBrid Lab will be organised into four business units, allowing it to aggressively pursue high growth markets, while also focusing on near-term cash flows. These business units are expected to comprise recreational cannabis ("THC"), CBD, recreational psychedelics, and psychedelic research. The merged company intends to allocate a portion of cashflow from other business units to the ongoing psychedelics applied science program to support potential long-term upside opportunities.

Opportunity to Scale Recreational THC Offering:

The HighBrid Lab plans to conduct ongoing market reviews to expand Mernova's penetration and market share. The HighBrid Lab will take advantage of the relationships of its board and management team in the Canadian and US markets to pursue potential accretive acquisitions of US THC operators. Having a CSE-listed vehicle will allow the HighBrid Lab to operate in line with state legislation and target US States where the adult use of cannabis is legal. Recreational cannabis is legal for adult use in 17 states and Washington DC, and medical marijuana is legal in 36 states in the US, providing a number of potential large market opportunities.

Enhanced Distribution of European CBD Offering with Aggressive Growth Plans:

The Combined Company plans to pursue growth plans for Creso Pharma's Swiss developed and manufactured CBD products and expects that Red Light Holland's subsidiary distribution company, SR Wholesale, which has access to over 1,000 shops and points of sale across Europe, may bolster sales. The HighBrid Lab will also create a US market entry strategy for these products and will work to introduce new products such as functional mushrooms and combined CBD functional mushrooms to legal markets in Europe and North America.

Market Leader in Recreational Psilocybin with Ongoing Market Expansion Efforts:

The HighBrid Lab will continuously monitor Red Light Holland's operations across the Netherlands, and scale appropriately as the market matures. Additionally, the merged company will keep abreast of regulatory changes around the world and expects to implement a first mover strategy as markets open.

Investments in Applied Science Supporting Long Term Therapeutic Opportunities:

Halucenex is expected to begin phase II clinical trials to demonstrate the efficacy of psilocybin therapy in the treatment of treatment-resistant depression in Canadian veterans and everyday individuals living with debilitating conditions. Red Light Holland recently extended an LOI with Mera Life Sciences and continues discussions regarding a previously announced potential investment in St. Vincent and the Grenadines, which is expected to be a part of the HighBrid Lab's applied science platform. The Combined Company plans to leverage the significant pharmaceutical expertise of Creso Pharma's management team through all applied science activities and use findings to continuously update and expand Red Light Holland's iMicrodose app, and consider introducing psychedelic assisted therapy retreats where legally permissible.

Image: Combined global operations

Acquisition of Halucenex Life Sciences Inc.:

Subsequent to the end of the quarter, Creso Pharma completed the acquisition of Halucenex following shareholder approval at Company's annual general meeting held on 24 June 2021. The acquisition marks an important milestone, as it provides direct access to the emerging psychedelic-assisted psychotherapy (PAP) sector and unlocks a number of opportunities for the Company in the near term and following Creso Pharma's potential merger with Red Light Holland. The key terms of the acquisition are detailed in the Company's previous ASX filings (refer ASX announcement: 15 March 2021).

In the near term, Creso Pharma and Halucenex will focus on progressing clinical trials to assess the safety and efficacy of PAP using psilocybin to treat mental illness, with the aim of becoming a clinical drug pipeline provider. The Company will also progress complementary business strategies including R&D to produce novel proprietary formulations of psychedelic compounds and exploring the

interactions between natural and synthetic psilocybin derivatives to accumulate intellectual property on the entourage effects of naturally sourced psilocybin.

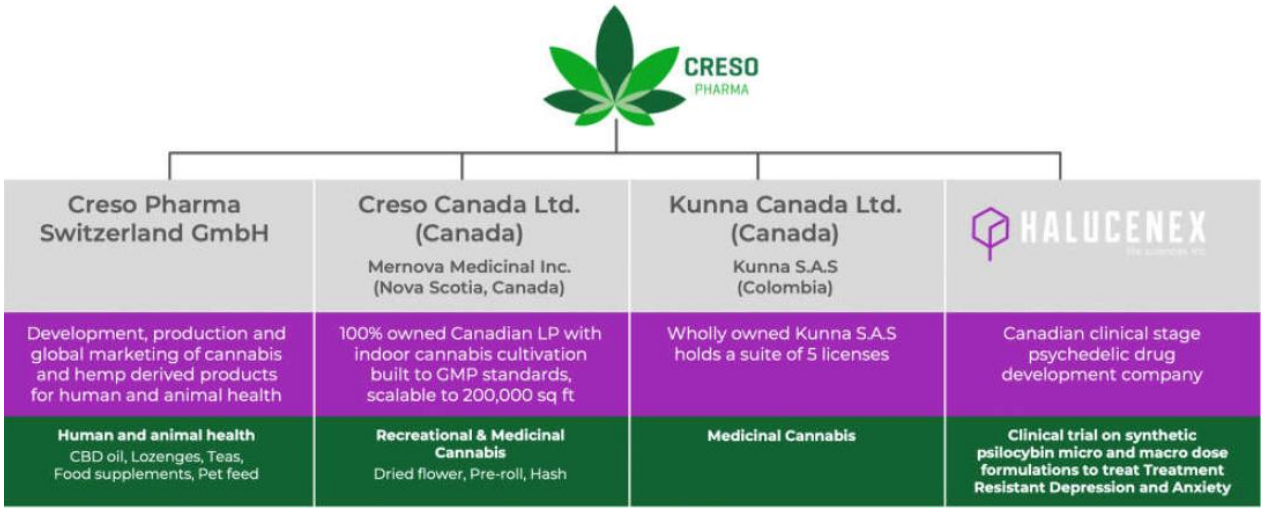

Image: Creso Pharma material group structure following completion of acquisition

Successful OTC listing and other corporate developments:

Creso Pharma completed a dual listing on the OTCQB ("OTC") market in the USA and commenced trading on Friday, 11 June 2021 (USA OTC market time) under the code COPHF. The dual listing provides access to deeper capital markets and North American investors with accessibility and liquidity to invest in established cannabis and psychedelics medicines businesses.

Creso Pharma is also taking steps to secure DTC approval, which would allow real-time electronic clearing and settlement in the United States for its ordinary shares through the Depository Trust Company ("DTC"). Once obtained, the approval will simplify trading and enhance liquidity for a large pool of investors in North America, amid the continued upturn in the cannabis and psychedelic treatment sectors.

During the period, the Company terminated its agreement with Mr John Griese, who was previously employed as Director of US Business Development (refer ASX announcement: 6 April 2021) and chose not to extend its LOI with CERES Natural Remedies (refer ASX announcement: 1 March 2021).

Following recent developments and changes in Creso Pharma's market expansion strategy in collaboration with Red Light Holland, the Company is confident that it can instead leverage existing resources within the Company to pursue more favourable agreements and opportunities in the US. Further, following the potential merger with Red Light Holland, Creso Pharma will take advantage of the established relationships of incoming directors and senior management to unlock shareholder value.

Operational overview:

Mernova Medicinal Inc. – Cannabis cultivations and sales division

During the quarter, unaudited revenue generated from Mernova was A$966,459 (~C$914,210k[ii]), a 21% increase on the previous quarter.

Strong demand for Mernova's products continued, highlighted by recurring sales from Ontario Cannabis Store ("OCS"), the Nova Scotia Liquor Corporation ("NSLC") and Yukon Liquor Corporation ("Yukon"). Purchase orders from province partners were for the Company's top-quality indoor grown, hand trimmed, hang dried, cured, artisanal, craft cannabis products sold under the *Ritual Green* and *Ritual Sticks* brands.

Mernova also became one of a select group of licensed producers to be awarded Craft Designation by the OCS for its *Ritual Green* cannabis products. To qualify for the designation, dried-flower and pre-roll products must be hand-trimmed, hang-dried, and hand-packaged. Emphasising the superior quality of Mernova's products, the special designation is an important achievement and provides greater and broader visibility in a competitive market.

Creso Pharma Switzerland – Nutraceutical division (Europe):

During the quarter, unaudited revenue generated from human and animal health product sales were A$607,344 (CHF467,806[iii]) with revenue comprised of both cannaQIX® and anibidiol® product sales.

New product launches and expansion across key regions highlighted the growing interest and demand for Creso Pharma's products during the quarter.

Three new teas were developed based on a new second generation innovative technology that optimises the Hemp CBD content in compliance with regulations for a better taste. The three tea products include:

- cannaQIX® tea: designed to help the management of stress supporting a better quality of life.
- cannaQIX® NITE tea: to be consumed at night time to support a better sleep.
- cannaQIX® Immunity tea: which provides the supplements and taste to optimise well-being.

These products are now being marketed and sold throughout Switzerland. The Company is leveraging its established distribution network comprised of over 2,100 points of sales to drive uptake.

cannaQIX® tea

cannaQIX®NITE tea

cannaQIX®Immunity tea

Image: new CBD based tea products

The Company entered into a bilateral commercial agreement with Cannabis Queen, South Africa to de-risk the launch of new products the Company brings to market in Africa. The deal expands the Company's product distribution network to 3,100 combined points of sale across Europe. The new partner also provides Creso Pharma with an established footprint into the African market to sell and distribute its Hemp CBD based product range. Creso Pharma will also market and distribute Cannabis

Queen's Anti-Aging Serum 30ml and Argan & Cannabis Hair Treatment 50ml products in Switzerland and Europe.

The Agreement is non-exclusive on either party and has an initial term of one year ("Initial Term") which will automatically renew after one year ("Renewal Term"), unless either party notifies the other of their decision to not renew the agreement within 90 days prior to the expiry of the Initial or Renewal Term; or the parties do not enter into a further definitive agreement on or before 30 September 2021.

The Company finalised development of anibidiol® swine, a new and innovative hemp flour and oat bran based complementary feed product to support stress reduction and wellbeing with pigs. Developed to address tail biting in pig herds, Creso Pharma will begin marketing the product to farmers and breeders through its established partners and distributors in the animal health space with first sales expected H2 CY2021.

Image: anibidiol ® swine 250g 3% CBD hemp flour

A Letter of Intent was secured with Polvet Healthcare Teodorowski Spółka Jawna ("Polvet") to market and distribute Creso Pharma's animal health products for companion animals and livestock in Poland. Broadening the Company's footprint in Europe, it marks the first entry into Eastern Europe and provides a large opportunity within a strong domestic market of 38m consumers, one of the largest pet markets in the Central-Eastern European region[v].

The Company's distribution agreement with Route2 Pharm Pvt Ltd ("Route2") (refer ASX announcement: 15 February 2021) was expanded to allow for distribution of Creso Pharma's products into Ecuador. Now extended to 14 countries, Ecuador provides a large market opportunity having recently passed legislation to approve the production, commercialisation, use and consumption of cannabis for medicinal or therapeutic treatment. All other material terms of the Distribution Agreement, as disclosed in the announcement dated 15 February 2021, remain unchanged.

Halucenex Life Sciences Inc.

Halucenex continued to secure agreements and partnerships during the quarter as it looks to progress the development and commencement of its phase II clinical trial. Agreements during the period included:

- *Growing Together Research Inc.*

  An advisory agreement with Growing Together Research Inc. ("GTR"), a US-based biotechnology company focused on applying cutting-edge computational genomics and bioengineering to plant

medicine. The agreement with GTR will assist Halucenex in creating an intellectual property portfolio to assist in maximising the active ingredients in various strains of magic mushrooms and explore which elements have the best efficacy when being used to treat specific conditions.

- *Sixth Wave Innovations Inc.*

  LOI with Sixth Wave Innovations Inc., a world class nanotechnology company focused on Molecularly Imprinted Polymers (MIPs) for imprinting, capturing and releases substances. Refer to ASX release dated 19 April 2021 for details of the LOI. Halucenex and Sixth Wave have not entered into a Definitive Agreement at this stage.

- *Nucro-Technics*

  Agreement with Nucro-Technics, a Canadian company that partners with pharmaceutical, biologic and medical device companies globally to assist with R&D initiatives. Halucenex will work with Nucro-Technics to test the stability and shelf life of psilocybin liquid formulations for use in its phase II clinical trial. Halucenex will have access to a GMP certified lab to formulate and test the bioavailability of its synthetic psilocybin compound, the ability to handle control substances for formulations of current delivery solutions and potential future methods that may have a faster onset.

- *HeteroGeneity, LLC*

  Consultancy agreement with HeteroGeneity, LLC, a leading consultancy focused on assisting companies achieve regulatory approval for new drug developments for use in the USA. Agreement will assist with US expansion for Halucenex's botanical psilocybin products. Both parties will conduct a technology assessment to progress a development plan for a new botanical drug under pharmaceutical development for the US market.

Halucenex made further operational progress towards the commencement of its proposed phase II clinical trial, almost doubling its synthetic psilocybin supply, with an additional 10g, taking its total inventory to 22.3g. The extra supply provides generous runway for Halucenex to progress and expedite clinical trials, R&D initiatives, and provides a significant barrier to entry to competitors.

The decision was made to broaden the trial participants and include those that have not served in the military and who suffer from Treatment Resistant PTSD. The decision to expand the trial scope was made following the overwhelming number of inbound enquiries received from individuals that suffer from debilitating mental health conditions and are seeking alternative treatment methods. Halucenex anticipates that the addition of non-veterans to the clinical trial will allow it to collate an additional data set, providing 'real world' examples of the efficacy of psilocybin when used as an alternative treatment route.

All USP61 requirements, which provide considerable validation for the use of its GMP grade psilocybin were completed during the quarter. Halucenex will now progress the USP62 test, which highlights the shelf life of psilocybin samples, as well as provides additional validation. USP62 test protocols are currently underway and will be completed in the near term.

Following completion of these tests, Halucenex will be positioned to apply for Clinical Trial Authorisation ("CTA") and subject to the receipt of its of its Controlled Drugs and Substances Dealer's License ("Dealer's License") from Health Canada commence a phase II clinical trial into the efficacy of psilocybin on treatment resistant Post Traumatic Stress Disorder ("PTSD"). Halucenex can apply for

its CTA prior to the receipt of its Dealer's License from Health Canada, expediting its clinical trial process.

Images: Established 16,000 sq ft treatment facilities in Nova Scotia, Canada

Favourable regulatory shifts:

Significant regulatory changes during the quarter strengthened Creso Pharma's commitment to developing its presence in the US. Creso Pharma is positioned to become a first mover in the US medicinal and recreational cannabis sectors subject to federal legalisation. Such regulatory changes include:

- Marijuana Regulation and Taxation Act ("MRTA") to legalise, tax and regulate recreational cannabis in New York State.
- Senate Bill 519 passed on 13 April 2021[vi] to make possession and use of psychedelic substances legal in California for adults over the age of 21.

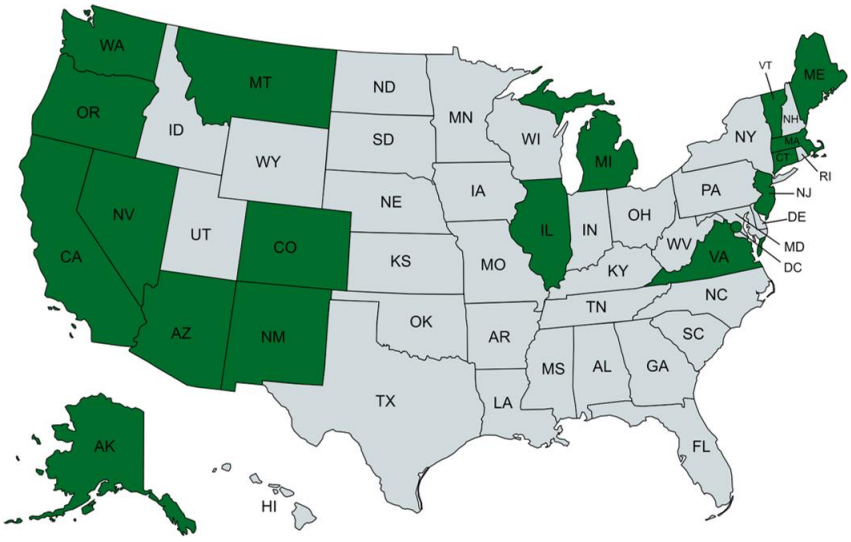

Image: States in the US where adult use of recreational cannabis is legal

-Ends-

Authority and Contact Details

This announcement has been authorised for release by the Board of Creso Pharma Limited.

For further information, please contact:

Released through:
Ben Jarvis, Six Degrees Investor Relations: Ph: +61 (0) 413 150 448

Investor Enquiries
EverBlu Capital
E: info@everblucapital.com
P: +61 2 8249 0000

About Creso Pharma

Creso Pharma Limited (ASX:CPH) brings the best of cannabis to better the lives of people and animals. It brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. It develops cannabis and hemp derived therapeutic, nutraceutical, and life style products with wide patient and consumer reach for human and animal health.

Creso Pharma uses GMP (Good Manufacturing Practice) development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. It has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids. To learn more please visit: www.cresopharma.com

About Halucenex Life Science:

Halucenex is a life sciences development company with a focus on researching novel psychedelic compounds, developing and licensing psychedelic compounds for the pharmaceutical and nutraceutical markets, and conducting clinical trials on the medical benefits of psychedelic medicine. Halucenex operates a 6000 sq. ft. medical facility in Windsor, Nova Scotia with 6 treatment rooms and a secure laboratory dedicated to performing psychedelic-assisted psychotherapy and clinical research. Halucenex intends to maintain control over all aspects of the product development process – mycological research, extraction technology, and synthetic formulation as well as drug delivery technologies, psychedelic-assisted psychotherapy and regulatory affairs.
www.halucenex.com

Forward Looking statements

This announcement contains forward-looking statements with respect to Creso Pharma and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Creso Pharma could differ materially from those expressed or implied by

such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.
The cautionary statements qualify all forward-looking statements attributable to Creso Pharma and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso Pharma has no obligation to up-date such statements, except to the extent required by applicable laws.

---

[i] The difference in previously reported figures (refer ASX announcement: 1 July 2021) is due to differing currency conversion methods used for accounting purposes
[ii] CAD to AUD exchange rate of $1.0571
[iii] CHF to AUD exchange rate of $1.298
iv Canaccord Genuity US Equity Research – Biotechnoloogy Industry Update - Psychedelic-derived medicines and therapies: a follow-up primer
v https://globalpets.community/article/polish-pet-market-2020
vi https://www.marijuanamoment.net/california-senators-approve-bill-to-legalize-possession-of-psychedelics-like-lsd-mdma-and-psilocybin/

Appendix 4C

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

Name of entity	
Creso Pharma Limited	
ABN	**Quarter ended ("current quarter")**
89 609 406 911	30 June 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,243	2,323
1.2	Payments for		
	(a) research and development	(22)	(59)
	(b) product manufacturing and operating costs	(922)	(1,634)
	(c) advertising and marketing	(1,911)	(4,045)
	(d) leased assets	-	-
	(e) staff costs	(1,464)	(3,535)
	(f) administration and corporate costs	(3,625)	(5,875)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(249)	(399)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	(31)	(139)
1.8	Other (provide details if material)	42	75
1.9	**Net cash from / (used in) operating activities**	**(6,939)**	**(13,288)**
	Note:		
	During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:	**2,000,000 shares**	**20,567,506 shares**
	Deemed value in lieu of cash	**400**	**3,980**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	(107)	(369)
	(c) property, plant and equipment	(51)	(55)
	(d) investments	-	-
	(e) intellectual property	-	(261)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(51)
2.6	**Net cash from / (used in) investing activities**	**(158)**	**(736)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,069	18,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	337	5,729
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,350)	(1,696)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(350)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**2,056**	**21,683**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	18,573	6,004
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,939)	(13,288)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(158)	(736)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,056	21,683
4.5	Effect of movement in exchange rates on cash held	31	(100)
4.6	**Cash and cash equivalents at end of period**	**13,563**	**13,563**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	13,563	18,573
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**13,563**	**18,573**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	3,053
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments made to related parties and their associates comprise:	$A'000
- Directors fees	193
- Capital raising Fees	1,080
- Other services	1,780
Aggregate amount as above	**3,053**

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Secured Loan facilities	-	-
	Unsecured Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(6,939)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	13,563
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	13,563
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	1.95

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No. Quarter 2 incurred higher than usual expenditure, including one-off costs relating to: entry to the US market including OTC registration; due diligence on multiple M&A opportunities resulting in the acquisition of Halucenex Life Sciences and the proposed merger with Red Light Holdings; and entry into 14 new markets, including Uruguay, Pakistan, Bangladesh, Cambodia, Philippines and Vietnam.

During the quarter, the company repaid all outstanding debt.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. Notwithstanding the one-off costs noted above, the Company added to its cash reserves in July. Subsequent to the end of the period, 50,596,347 CPHOA Options ($0.05, 22 Jan 2023) were exercised into fully paid ordinary shares, raising an additional $2.529 million.

The Company had approximately $16m in cash reserves as at 31 July 2021.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. In addition to items 1 and 2 above, the Company had significant cash reserves at 31 July, exceeding 2 quarters of net cash used in operating activities.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2021

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.