



31 August 2021

## Appendix 4D and Half Year Report

### Highlights:

- Revenues for the half year amounted to A\$3,031,753 – this highlights a 109% increase on H1 2020 (H1 2020: A\$1,453,528)
- Cash balance of ~A\$13.45m as at 30 June 2021 with conversion of options anticipated during H2 CY2021 provides financial flexibility
- Cash balance of ~A\$16m at 31 July 2021

### Mernova Medicinal Inc. (“Mernova”) – Cannabis cultivation and sales division (Canada):

- A\$1,698,052<sup>i</sup> (~C\$1,634,000) in sales revenue recorded for the half year – representing a 562% increase on the previous corresponding period (“PCP”)
- Significant shift towards a recurring revenue model with increased demand and multiple purchase orders (“PO”) secured from provincial partners and returning customers
- Successful launch, first orders received and ongoing demand for new products *Ritual Sticks* pre roll joint range and *Ritual Green* one ounce bag offering
- *Ritual Green* cannabis products awarded Craft Designation by Ontario Cannabis Store

### Creso Switzerland – Nutraceutical division (Europe):

- A\$1,333,509<sup>ii</sup> (~CHF934,000) in revenue generated for the half year – representing a 11% uplift on the PCP
- Launch of several new products including a range of hemp CBD based teas under the established cannaQIX® brand and development of an anibidiol® swine feed product
- Numerous purchase orders and agreements secured including those with Virbac Switzerland and Virbac Benelux, Pharma Dynamics South Africa, Route2 Pharma, ImpACTIVE, and Cannabis Queen South Africa

### Halucenex Life Sciences Inc. (“Halucenex”):

- True North Clinical Research appointed as lead investigator to phase II clinical trials
- Phase II clinical trial expanded beyond veterans and first responders to include all sufferers of Treatment Resistant PTSD
- Halucenex is now one of the largest holders of single batch GMP grade synthetic psilocybin in Canada after additional supply secured
- Considerable operational progress made towards the commencement of the proposed phase II clinical trial with numerous agreements put in place during the half
  - Advisory agreement with company Growing Together Research Inc.
  - LOI with nanotechnology company Sixth Wave Innovations Inc.
  - Agreement with contract testing laboratory R&D partner Nucro-Technics
  - Consultancy agreement with HeteroGeneity, LLC



#### Corporate developments:

- **Successful \$18m capital raise – supported by several leading investors including Stocks Digital, and L1 Global Master Opportunities Fund**
- **Subsequent to the end of the half year, the acquisition of Halucenex Life Sciences Inc. was completed making Creso Pharma the first ASX-listed company with a 100% owned psychedelics subsidiary**
- **Completion of US OTC dual listing provides Creso Pharma with exposure to a deeper capital market, greater levels of liquidity and opportunities to attract and grow North American institutional and retail investors**

**Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company')** is pleased to provide its Appendix 4D and Half Year Report for the six month period ended 30 June 2021, together with the following commentary.

#### Commentary:

**Non-Executive Chairman Mr Adam Blumenthal said:** *"The half year was a transformational period for Creso Pharma and the business remains in a strong position. The Company has generated robust top line growth, progressed its global expansion and introduced a number of new products, which we expect to underpin further growth. We will continue building on our recent achieved milestones and further validate our commitment to becoming a world leader in the psychedelic, CBD, and recreational and medicinal cannabis sector.*

*Driven by a well-defined strategy, our footprint has grown across a number of lucrative, dynamic, and growing markets. With the completion of the Halucenex transaction, we are anticipating its entry into the growing psychedelic medicine sector, with significant progress being made towards getting the phase II clinical trial underway.*

*Our cannabis cultivation and nutraceutical divisions continue to go from strength to strength, both achieving outstanding growth during the first half of the year. With new and existing partners coming to the table frequently, it presents the Company with new and exciting commercialisation opportunities to bring to our shareholders, as soon as formal agreements are in place between commercial partners.*

*As we move into the second half of the year, we are excited by the ongoing execution of our growth strategy and the pipeline of R&D initiatives ahead. I look forward to updating shareholders as progress materialises".*

#### Financial overview:

The Company generated a total of A\$3,031,753 in revenue for the half, highlighting a 109% increase on the previous corresponding period (H1 2020: ~A\$1,453,528). Growth was underpinned by increased sales across both Mernova and Creso's Swiss operations.

At 30 June 2021, the Company had cash reserves of A\$13.56m and 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. At 31 July 2021, Creso Pharma's cash balance was ~14.25 million.

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



### **Corporate overview:**

#### **Acquisition of Halucenex Life Sciences Inc.:**

The completion of the Halucenex transaction subsequent to the end of the half year provides an entry for Creso Pharma into the emerging psychedelic-assisted psychotherapy (PAP) sector. This unlocks numerous near-term opportunities, with a particular focus on progressing a phase II clinical trial assessing the safety and efficacy of PAP using psilocybin to treat mental illnesses. With the aim of becoming a clinical drug pipeline provider, complementary business strategies will be undertaken including R&D to produce proprietary formulations of psychedelic compounds and upon the receipt of an amendment to the Company's Controlled Drugs and Substances Dealer's licence from Health Canada, begin exploring the interactions between natural and synthetic psilocybin derivatives to accumulate intellectual property on the entourage effects of naturally sourced psilocybin.

#### **Successful OTC listing**

Creso Pharma commenced trading on the OTCQB ("OTC") market in the USA on Friday, 11 June 2021 (USA OTC market time) following its successful dual listing under the code COPHF. The Company is also formalising arrangements 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"). These steps provide Creso Pharma with access to a deeper capital market and North American investors with greater accessibility, liquidity, and a simpler trading method to an established cannabis and psychedelics medicines businesses.

#### **\$18m capital raise through well supported placement:**

The Company raised \$18m (before costs) during the half year from a range of local and international institutional, sophisticated, and professional investors through the issue of ~94.7m new fully paid ordinary shares at an issuance price of \$0.19. Among those to take part in the placement was S3 Consortium Holdings Pty Ltd and independent global fund manager L1 Global Master Opportunities Fund. The funding was used to, and is being used across a number of opportunities, including the acquisition of Halucenex, expansion of the nutraceutical range, scale-up of Mernova's operations, and progressing the US OTC dual listing amongst other initiatives.

### **Operational overview:**

#### **Mernova Medicinal Inc. – Cannabis cultivations and sales division**

The Company's wholly owned subsidiary Mernova Medical Inc. continued its strong growth across its expanded product range, with increasing demand and multiple purchase orders (PO) secured from provincial partners and returning customers accelerating the transition towards a recurring revenue model.

Sales revenue for the half year increased 562% on the previous corresponding period to A\$1,698,243 (~C\$1,634,000).

First orders were secured on a range of new products introduced including the *Ritual Sticks* pre-roll joint range and *Ritual Green* one ounce bag offering. The favourable uptake of new products was coupled with ongoing demand from key partners including the Ontario Cannabis Store ("OCS"), the Nova Scotia Liquor Corporation and Yukon Liquor Corporation.

Further emphasising the superior quality of its products, Mernova 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. Achieving the special designation provides Mernova with broader visibility in a competitive market.

#### **Creso Pharma Switzerland – Nutraceutical division (Europe):**

Over the half year, revenue generated from human and animal health product sales was A\$1,333,509<sup>ii</sup> (~CHF934,000), representing an 11% uplift on the previous corresponding period.

The growth in revenue can be attributable to the launch and development of new products and the expansion across key regions. The products launched over the half year included:

- 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
- anibidiol® swine: a new and innovative hemp flour and oat bran based complementary feed product to support stress reduction and wellbeing with pigs

The expansion of Creso Pharma’s footprint globally was emphasized through the growing interest and demand for the Company’s products, with new and extended agreements agreed upon over the half year, as outlined below:

- Bilateral commercial agreement with Cannabis Queen, South Africa expanding the Company’s product distribution network to 3,100 combined points of sale across Europe and Africa. The agreement provides an established footprint and significantly de-risks the expansion into the African market. For further details, refer to ASX announcement lodged on 14 April 2021.
- LOI with Polvet Healthcare Teodorowski Spółka Jawna (“Polvet”) to market and distribute Creso Pharma’s animal health products for companion animals and livestock in Poland. The first entry into Eastern Europe and provides a large opportunity within one of the largest domestic pet markets in the Central-Eastern European region<sup>iii</sup>. For further details, refer to ASX announcement lodged on 21 May 2021.
- Distribution agreement with Route2 Pharm Pvt Ltd (“Route2”) originally signed in February (refer ASX announcement: 15 February 2021) was expanded to allow for distribution of Creso Pharma’s products into Ecuador, being the 14th country earmarked for distribution under the agreement. Ecuador provides a large market opportunity for Creso Pharma as it recently passed legislation to approve the production, commercialisation, use, and consumption of cannabis for medicinal or therapeutic treatment. For further details, refer to ASX announcement lodged on 4 June 2021.

#### **Halucenex Life Sciences Inc.**

Halucenex made significant operational progress towards the commencement of its proposed phase II clinical trial during the half year, almost doubling its synthetic psilocybin supply to become one of the largest holders of single batch GMP grade synthetic psilocybin in Canada. After an overwhelming number of inbound enquiries received from individuals that suffer from debilitating mental health conditions and are seeking alternative treatment methods the decision was made to broaden the trial participants to include those that have not served in the military and who suffer from Treatment Resistant PTSD.



In order to commence the phase II clinical trial, the Company is now progressing USP62 testing after all USP61 requirements, which provided considerable validation for the use of its GMP grade psilocybin were completed during the half year. The USP62 testing explores the shelf life of psilocybin samples, and once complete, Halucenex will be positioned to apply for Clinical Trial Authorisation (CTA) and commence the phase II trial.

Halucenex entered into the following agreements and partnerships over the half year, looking to engage with key stakeholders in the effort to develop and commence the phase II clinical trial:

- *True North Clinical Research*

Halucenex appointed True North Clinical Research (“True North”) as the principal investigator for its proposed phase II clinical trial. True North is a leader in R&D and is comprised of a team of over 30 highly qualified research staff clinicians. True North will provide clinical oversight, assist with facilitation of compliance with the Nova Scotia Ethics Committee, undertake patient recruitment, conduct the trial, monitoring and compilation of data and results. For further details, refer to ASX announcement lodged on 17 March 2021.

- *Growing Together Research Inc.*

An advisory agreement with Growing Together Research Inc., 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. For further details, refer to ASX announcement lodged on 12 April 2021.

- *Sixth Wave Innovations Inc.*

LOI with Sixth Wave Innovations Inc. (“Sixth Wave”), 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. For further details, refer to ASX announcement lodged on 6 May 2021.

- *HeteroGeneity, LLC*

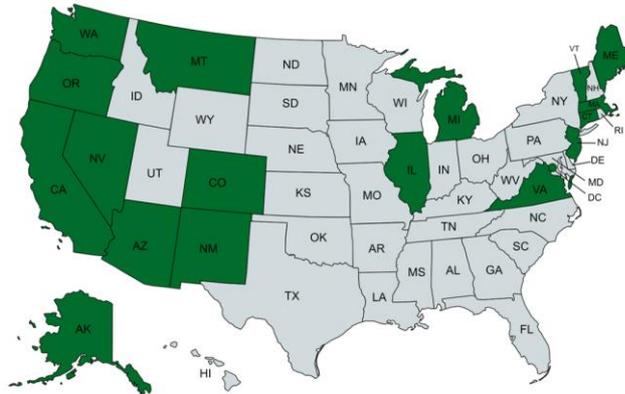
Consultancy agreement with HeteroGeneity, LLC, a leading consultancy focused on assisting companies achieve regulatory approval for new drug developments for use in the USA. Agreement will assist with US expansion for Halucenex’s botanical psilocybin products. Both parties will conduct a technology assessment to progress a development plan for a new botanical drug under pharmaceutical development for the US market. For further details, refer to ASX announcement lodged on 25 May 2021.



### **Favourable regulatory shifts:**

Significant regulatory changes over the half year have provided a more favourable operating landscape, as Creso Pharma seeks to grow its US presence. The following regulatory changes in New York State and California were passed during the half year:

- 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<sup>iv</sup> 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

In Australia, Creso welcomed the introduction of over the counter sales of low-dose CBD products in Australian pharmacies. The decision from the Therapeutic Goods Administration (TGA) has led to CBD products containing up to a maximum of 150mg/day for use by adults that have been approved by the TGA, to be sold by a pharmacist to customers without a prescription.

**-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

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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](http://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](http://www.halucenex.com)

## Forward Looking statements

This announcement contains forward-looking statements with respect to Creso 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 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 and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso has no obligation to up-date such statements, except to the extent required by applicable laws.

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<sup>i</sup> CAD to AUD exchange rate of \$1.0392

<sup>ii</sup> CHF to AUD exchange rate of \$1.4271

<sup>iii</sup> <https://globalpets.community/article/polish-pet-market-2020>

<sup>iv</sup> <https://www.marijuanamoment.net/california-senators-approve-bill-to-legalize-possession-of-psychedelics-like-lsd-mdma-and-psilocybin/>



## ASX APPENDIX 4D

### CRESO PHARMA LIMITED

ABN: 89 609 406 911

### RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 30 JUNE 2021

(Previous corresponding period is the half-year ended 30 June 2020)

KEY INFORMATION	30-Jun-21 \$	30-Jun-20 \$	% Change
Revenue from ordinary activities	<b>3,031,753</b>	1,453,528	109%
Loss from ordinary activities after tax attributable to members	<b>(18,966,748)</b>	(17,406,878)	(9%)
Net loss attributable to members	<b>(18,966,748)</b>	(17,406,878)	(9%)

#### DIVIDEND INFORMATION

No dividend has been proposed or declared.

NET TANGIBLE ASSETS PER SECURITY	30-Jun-21	30-Jun-20
Net tangible assets per security	<b>0.024</b>	0.016

LOSS PER SHARE	30-Jun-21 Cents	30-Jun-20 Cents
Basic earnings per share	<b>(1.85)</b>	(7.97)
Diluted earnings per share	<b>(1.85)</b>	(7.97)

#### CONTROL GAINED OR LOST OVER ENTITIES IN THE PERIOD

There have been no gains or losses of control over entities in the period ended 30 June 2021.



## **AUDIT QUALIFICATION OR REVIEW**

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

## **OPERATIONAL AND FINANCIAL RESULTS**

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Refer to the Directors Report for an explanation of the operational and financial results of the Company. This report is based on, and should be read in conjunction with, the attached financial report for the half-year ended 30 June 2021 for Creso Pharma Limited, which has been reviewed by BDO Audit Pty Ltd.



**CRESO**  
PHARMA

**CRESO PHARMA LIMITED**  
ACN 609 406 911

**HALF-YEAR FINANCIAL REPORT FOR**  
**30 JUNE 2021**

## Financial Report

### For the Half-year ended 30 June 2021

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2020 and any public announcements made by Creso Pharma Limited during the interim reporting period in accordance with the continuous disclosure requirements of ASX Listing Rules and the *Corporations Act 2001*.

## Corporate Directory

### Board of Directors

Mr Adam Blumenthal	(Non-Executive Chairman)
Dr James Ellingford	(Executive Director)
Mr Boaz Wachtel	(Non-Executive Director)

### Secretary

Ms Eryln Dale and Mr Winton Willesee, jointly

### Registered Office

Suite 5 CPC, 145 Stirling Highway  
Nedlands, WA 6009  
Australia

Telephone: +61 8 9389 3100  
Website: [www.cresopharma.com](http://www.cresopharma.com)

### European Office

Allmendstrasse 11,  
6312 Steinhausen  
Switzerland

Telephone: +41 41 710 4706

### Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: CPH)  
Listed on the Frankfurt Stock Exchange (FRA Code: 1X8)  
Listed on OTC Markets (OTCMKTS: COPHF)

### Auditors

BDO Audit Pty Ltd  
Level 11, 1 Margaret St  
Sydney, NSW 2000  
Australia

### Solicitors

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
Perth WA 6000

### Bankers

Westpac Banking Corporation  
Level 4, Brookfield Place, Tower Two  
123 St Georges Terrace  
Perth WA 6000

### Share Registry

Automatic Share Registry  
Level 2, 267 St Georges Terrace  
Perth WA 6000

Telephone: 1300 288 664 (from within Australia) or +61 2 9698 5414 (from outside Australia)

## Directors' Report

The Directors of Creso Pharma Limited ("Creso" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of Creso Pharma Limited and its controlled entities (the "Group") for the half-year ended 30 June 2021.

### DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr Adam Blumenthal	Non-Executive Chairman
Dr James Ellingford	Executive Director
Mr Boaz Wachtel	Non-Executive Director
Dr Miri Halperin Wernli	Director and Head of Technology, Innovation and Distribution (resigned 17 March 2021)

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were:

- a) to develop, register and commercialise pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments; and
- b) to cultivate, process and sell cannabis products.

### REVIEW AND RESULTS OF OPERATIONS

#### Overview

Creso's strategy is to develop and globally commercialise pharmaceutical-grade cannabis and hemp-derived products according to the highest GMP quality standards. Creso's innovative hemp derived nutraceutical products for human health and complementary feed products for animal health have been developed in innovative delivery technologies and are non-psychoactive containing no tetrahydrocannabinol (THC).

In addition, Creso, through its wholly-owned subsidiary Mernova Medicinal Inc (Mernova), cultivates and harvests cannabis plants and supplies dried cannabis plant products to Licenced Producers in Canada and for export.

Operations highlights, as announced by Creso during the current financial period, include:

#### Mergers and acquisitions

On 15 March 2021, the Company announced that it had signed an agreement to acquire Canadian psychedelics company Halucenex Life Sciences Inc. ("Halucenex") The acquisition was subject to conditions precedent which were met after the half-year end, further details can be found in Matters Subsequent to The Reporting Period on page 7.

On 17 June 2021, the Company announced that it had entered into a definitive agreement with Red Light Holland ("Red Light") to merge their business and create The HighBrid Lab. Subsequent to the end of the Reporting Period, on 31 August 2021, the Company announced that the proposed merger with Red Light Holland Corp. had been terminated.

## Directors' Report

### Capital management and Funding

On 11 January 2021, the Company announced that 10,000,000 options had been exercised into shares for a consideration of \$1,668,600, the issue of 24,000,000 Options (with various exercise prices ranging from \$0.235 to \$0.30, on or before 11 January 2023) to an independent consultant in lieu of cash fees for business development, promotion and marketing services and 2,800,000 options (\$0.40, 11 Jan 2023) issued to a service provider in lieu of cash fees for investor relation and marketing services.

On 15 January 2021, the Company announced that 4,000,000 options had been exercised into shares for a consideration of \$554,400.

On 22 January 2021, the Company issued 190,460,834 CPHOA listed options, exercisable at \$0.05 each on or before 22 January 2023.

Also on 22 January 2021, the Company announced 300,000 performance rights had been converted to shares for nil cash consideration upon achievement of certain vesting conditions by an employee.

On 5 February 2021, the Company announced that 16,376,638 CPHOA listed options had been exercised into shares for a consideration of \$818,832 and 1,304,348 shares were issued for nil consideration for investor relations and marketing services.

On 12 February 2021, the Company announced that 12,042,806 CPHOA listed options had been exercised into shares for a consideration of \$602,140.

On 19 February 2021, the Company announced that 3,070,979 CPHOA listed options had been exercised into shares for a consideration of \$153,549.

On 26 February 2021, the Company announced that 4,134,290 CPHOA listed options had been exercised into shares for a consideration of \$206,714.

On 19 March 2021, the Company announced that 24,692,921 CPHOA listed options had been exercised into shares for a consideration of \$1,234,646.

On 26 March 2021, the Company announced that 5,368,091 CPHOA listed options had been exercised into shares for a consideration of \$268,405 and an issue of 17,263,158 shares for the repayment of debt totalling \$3,280,000.

On 1 April 2021, the Company announced that 4,429,832 CPHOA listed options had been exercised into shares for a consideration of \$221,492, 2,000,000 shares were issued at a deemed value of \$400,000 for investor relations and marketing services and 94,736,843 shares were issued for a consideration of \$18,000,000 under a placement.

On 5 May 2021, the Company announced that 100,000 CPHOA listed options had been exercised into shares for a consideration of \$5,000.

On 11 June 2021, the Company announced that it had completed the US OTC dual listing and trading had commenced under the code COPHF.

## Directors' Report

### Financial Performance

The financial results of the Group for the half-year ended 30 June 2021 are:

	30-Jun-21	30-Jun-20
	\$	\$
Cash and cash equivalents	13,654,203	3,282,130
Net Assets	26,781,178	15,111,441
Revenue	3,031,753	1,453,528
Net loss after tax	(18,966,748)	(17,406,878)

The financial result for the half-year ended 30 June 2021 is a net loss after tax of \$18,966,748 (30 June 2020: \$17,406,878). As at 30 June 2021, the Group had a net cash balance of \$13,654,203 (31 December 2020: \$6,047,091) and net assets of \$26,781,177 (31 December 2020: \$13,652,171).

### COVID-19

The directors have considered, and as previously reported, the actual effects of the COVID-19 pandemic upon the Group's operations have been manageable, the timing and amounts of sales were not materially impacted during the half-year. The Board remains confident that the Company's strategies to develop its businesses in Canada and Switzerland will continue to adapt where necessary and progress toward their objectives. However, whilst ever the pandemic continues as at present, the Board is keenly aware of the potentially disruptive effects of it upon the Group's operations, as potential future effects upon customer demand for the Company's products and upon supply chains remain uncertain.

### IMPAIRMENT TESTING

The Board recognises that these are times to be prudent and cautious and, therefore, the Company implemented impairment assessments of its operating assets according to its accounting policies, which are detailed in the notes to the financial statements.

Specifically, the Company determined that the Mernova Facility and the R&D business in Switzerland were each separable Cash Generating Units ("CGU") which were subject to impairment assessment. Management's 5-year cashflow forecasts for each CGU have been carefully reviewed for known and anticipated risks and opportunities. Similarly, the discount rates applied to the forecasts, which were based upon operational and market risk assessments and assumptions, were determined to be reasonable and appropriate.

### DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in state of affairs during and subsequent to the end of the financial period include:

## Directors' Report

### MATTERS SUBSEQUENT TO THE REPORTING PERIOD

#### Mergers and acquisitions

On 15 July 2021, the Company announced that it had completed the acquisition of Halucenex Life Sciences Inc.

The consideration for the acquisition was as follows:

- \$538,155 in cash, paid on 14 July 2021
- 29,251,795 Creso shares (voluntarily escrowed to 14 January 2022), issued on 14 July 2021
- 17,551,077 Creso performance shares (voluntarily escrowed to 14 January 2022), issued on 14 July 2021, that will convert into fully paid ordinary shares if certain conditions are met within 12 months of the settlement of the acquisition. If the milestone is not met within 12 months, the performance shares will automatically convert into 17,551,077 shares upon expiry of the performance shares on 14 July 2022.

The acquisition has been determined to be an asset acquisition with a date of 14 July 2021, an estimate of the acquisition's financial effect on the Company is noted below:

	\$
Consideration in cash	538,155
Consideration in shares	<u>6,084,373</u>
Total consideration	6,622,528
Net liabilities acquired	(246,211)
Intellectual Property acquired	6,868,739

On 31 August 2021, the Company announced that the proposed merger with Red Light Holland Corp. ("Red Light") had been terminated. As part of the termination the Company will receive orders over the next two years totalling CAD\$170k and is required to pay a CAD\$400k settlement to Red Light.

#### Capital management and funding

On 9 July 2021, the Company announced the issue of 2,450,000 shares upon the exercise of 2,450,000 CPHOA Listed options at \$0.05, raising \$122,500.

On 14 July 2021, the Company issued 43,851,795 ordinary shares as detailed below:

- 500,000 shares issued for nil consideration to Director, Boaz Wachtel as a bonus payment for out-of-scope services over the past two years.
- 500,000 shares issued for nil consideration to Director, James Ellingford as a bonus payment for out-of-scope services over the past two years.
- 10,000,000 shares issued for nil consideration to the Head of Swiss International Operations, Jorge Wernli.
- 3,600,000 shares issued to EverBlu as part consideration for fees relating to the \$18 million placement announced on 1 April 2021.
- 29,251,795 shares issued (voluntary escrow until 14 January 2022) to Halucenex as part consideration for the acquisition, further details can be found above.

On 14 July 2021, the Company also announced the issue of 12,000,000 options (\$0.38, 14 July 2024) to EverBlu for out-of-scope corporate advisory services for an 18-month period commencing in January 2021 and the issue of 17,551,077 performance shares (\$Nil, 14 July 2022) to Halucenex as part consideration for the acquisition, further details can be found above.

On 30 July 2021, the Company announced the issue of 48,146,347 shares on the exercise of 48,146,347 options at \$0.05, raising \$2,407,317.

There have been no other matters or circumstances that have arisen since 30 June 2021 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

## Directors' Report

### AUDITOR'S INDEPENDENCE DECLARATION

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors,



**ADAM BLUMENTHAL**  
**NON-EXECUTIVE CHAIRMAN**  
31 August 2021

## DECLARATION OF INDEPENDENCE BY STEPHEN MAY TO THE DIRECTORS OF CRESO PHARMA LIMITED

As lead auditor for the review of Creso Pharma Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Creso Pharma Limited and the entities it controlled during the period.



Stephen May  
Partner

BDO Audit Pty Ltd

Sydney, 31 August 2021

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 30 June 2021

	Note	30-Jun-21 \$	30-Jun-20 \$
<b>Revenue from continuing operations</b>			
Revenue	4	3,031,753	1,453,528
Cost of sales		(2,002,566)	(962,029)
Gross profit before fair value adjustment		1,029,187	491,499
Fair value adjustment on sale on inventory		(1,283,357)	(56,651)
Fair value adjustment on growth of biological assets		(711,963)	(2,025,192)
Gross loss after fair value adjustment		(966,133)	(1,590,344)
<b>Other income</b>			
Other income	4	35,220	99,655
<b>Expenses</b>			
Administrative expenses		(564,066)	(650,198)
Compliance and regulatory expenses		(333,659)	(244,893)
Consultancy and legal expenses	5	(7,930,039)	(1,618,905)
Depreciation and amortisation expense		(127,327)	(427,504)
Employee benefit expenses	5	(1,785,926)	(1,211,054)
Finance Costs	5	(673,917)	(3,153,852)
Marketing and investor relations	5	(5,102,721)	(316,108)
Occupancy expenses		(16,543)	(53,294)
Share-based payment expense		(32,238)	(321,965)
Research and development costs		(39,377)	(255,683)
Other expenses		(402,968)	(103,387)
Impairment expense		-	(4,671,418)
Net loss on embedded derivative instruments at fair value through profit and loss		-	(2,418,793)
Loss on extinguishment of liabilities	13	(1,022,879)	-
Foreign exchange loss		(4,175)	-
Loss on disposal of non-controlling interest		-	(469,135)
<b>(Loss) from continuing operations before income tax</b>		<b>(18,966,748)</b>	<b>(17,406,878)</b>
Income tax expense		-	-
<b>(Loss) from continuing operations after income tax</b>		<b>(18,966,748)</b>	<b>(17,406,878)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		697,417	(615,737)
<b>Other comprehensive income for the period, net of tax</b>		<b>697,417</b>	<b>(615,737)</b>
<b>Total comprehensive loss attributable to the members of Creso Pharma Limited</b>			
		<b>(18,269,331)</b>	<b>(18,022,615)</b>
<b>Loss per share for the half-year attributable to the members of Creso Pharma Limited:</b>			
Basic loss per share (cents)	14	(1.85)	(7.97)
Diluted loss per share (cents)	14	(1.85)	(7.97)

The Consolidated Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30-June-21 \$	31-Dec-20 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	13,654,203	6,047,091
Trade and other receivables	7	2,214,950	636,720
Inventories	8	635,728	1,108,963
Biological assets	9	109,072	143,192
<b>Total current assets</b>		<b>16,613,953</b>	<b>7,935,966</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	10,236,339	9,907,853
Intangible assets	11	1,231,712	1,276,789
<b>Total non-current assets</b>		<b>11,468,051</b>	<b>11,184,642</b>
<b>Total assets</b>		<b>28,082,004</b>	<b>19,120,608</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,230,117	2,162,911
Provisions		70,710	49,772
Borrowings	13	-	3,255,754
<b>Total current liabilities</b>		<b>1,300,827</b>	<b>5,468,437</b>
<b>Total liabilities</b>		<b>1,300,827</b>	<b>5,468,437</b>
<b>Net assets</b>		<b>26,781,177</b>	<b>13,652,171</b>
<b>EQUITY</b>			
Issued capital	14	100,398,435	71,794,123
Reserves	15	10,141,933	23,858,528
Accumulated losses		(83,759,191)	(82,000,480)
<b>Total equity</b>		<b>26,781,177</b>	<b>13,652,171</b>

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2021

Group	Issued Capital	Share-Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>At 1 January 2021</b>	<b>71,794,123</b>	<b>23,557,350</b>	<b>301,178</b>	<b>(82,000,480)</b>	-	<b>13,652,171</b>
Loss for the year	-	-	-	(18,966,748)	-	(18,966,748)
Other comprehensive income	-	-	697,417	-	-	697,417
<b>Total comprehensive income/(loss) for the year after tax</b>	-	-	<b>697,417</b>	<b>(18,966,748)</b>	-	<b>(18,269,331)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of share capital	18,140,000	-	-	-	-	18,140,000
Issue of equity for services	2,856,000	2,602,066	-	-	-	5,458,066
Exercise of options	5,733,778	-	-	-	-	5,733,778
Issue of equity to extinguish liabilities (note 13)	4,143,158	159,721	-	-	-	4,302,879
Share-based payments	-	32,238	-	-	-	32,238
Expired/exercised options transfer	-	(17,208,037)	-	17,208,037	-	-
Share issue costs	(2,268,624)	-	-	-	-	(2,268,624)
<b>At 30 June 2021</b>	<b>100,398,435</b>	<b>9,143,338</b>	<b>998,595</b>	<b>(83,759,191)</b>	-	<b>26,781,177</b>
<b>At 1 January 2020</b>	<b>46,528,519</b>	<b>21,044,323</b>	<b>1,558,463</b>	<b>(51,482,304)</b>	<b>(375,041)</b>	<b>17,273,960</b>
Loss for the year	-	-	-	(17,406,878)	-	(17,406,878)
Other comprehensive income	-	-	(615,737)	-	-	(615,737)
<b>Total comprehensive income/(loss) for the year after tax</b>	-	-	<b>(615,737)</b>	<b>(17,406,878)</b>	-	<b>(18,022,615)</b>
Elimination of Non-Controlling Interests at disposal	-	-	-	-	375,041	375,041
<b>Transactions with owners in their capacity as owners:</b>						
Issue of share capital (note 14c)	2,037,141	-	-	-	-	2,037,141
Issue of shares for the acquisition of the sales licence	750,509	-	-	-	-	750,509
Conversion of convertible notes	912,064	-	-	-	-	912,064
Issue of share capital to creditors	1,333,500	-	-	-	-	1,333,500
Embedded derivative – convertible notes options	-	1,675,883	-	-	-	1,675,883
Share-based payments	-	321,965	-	-	-	321,965
Exchangeable shares issued for the acquisition of the sales licence	-	498,000	-	-	-	498,000
Share issue costs	(632,228)	-	-	-	-	(632,228)
<b>At 30 June 2020</b>	<b>50,929,505</b>	<b>23,540,171</b>	<b>942,726</b>	<b>(68,889,182)</b>	-	<b>(6,523,220)</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2021

	Note	30-Jun-21 \$	30-Jun-20 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,180,450	2,962,380
Payments to suppliers and employees		(15,860,655)	(5,414,796)
Payments for research expense		(39,626)	(325,751)
Interest received		-	324
Interest paid		(249,486)	(955)
<b>Net cash used in operating activities</b>		<b>(13,969,317)</b>	<b>(2,778,798)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(99,653)	(33,977)
Payments for intangibles		-	(112,233)
Loan to Halucenex		(369,328)	-
<b>Net cash used in investing activities</b>		<b>(468,981)</b>	<b>(146,210)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		18,000,000	1,409,995
Proceeds from exercise of options		5,733,778	-
Share issue costs		(1,434,191)	-
Proceeds from borrowings		-	3,292,667
Repayment of borrowings		(250,000)	(31,000)
Borrowing costs		-	(1,273,268)
<b>Net cash from financing activities</b>		<b>22,049,587</b>	<b>3,398,394</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,611,289</b>	<b>473,386</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>6,047,091</b>	<b>2,800,318</b>
Effect of exchange rate fluctuations on cash held		(4,177)	8,426
<b>Cash and cash equivalents at the end of the period</b>	6	<b>13,654,203</b>	<b>3,282,130</b>

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

## Notes to the Consolidated Financial Statements

### NOTE 1 CORPORATE INFORMATION

Creso Pharma Limited (referred to as “Creso” or the “Company”) is an ASX-listed public company domiciled in Australia. The address of the Company’s registered office and principal place of business is disclosed in the Corporate Directory of the half-yearly report.

The interim consolidated financial statements of the Company as at and for the period ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the “consolidated entity” or the “Group”). The Group is primarily involved in developing pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments.

These interim financial statements were authorised for issue by the Board of Directors on the date of signing the accompanying Directors’ Declaration.

### NOTE 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

#### 2.1 Basis of Preparation & Significant Events and Transactions

The half-year financial report is a general-purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group. Accordingly, the half-year financial report should be read in conjunction with the annual financial report of Creso Pharma Limited for the financial year ended 31 December 2020 and any public announcements made by the Group during the period 1 January 2021 to the date of this report in accordance with the continuous disclosure obligations of ASX Listing Rule 3.1 and the *Corporations Act 2001*.

Unless otherwise stated, all amounts are presented in Australian Dollars (“A\$” or “AUD”), which is the reporting currency of the Group.

#### (a) *Going Concern*

The half year 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 half year financial statements, the consolidated entity incurred a loss of \$18,966,748 (2020: \$17,406,878) and had net cash outflows from operating and investing activities of \$13,969,317 (2020: \$2,925,008) for the half-year ended 30 June 2021.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful with the following factors:

- The ability of the Group to raise additional funds from shareholders, new investors and debt markets. The Group has successfully conducted a number of capital raises in recent years and there is a reasonable expectation that alternative sources of funding can be sourced;
- Receipt of cash from the exercise of options which are in the money;
- Increased revenue from opportunities with existing and new customers and sales arrangements as they are realised into sales revenue in the Group’s Canadian and Switzerland operations; and
- Effective monitoring and reduction of the Group’s overhead expenditures, including the continued realisation of head office cost reductions.

## Notes to the Consolidated Financial Statements

### (a) *Going Concern (continued)*

In the event that the Group is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the consolidated entity and the Company not continue as going concerns.

### (b) *Impairment of Property, Plant & Equipment and Intangible Assets*

#### *Policy*

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

#### *Indicators of impairment*

At the end of each reporting period, the Group assesses whether there were events or changes in circumstances that would indicate that a Cash Generating Unit ("CGU") was impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

#### *Impairment Testing – Value-in-use*

Although the full nature and extent of the effect of the COVID-19 outbreak on the performance of the Company remains unknown, management performed an impairment test as at 30 June 2021 for the CGUs containing Property, Plant & Equipment and identifiable intangible assets.

Value-in-use is based on the estimated future cash flows using the most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. Cash flow forecasts are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping.

Impairment losses recognised on assets such as property, plant and equipment (PPE) and identifiable intangible assets are permitted to be reversed in subsequent reporting periods. The Directors closely monitor the Company's operating circumstances and are prepared to make further impairment adjustments or to reverse of some or all impairment adjustments to date as and when future impairment assessments indicate the need for them.

## **2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021 as noted in 2.3 and new accounting policies as noted in 2.4.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## Notes to the Consolidated Financial Statements

### 2.3 Summary of new and amended accounting standards

Several amendments and interpretations apply for the first time in 2021, The Group 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. These amendments do not have a material impact on the interim consolidated financial statements of the Group.

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

### 2.4 Summary of new and amended accounting policies

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021 listed above.

### 2.5 Summary of estimates and judgements

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 management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

There have been no material revisions to the nature and amount of estimates or amounts reported in the annual report for the financial year ended 31 December 2020. However, as discussed in Note 2.1, several significant events and transactions required significant judgments and estimates to be made, including:

- Assessing the Going Concern assumption used in the preparation of this interim financial report;
- Valuation of biological assets;
- Calculating the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end, and determining the amount of impairment attributable to the cash generating units; and
- Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period'). For disclosure of events after the reporting period, refer to Note 19.

## Notes to the Consolidated Financial Statements

### NOTE 3 SEGMENT INFORMATION

The Group require operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to the segments and to assess their performance. On this basis, the Group’s reportable segments under AASB 8 are as follows:

- Europe & Middle East includes Creso Pharma Switzerland GmbH (“Switzerland”) which includes the development and commercialisation of its therapeutic products – located in Switzerland. Creso Grow Limited – Joint venture located in Israel (Disposed on 7 May 2020).
- North America includes Creso Canada Corporate Limited, Creso Canada Limited, 3321739 Nova Scotia Limited, Mernova Medicinal Inc (“Mernova”), Kunna Canada Limited located in Canada.
- South America includes Kunna S.A.S. located in Colombia.
- Asia Pacific includes Creso Pharma Limited (“Creso”) which provides the Group’s corporate administration – located in Australia.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the group reports its primary segment information to the Board.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the group is managed and provides a meaningful insight into the business activities of the group.

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

	Asia Pacific	Europe & Middle East	North America	South America	Total
<b>Period ended 30 June 2021</b>					
Revenue from sale of products	-	1,333,509	1,698,243	-	3,031,753
Other revenue	10,461	712	24,048	-	35,220
Total segment revenue	10,461	1,334,221	1,722,291	-	3,066,973
Loss before income tax expense	(9,727,334)	(3,500,668)	(5,685,311)	(53,435)	(18,966,748)
Total segment assets	12,716,636	2,559,885	12,805,483	-	28,082,004
Total segment liabilities	(677,403)	(104,611)	(518,813)	-	(1,300,827)

	Asia Pacific	Europe & Middle East	North America	South America	Total
<b>Period ended 30 June 2020</b>					
Revenue from sale of products	-	1,196,891	256,637	-	1,453,528
Other revenue	71,116	-	21,782	-	92,898
Total segment revenue	71,116	1,196,891	278,419	-	1,546,426
Loss before income tax expense	(13,984,544)	(603,493)	(2,686,563)	(132,278)	(17,406,878)
Total segment assets	424,787	3,159,266	13,304,607	-	16,888,660
Total segment liabilities	(9,572,188)	-	(786,159)	(7,093)	(10,365,440)

## Notes to the Consolidated Financial Statements

<b>NOTE 4 REVENUE AND OTHER INCOME</b>	<b>30-Jun-21</b>	<b>30-Jun-20</b>
	\$	\$
<b>Revenue from continuing operations</b>		
Revenue from sale of products	<b>3,031,753</b>	1,453,528
	<b>3,031,753</b>	1,453,528
<i>Other income</i>		
Royalty income	<b>221</b>	9,110
Interest received	-	324
Foreign exchange gain	-	6,757
Lease income	<b>24,048</b>	-
Other income	<b>10,951</b>	83,464
	<b>35,220</b>	99,655
<b>NOTE 5 EXPENSES</b>	<b>30-Jun-21</b>	<b>30-Jun-20</b>
	\$	\$
<b>Consultancy and legal expenses</b>		
Consultancy fees	<b>2,230,208</b>	506,230
Business development, promotion and marketing services – options issued	<b>2,020,533</b>	-
Corporate advisory and strategic consulting services	<b>3,336,888</b>	498,825
Legal fees	<b>342,410</b>	613,850
	<b>7,930,039</b>	1,618,905
<b>Employee benefit expenses</b>		
Directors' fees	<b>361,621</b>	498,456
Directors' bonuses and other fees	<b>360,004</b>	-
Wages and salaries	<b>523,496</b>	386,593
Recruitment fees	<b>24,128</b>	3,932
Superannuation	<b>40,898</b>	44,440
Other employee expenses	<b>475,780</b>	277,633
	<b>1,785,926</b>	1,211,054
<b>Finance costs</b>		
Interest expense	<b>523,732</b>	349,880
Bank charges	<b>1,435</b>	890
Capital raising fees	<b>148,750</b>	1,654,883
Accretion of finance costs on convertible notes	-	1,148,199
	<b>673,917</b>	3,153,852
<b>Marketing and investor relations costs</b>		
Investor and media relations paid by cash	<b>1,059,796</b>	58,649
Marketing	<b>1,471,434</b>	257,459
US based marketing and media relations	<b>2,571,491</b>	-
	<b>5,102,721</b>	316,108
<b>NOTE 6 CASH AND CASH EQUIVALENTS</b>	<b>30-Jun-21</b>	<b>31-Dec-20</b>
	\$	\$
Cash at bank and in hand	<b>13,654,203</b>	6,047,091
	<b>13,654,203</b>	6,047,091

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made in varying periods between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

## Notes to the Consolidated Financial Statements

### NOTE 7 TRADE AND OTHER RECEIVABLES

	30-Jun-21	31-Dec-20
	\$	\$
Trade debtors	970,605	27,055
Input tax receivable	475,970	414,065
Loan to Halucenex	369,328	-
Other deposits and receivables	399,047	195,600
	<b>2,214,950</b>	<b>636,720</b>

#### *Allowance for expected credit losses*

There are no expected credit losses and no loss recognised in the income statement for the half-year ended 30 June 2021.

### NOTE 8 INVENTORIES

	30-Jun-21	31-Dec-20
	\$	\$
Finished goods – Medicinal cannabis packaged products	71,248	-
Finished goods – Harvested cannabis plant products	492,228	1,073,836
Finished goods – Consumables inventory	72,252	35,127
	<b>635,728</b>	<b>1,108,963</b>

### NOTE 9 BIOLOGICAL ASSETS

The Company's biological assets consist of 7,763 cannabis plants as at 30 June 2021 (9,480 cannabis plants as at 31 December 2020). The continuity of biological assets is as follows:

	30-Jun-21	31-Dec-20
	\$	\$
Carrying amount at 31 December 2020	143,192	423,672
Production costs capitalised	4,347,699	3,257,731
Movement in FVLCS due to biological transformation	(3,584,978)	(834,933)
Foreign exchange translation	6,358	(14,708)
Less: Transfer to inventory upon harvest	(803,200)	(2,688,570)
<b>Carrying amount at 30 June 2021</b>	<b>109,072</b>	<b>143,192</b>

The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. The expected cash flow model assumes the biological assets as at 30 June 2021 will grow to maturity, be harvested and converted into finished goods inventory and sold to Canadian and overseas customers.

The sales price used in the valuation of biological assets is based on the average expected selling price of cannabis products and can vary based on different strains being grown. Selling costs vary depending on methods of selling and are considered based on the expected method of selling and the determined additional costs which would be incurred. Expected yields for the cannabis plant is also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing.

The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

Management reviews all significant inputs based on historical information obtained as well as based on planned production schedules. Only when there is a material change from expected fair value used for cannabis does the Group make any adjustments to the fair value used. During the half-year period, the estimate for selling costs was increased to \$0.80 per gram (\$0.50 as at 31 December 2020). This has resulted in a relative decrease in the determined fair value per plant for the end of the period.

## Notes to the Consolidated Financial Statements

### NOTE 9 BIOLOGICAL ASSETS CONTINUED

#### Dried Flower

The dried flower model utilises the following significant assumptions:

	<b>Weighted Average 30 June 2021</b>	Weighted Average 31 December 2020
Weighted average of expected loss of plants until harvest	<b>1%</b>	10%
Expected yields for cannabis plants (average grams per plant)	<b>32</b>	30
Expected number of growing weeks	<b>12</b>	12
Weighted average number of growing weeks completed as a percentage of total growing weeks at period-end	<b>56%</b>	57%
Estimated selling price per gram	<b>C\$2.00</b>	C\$2.25
After harvest costs to complete and sell per gram	<b>C\$0.80</b>	C\$0.50
Reasonable margin on after harvest costs to complete and sell per gram	<b>C\$1.20</b>	C\$1.75

#### Shake

The shake model utilises the following significant assumptions:

	<b>Weighted Average 30 June 2021</b>	Weighted Average 31 December 2020
Weighted average of expected loss of plants until harvest	<b>1%</b>	10%
Expected yields for cannabis plants (average grams per plant)	<b>10</b>	24
Expected number of growing weeks	<b>12</b>	12
Weighted average number for growing weeks completed as a percentage of total growing weeks at period-end	<b>56%</b>	57%
Estimated selling price per gram	<b>C\$1.00</b>	C\$0.20
After harvest costs to complete and sell per gram	<b>C\$0.80</b>	C\$0.20
Reasonable margin on after harvest costs to complete and sell per gram	<b>C\$0.20</b>	C\$0.00

#### Sensitivity analysis

Assuming all other unobservable inputs are held constant, management has quantified the sensitivity of the inputs and determined the following:

- Selling price per gram – a decrease in the average selling price per gram by 10% would result in the biological asset value decreasing by \$23,400 and inventory decreasing by \$272,350.
- Harvest yield per plant – a decrease in the harvest yield per plant of 10% would result in the biological asset value decreasing by \$10,163.

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices, unanticipated regulatory changes, harvest yields, loss of crops, and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

#### Other disclosures

All cannabis, as finished good and biological assets, was not pledged as security for the Group's loans or borrowings in 2021 (2020: none).

At 30 June 2021, the Group had no commitments in relation to growing its cannabis (2020: nil).

## Notes to the Consolidated Financial Statements

### NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	30-Jun-21	31-Dec-20
	\$	\$
Opening net book amount	9,907,853	11,270,478
Additions	99,653	44,361
Disposals	-	(2,320)
Depreciation charge	(307,548)	(623,948)
Foreign exchange translation	536,381	(780,719)
Closing net book amount	<b>10,236,339</b>	9,907,853
Cost	<b>11,609,916</b>	10,973,883
Accumulated depreciation	<b>(1,373,577)</b>	(1,066,030)
Net book amount	<b>10,236,339</b>	9,907,853

### NOTE 11 INTANGIBLE ASSETS

	30-Jun-21	31-Dec-20
	\$	\$
Licences (Canadian) (a)	1,231,712	1,274,599
Licences (Colombian) (b)	-	-
Intellectual property (c)	-	2
Computer software (d)	-	2,188
	<b>1,231,712</b>	1,276,789

(a) Licences Canadian

Comprise the cannabis cultivation licence granted by Health Canada to Mernova Medicinal Inc in March 2019. The directors have considered the recoverability of the Canadian licence, particularly in light of the current share price. The Mernova facility commenced cultivation twelve months ago, and directors are confident in the growth prospects of the business.

(b) Licences Colombia

Comprise licences to conduct R&D, cultivate, extract and export cannabis products, granted in Colombia to Kunna S.A.S., prior to the company's acquisition by Creso. The licences remain current and able to be utilised but, as a prudent measure pending the Group's future investment and activities in Colombia and given no future forecasted cash flows and indicators of impairment, the carrying value of the licences was reduced to nil.

(c) Intellectual Property

Intellectual Property comprises trademarks, brands, and patents, under registration proceedings, as well as trade secrets and exclusive licence rights, all owned by Creso Pharma Switzerland GmbH.

(d) Computer software

Comprises bespoke software owned by Mernova Medicinal Inc for the management and valuation of biological assets.

## Notes to the Consolidated Financial Statements

### NOTE 11 INTANGIBLE ASSETS (CONTINUED)

#### Reconciliations

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

	Licences (Canadian) \$	Licences (Colombian) \$	Intellectual Property \$	Computer Software \$	Total \$
Consolidated					
<b>Balance at 1 January 2021</b>	1,274,599	-	2	2,188	1,276,789
Additions	-	-	-	-	-
Impairment	-	-	-	-	-
Foreign exchange translation	54,263	-	-	45	54,308
Amortisation expense	(97,150)	-	(2)	(2,233)	(99,385)
<b>Balance at 30 June 2021</b>	<u>1,231,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,231,712</u>
Consolidated					
<b>Balance at 1 July 2020</b>	3,540,692	-	927,287	9,776	4,477,755
Additions	2,131,298	-	-	-	2,131,298
Impairment	(3,935,119)	-	(736,299)	-	(4,671,418)
Foreign exchange translation	(266,683)	-	(48,339)	(270)	(315,292)
Amortisation expense	(195,589)	-	(142,647)	(7,318)	(345,554)
<b>Balance at 31 December 2020</b>	<u>1,274,599</u>	<u>-</u>	<u>2</u>	<u>2,188</u>	<u>1,276,789</u>

During the half-year period ended 30 June 2021, the Group recorded an impairment charge to Intangible Assets of Nil (2020: \$4,671,418).

## Notes to the Consolidated Financial Statements

### NOTE 11 INTANGIBLE ASSETS (CONTINUED)

#### *Impairment indicators*

As noted in Note 1(b), at the end of each reporting period, the Group assesses whether there were events or changes in circumstances that would indicate that a Cash Generating Unit (“CGU”) was impaired. The following factors were identified as impairment indicators:

- The Swiss segment of the Company’s business has been affected by changes in the regulations of its products in its principal markets in Europe, leading to the need to re-formulate the products and rediscuss them with its distribution partners for those markets. The market uptake of those re-formulated products remains uncertain and revenues in 2021 are expected to be adversely affected.
- The Mernova segment of the Company’s business is in its initial phase and therefore currently derives its revenues from a limited number of customers and distributors.

#### *Impairment Testing – Value-in-use*

##### *Mernova Cannabis Operations CGU*

The Group’s Mernova Cannabis operations CGU represents its operations dedicated to the cultivation, processing and sale of cannabis to both wholesale and retail customers. This CGU is attributed to the Group’s North America operating segment.

The impairment testing performed at 30 June 2021 supported the recoverable amount of the CGU and did not result in any further impairment loss.

##### *Switzerland Research & Development CGU*

The Group’s Switzerland Research & Development CGU represents its operations dedicated to the research and development of hemp and cannabis biotechnology, including the development of novel formulations and delivery forms, and the sale and distribution of hemp derived products. This CGU is attributed to the Company’s European operating segment. Impairment losses were recognized due to a change in overall industry/market conditions, changes in EU regulations resulting in a change in management’s forecast sales and profitability and a realignment and refocus of strategic plans to meet expected market demand.

The impairment testing performed at 30 June 2021 supported the recoverable amount of the CGU and did not result in any further impairment loss.

## Notes to the Consolidated Financial Statements

### NOTE 11 INTANGIBLE ASSETS (CONTINUED)

#### *Significant Judgements and Estimates*

The following key assumptions were used in the discounted cash flow model for each of the CGU's:

CGU	Mernova	Switzerland
Forecast period (a)	5 years	5 years
Terminal / Long-Term Revenue Growth Rate (b)	3% terminal rate	3% terminal rate
Discount Rate (c)	26%	50%

Assumption	Approach used to determine values
(a) Forecast period	<p>Budget period + growth estimates for periods beyond the budget period. Specific factors considered in the forecasts used in the impairment model:</p> <ul style="list-style-type: none"> <li>• Due to the impact of COVID-19, management have assumed moderate delays in the timing of expected growth.</li> <li>• The Mernova segment of the Company's business is in its initial phase and therefore currently derives its revenues from a limited number of customers and distributors. The loss of or significant decrease in business from any of those customers could affect Mernova's revenues and the Company's business until additional or alternative distribution/supply agreements are negotiated.</li> </ul>
(b) Terminal / Long-Term Growth Rate	<p>This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. Management have considered the impact of Covid-19 and determined that it is not expected to have a significant impact on the timing of expected growth. The long-term growth rate has been set at 3% to reflect the uncertainty in the forecast future cash flows beyond the budget period in each CGU.</p>
(c) Discount Rate	<p>The discount rate used in each CGU reflects management's estimate of the time value of money and the risks specific to the asset or CGU.</p>

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause a significant impact to the impairment model.

## Notes to the Consolidated Financial Statements

### NOTE 12 TRADE AND OTHER PAYABLES

	30-Jun-21	31-Dec-20
	\$	\$
Trade payables	232,260	633,923
Payables to related parties	-	250,000
Accrued expenses	883,738	757,885
Accrued expenses for related parties	29,694	377,409
Income in advance	-	57,160
Other payables	84,425	86,534
	<b>1,230,117</b>	<b>2,162,911</b>

### NOTE 13 BORROWINGS

	30-Jun-21	31-Dec-20
	\$	\$
Short-term loans	-	3,255,754
	-	3,255,754

### MOVEMENT IN SHORT-TERM LOANS

Balance at 1 January 2021	3,255,754
Interest charged	523,657
Loan repaid in cash	(250,000)
Interest paid in cash	(249,411)
Repaid by issue of shares (note 14)	(4,143,158)
Repaid by issue of options	(159,721)
Loss on extinguishment of liabilities	1,022,879
Balance at 30 June 2021	-

### NOTE 14 ISSUED CAPITAL

#### (a) Issued and fully paid

	30-Jun-21		31-Dec-20	
	No.	\$	No.	\$
Ordinary shares	<b>1,102,115,840</b>	<b>100,398,435</b>	902,295,934	71,794,123

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the shares held.

#### (b) Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share (EPS) computations:

	30-Jun-21	31-Dec-20
Basic loss per share (cents)	<b>(1.85)</b>	(8.30)
Diluted loss per share (cents)	<b>(1.85)</b>	(8.30)
Weighted average number of ordinary shares outstanding during the year used to calculate basic EPS	<b>1,026,080,200</b>	370,624,639
Loss from continuing operations used to calculate basic EPS and diluted EPS	<b>(18,966,748)</b>	(30,779,581)

Options are not considered dilutive as they are currently out of the money.

## Notes to the Consolidated Financial Statements

### NOTE 14 ISSUED CAPITAL (CONTINUED)

#### (c) Movement in issued shares

	Number	\$
<b>At 1 January 2021</b>	<b>902,295,934</b>	<b>71,794,123</b>
Issue of shares under Placement	94,736,843	18,140,000
Issue of shares for services	3,304,348	2,856,000
Issue of shares to extinguish liabilities (note 13)	17,263,158	4,143,158
Exercise of options and performance rights	84,515,557	5,733,778
Less: share issue costs	-	(2,268,624)
<b>At 30 June 2021</b>	<b>1,102,115,840</b>	<b>100,398,436</b>
	<b>Number</b>	<b>\$</b>
<b>At 1 January 2020</b>	174,117,250	46,528,519
Issue of shares	391,368,148	12,474,140
Issue of shares in lieu of cash payment of the Mernova Milestone 2 Cash Consideration	15,010,185	750,509
Exercise of options	17,798,000	-
Conversion of convertible notes	146,415,522	6,900,169
Issue of shares for services	98,031,502	6,472,589
Issue of shares to settle convertible note	39,518,900	1,417,526
Issue of shares to extinguish liabilities	3,436,427	89,347
Exchange of Exchangeable Preferred Shares	16,600,000	3,235,682
Less: Equity raising costs	-	(6,074,358)
<b>At 31 December 2020</b>	<b>902,295,934</b>	<b>71,794,123</b>

#### *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.

## Notes to the Consolidated Financial Statements

<b>NOTE 15 RESERVES</b>	<b>30-Jun-21</b>	<b>31-Dec-20</b>
	<b>\$</b>	<b>\$</b>
Share-based payments (i)	<b>9,143,338</b>	23,557,350
Foreign currency translation reserve (ii)	<b>998,595</b>	301,178
	<b>10,141,933</b>	<b>23,858,528</b>
<b><u>Movement reconciliations</u></b>		
<b>Share-based payments reserve</b>		
<b>Balance at the beginning of the year</b>	<b>23,557,350</b>	21,044,323
Equity settled share-based payment transactions	<b>32,238</b>	179,216
Conversion of convertible notes	-	1,468,909
Issue of equity to settle convertible notes	-	232,522
Issue of options for services	<b>2,602,066</b>	1,715,616
Issue of options to extinguish liability	<b>159,721</b>	221,003
Unlisted options issued	-	935,443
Issue of exchangeable shares for the Mernova Milestone 2 Consideration	-	996,000
Expired/exercised options transfer	<b>(17,208,037)</b>	-
Exchangeable of Exchangeable Preference Shares	-	(3,235,682)
<b>Balance at the end of the year</b>	<b>9,143,338</b>	<b>23,557,350</b>
<b>Foreign currency translation reserve</b>		
<b>Balance at the beginning of the year</b>	<b>301,178</b>	1,558,463
Effect of translation of foreign currency operations to group presentation	<b>697,417</b>	(1,257,285)
<b>Balance at the end of the year</b>	<b>998,595</b>	<b>301,178</b>

(i) **Share-based payment reserve**

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

(ii) **Foreign currency translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

## Notes to the Consolidated Financial Statement

### NOTE 16 CONTINGENCIES

There are no contractual commitments or contingent liabilities at 30 June 2021 (31 December 2020: Nil).

### NOTE 17 RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

During the half-year period ended 30 June 2021, the Group had transactions with related parties as follows:

	30-Jun-21	30-Jun-20
	\$	\$
<b>EverBlu Capital Pty Ltd</b> - a company of which Adam Blumenthal is the Chairman		
Capital raising fees	1,533,766	622,562
Legal fees	-	77,500
Monthly retainer - corporate advisory	66,000	140,000
Monthly retainer - transactions	66,000	40,000
IRESS service fees	2,208	2,676
Out-of-scope fees	660,000	544,318
Facilitation fee	275,000	-
Business development and investor relations	440,000	-
Debt restructuring	605,000	-
Cash component of share issue	-	64,478
Amount payable to Creso	-	(50,000)
	<b>3,647,974</b>	<b>1,441,533</b>
<b>Balance owing to EverBlu Capital Pty Ltd at 30 June</b>	-	177,182
<b>Balance owing to Creso at 30 June</b>	-	-
<b>Suburban Holdings Pty Ltd</b> – related party		
Draw down fees	-	60,000
Payment to extinguish short-term loan	250,000	-
<b>Balance owing at 30 June</b>	-	-
<b>Tranche 1 Convertible Notes</b>		
Amount drawn down by Creso	-	(1,500,000)
Face value of amount owing to Suburban Holdings	-	1,666,667
<b>Anglo Menda Pty Ltd</b> – related party		
Short term loans to Creso	-	61,000
Cash component of share issue	-	39,000
<b>Balance owing at 30 June</b>	-	39,000
<b>International Water and Energy Savers Ltd</b> - a company controlled by Boaz Wachtel		
Director's Fees for Boaz Wachtel	52,143	22,500
<b>Balance owing to International Water and Energy Savers Ltd at 30 June</b>	-	5,000
<b>WHP Management Consulting</b> - a company controlled by Mariam and Jorge Wernli		
Monthly fee	235,253	-
Bonus	100,000	-
<b>Balance owing to WHP Management Consulting at 30 June</b>	-	-

## Notes to the Consolidated Financial Statement

### NOTE 17 RELATED PARTY TRANSACTIONS (CONTINUED)

Other Share and Option Transactions with KMP Related Parties			
		Half-year to 30 June 2021	
	Date	Shares	Options
<b>EverBlu Capital Pty Ltd</b>			
Issue of shares for \$18,000,000 capital raising <sup>(i)</sup>	24-Jun-21	3,600,000	-
Issue of options for out-of-scope fees <sup>(i)</sup>	24-Jun-21	-	12,000,000
<b>Total</b>		<b>3,600,000</b>	<b>12,000,000</b>
<b>International Water and Energy Ltd</b>			
Issue of shares to Boaz Wachtel <sup>(i)</sup>	24-Jun-21	500,000	-
<b>Total</b>		<b>500,000</b>	<b>-</b>
<b>Jorge Wernli</b>			
Issue of shares <sup>(i)</sup>	24-Jun-21	10,000,000	-
<b>Total</b>		<b>10,000,000</b>	<b>-</b>
<b>James Ellingford</b>			
Issue of shares <sup>(i)</sup>	24-Jun-21	500,000	-
<b>Total</b>		<b>500,000</b>	<b>-</b>

(i) Shares and options were valued in the year per AASB 2 but were not issued until after the year end.

Other Share and Option Transactions with KMP Related Parties			
		Half-year to 30 June 2020	
	Date	Shares	Options
<b>EverBlu Capital Pty Ltd</b> <sup>(ii)</sup>			
Issue of Shares to EverBlu	11-Feb-20	2,128,387	-
Issue of CPHOPT20 Options	12-Feb-20	-	2,128,387
Issue of Shares - New L1 Con Note Facility	28-May-20	4,500,000	-
Issue of Shares - Corporate Advisory Mandate	28-May-20	2,000,000	-
Issue of CPHOPT29 Options - New L1 Con Note Facility	2-Jun-20	-	4,000,000
Issue of CPHOPT30 Options - Corporate Advisory Mandate	2-Jun-20	-	8,000,000
<b>Total</b>		<b>8,628,387</b>	<b>14,128,387</b>
<b>Suburban Holdings Pty Ltd</b>			
Issue of Collateral Shares	11-Feb-20	3,333,334	-
Issue of Tranche Fee Shares	11-Feb-20	261,780	-
Issue of Additional Tranche 1 Collateral Shares - Suburban	23-Jun-20	15,000,000	-
<b>Total</b>		<b>18,595,114</b>	<b>-</b>

#### Terms and conditions

All transactions with related parties were reviewed by the Board and were made on normal commercial terms and conditions and at market rates.

### NOTE 18 DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the half-year ended 30 June 2021.

## Notes to the Consolidated Financial Statement

### NOTE 19 EVENTS AFTER THE REPORTING DATE

#### Mergers and acquisitions

On 15 July 2021, the Company announced that it had completed the acquisition of Halucenex Life Sciences Inc.

The consideration for the acquisition was as follows:

- \$538,155 in cash, paid on 14 July 2021
- 29,251,795 Creso shares (voluntarily escrowed to 14 January 2022), issued on 14 July 2021
- 17,551,077 Creso performance shares (voluntarily escrowed to 14 January 2022), issued on 14 July 2021, that will convert into fully paid ordinary shares if certain conditions are met within 12 months of the settlement of the acquisition. If the milestone is not met within 12 months, the performance shares will automatically convert into 17,551,077 shares upon expiry of the performance shares on 14 July 2022.

The acquisition has been determined to be an asset acquisition with a date of 14 July 2021, an estimate of the acquisition's financial effect on the Company is noted below:

	\$
Consideration in cash	538,155
Consideration in shares	<u>6,084,373</u>
Total consideration	6,622,528
Net liabilities acquired	(246,211)
Intellectual Property acquired	6,868,739

On 31 August 2021, the Company announced that the proposed merger with Red Light Holland Corp. ("Red Light") had been terminated. As part of the termination the Company will receive orders over the next two years totalling CAD\$170k and is required to pay a CAD\$400k settlement to Red Light.

#### Capital management and funding

On 9 July 2021, the Company announced the issue of 2,450,000 shares upon the exercise of 2,450,000 CPHOA Listed options at \$0.05, raising \$122,500.

On 14 July 2021, the Company issued 43,851,795 ordinary shares as detailed below:

- 500,000 shares issued for nil consideration to Director, Boaz Wachtel as a bonus payment for out-of-scope services over the past two years.
- 500,000 shares issued for nil consideration to Director, James Ellingford as a bonus payment for out-of-scope services over the past two years.
- 10,000,000 shares issued for nil consideration to the Head of Swiss International Operations, Jorge Wernli.
- 3,600,000 shares issued to EverBlu as part consideration for fees relating to the \$18 million placement announced on 1 April 2021.
- 29,251,795 shares issued (voluntary escrow until 14 January 2022) to Halucenex as part consideration for the acquisition, further details can be found above.

On 14 July 2021, the Company also announced the issue of 12,000,000 options (\$0.38, 14 July 2024) to EverBlu for out-of-scope corporate advisory services for an 18-month period commencing in January 2021 and the issue of 17,551,077 performance shares (\$Nil, 14 July 2022) to Halucenex as part consideration for the acquisition, further details can be found above.

On 30 July 2021, the Company announced the issue of 48,146,347 shares on the exercise of 48,146,347 options at \$0.05, raising \$2,407,317.

There have been no other matters or circumstances that have arisen since 30 June 2021 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

## Directors' Declaration

In the directors' opinion:

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
  - a. Complying with Australian Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year then ended.
2. 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 declaration is made in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



**ADAM BLUMENTHAL**  
**NON-EXECUTIVE CHAIRMAN**  
31 August 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Creso Pharma Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Creso Pharma Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 2.1(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

#### Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*BDO*  
BDO Audit Pty Ltd



Stephen May  
Partner

Sydney, 31 August 2021