



1 August 2022

QUARTERLY ACTIVITIES REPORT – 30 June 2022

Highlights:

- Total group revenue of A\$1,571,874 generated for the quarter – underpinned by ongoing expansion of international footprint and recreational cannabis sales growth
- Q2 revenue takes Creso Pharma’s unaudited group revenue in H1 to A\$4,314,308
- H1 2022 unaudited revenue highlights a 42% increase on the previous corresponding period (PCP) (H1 2021: A\$3,031,753)
- H1 2022 unaudited revenue does not include contributions from Sierra Sage Herbs LLC., which generated US\$1.1m in gross revenue during Q1 2022
- Net cash used in operating activities decreased 45% from A\$3,675,000 in the previous quarter to A\$2,008,000 for this period
- Subsequent to the end of the period, Creso Pharma secured firm commitments to raise A\$7m through an equity capital raising
- A further \$25m of debt funding has been proposed by NYC-based Obsidian Global Partners, LLC, by the execution of a non-binding termsheet (subject to due diligence and execution of definitive documents), as follows:
 - \$2.5m of debt to be drawn down upon execution of definitive documents
 - \$2.5m to be drawn down upon shareholder approval
 - \$20m debt draw down facility
- Upon completion of the placement and utilising some of the potential funding facility is expected to provide Creso Pharma with sufficient cash reserves to support the Company through to cash flow positive position
- Creso Pharma expects to be well placed with debt and equity funding going forward to progress an entry into the US market
- The Company is focused on reducing its operating expenditure and anticipates to reach a cash flow positive position within the next 9-12 months
- As announced on 29 July 2022, Creso has entered into a non-binding Term Sheet with Health House Limited to acquire all the shares in HHI (subject to due diligence and execution of a binding Scheme Implementation Deed) through the issue of such number of fully paid ordinary shares in the capital of Creso Pharma based on a maximum equity value for Health House of \$4,630,388, subject to adjustments for the debt position of Health House (to be agreed).
 - To end of Q3 FY 2021/22 Health House recorded \$10.950m in cash receipts.
 - Creso will immediately seek to reduce significant costs on the HHI business in order to fast track it to profitability. This includes the removal of all corporate overheads, reduction in headcount, sales, manufacturing, distribution costs.



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

- **A\$1,091,434 in unaudited revenue generated representing a 17% on the PCP – Mernova unaudited H1 revenue now totals A\$2,586,792, which is a 561% increase on the PCP**
- **Increased product uptake driven by introduction of new strains and purchase orders from provincial partners**
- **First purchase orders received for new Mac 1 and Grape Cream Cake strains from the province of Saskatchewan and the Yukon, with maiden sales of Monkey Berries strain secured in Nova Scotia**
- **Upgrades to the Company’s grow rooms resulted in a harvest of 47.5kg for the *Lemon Haze* strain – marking a 84% increase on the average volume of 24 previous harvests**
- **Increased yield to results in lower cost per gram growing cost and provides an increased inventory to progress sales**
- **Maiden purchase order for *Ritual Gold* vaporiser produced secured in Saskatchewan marking the launch of the new range**
- ***Ritual Gold* vaporisers utilise dried flower not fit for retail sale and provide Creso Pharma with access to a market expected to grow to US\$15.77Bn by 2028ⁱ**
- **Black Mamba strain secures third place in the Cannabis NB Cup – a national competition that seeks cannabis strains from Canada’s best growers**
- **Black Mamba and Mac 1 strains are also now participating in the Ontario Cannabis Stores (‘OCS’) retail flow through program**
- **OCS flow through program allows cannabis retailers increased ability to stock Mernova’s products – streamlining the Company’s distribution and province reach**
- **Creso Pharma’s distribution agent, Great North Distributors continues to drive attention to Mernova’s products at retail locations**
- **Subsequent to the end of the period, Mernova generated nearly A\$100,000 in sales through the OCS flow through program in the first two weeks use**
- **Additional products to be submitted to the OCS for approval, which is expected to increase sales volumes**

Creso Switzerland – Nutraceutical division (Europe):

- **LOI secured with Laboratorios Brouwer to broaden LATAM market sales footprint**
- **Laboratorios Brouwer is a leading manufacturer and supplier of products for animal health and animal nutrition for companion animals and livestock**
- **LOI will progress the commercialisation and sale of Creso Pharma’s anibidiol® products targeting initially Argentina, Chile, Perú, Brazil, Colombia and Mexico**
- **The Latin American Companion Animal Healthcare Market is estimated at a value of US\$1.84Bn in 2022 and estimated to reach US\$2.47Bn by the end of 2027ⁱⁱ.**
- **Post quarter end, LOI secured with Seoul-based Providence Animal Health Korea Ltd to work towards the registration, importation and commercialisation of anibidiol® products in South Korea**



- Providence Animal Health Korea Ltd is a leading B2B and B2C provider of pet food and pet health products – LOI provides additional international expansion opportunities and a large addressable market

Halucenex Life Sciences Inc. (“Halucenex”):

- Import permit secured from Health Canada for the import of one kilogram psilocybe cubensis
- Halucenex to leverage the permit by importing one kilogram of dried Jamaican grown psilocybe cubensis from Grogenex JA Ltd.
- Psilocybe cubensis to be used in R&D initiatives surrounding the refinement of extraction and formulation techniques for drug development
- Established relationship with Grogenex provides the Company with an established partner in the sector and access to Jamaican mushroom genetics and products
- Supply of goods agreement secured with Optimi Health Copy. (‘Optimi’) – a leading Canadian company focused on producing and supplying natural, EU-GMP grade psilocybin and functional mushrooms
- Under the agreement, Halucenex will initially test Optimi’s whole dried mushrooms fruiting bodies to validate the quality and physical characteristics
- Following completion of the testing, the products will be utilised for ongoing product development with a focus on the post traumatic stress disorder and anxiety

Sierra Sage Herbs LLC – US CBD:

- Footprint into traditional bricks and mortar stores across the US increased considerably
- The expansion added to SSH’s leading list of stockists which includes CVS, Walgreens, Rite Aid, Albertsons Companies, Whole Foods, Walmart, Amazon US and Target.com
- New point of sale display introduced under the ‘Destination First Aid’ campaign
- Campaign includes innovative new product sizes for bestselling Green Goo products targeting dry skin, cold flu and allergy relief, as well as natural pain relief
- Heads of Agreement signed with Australia’s leading tattoo post care products company Dr Pickles providing a potential pathway into the Australian body care market
- Dr Pickles distribution footprint includes Woolworths stores nationally, pharmacies, barber shops and over 800 tattoo studios
- Creso Pharma and Dr Pickles are working towards entering into and implementing a formal Collaborative Agreement
- Products to be selected from the extensive Sierra Sage Herbs (“SSH”) range with initial focus on SSH’s innovative, plant-based tattoo post care and sunscreen salves
- Heads of Agreement (‘HoA’) secured with China Chemical & Pharmaceutical Co., Ltd.(“CCPC”) for the introduction of SSH products to the Taiwanese animal healthcare market
- CCPC is focused on innovation, research & development, and manufacturing of pharmaceutical and healthcare products for use in humans and animals



- **Products to be selected from SSH range with initial focus on the innovative plant-based Animal First Aid**
- **HoA provides the potential for Creso Pharma and CCPC to expand the range of current and future products for collaboration**

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 2022 (the 'quarter'), together with its Appendix 4C Quarterly Cash Flow Report.

Commentary:

Chief Executive Officer and Managing Director, William Lay said: *"Creso Pharma has delivered significantly increased revenues over the first half of 2022, when compared to the first H1 2021. Mernova in particular has performed strongly, while also undertaking a number of steps to drive potential growth in the back half of the year. Additionally, the anticipated closing of the Sierra Sage Herbs transaction in August is expected to further augment the group's growing revenue base.*

"Alongside success on the revenue side, the Creso group has continued to identify and eliminate operating costs from its various divisions and corporate function, resulting in narrowing cash outflows from operations. The Board and management team remain committed to driving the business to a cash flow positive position on an accelerated basis, while continuing to grow revenues. We have built a business with a diverse product suite and geographical presence, and will continue to focus on delivering the highest quality to our global customers.

"Most recently, the Company's successful capital raising and potential debt facility are expected to provide Creso Pharma with the financial flexibility to reach a cash flow positive position. The Company will focus carefully on capital allocation, with the goal of unlocking long term returns to shareholders. We will continue to invest in high-returning, value accretive internal opportunities, international expansion initiatives, while also carefully undertaking select M&A transactions.

"The Board and management believe that Creso Pharma is now exceptionally well placed for the second half of the year and look forward to updating investors as the year progresses and additional developments materialise."

Financial and corporate overview:

Total group revenue for the quarter was A\$1,571,874, underpinned by Mernova's sales into new and existing provinces, as well as revenue generated by Creso Pharma Switzerland. This takes total revenue generated during the half to A\$4,314,308 and highlights a 42% increase on the PCP (H1 2021: A\$3,031,753).

Net cash in operating activities for the quarter were A\$2,008,000, which highlights a 45% reduction on the last quarter (Q1 CY2022: A\$3,675,000). This follows a rigorous assessment of expenditure across all operating divisions, while maintaining a focus on international expansion opportunities and additional growth objectives.

Subsequent to the end of the period, the Company secured firm commitments from institutional, professional and sophisticated investors to raise approximately A\$7m through the issue of 175m new fully paid ordinary shares at an issue price of \$0.04 per share, including commitments totaling \$1,740,000 from related parties (subject to shareholder approval). A further \$25m of debt funding



has been proposed by NYC-based Obsidian Global Partners, LLC, by the execution of a non-binding termsheet (subject to due diligence and execution of definitive documents), as follows:

- \$2.5m of debt to be drawn down upon execution of definitive documents
- \$2.5m to be drawn down upon shareholder approval
- \$20m debt draw down facility

Upon completion of the equity raise and without fully drawing down on the potential proposed funding facility, Creso anticipates to have sufficient cash reserves (without exceeding 50% of the draw down facility) to support the group to cash flow positive. In addition, it is expected that the new potential debt and equity funding should allow the Company to progress a number of additional opportunities, including expansion in the US market through Mernova and SSH, completion of the proposed SSH acquisition and scale up, as well as ongoing R&D and product development.

Operational overview:

Mernova Medicinal Inc. – Cannabis cultivations and sales division:

During the quarter, unaudited revenue generated from Mernova was A\$1,091,434 representing a 17% upside in comparison to Q2 2021.

After achieving its first sales into Saskatchewan in Q1 2022, Mernova secured an additional purchase order ('PO') from the province during the period which included orders for its new strains, Mac 1 and Grape Cream Cake in a 3.5g dried flower format. The value of the PO received from Saskatchewan totalled C\$64,922 with C\$13,680 of that coming from the new strains.

The Company also secured its first purchase order for its *Ritual Gold* vaporiser products, marking the launch of the new range. Received from the Weed Pool Cannabis Cooperative ('Weed Pool') in Saskatchewan, the PO is valued at C\$10,560 for 40 cases of 1g Lemon Haze vaporisers. Mernova's *Ritual Gold* range is the Company's handheld vaporiser product that provides an entry point to the rapidly growing cannabis vaporiser market, which is expected to grow to US\$15.77Bn by 2028ⁱⁱⁱ. The *Ritual Gold* range utilises Mernova's top-quality, indoor grown, hand trimmed, hang dried, cured, artisanal, high-THC, craft cannabis flower. The new 1g products use cannabis trim and other biomass of Lemon Haze, which are not optimal for retail sale.

At Mernova's state of the art, 24,000 sq. ft. cannabis cultivation facility in Nova Scotia, recent upgrades to grow rooms resulted in further increases to cannabis yields as witness through the latest harvest of its *Lemon Haze* strain. The recent harvest and increased yields highlight the successful implementation of the Company's strategy to bolster its total cannabis dried flower for sale, while reducing the cost of growing on a per gram basis.

Mernova's leading *Ritual Green* products were recognised during the quarter, securing a top three placing in the Cannabis NB Cup. The Cannabis NB Cup is a national competition, where cannabis producers are requested to submit their top products to the province of New Brunswick. The products are then distributed via 600 judging kits which include 3.5 g of product from eight different producers, alongside a judging book. Mernova's Black Mamba strain was submitted in the indica category and achieved Honorable Mention award for Third Highest Overall Score providing additional recognition for the Company as well as credibility to the quality the *Ritual Green* products are built on.



Mernova's participation in the Ontario Cannabis Store's ('OCS') flow through process during the quarter is also expected to provide the company with an increased presence in the province with the potential to result in sales growth. The OCS's flow through process is the recently introduced framework which now allows retail outlets in Ontario to submit demand allocations to the province, which then amalgamates the allocations and submits a PO on behalf of retailers. After successfully submitting certain strains to the OCS, retail outlets are now able to have direct access to Mernova's products through a specialised distribution portal, ensuring each shop can order to their desired capacity with no minimum order volumes.

Subsequent to the end of the period, the Company tendered its first 150 cases of Company \ (containing 24 pouches each) of its Black Mamba strain to retailers in a 3.5g dried flower format. During its first two weeks of the OCS program, the Company successfully sold 201 cases (total of 4,824 units) which has generated two purchase orders valued at almost A\$100,000.

Black Mamba sales will also be complemented by the introduction of Mernova's Mac-1 strain. Mac-1 will be launched through the platform in the first week of August and has the potential to drive further sales, as well as allow Mernova to increase its market share in Ontario.

Creso Pharma Switzerland (CPS) – Nutraceutical division (International operations):

CPS achieved listing on three new Swiss and European focused distribution platforms for its products, as well as an initial SSH product. These included FAIRE, Visable and Migros Galxus, The products are currently in the process of being included and launched across all three platforms, which could provide potential revenue generating opportunities. Of particular focus is Migros Galaxus, which is the second largest supermarket and retailer in Switzerland.

CPS continued its international expansion efforts during the quarter securing an LOI with Laboratorios Brouwer to broaden the Company's LATAM market sales footprint (ASX announcement: 1 April 2022). Progressing the commercialisation and sale of Creso Pharma's anibidiol® products, the initial target countries include Argentina, Chile, Perú, Brazil, Colombia and Mexico. Laboratorios Brouwer is a leading manufacturer and supplier of products for animal health and animal nutrition for companion animals and livestock and has commercialised over 150 products to ISO and GMP certifications, 600 product licenses, considerable manufacturing capacity and distributor relationships in the region. Expansion is expected to provide Creso Pharma with a new market opportunity for the animal health business.

Increasing the Company's exposure to the large, addressable market in Latin America, it is estimated that there are 187 million pets in Latin America, which represents a growth of 17% in the pet population since 2017. The side of the Latin American Companion Animal Healthcare Market (including nutritional supplements) is estimated at a value of US\$1.84Bn in 2022 and estimated to reach US\$2.47Bn by the end of 2027 with a growing potential of 6.12% during the forecast period 2022 to 2027¹. Creso Pharma will also leverage Brouwer's access to over 50,000 veterinarians in the intended target markets to drive potential sales growth. The Company expects that commercialisation and sale into the new territories will commence during H2 CY2022.

Subsequent to the end of the quarter, the Company's Swiss division also signed a non-binding, non-exclusive Letter of Intent ("LOI") with Providence Animal Health Korea Ltd ("Providence Animal Health Korea") to work towards the registration, importation and commercialisation of Creso Pharma's anibidiol® product suite for the South Korean market (ASX announcement: 12 July 2022).



Providence Animal Health Korea is a leading supplier of pet food products in the South Korean market. The group has an established customer base across B2B and B2C verticals. Through its B2B channels it covers a number of veterinarian clinics, veterinarians and animal health shops in South Korea, with a focus on high-end prescription diets and pet foods. The group also has a strong consumer following through its established e-commerce channels.

Halucenex Life Sciences Inc.

Halucenex was awarded its import permit from Health Canada during the quarter which allows for the importation of one kilogram of psilocybe cubensis (ASX announcement: 10 May 2022). The permit will be utilised by Halucenex to import one kilogram of dried Jamaican grown psilocybe cubensis from Grogenex JA Ltd. ("Grogenex"), which equates to 20g of psilocybin to be used for ongoing R&D initiatives to refine extraction and formulation techniques for drug development. Importing psilocybe cubensis will provide Halucenex with sufficient inventory while there is an ongoing bottleneck in supply.

Grogenex is a specialist consulting partner for licenced producers in the cannabis and psychedelics sector. Grogenex is comprised of a specialist growing team from multiple provinces and countries, with expertise in various styles of cultivation from large scale commercial to small batch craft.

In addition to the importing of the psilocybe cubensis, Halucenex and Grogenex have entered into a non-material consultation and supply agreement, under which the Company has paid C\$22,750 with an additional C\$22,750 payable on the day starting material for R&D purposes will be shipped to Halucenex. The establishing of this relationship with Grogenex provides Creso Pharma with access to Jamaican mushroom genetics and products and has the potential to streamline future import initiatives for the Company and secure future additional supply of psilocybe cubensis as required.

In May 2022, Halucenex entered into a supply agreement with leading psychedelics cultivator Optimi Health Corp. ('Optimi') where Optimi will provide Halucenex with psilocybin-containing mushrooms, in the form of whole dried mushrooms fruiting bodies. Optimi is a Canadian company focused on producing and supplying natural, EU-GMP grade psilocybin and functional mushrooms for health and wellness markets (ASX Announcement: 31 May 2022).

Initially, Halucenex will utilise the Products to validate the quality and physical characteristics of the Products and for validation of its testing and operating procedures. In relation to the initial purchase, the Products will be provided to Halucenex free of charge with a C\$1,500 handling fee to be paid to Optimi. The term of the initial agreement is one year which will automatically renew after one year, unless either party notifies the other of their decision not to renew the agreement within 90 days prior to the Initial or Renewal term.

For the duration of the Agreement, Halucenex agreed to purchase or negotiate exclusively with Optimi and grant a first right of refusal to Optimi for all forthcoming intended purchases of Products. In the event that Optimi is unable to supply the required Products, Halucenex will be free to make alternate supply arrangements with other suppliers. Upon completion of testing protocols, Halucenex will negotiate with Optimi regarding future purchases.

Post quarter end, Halucenex continued its strong progress towards the commencement of its planned clinical trial. This included management's strategic decision to apply for amendments to its currently approved CTA to include cohorts that are currently utilising Selective Serotonin Reuptake Inhibitors (SSRIs) and not require potential patients to stop using prescribed medications for a week prior to the potential Phase II trials' commencement (ASX announcement: 18 July 2022).



The decision comes following ongoing engagement with potential patients, veterans affairs groups and the general public and will broaden the scope of the planned clinical trials. It will also provide Halucenex with additional data on how psilocybin interacts when used in combination with other medication commonly used by PTSD sufferers.

Halucenex also engaged leading research organisation, KGK Science Inc. (“KGK”) to assist with clinical trial initiatives. As a premium full-service contract research organisation, KGK provides clinical trial research that meets the highest quality standards. It is led by a team of scientific research and regulatory experts, and combines cutting-edge clinical science with industry expertise to design clinical trials and claim substantiation strategies customised to meet the needs of clients.

The appointment of KGK follows a review of clinical trial service providers. KGK will replace previously appointed investigator True North Clinical Research (refer ASX announcement: 17 March 2021), due to the group’s expertise in pharmaceuticals and natural health products and cost effectiveness.

The Company has also secured the services of Dr Gosia Phillips, MD, DABPN, who will act as the Principal Investigator for the clinical trial. Dr Phillips is a doctor of medicine and certified neurologist. She earned her Doctor of Medicine in 2001 and has also undertaken various educational practises through the University of Massachusetts Medical School, Columbia University and the Beth Israel Deaconess Medical Centre, Harvard University. Dr Phillips’ certifications include a licentiate of the Medical Council of Canada, a Diplomate, American Board of Psychiatry and Neurology, as well as a Diplomate, American Board of psychiatry and Neurology (subspecialty sleep medicine).

As Principal Investigator, Dr Phillips will assist the Company as the physician leading the conduct of the clinical trial at the study site. Halucenex will leverage her extensive expertise during additional trial preparation initiatives, throughout the trial and following to progress potential research or cooperative grants with government bodies and other large pharmaceutical companies.

Sierra Sage Herbs LLC – US Plant Based Division:

SSH significantly expanded its US distribution footprint during the quarter (ASX announcement:7 April 2022), adding to its leading list of stockists including CVS, Walgreens, Rite Aid, Albertsons Companies, Whole Foods, Walmart, AmazonUS and Target.com. This ongoing growth is expected to underpin sales growth coming into the next quarter.

A new point of display has also been introduced under the ‘Destination First Aid’ campaign. The campaign includes innovative new product sizes for bestselling Green Goo products which target dry skin, cold, flu and allergy relief, as well as natural pain relief. The introduction of the new display capitalised on the recent expansion and sales drive undertaken by both parties. Creso Pharma and SSH continue to progress a number of potential cross selling opportunities and other developments with the potential to unlock strong sales growth.



Image one: Green Goo Destination First Aid POS Display - Free to Breathe, Pain Relief, Foot Care, and Dry Skin Salves (.6 oz. Jumbos Sticks)

SSH entered into a non-binding, non-exclusive Heads of Agreement ('HoA') with one of Australia's leading tattoo post care company Dr Pickles Pty Ltd. ("Dr Pickles") (ASX announcement: 23 May 2022). The HoA provides the Company with a potential pathway into the Australian body care market leveraging Dr Pickles Australian distribution footprint which includes Woolworths, pharmacies, barber shops and over 800 tattoo studios.

Under the HoA, the parties have agreed to enter into a Collaborative Agreement, which is currently being advanced, with the parties being able to extend this timeframe by mutual agreement. The HoA can be terminated upon either party giving written notice at any time prior to the execution of a Collaborative Agreement. There has been no consideration set between the parties under the HoA. The collaboration agreement is intended to set out terms upon which both parties will:

1. Commercialise select products from Creso Pharma's target acquisition company, Sierra Sage Herbs' (SSH) portfolio in the Australian market
2. Explore the opportunity to bring select products from the Dr Pickles range to North American markets via SSH's distribution network
3. Explore further commercialisation options for current and future innovative products

Products for the initial launch of SSH's Tattoo and Sun Screen products include:

SSH salves are fundamentally different from other products on the market. SSH's herbs are carefully sourced from organic farmers, with the product's defining characteristic being a lipid infusion process. Rather than using pre-made extracts, SSH infuses fresh and dried herbs in organic oils over low heat for an extended amount of time to increase the potency value of the products.



Green Goo Tattoo Care is an herbal infusion specially formulated to soothe the pain and swelling associated with freshly tattooed skin. It also provides a protective layer while the skins heals over time. SSH's tattoo aftercare salve moisturises and nourishes skin to help keep colors vibrant and tattoos looking fresh and new.

Green Goo Sunscreen provides effective moisturising, water-resistant, broad-spectrum SPF 30 protection that's petroleum free, chemical free, oxybenzone free, gluten free, and coral-reef safe and is made with all-natural ingredients.



Image two: Products for initial launch to include Green Goo Tattoo Care Salve and Solar Goo Sunscreen

SSH products are set to be introduced into the Taiwanese animal healthcare market following a non-binding, non-exclusive Heads of Agreement ('HoA') with leading pharma and healthcare products company China Chemical & Pharmaceutical Co., Ltd. ('CCPC'). The HoA is expected to broaden Creso Pharma's international exposure and provides the Company with an established in-country partner to drive sales growth. The agreement is intended to set out terms upon which Creso Pharma and CCPC will:

1. *Commercialise select products from Creso Pharma's target acquisition company, Sierra Sage Herbs' (SSH) pet care product range in the Taiwanese market.*
2. *Explore further commercialisation options for current and future innovative products.*

The pet care market presents a market opportunity for Creso Pharma and SSH, due to the increase in more young Taiwanese choosing to own and raise pets instead of having children. This has led to considerable increased spending on pet care related products, which rose from US\$283.2m to US\$402.9m in 2019^{iv}.

Underpinning additional international expansion and subsequent to the end of the period, SSH entered into a non-exclusive private label manufacturing agreement with FSA Store Inc., a part of leading consumer health and wellness online retailer Health-E Commerce to produce the group's inaugural plant-based first-aid collection (ASX announcement: 25 July 2022).

It is intended that SSH will produce the group's first ever plant-based first-aid collection, expected to launch in November 2022. SSH will manage product development, supply chain logistics and production, while FSA Store Inc. will ensure the collection is made available to the millions of consumers that are enrolled in tax-advantage health accounts.



The collection is aimed at the more than 70 million Americans enrolled in flexible spending accounts (FSAs) and health savings account (HSAs), which allow them to set aside pre-tax income to pay for qualified healthcare expenses, including products for everyday health and wellbeing.

During the quarter, SSH also received a number of industry accolades which will underpin ongoing brand awareness in North America. Multinational professional services company Ernst & Young LLP (“EY”) announced CEO and Co-Founder of Sierra Sage Herbs and subject to completion of the SSH acquisition, pending Creso Pharma director Ms Jodi Scott, as a finalist for the Entrepreneur Of The Year 2022 Mountain West Award.

The honour is one of the world’s most prestigious business award programs celebrating visionary business pioneers who are delivering innovation, growth and prosperity that is transforming the world. Entrepreneurs regionally and nationally are recognised in more than 145 cities in over 60 countries, with national overall winners going on to compete for the EY World Entrepreneur Of The Year.

Selected by a panel of independent judges, Ms Scott was named as a finalist based on selection criteria which looks at contributions to growth and impact, as well as key characteristics including entrepreneurial spirit and purpose.

In another major accomplishment, Green Goo by Sierra Sage Herbs was named as the Best Plant-Based First Aid & Body Care Products Company – USA by global premium lifestyle publication LUXLife Magazine^{vi} at its 2022 Health, Beauty & Wellness Awards.

Presented annually since 2017 the distinguished award is aimed at celebrating leading companies and brands in the field of health, beauty, and wellness and recognising their contribution as prominent innovators and pioneers.

LUXLife Magazine was founded by international publishing company Al Global Media Ltd and has been in circulation since 2015. As a premium lifestyle publication, LUXLife focuses on a range of topics within the luxury lifestyle industry including fashion, beauty, fine dining, travel, real estate and health & wellness.

Green Goo was chosen by a select group of brand researchers amongst a field including some of the world’s most internationally recognised brands. The award is a validation of the brands continued efforts to offer plant-based body care solutions that provide superior efficacy and provide a level of comfort and relief to users.

Favourable regulatory shifts:

In a major milestone in the potential decriminalisation of Cannabis in the US at a federal level, the US House of Representatives passed the Marijuana Opportunity Reinvestment and Expungement (“MORE”) Act with a vote of 220-214. The Act is designed to remove cannabis from the US Controlled Substances Act and erase certain federal convictions. The change in regulation is extremely encouraging given Creso Pharma’s focus to the US market following the acquisition of SSH and the proposed NASDAQ dual listing. Several other US focused growth initiatives continue ahead of potential decriminalisation.

-Ends-

Authority and Contact Details

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



For further information, please contact:

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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

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.

i <https://www.prnewswire.com/news-releases/handheld-marijuana-vaporizer-market-size-to-reach-15-77-billion-by-2028-owing-to-itsbenefits-in-the-treatment-of-neurological-and-mental-disorders--million-insights-301288146.html>
 ii <https://www.marketdataforecast.com/market-reports/la-companion-animal-health-care-market>
 iii <https://www.prnewswire.com/news-releases/handheld-marijuana-vaporizer-market-size-to-reach-15-77-billion-by-2028-owing-to-itsbenefits-in-the-treatment-of-neurological-and-mental-disorders--million-insights-301288146.html>
 iv <https://topics.amcham.com.tw/2020/02/taiwan-pet-care-economy/>
 v https://www.ey.com/en_us/entrepreneur-of-the-year-us
 vi <https://www.lux-review.com/>

Appendix 4C

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

Name of entity

Creso Pharma Limited

ABN

89 609 406 911

Quarter ended ("current quarter")

30 June 2022

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	2,295	3,916
1.2 Payments for		
(a) research and development	(24)	(47)
(b) product manufacturing and operating costs	(992)	(2,912)
(c) advertising and marketing	(212)	(306)
(d) leased assets	-	-
(e) staff costs	(1,551)	(3,514)
(f) administration and corporate costs	(1,252)	(2,820)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and refunds	(272)	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,008)	(5,683)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:	Nil shares	1,470,588 shares
Deemed value in lieu of cash	-	125

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	-	(2,410)
(c) property, plant and equipment	(88)	(265)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	11
(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)	-	-
2.6 Net cash from / (used in) investing activities	(88)	(2,664)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,682
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	8
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(310)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
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	-	4,380

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

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	5,086	7,062
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,008)	(5,683)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(88)	(2,664)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,380
4.5	Effect of movement in exchange rates on cash held	118	13
4.6	Cash and cash equivalents at end of period	3,108	3,108

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	3,108	5,086
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)	3,108	5,086

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	273
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	168
- Capital raising Fees	4
- Other services	101
Aggregate amount as above	273

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

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)	(2,008)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,108
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	3,108
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.5

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

- 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?

<p>Answer: No. Net operating cash flows improved in Q2'22 and are expected to continue to improve in FY'22 through a number of measures to reduce overheads across the entire business.</p>

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

Answer: The Company has secured firm commitments to raise approximately A\$7m through the issue of ordinary shares. The total amount raised includes commitments totalling A\$1.74m from Directors which will be subject to shareholder approval at a future General Meeting.

The company has also entered into a non-binding term sheet with New York based Obsidian Global Partners LLC for a potential loan of up to A\$25m (subject to due diligence and signing of a binding agreement). Draw-down arrangements are:

- \$2.5m of debt to be drawn down upon execution of definitive documents
- \$2.5m to be drawn down upon shareholder approval
- \$20m debt draw down facility

The Company anticipates having sufficient cash reserves (without exceeding 50% of the draw down facility) to support the group to positive cash flow.

The Company is confident that it will be successful in securing funding sufficient to ensure its operations continue to develop as planned and to capitalise on the strong growth in sales revenue experienced in FY'21 and HY'22.

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, through a combination of items 1 and 2 above.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2022

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*

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

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.