

1 November 2022

Creso Pharma Secures Commitments to Raise Up To \$7.6m Through Two Separate Issues of Convertible Notes

Highlights:

- New funding includes commitments from new and existing professional investors to raise \$2.6m through the issue of secured convertible notes (“Secured Notes”)
- Creso to reserve the right to accept up to \$2.4m in additional funds via Secured Note
- Separate additional agreement with NYC-based asset and fund manager Obsidian Global GP, LLC (“Obsidian”) to raise up to \$5m via a convertible note (“Convertible Note”)
- Funds to be deployed to support marketing and sales of the Company’s existing products in Canada, Europe, and the US, further advancement of Halucenex’s Phase II clinical trial, review and completion of potential M&A opportunities, and general working capital

Creso Pharma Limited (ASX:CPH, OTC:COPHF, FRA:1X8) (‘Creso Pharma’ or ‘the Company’) is pleased to advise that it has secured commitments to raise a total of up to \$7.6m through the issue of two separate convertible notes.

The new funding includes commitments from new and existing professional investors to raise \$2.6m through the issue of secured convertible notes and an additional agreement with NY-based asset and fund manager Obsidian Global GP, LLC to raise up to \$5m via convertible notes. Full details of these convertible notes are set out in Appendix A. Subject to shareholder approval, Mr Blumenthal, former director of Creso Pharma Limited and related party, has confirmed his commitment to participate in the secured convertible note offer for \$500,000 of the \$2.6m secured convertible notes committed.

The funds will be deployed to support marketing and sales of the Company’s existing products in Canada, Europe, and the US, further advancement of Halucenex’s Phase II clinical trial, review and completion of potential M&A opportunities, and general working capital. Please refer to the Company’s Quarterly Activities Report (dated 31 October 2022) for a summary of the Company’s current operations and growth opportunities.

Management commentary:

CEO and Managing Director, Mr William Lay said: *“We are very pleased to have secured additional funding from new and existing investors and I would like to take this opportunity to thank them for their ongoing support.*

We are also pleased to have commenced this relationship with Obsidian. Obsidian has a successful track record of supporting ASX listed growth companies and we believe that the financing provided by both convertible notes will allow us to continue progressing various opportunities being presented in the current macroeconomic environment.

Creso remains well positioned to deliver shareholder value via ongoing penetration into the various, high growth, plant-based verticals that it currently resides in and we look forward to providing additional updates to our shareholders as these opportunities crystallise.”



Lead Manager

EverBlu Capital Corporate Pty Ltd (“Everblu”) acted as lead manager on both convertible note raisings. Per its mandate with the Company and as announced to the market on 21/01/2020 and again on 26/03/21, Everblu will, or its nominees, will earn a 6% cash fee (up to \$456,000). Subject to shareholder approval, Everblu, or its nominees, will also receive up to 304 million broker options. The options will contain an A\$0.08 strike price and will expire 4 years from the date of issue. In the event shareholder approval is not obtained, a cash equivalent fee will be payable to EverBlu based upon a Black and Scholes valuation model.

<u>Black and Scholes</u>	
Type of Option	Call Option
Stock Price	\$0.031
Exercise price	\$0.08
Time to Maturity (years)	4
Annual Risk Free	3.17%
Annualized Volatility	40%
OPTION PRICE	\$0.0028

The Company intends to convene a meeting of shareholders to seek approval for conversion of the secured convertible notes into shares and options at a meeting in January 2023. Shareholder approval for the issue of options to EverBlu will also be sought at the same meeting.

Appendix A:

Secured Convertible Note Offer to raise a minimum of A\$3m through the issue of Convertible Notes	
Type of Transaction	Secured Convertible Note Offer
Lead Manager	EverBlu Capital Corporate Pty Ltd
Broker to the Offer	CPS Capital Group Pty Ltd
Minimum Investment Size	A\$100,000
Indicative Convertible Note Type & Size	<p>Secured Convertible Note Offer to raise an estimated minimum of A\$3 million through the issue of Convertible Notes on the terms and conditions set out below.</p> <p>Key terms include:</p> <ul style="list-style-type: none"> a) Face Value of each Convertible Note: \$100,000. b) Interest: Flat 15% for the period (6 months) (i.e. 30% per annum). c) Maturity Date: 6 months from date of issue. d) Security: The Convertible Notes will be secured over Creso’s Mernova Cannabis Cultivation Facility which is located in Nova Scotia, Canada. A trustee will hold the security on behalf of noteholders. e) Investor Options. Investors will receive 1m options per \$100,000 invested, regardless of whether they convert to equity, or get repaid back in cash. The options will have a \$0.08 exercise price and the same expiry date to the placement options to be issued in the capital raising announced by the company on 4 August 2022. The issue of these options is subject

	<p>to shareholder approval The options are intended to be listed subject to meeting all the relevant ASX requirements.</p> <p>f) Conversion: Subject to the conversion condition in (h) below, Conversion of the Convertible Notes is solely at the lender's election, otherwise repayment is due 6 months from investment date.</p> <p>g) Conversion Price: \$0.05 together with attaching 1 for 4 unlisted options (\$0.08 exercise price and an expiry date approximately 4 years from their date of issue).</p> <p>h) Conversion Condition: Conversion of the Convertible Notes is subject to and conditional upon the Company obtaining Shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of the shares and options on conversion of the Convertible Notes. This condition is expected to be satisfied after the Company's EGM which is due to be held within approximately 60 days from today. Prior to this conversion condition being satisfied, the Convertible Notes will be considered a loan, without rights of conversion. If the conversion condition is not satisfied on or before 31 January 2023, the Face Value of the Convertible Notes (together with any accrued interest) will become repayable on date that is 6 months from draw down.</p> <p>i) Repayment: Repayment is due 6 months from the initial drawn down date.</p> <p>The Company, Board and Lead Manager reserve the right to increase or decrease the size of the convertible note offer, alter the terms of the convertible note or discontinue the convertible note, in each case without further notice.</p>
Security	<p>The Convertible Notes will be secured over Creso's Mernova Cannabis Cultivation Facility which is located in Nova Scotia, Canada.</p> <p>Mernova is 24,000 sq. ft. facility purpose build to Health Canada GPP standard, scalable to 200,000 sq. ft. It contains 10 grow rooms with total production of 1,200-1,400 kg/year with potential to produce 4,000kg.</p> <p>Mernova is unincumbered and fully licensed generating strong revenue and revenue growth with continued sales increasing throughout the Canadian Cannabis market.</p> <p>A trustee will hold the security on behalf of noteholders.</p>
Obsidian Global, LLC ("Obsidian") issue to raise up to \$5m	
Key Indicative Terms	<ul style="list-style-type: none"> • Agreement for the issue of convertible securities with an aggregate purchase price of up to A\$5,000,000 • First Purchase of A\$1,750,000 to occur 5 business days after the execution date. • Second Purchase of A\$1,750,000 to occur after the company obtains shareholder approval (circa. 45 days) for the issue of the convertible securities proposed to be issued at the second purchase. • Third purchase of A\$1,500,000, upon mutual agreement. • Face Value = US\$1.15 per convertible security • Maturity Date: The date which is 15 months after the purchase date of the first purchase • Fixed Conversion Price: 130% of the 5 Day VWAP for the for the 5 Actual Trading Days immediately prior to the Execution Date. • Conversion: Obsidian can convert the convertible securities at any time at the Fixed Conversion Price. • Redemption Price: The lesser of:

	<p>(a) The average of the lowest 5 daily VWAPs during the 15 Actual Trading Days prior to the relevant Redemption Notice Date; and</p> <p>(b) The Fixed Conversion Price,</p> <p>provided that the Redemption Price cannot be less than the Floor Price.</p> <p>As well as satisfying a redemption in equity, Creso also has the option, at its sole discretion, to satisfy any Obsidian redemption in cash (other than on an acceleration) by paying 105% of the redemption amount.</p> <ul style="list-style-type: none"> • Monthly Redemptions: Beginning on 20 January 2023, and every month thereafter, the company must redeem 1/12 of the outstanding balance of the convertible securities by paying 105% of the face value of the relevant convertible securities to Obsidian or issuing shares to Obsidian at the Redemption Price. • Acceleration: Following an event of default, or after the day which is 45 days after the first purchase of convertible securities, Obsidian can require the Company to redeem a specified amount of convertible securities in the same manner as a monthly redemption, except that the company must satisfy the redemption by the issue of shares. • Company can also redeem at Redemption Amount: The Company may redeem some or all of the Convertible Securities at any time by paying Obsidian 110% of the Amount Outstanding in respect of the relevant convertible securities. • Floor Price: A\$0.015. • Options: First Purchase Options – 22,000,000 listed options to acquire shares in the company, trading on ASX under the code “CPHO”. Second Purchase Options - 22,000,000 listed options to acquire shares in the company, trading on ASX under the code “CPHO”. The issue of the Second Purchase Options is subject to shareholder approval. • Collateral Shares: 45,000,000 shares for each of the First Purchase and Second Purchase. The issue of the Second Purchase Collateral Shares is subject to shareholder approval. • Maximum Share Number: The Company’s LR7.1 capacity • Conditions to First Purchase: The Company’s market cap is at or above A\$45m, no event of default has occurred, the price of the Company’s shares on the ASX has not been at or lower than A\$0.0225 during the 10 trading days prior to the purchase • Conditions to Second Purchase: Same as the Conditions to the First Purchase, and additionally the Company must obtain shareholder approval to the issue of the convertible securities to be issued at the Second Purchase, and the average daily dollar trading value of the Company’s shares over the 20 trading days prior to the purchase is A\$100,000 or greater.
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Authority and Contact Details

This announcement has been authorised for release by the Board of Directors 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

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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.