



29 April 2022

## QUARTERLY ACTIVITIES REPORT – Q1 2022

### Highlights:

- Record Group revenues of A\$2,752,000 for the quarter, an increase of 36% Quarter-on-Quarter (“QoQ”) and 93% on the previous corresponding period (“PCP”)(Q1 2021)
- Acquisition target, Sierra Sage Herbs LLC (SSH) generated US\$1.5m (A\$2.07m<sup>i</sup>) of revenue during the quarter
- Pro forma quarterly Group revenue including SSH would be A\$4.8m for the quarter. This represents proforma increases of 138% QoQ and 238% on the PCP when compared with previous Group revenues excluding SSH
- Based on the estimated number of shares to be issued to SSH on closing of the transaction<sup>ii</sup>, pro forma Q1 revenue per share for the Creso group is expected to increase 37.3%, indicating the accretive nature of this transaction
- Mernova continues rapid growth to set a new quarterly revenue record of C\$1,371,000 (~A\$1,494,000<sup>iii</sup>), an increase of 31% QoQ and 97% on the PCP (Q1 2021) and another consecutive quarter of record growth
- Cash burn from operating activities (excluding SSH) declined 17% QoQ, Creso Management continues to assess and execute on opportunities to further rationalize expenses
- Balance sheet strengthened following firm commitments to raise A\$5m. Approximately 67.8m shares have been issued to date at an issue price of A\$0.069 raising ~A\$4.68m (before costs), with the remainder of the shares subject to shareholder approval. Placement was strongly supported by a range of local and international investors, including institutions and sophisticated investors
- Creso Pharma remains well capitalised with A\$5,086,000 cash at bank as of 31 March 2022 to progress growth initiatives to leverage the Company’s US expansion (not including ~A\$318,000 from the March placement, which remains subject to shareholder approval)

### Sierra Sage Herbs LLC Membership Purchase Agreement:

- Creso Pharma established plans to enter the US CBD market through a proposed strategic Membership Interest Purchase Agreement of established US-based business, Sierra Sage Herbs LLC (“SSH”) and leading Green Goo brand
- SSH is a leading consumer packaged goods company focused on plant-based and CBD products in the first aid, beauty, sexual wellness, women’s health, pet, and CBD categories
- Up-front Consideration of US\$21m; additional future Milestone Payments based on SSH achieving up to US\$10m of sales in CY2022 and up to US\$20m of sales in CY2023
- Green Goo and Southern Butter product ranges are currently sold across several large US retailers, including AAFES (Army & Air Force Exchange Service), CVS, Walgreens, Rite Aid, Alberstons Companies, The Kroger Family of Companies, Whole Foods, Walmart, AmazonUS and Target.com, amongst others



- Established ecommerce operations in place – the group has a growing customer base of over 150,000 consumers across the country
- Acquisition will mark Creso Pharma’s maiden entry into the US and provide opportunities in the US CBD market, which is expected to grow in value to US\$12Bn by 2026<sup>iv</sup>
- First of several opportunities Creso Pharma is advancing to continue to grow its US footprint and international presence

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

- A\$1,494,000 (~C\$1,371,000<sup>i</sup>) in sales revenue recorded for the quarter – representing a 31% increase on the previous quarter and a new quarterly revenue record
- Sales growth attributable to ongoing uptake in Nova Scotia, expansion into new provinces and new innovative product launches
- New one gram vaporiser product development commenced – to be sold across new and existing provincial partner network in Canada in late Q2
- Vaporiser product utilises cannabis flower trim inventory and other biomass which has been deemed as not optimal for retail sale
- Represents a large market opportunity for Creso Pharma – the global cannabis vaporiser market is expected to reach a value of over US\$15.77Bn by 2028<sup>v</sup>
- 5.3% market share achieved in Nova Scotia across all product formats for the week ended 20 March 2022 – weekly market shares as high as ~15% in some product categories during the quarter
- Mernova broadened its Canadian footprint with first purchase order in Saskatchewan – fifth province Mernova has commenced sales in
- Discussions advancing with several new provincial partners – further expansion anticipated in the coming months
- New FLUENCE SPYDR lighting installed in two of ten grow rooms at Mernova’s grow facility alongside improved nutrition products in all rooms
- First room harvested with both new lights and improved nutrition products indicates an increase in plant yield of approximately 56%
- Improvements allow significantly increased volumes and decrease on the cost per gram

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

- A\$1,258,000 (CHF: 842,000<sup>vi</sup>) in revenue recorded for the quarter – representing a 43% uplift on previous quarter
- 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



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

- **Halucenex invited to become a Health Canada Special Access Program (“SAP”) drug supplier**
- **Follows favourable legislative changes by Health Canada that previously restricted drugs, including psilocybin, can now be used for the purposes of emergency treatment**
- **Clinical Trial Authorisation (“CTA”) lodged and granted for the phase II clinical trial with Health Canada testing the efficacy of psilocybin on treatment resistant Post Traumatic Stress Disorder (“PTSD”)**
- **Granting of CTA positions Halucenex as one of the few companies in Canada with the potential to commence a clinical trial utilising psychedelic substance**
- **Halucenex leveraging existing relationships with veteran’s affairs organisations to expedite patient recruitment process**
- **Work with Acadia University towards clinical trial design and ethics approval progressing**
- **Important milestones completed ahead of the first psilocybe mushroom harvest**
  - **Updates to grow room completed with the installation of food-grade washable wall and ceiling panels and heat and humidity control systems**
  - **High Performance Liquid Chromatography (“HPLC”) System successfully commissioned to test Active Pharmaceutical Ingredients in synthetic and botanical psilocybe mushrooms**

#### **Sierra Sage Herbs LLC – US CBD:**

- **Proposed friendly acquisition of Sierra Sage Herbs to be put to Creso Pharma shareholders for approval at an EGM expected to be held in June 2022**
- **Product development initiatives underway, leveraging the in-house expertise of both Creso Pharma and Sierra Sage Herbs**
- **New products being developed includes a line of Green Goo Immunity Deodorant – product ingredients include functional mushrooms and other herbal formulations**
- **Functional mushrooms is a market earmarked for entry – sector anticipated to be worth US\$19Bn by 2030<sup>vii</sup>**
- **SSH to market and distribute CannaQIX products under Green Goo brand – 35,000 CannaQIX 50 lozenge products sent to SSH for sales run and ‘test and learn’ initiatives**
- **Product to launch through SSH’s e-commerce channels – since announcement of acquisition, the same channels and online sales have grown pleasingly**
- **Creso Pharma to begin leveraging SSH’s local manufacturing partner to expedite product manufacturing and decrease overhead costs**

#### **Corporate developments:**

- **Creso Pharma to enter US CBD market through the proposed strategic acquisition of established US-based business, Sierra Sage Herbs LLC and leading Green Goo brand**
- **Three new appointments to spearhead the Company’s next phase of execution – each bringing extensive experience in the cannabis, drug development and M&A sectors in North America – coinciding with Creso’s increased focus on the US market**



- **Mr William Lay, previously Executive Vice President – Strategy, Origination & Operations at Creso Pharma appointed as Group CEO and Managing Director**
- **Leading cannabis and psychedelics entrepreneur Bruce Linton appointed as Non-Executive Director (through end of year to accelerate execution)**
- **Mrs Micheline MacKay, Mernova’s Corporate Manager appointed as Executive Director – further strengthening the link between the Board and Mernova’s senior management team**
- **Subsequent to the end of the quarter, Dr James Ellingford, Executive Chairman, will transition to become Non-Executive Chairman from 29 April 2022**

**Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company')** is pleased to provide this Quarterly Activities Report for the period ended 31 March 2022 (the 'quarter'), together with its Appendix 4C Quarterly Cash Flow Report.

**Commentary:**

**Chief Executive Officer and Managing Director, William Lay said:** *“Revenues from all operating divisions continue to increase, and with several key growth and product development initiatives materialising this quarter we are set to see continuing progress throughout the calendar year.*

*“We have remained active on the M&A front with the acquisition of Sierra Sage Herbs and their leading Green Goo and Southern Butter product ranges. The acquisition not only provides us with an instant footprint in the large US market, but access to strong brands, distribution relationships manufacturing partnerships, and an excellent management team who have scaled the business impressively since beginning operations in 2008. We have already begun extensive product development discussions and are working on various ways to accelerate the market penetration for all our CBD products. We have noticed an increase in the number of opportunistic, strategic M&A possibilities in the market over the quarter, and continue to carefully assess additional opportunities for accretive transactions.*

*“Considerable progress has also been made on all our other operating divisions. Mernova has achieved a significant market share milestone whilst also expanding into new provinces in Canada all whilst moving forward with product development initiatives. Likewise, product development continues with our Nutraceutical division and new relationships are being built in LATAM. And lastly, Halucenex continues to hit significant milestones on the way to commencing its phase II clinical trial.*

*“I am excited to continue to witness the growth of the Company as we move into the next phase of execution. We look forward to bringing additional news to our shareholders over the coming weeks and months.”*

**Financial overview:**

Cash on hand as of 31 March 2022 of A\$5,086,000 (this amount does not include A\$318,000 from the March placement, which remains subject to shareholder approval).

Net cash used in operating activities for the quarter of A\$3,675,000 represents a reduction of A\$749,000 or 17% from the previous quarter, due mainly to reductions in one-time business development expenses. Creso management is rigorously assessing opportunities to further reduce expenditures while maintaining the growth profile of the business.



The Company secured firm commitments during the quarter from institutional, professional and sophisticated investors to raise \$5 million (before costs) through the issue of approximately 72.4 million new fully paid ordinary shares at an issue price of \$0.069 per Share. To date, ~67.8 million shares have been issued, raising ~A\$4.68 million, with the remainder of the shares to be issued subject to shareholder approval at a future General Meeting.

Funds raised from the Placement will be used to progress several opportunities, including the Company's ongoing US expansion following the recently announced acquisition of Sierra Sage Herbs LLC and leading Green Goo brand. Additional capital will also be deployed to advance product development initiatives, international expansion and general working capital.

### **Corporate highlights:**

#### **Proposed acquisition of Sierra Sage Herbs LLC:**

It was announced during the quarter that Creso Pharma had executed a Membership Interest Purchase Agreement (the "Agreement") to acquire Colorado based consumer package goods company, Sierra Sage Herbs LLC ("SSH"). The acquisition provided Creso with an immediate footprint in the large US CBD market, and an established product suite of proven revenue generating plant based and CBD products.

SSH markets and sells their pioneering products under the Green Goo, Southern Butter and Good Goo brands. The Green Goo and Southern Butter ranges are currently sold in several key US retailers, including CVS, Walgreens Walmart, AmazonUS and Target.com. SSH also has over 150,000 direct to consumer relationships, providing Creso Pharma with a significant opportunity to scale sales growth in one of the world's largest and fastest growing markets.

The up-front purchase price for SSH was US\$21m; with additional future payments based on SSH achieving up to US\$10m of revenue in CY2022 and up to US\$20m of revenue in CY2023. For full details of the agreement terms, please refer ASX announcement 3 February 2022.

Creso Pharma will utilise the acquisition as a basis to enter the American CBD market which provides a large, addressable opportunity and is expected to grow to US\$12Bn in value by 2026<sup>iii</sup>. The acquisition of SSH will allow the Company to develop new products, under the Good Goo brand, combining the Company's Swiss IP and SSH's local manufacturing expertise. Creso Pharma plans to leverage SSH's existing personnel and their extensive expertise in consumer products, as well as its in-house capabilities to bring a range of new offerings to market during 2022.

The acquisition leaves Creso Pharma well placed to advance its proposed NASDAQ dual listing. The Company has begun work with New York-based corporate advisory firm, EAS Advisors LLC ("EAS" or "EAS Advisors") to progress the listing, which the company is confident will provide access to deeper pools of capital and North American investors with access and liquidity to invest in an established cannabis and psychedelics medicines business.

#### **Strengthened Board and management team:**

The Company significantly strengthened its board and management team during the quarter with three appointments which are set to spearhead Creso Pharma through its next phase of execution. Mr William Lay was appointed as Chief Executive Officer and group Managing Director, leading cannabis and psychedelics entrepreneur Mr Bruce Linton as Non-Executive Director, and Mrs Micheline MacKay as Executive Director.



After previously serving as Creso Pharma's Executive Vice President – Strategy, Origination & Operations, Mr William Lay was appointed as the Company's Chief Executive Officer and Managing Director. In his new role as CEO and group Managing Director, My Lay will progress the Company's North American focused growth strategy, as well as Creso Pharma's proposed NASDAQ dual listing. Mr Lay will also oversee the Company's global operations, including Creso Pharma's Swiss division and potential new market entries.

Cannabis and psychedelics entrepreneur Mr Bruce Linton was appointed as Non-Executive Director with this new role to be undertaken in addition to his ongoing work as a strategic consultant for the Company. Mr Linton has extensive cannabis sector experience as a founder, CEO, Board member and advisor, which includes his role as founder, Chairman and ex-CEO of Canopy Group Corporation, which grew to a peak market capitalisation of US\$15Bn under his tenure. As a Non-Executive Director, Mr Linton will continue to provide strategic advice on the Company's operations and become more involved in progressing multiple, near-term corporate and operational initiatives with a focus on North America.

Mrs Micheline MacKay was appointed as Executive Director, further strengthening the Company's Board through her extensive expertise across government and pharmaceutical industry regulation. This will be pivotal as the Company continues to progress its growth trajectory as a leading drug and evolutionary therapies developer. Her role as Corporate Manager of Creso Pharma's rapidly growing wholly owned Canadian subsidiary, Mernova Medicinal Inc. ("Mernova") will continue, further strengthening the link between the Creso Board and senior management team at Mernova. Subsequent to her appointment as Executive Director, Mrs MacKay was appointed as Managing Director of Mernova on 11 March 2022. Subsequent to the end of the quarter and given two recent executive appointments, Dr James Ellingford, Executive Chairman, will become Non-Executive Chairman from 29 April 2022.

### **Operational overview:**

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

During the quarter, revenue generated from Mernova was A\$1,494,000 (C\$1,371,000<sup>i</sup>), a new quarterly record, representing a 31% increase on the preceding quarter and a 97% increase on the previous corresponding period (Q1 2021).

The growth achieved by Mernova can be attributable to its growing market share in Nova Scotia, highlighted by ongoing recurring sales, an expanding footprint in Canada with sales into new provinces, and ongoing product development initiatives with the launch of new innovative cannabis products.

During the quarter, Mernova commenced production of a new handheld vaporiser product (via a contract manufacturer), which will be sold under the Ritual Gold (*or similar*) brand. The new product provides Creso Pharma with an entry point into the global cannabis vaporiser market, which is expected to reach a value of over US\$15.77Bn by 2031<sup>iv</sup>. The range will utilise Mernova's top-quality, indoor grown, hand trimmed, hang dried, cured, artisanal, high-THC, craft cannabis flower which will be manufactured into one gram vape cartridges. Mernova provided an initial 214kg of biomass of its leading Lemon Haze strain for shipment to its specialized vape manufacturer, which will equate to approximately 30,000 one gram vape cartridges. The Company expects sales to commence in late Q2 2022.



Mernova secured entry into its fifth Canadian province after securing a purchase order from Saskatchewan totalling C\$57,000 (~A\$62,657<sup>i</sup>). The new province is a lucrative market, with no cap on the number of cannabis retail stores and monthly cannabis sales upwards of C\$13.4m<sup>viii</sup>. Following the initial purchase order Mernova has further progressed initiatives to grow its market share in the province looking to establish a presence with new customers and cannabis retailers.

The continuously growing weekly sales in Nova Scotia have seen the Company achieve a major milestone, with a 5% market share across all product categories achieved for the week ended 20 March 2022, and in particular categories attaining ~15% during the quarter. This milestone follows a consistent trend of increased sales in Nova Scotia since the end of Q2 2021 (*refer to image below*). This can be attributable to Mernova's Ritual Green brand positioning as a premium product at a reasonable price, as well as the efforts of Mernova's sales and marketing team, and Product Knowledge ("PK") sessions conducted with budtenders and managers at individual dispensaries extensively throughout Nova Scotia since Q2 2021. There remain numerous additional opportunities to grow this market share, such as the introduction of the Company's new handheld vaporiser product, which as noted previously is expected to commence sales in late Q2 2022.



**Figure 1:** Mernova Weekly Sales in Nova Scotia at Retail (C\$000s)

Operationally, at Mernova's grow facility the Company has materially improved plant yield through the installation of irrigation system upgrades and new FLUENCE SPYDR lighting, coupled with the investment in higher quality nutritional products. Completing the first harvest and drying process of a batch of its high-THC Black Mamba strain from a growing room with both the new lighting and improved nutrition products, the total yield of trimmed dried flower from the batch showed a 56% increase in yield versus the average of the 14 previous batches of Black Mamba harvested prior. The new lighting has been installed in two grow rooms at the facility, with the remainder expected to be retrofitted over the course of the FY2022.



**Image: Mernova's grow room with advanced lighting installed  
Creso Pharma Switzerland – Nutraceutical division (Europe):**

Revenues for the quarter were A\$1,258,000 (CHF: 842,000<sup>v</sup>), representing a ~43% uplift on previous quarter and an 89% increase on the PCP (Q1 2021). Product development initiatives coupled with recurring purchase orders received from partners in Europe has underpinned the ongoing growth and international market expansion of Creso Pharma's products.

Subsequent to the end of the quarter, Creso Pharma secured an LOI with Laboratorios Brouwer to broaden the Company's LATAM market sales footprint (ASX Release: 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 International Organization for Standardization ("ISO") and Good Manufacturing Practice ("GMP") certifications, 600 product licenses, considerable manufacturing capacity and distributor relationships in the region. Expansion is expected to provide Creso Pharma with a significant market opportunity for the animal health business.

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

Following regulatory changes introduced by Health Canada during the quarter, Halucenex was invited to register as a potential supplier to Health Canada's Special Access Program. Halucenex began the approval process with Health Canada, which if obtained will allow the sale of some restricted drugs by medical professionals on behalf of patients with serious or life-threatening conditions for the purposes of emergency treatment<sup>ix</sup>. Following a review process, this approval was granted, making Halucenex one of the first suppliers of psychedelic drugs.

In January, Halucenex significantly progressed its path to phase II clinical trial to test the efficacy of psilocybin on treatment resistant Post Traumatic Stress Disorder with Health Canada by lodging its Clinical Trial Authorisation. The CTA was secured in February following approval by Health Canada, providing another step forward in the potential commencement of the Company's planned clinical trial utilising psychedelic substances. Success in the clinical trial would allow Halucenex to progress a number of potential opportunities in the large addressable PTSD therapeutics sector, which is anticipated to reach a value of US\$10.5Bn by 2025<sup>x</sup>. Halucenex has begun to progress its patient recruitment objectives, leveraging its established relationships with veteran's affairs groups across Canada. Work with Acadia University towards progressing clinical trial design and ethics approval remains ongoing.



During the quarter, significant work to allow the Company to progress its first psilocybin mushroom harvest and other product development initiatives was completed, including upgrades to state-of-the-art grow room and the successful commissioning of High-Performance Liquid Chromatography (HPLC) System (ASX Release: 28 March 2022). Renovations to its grow rooms at its medical facility in Nova Scotia include installation of food-grade washable wall and ceiling panels, as well as commissioned heat and humidity control systems for growing psilocybe mushrooms. Halucenex additionally installed an HPLC system at its medical facility in Nova Scotia. Testing the active pharmaceutical ingredients (APIs) in both synthetic and botanical psilocybe mushrooms, the HPLC will allow Halucenex to gain further insight into the level of APIs in synthetic and botanical psilocybe mushrooms cultivated at its facility.

#### **Sierra Sage Herbs LLC – US CBD division:**

Following the announcement of the Membership Interest Purchase Agreement, Creso Pharma and Sierra Sage begun to work collaboratively to advance a number of product development initiatives and held numerous meetings to outline plans for accelerating market penetration of both companies' respective product ranges.

On the product development front, SSH has begun to develop a new line of herbal 'immunity' deodorants which boast ingredients including functional mushrooms and other herbal formulations. The functional mushroom sector was of initial interest due to its unique health benefits and large market opportunity, anticipated to be worth US\$19Bn by 2030<sup>vi</sup>. Additional products which are also now under development include a massage oil and pillow spray launched by Southern Butter. Green Goo is also now expanding its distribution network for several different product ranges for pain relief, skincare, and oral care.

Further progressing the Company's cross selling opportunities and contract manufacturing initiatives, it was announced on 16 March 2022 that Creso Pharma Switzerland products will be sold through SSH's leading Good Goo brand and contract manufacturing of ImpACTIVE's products will be sold through SSH's existing contract manufacturer in the US.

35,000 CannaQIX 50 lozenge products from Creso Pharma Switzerland were sent to SSH which was made available for sale through its leading Good Goo brand. The cannaQIX 50 lozenges have been rebranded under the Good Goo brand and launched on SSH's ecommerce channels. SSH has continued to significantly increase its online sales presence in the recent weeks. The group achieved a 69% increase in online sales from 3 February 2022 to date, with customer online store sessions rising by 62% with a 3% conversion rate. This follows a significant increase in online impressions to 3.1m between 6 February 2022 and 7 March 2022.

Creso Pharma and SSH completed sample contract manufacturing of a suite of sport CBD-based products through SSH's existing contract manufacturer in the US. The success leading to greater product development and lower overheads associated with manufacturing and has the potential to lead to lower lead times on orders and more favourable order quantities compared to the Company's existing manufacturers.

Subsequent to the end of the quarter, SSH significantly expanded its US distribution footprint with 20,000 additional new points of sale (ASX Release: 7 April 2022). The expansion adds to SSH's leading list of stockists including CVS, Walgreens, Rite Aid, Albertsons Companies, Whole Foods, Walmart, AmazonUS and Target.com and is expected to underpin ongoing sales growth heading into the next quarter.

**Favourable regulatory shifts:**

Subsequent to the end of the quarter, 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 with the acquisition of SSH underway (subject to shareholder approval) and the proposed NASDAQ dual listing. Subject to the completion of the SSH acquisition, it is expected that Creso Pharma will be one of the only ASX-listed companies with established North American operations focused on the cannabis sector. Any additional positive legislation changes such as the MORE Act have the potential to further benefit the Company.

**-Ends-**

**Authority and Contact Details**

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

For further information, please contact:

**Investor Enquiries**

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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 lifestyle 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)

**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> Based on an exchange rate of AUD to USD of \$1.38

<sup>ii</sup> 358,069,697 shares are estimated to be issued to the vendors of SSH, which is equal to USD\$21 million based on a 10-day volume weighted average price as at the date of execution of the Purchase Agreement, being \$0.083, and the Australian dollars to United State dollars exchange rate (Exchange Rate) as at the date of closing, assumed to be \$0.7066 (Consideration Shares). Subject to the date of closing, the number of Consideration Shares may change because of a change in the Exchange Rate. This number does not include earn out consideration, which is subject to revenue milestones being achieved by the vendors after CY2022 and CY2023. For further information on the transaction, refer to the release dated 3 February 2022.

<sup>iii</sup> Based on an exchange rate of AUD to CAD of \$1.089

<sup>iv</sup> <https://content.brightfieldgroup.com/2021-us-cbd-market-report>

<sup>v</sup> <https://www.prnewswire.com/news-releases/handheld-marijuana-vaporizer-market-size-to-reach-15-77-billion-by-2028-owing-to-its-benefits-in-the-treatment-of-neurological-and-mental-disorders--million-insights-301288146.html>

<sup>vi</sup> Based on an exchange rate of AUD to CHF of \$1.493

<sup>vii</sup> <https://www.globenewswire.com/news-release/2021/11/15/2334409/0/en/Global-functional-mushroom-market-to-reach-19-33-billion-by-2030-Allied-Market-Research.html>

<sup>viii</sup> <https://www.westerninvestor.com/saskatchewan-manitoba/saskatchewan-cannabis-sales-top-13-million-per-month-3978405>

<sup>ix</sup> <https://www.gazette.gc.ca/rp-pr/p2/2022/2022-01-05/html/sor-dors271-eng.html>

<sup>x</sup> Credence Research PTSD Therapeutics Market - Growth, Future Prospects and Competitive Analysis, 2018-2026

## 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")**

31 March 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,621	1,621
1.2 Payments for		
(a) research and development	(23)	(23)
(b) product manufacturing and operating costs	(1,920)	(1,920)
(c) advertising and marketing	(94)	(94)
(d) leased assets	-	-
(e) staff costs	(1,963)	(1,963)
(f) administration and corporate costs	(1,568)	(1,568)
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	272
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,675)</b>	<b>(3,675)</b>
<b>Note:</b>		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:		
	<b>1,470,588 shares</b>	<b>1,470,588 shares</b>
Deemed value in lieu of cash	<b>125</b>	<b>125</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	(2,410)	(2,410)
(c) property, plant and equipment	(177)	(177)
(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	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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(2,576)</b>	<b>(2,576)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	4,682	4,682
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	8	8
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(310)	(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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>4,380</b>	<b>4,380</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,062	7,062
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,675)	(3,675)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,576)	(2,576)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,380	4,380
4.5	Effect of movement in exchange rates on cash held	(105)	(105)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,086</b>	<b>5,086</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	5,086	7,062
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,086</b>	<b>7,062</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	737
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	261
- Capital raising Fees	277
- Other services	199
<b>Aggregate amount as above</b>	<b>737</b>

## 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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Secured Loan facilities	-	-
Unsecured Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,675)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,086
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	5,086
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	1.4

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?

Answer: No. Net operating cash flows improved in Q1'22 and are expected to improve in FY'22 with the reduction of cash burn following the introduction of a number of measures that will significantly reduce overheads across the entire business, as well as anticipated reductions in administrative and corporate costs which, in Q3'21 and Q4'21, included one-off business development costs.

- 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: In March 2022, the Company raised A\$4.6m to fund its operations. A further ~A\$318,000 is expected to be raised subject to shareholder approval at a future general meeting. The Company has a proven track record for securing capital when needed, which is further strengthened by its solid performance in the last quarter and financial year, and the several near-term value accretive opportunities it is pursuing. It also has the capacity to raise additional capital through the exercise of in-the-money options on issue. The Company is therefore confident that it will be successful in securing any necessary funding required to ensure the business continues as a going concern, and is able to continue to capitalise on the strong growth in sales revenue experienced in FY'21 and Q1'22.

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: 28 April 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 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.