



4 August 2022

Creso Pharma receives firm commitments for \$7m placement

Update to Q2 2022 Quarterly Activities Report

Highlights

- Firm commitments to raise \$7m equity at a issue price of \$0.04 (4 cents) (the Placement“)
- \$1.74m of the Placement was cornerstoned by CPH Directors Bruce Linton, Adam Blumenthal and William Lay (subject to shareholder approval)
- EverBlu Capital Corporate Pty Ltd acted Lead Manager and Perth-based CPS Capital Group Pty Ltd acted as Co-Manager
- In line with the Company’s objective to bring the group to cash flow positive in 3-4 quarters, Creso Pharma continues to reduce cash burn across the entire business
- Net cash used in operating activities decreased 45% from A\$3,675,000 in Q1 2022 to A\$2,008,000 in the previous quarter, Q2 2022
- Creso Pharma Group’s unaudited group revenue in H1 was \$4,314,308 (not including Sierra Sage Herbs LLC, (SSH) revenue)
- SSH Group Q1 2021 revenue was US\$1.5m, with Q2 revenue of US\$1.1m – decrease was related to delay in closing the CPH takeover, merger integration and timing of customer orders
- SSH’s H1 unaudited revenue totalled US\$2.6m – highlighting a strong start to 2022
- Non-binding Term Sheet with Obsidian Global Partners, LLC (referred to in the Creso’s quarterly) has been terminated.
- As announced on 29 July 2022, Creso has entered into a non-binding Term Sheet with Health House International Limited (“HHI”) 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.

Creso Pharma Limited (ASX: CPH, OTC: COPHF, FRA: 1X8) (‘Creso Pharma’, ‘CPH’ or ‘the Company’) is pleased to advise that it has secured firm commitments from institutional, professional and sophisticated investors to raise approximately \$7 million (before costs) through the issue of approximately 175 million new fully paid ordinary shares (“Shares”) at an issue price of \$0.04 per Share.



The total amount raised includes commitments totaling \$1,740,000 from Non-Executive Director, Mr Adam Blumenthal (or his nominee) (\$1,440,000), Non-Executive Director and leading cannabis entrepreneur, Mr Bruce Linton (or his nominee) (\$200,000) and Group CEO and Managing Director, Mr William Lay (or his nominee) (\$100,000). These commitments and participation will be subject to shareholder approval at a future General Meeting.

Placement details:

The Placement was well supported by a range of new and existing local and international investors. The Company anticipates that funds raised will be used to progress further expansion into the US with pending acquisition target, Sierra Sage Herbs LLC. ("SSH"). Additional funds will be deployed for marketing and promotion, product development and costs associated with the offer.

Subject to shareholder approval, investors will receive one option for every one placement share subscribed, exercisable at \$0.08 and expiring four years from the date of issue. The proposed options will also be listed subject to meeting the relevant requirements. Creso expects to call a General Meeting to seek shareholder approval of these options within 60 days.

It is anticipated that the equity placement to unrelated parties will settle in two tranches, with approximately 109,000,000 shares to settle on or around 8 August 2022 and 22,500,000 shares to settle on or around 11 August 2022. The Placement will be undertaken, as follows:

- a) 54,860,968 Shares (subject to rounding) within the Company's available placement capacity under ASX listing rule 7.1 and up to 54,139,032 Shares (subject to rounding) within the Company's available placement capacity under ASX listing rule 7.1A, to be issued to non-related parties on or around 8 August 2022;
- b) 22,500,000 Shares (subject to rounding) to be issued to non-related parties within the Company's available placement capacity under ASX listing rule 7.1, on or around 11 August 2022; and
- c) subject to shareholder approval, 43,500,000 Shares to be issued to related parties (as noted above) under ASX listing rule 10.11.

The issue price represents an 18.37% discount to the last closing price of \$0.049 on 26 July 2022.

Management commentary:

CEO and Managing Director Mr William Lay said: *"The Company has received strong support from a range of new and existing investors for this placement, which is reinforced by the commitments from Creso Pharma directors.*

"We continue to focus on value accretive acquisition opportunities, reducing operating expenses and accelerating product uptake through each operating division and are confident that fund commitments from the recent placement will support Creso Pharma's objective to achieve a group cash flow positive position.

"Creso Pharma anticipates to be well funded to advance several near term opportunities and I look forward to providing updates as opportunities continues to materialise."

Lead Manager:



EverBlu Capital Corporate Pty Ltd (“EverBlu”) acted as lead manager to the Placement. EverBlu will earn a 6% cash fee (eg. \$420,000 based on \$7 million), and subject to shareholder approval, EverBlu will receive one (1) option for every one (1) new option issued under the placement on the same terms and conditions as the placement options (“Broker Options”) (175,000,000 Options).

As previously advised through ASX announcements dated 21 January 2020 and 26 March 2021, Creso Pharma is mandated by Everblu Capital as its corporate advisor and lead manager for capital raisings and therefore was the lead manager for this capital raising. The cash fee outlined above is provided for in Creso Pharma’s mandate with EverBlu for this capital raising. Fees and Broker Options were negotiated and agreed to on arm’s length basis. The issue of the Broker Options remains subject to shareholder approval.

Black and Scholes model

Black Scholes	
Type of Option	Call Option
Stock Price (S_0)	\$ 0.040
Exercise (Strike) Price (K)	\$ 0.08
Time to Maturity (in years) (t)	4.00
Annual Risk Free Rate (r)	3.17%
Annualized Volatility (σ)	40.00%
Option Price	\$ 0.0057

Funding Timetable

Equity Raising - Placement Timetable	Dates
Stock Recommences Trading	4 th August 2022
Tranche 1 DvP Settlement Shares - Unrelated Parties	8 th August 2022
Appendix 2A Released	8 th August 2022
Tranche 2 Settlement Shares - Unrelated Parties	11 th August 2022
Notice of Meeting for EGM dispatch	30 th August 2022
EGM Date	30 th September 2022
Issue of related party placement participation securities, placement options and Everblu fee options	4 th October 2022

Please note the above timetable is indicative and subject to change.

Updates to Quarterly Update

The Company wishes to update the market in relation to its recent quarterly update, revising the below statements, as follows:

- A\$1,091,434 in unaudited revenue generated representing a 17% increase on the Previous Corresponding Period (‘PCP’) – Mernova unaudited H1 revenue now totals A\$2,586,792, which is a 561% increase on the PCP
- Creso Pharma Group’s unaudited group revenue in H1 was \$4,314,308 (not including Sierra Sage Herbs LLC, (SSH) revenue)

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- SSH Group Q1 2021 revenue was US\$1.5m, with Q2 revenue of US\$1.1m – decrease was related to delay in closing the CPH takeover, merger integration and timing of customer orders
- SSH's H1 unaudited revenue totalled US\$2.6m – highlighting a strong start to 2022

The Company notes that, in its quarterly report, it referenced execution of a non-binding Term Sheet with Obsidian Global Partners, LLC (“Obsidian”). This Term Sheet has now been terminated and Creso Pharma confirms that it will not be proceeding with the financing from Obsidian in the form set out in the quarterly at this time.

-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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US Queries

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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.