



19 May 2023

Creso Pharma secures firm commitments to raise \$2.5m, extends secured notes and streamlines balance sheet with debt to equity conversions

Highlights:

- Firm commitments to raise \$2.5m through the issue of 204,918,033 new fully paid ordinary shares at \$0.0122
- Initiative well supported by new and existing institutional, sophisticated and professional investors
- Funds to be deployed to extinguish and repay existing debt, progression of the Company's phase II clinical trial, product development and regulatory initiatives
- New funding follows completion of Health House International Limited (ASX: HHI) and comes at a pivotal growth phase
- Additional capital to unlock revenue growing opportunities - combined CPH revenue and HHI cash receipts as a proxy for revenue takes unaudited pro forma revenue to over \$33m on a last quarter annualised basis
- Agreements secured with existing debtors for equity conversion - streamlines Creso Pharma's balance sheet further
- Repayment of Convertible Service Agreement with Obsidian Global GP, LLC to streamline balance sheet

Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to advise that it has secured firm commitments from institutional, professional and sophisticated investors to raise \$2.5m million (before costs) through the issue of 204,918,033 new fully paid ordinary shares ("Shares") at an issue price of \$0.0122 per Share (the "Placement"). As well, the Company has converted a number of current liabilities to equity, agreed to repay convertible notes to Obsidian Global GP, LLC ("Obsidian") and agreed in principle to extend its existing Secured Notes with investors.

The Placement was well supported by new and existing institutional, professional and sophisticated investors located in Australia and internationally. Funds raised from the Placement will be used to extinguish and repay existing debt facilities and the progression of wholly-owned psychedelic subsidiary Halucenex Life Sciences Inc.'s phase II clinical trial, as well as ongoing regulatory, M&A and product development initiatives.

Funds raised from the Placement include commitments from Mr Adam Blumenthal for a total of \$900,000, which will be subject to shareholder approval. The remaining Placement Shares will be issued under the Company's placement capacity pursuant to ASX Listing Rule 7.1A.

Participants in the Placement will also be issued one free attached listed CPHOD option which has an exercise price of \$0.08 and is valid until 31 January 2027 ("Placement Option"). The Placement Options



will be subject to shareholder approval and will be issued within four months of completion of the Placement.

The issue price under the Placement represents a 23.75% discount to the last closing price of \$0.016 and a 24.69% discount to the 15 day VWAP, being \$0.0162.

Debt to equity conversions:

To strengthen its balance sheet, the Company has also entered into agreements with existing debtors to convert certain current liabilities of \$368,333 into new equity via the issuance of \$481,666 of stock at a deemed issue price of \$0.0122 (being 36,748,607 Shares), which includes an issue of 36,748,607 Options on the same terms as the Placement, which are subject to shareholder approval.

The Company will also, subject to shareholder approval issue 2,732,213 Shares and 2,732,213 Options to Director Mr. Bruce Linton, in lieu of Directors Fees with a total value of \$33,333.

Repayment of Obsidian Convertible Services Agreement ("CSA"):

Creso Pharma advises that it has agreed to repay its CSA with Obsidian (refer ASX announcement: 1 November 2022 for details of the CSA). Both parties have agreed to settle the outstanding CSA balance of 260,850 convertible notes which have a Face Value equal to US\$1.15m via the issuance of 55,655,738

Shares based on a price of A\$0.0122 per Share. Upon the issuance of the Shares, the remaining 260,850 Notes will be retired, leaving a balance of 0 Notes being owed to Obsidian.

Following the issue of the Shares, the CSA will terminate and both the Company and Obsidian will discharge each other from all obligations, claims, demands and liabilities arising under or in connection with the CSA. All shares issued to Obsidian will be issued under the Company's placement capacity pursuant to ASX Listing Rule 7.1.

Extension of Secured Notes:

Further to the repayment of convertible notes to Obsidian, the Company has reached in principle agreement with the majority of the existing lenders to extend the maturity date and repayment date ("Due Dates") of the Secured Notes (refer to ASX announcement: 1 November 2022 for details of the Secured Notes). In return for agreeing to the extension, it is proposed that the Due Dates are extended to 30 September 2023 and that the existing investors be issued Shares (together with one listed CPHOD option which has an exercise price of \$0.08 and is valid until 31 January 2027) valued at 35% of the face value of the convertible loan notes held by each lender at a deemed issue price of \$0.0122. The Company has also agreed in good faith to work with the holders of the Secured Noteholders to reach a solution where a minimum of 75% of the balance could be repaid in shares. As a result of this agreement, the Company will issue 66,557,377 shares to existing lenders who are non-related parties under the Company's placement capacity pursuant to ASX Listing Rule 7.1. Additionally, subject to shareholder approval, 14,344,262 shares will be issued to Mr. Adam Blumenthal which represents his pro rata participation in the Secured Notes. Additionally, subject to shareholder approval, 80,901,639 listed options will be issued to the existing lenders in the Secured Note.



Management commentary:

CEO and Managing Director, Mr William Lay said: *"The Company achieved strong support for the placement and I would like to welcome several new investors to the register and thank existing shareholders for their ongoing commitment to Creso Pharma's growth trajectory."*

"The new funds come at a pivotal time for Creso Pharma. Following the recent completion of our acquisition of Health House International Limited, the group has a strong base to grow sales and revenue, while progressing a number of regulatory and product development initiatives to introduce new cannabis, plant-based and psychedelic solutions into rapidly growing international markets. Creso Pharma looks forward to providing ongoing updates in the coming months."

Lead manager:

EverBlu Capital Pty Ltd ("EverBlu") acted as lead manager to the Placement and will be paid a 6% cash fee and issued 24,847,217 Shares priced at \$0.122. As announced to the market 21/01/2020 and again 26/03/21, Creso Pharma is mandated by EverBlu 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, however, the Shares were negotiated and agreed as an additional fee for work undertaken to renegotiate existing debt and for the repayment of loans to Obsidian. The issue of the Shares remains subject to Shareholder approval.

-Ends-

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.