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MELODIOL GLOBAL HEALTH LIMITED
(formerly Creso Pharma Limited)
ACN 609 406 911

APPENDIX 4E PRELIMINARY FINAL REPORT
YEAR ENDED 31 DECEMBER 2023

For the year ended 31 December 2023

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Appendix 4E

PRELIMINARY FINAL REPORT
For the year ended 31 December 2023, previous corresponding period is 31 December 2022.

CHANGE OF COMPANY NAME
On 31 May 2023, the Company announced that at the Annual General Meeting held on that date a resolution was passed by shareholders to change the Company's name from Creso Pharma Limited (ASX: CPH) to Melodiol Global Health Limited (ASX: ME1). The change of name took effect on ASX from the commencement of trading on 13 June 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Up/(Down)	31-Dec-2023 $000's	31-Dec-2022 $000's
Revenue from ordinary activities from continuing operations	**203.4%**	**18,921**	**6,236**
Revenue from ordinary activities from discontinued operations	**7.7%**	**2,643**	**2,453**
Total revenue from ordinary activities	**148.2%**	**21,564**	**8,689**
Loss from ordinary activities after tax attributable to members	**(59.9%)**	**(52,446)**	**(32,782)**
Loss from ordinary activities attributable to members	**(59.9%)**	**(52,446)**	**(32,782)**

DIVIDENDS
No dividends have been paid or declared by the Group during the year (2022: Nil).
No dividend is recommended in respect of the current financial year (2022: Nil).

FIANCIAL METRICS

	31-Dec-2023	31-Dec-2022
Net tangible assets per security (cents)	**(0.0009)**	**0.35**
Earnings per share (cents)	**(1.88)**	**(2.24)**
Earnings per share diluted (cents)	**(1.88)**	**(2.24)**

CONTROL GAINED OR LOST OVER ENTITIES IN THE YEAR
On 16 May 2023 the Group acquired 100% of the voting equity instruments of Health House International Limited (HHI), a company whose principal activity is distribution of medicinal cannabis and other controlled drugs.

	$000's
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the year	**(1,900)**
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous year	**-**

Further information on future expectations of HHI are included in the Review of Operations.

There have been no other gains or losses of control over entities in the year ended 31 December 2023.

AUDIT REPORT
This report is based on the consolidated financial statements for the year ended 31 December 2023 which are in the process of being audited by Crowe Audit Australia. The audit report is expected to contain an emphasis of matter with respect to a material uncertainty over going concern.

Appendix 4E

OPERATIONAL AND FINANCIAL RESULTS

Refer to the Directors Report in the attached financial report for an explanation of the operational and financial results of the Company.

This report is based on, and should be read in conjunction with, the attached financial report for the year ended 31 December 2023 for Melodiol Global Health Limited.

SIGNED ON BEHALF OF THE DIRECTORS

WILL LAY
CEO and MANAGING DIRECTOR
29 FEBRUARY 2024

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Review of Operations

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were:

a) the cultivation, processing and sale of cannabis products;
b) the distribution of pharmaceuticals internationally, specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, and non-cannabis products in the United Kingdom and Europe;
c) the development and sale of beauty and personal care products, produced using proprietary plant-based processes including under the brands Green Goo, Southern Butter and Good Goo; and

OPERATING AND FINANCIAL REVIEW

Operating Results

The operating results from of the Group for the year ended 31 December 2023 were as follows:

	31-Dec-2023 $000's	**31-Dec-2022 $000's**
Cash and cash equivalents	**692**	**1,388**
Net (liabilities)/assets	**(4,058)**	**22,294**
Divisional revenue from sale of products from:		
Continuing operations		
- Canada	6,936	4,390
- Asia Pacific	7,349	-
- Switzerland	4,636	1,846
Total revenue from continuing operations	**18,921**	**6,236**
Discontinued operations		
- United States	2,643	2,453
Total revenue	**21,564**	**8,689**
Adjusted EBITDA from operations	**(13,778)**[1]	**(17,618)**[2]
Net loss after tax from operations	**(35,520)**	**(32,782)**[2]

[1] Adjusted EBITDA from operations is defined as net earnings before interest, taxes, depreciation, amortisation, impairment charges, finance costs, and losses attributable to business that were paused at the end of 2023 (Sierra Sage Herbs LLC, impACTIVE and Halucenex).
[2] As stated in 2022.

The Company's ongoing growth was achieved through strong performances in key divisions such as Mernova Medicinal Inc., and via M&A and performance at Health House International. Notably Total Revenue from continuing operations increased 203.4% year on year to $18.9 million and Adjusted EBITDA (loss) from continuing operations improved to $13.8 million from $14.2 million in 2022 (3.3% loss reduction). The Company is committed to further reductions in operating expenses and increasing revenues to contribute to further improvements in Adjusted EBITDA in 2024. Adjusted EBITDA from continuing operations is defined as net earnings before interest, taxes, depreciation, amortisation, impairment charges, finance costs, and losses attributable to business that were paused at the end of 2023 (Sierra Sage Herbs LLC, impACTIVE and Halucenex). Management considers adjusted EBITDA to be the most accurate representation of the Company's go-forward position.

Review of Operations

Results of Operations

The Company achieved considerable progress during 2023 in certain operating divisions, as the Company continues its transition to an international global cannabis company. Over the course of the year, the Company not only materially increased revenue, but it also took steps to focus on its best performing operating divisions.

Mernova Medicinal

Mernova posted $6.9 million in revenues in 2023, a 57% increase over 2022. The division continues to expand its product range and customer base. During FY23, Mernova delivered several consecutive quarters of record revenue. It listed a variety of new products in existing markets, and entered the following provincial markets for the first time: Manitoba, Alberta, Newfoundland and Prince Edward Island. The Company expects that Mernova will continue to increase its breadth of product range in existing markets, and continue to enter new markets during FY24. Finally, during FY23, Mernova took initial steps towards an EU GMP designation, following the appointment of leading North American regulatory and scientific cannabis consulting firm, CannDelta Inc..

Health House International

During FY23, the Company closed the acquisition of Health House International (HHI). HHI is comprised of a well established medical cannabis distribution business in the growing Australian market and a medical products company based in the UK. The acquisition of HHI contributed significant revenues of $11.5 million to the group's results and validated the Company's strategy of growth through strategic M&A.

Sierra Sage Herbs

Over the course of the year, the Company recognised the challenges of competing in a highly competitive environment for consumer packaged goods products in a challenging capital markets environment. As a result of this analysis, the Company made the decision to pause operations at Sierra Sage Herbs pending a sale or closure of the business to focus on its highest potential business units.

Creso Pharma Switzerland

Revenues from Swiss operations in 2023 declined by 75% from 2022 to $0.5 million due mainly to changes made to restructure the business in 2022 in order to operate it in a more sustainable manner. During 2023 The business continued its European business, in addition to achieving a breakthrough sale of products to South Korea.

Creso ImpACTIVE Inc

Over the course of the year, the Company recognised the challenges of competing in a highly competitive environment for consumer packaged goods products in a challenging capital markets environment. As a result of this analysis, the Company made the decision to pause operations at Creso impACTIVE pending a sale or closure of the business to focus on its highest potential business units.

Halucenex Life Sciences Inc

Despite significant progress at Halucenex, the Company recognised the challenges of investing in a clinical stage R&D in a challenging capital markets environment. As a result of this analysis, the Company made the decision to pause operations at Halucenex pending a sale or closure of the business to focus on its highest potential business units.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2023

	Note	2023 $000's	2022 $000's
Revenue from continuing operations			
Revenue	4	**18,921**	6,236
Other income	4	**799**	200
Expenses			
Raw materials and consumables used		**(16,586)**	(6,864)
Loss on fair value adjustments		**(1,518)**	(407)
Administrative expenses	5(a)	**(9,682)**	(9,600)
Depreciation and amortisation expenses	5(b)	**(913)**	(1,404)
Employee benefit expenses	5(c)	**(4,207)**	(3,151)
Impairment of intangibles		**(11,142)**	(12,521)
Other expenses		**(1,451)**	(350)
Loss on disposal of assets		**(53)**	(307)
Finance costs	5(d)	**(9,691)**	(426)
(Loss) from continuing operations before income tax		**(35,523)**	(21,964)
Income tax expense		**3**	(2)
(Loss) from continuing operations after income tax		**(35,520)**	(21,966)
(Loss) from discontinued operations	14	**(16,926)**	(10,816)
Net result for the period		**(52,446)**	(32,782)
Other comprehensive income			
Exchange differences on translation of foreign operations		**1,027**	1,525
Other comprehensive income for the year, net of tax		**1,027**	1,525
Total comprehensive (loss) for the year		**(51,419)**	(31,257)
(Loss) for the year attributable to:			
Non-controlling interest		**-**	-
Owners of Melodiol Global Health Australia Limited		**(52,446)**	(32,782)
		(52,446)	(32,782)
Total comprehensive (loss) for the year attributable to:			
Non-controlling interest		**-**	-
Owners of Melodiol Global Health Australia Limited		**(51,419)**	(31,257)
		(51,419)	(31,257)
(Loss) per share for the year attributable to the members of Melodiol Global Health Limited:			
Basic and Diluted loss per share (cents)		**(1.88)**	(2.24)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 $000's	2022 $000's
ASSETS			
Current assets			
Cash and cash equivalents		**692**	1,388
Trade and other receivables		**2,976**	2,563
Inventories	6	**1,461**	5,508
Biological assets	7	**391**	265
Other assets		**-**	2,146
Total current assets		**5,520**	11,870
Non-current assets			
Property, plant and equipment	8	**9,655**	9,978
Intangible assets	9	**3,595**	15,848
Other assets		**274**	286
Total non-current assets		**13,524**	26,112
Total assets		**19,044**	37,982
LIABILITIES			
Current liabilities			
Trade and other payables	10	**12,974**	8,642
Provisions		**482**	375
Lease liability		**149**	-
Borrowings	11	**9,413**	6,671
Total current liabilities		**23,018**	15,688
Non-Current liabilities			
Lease liability		**84**	-
Total Non-Current liabilities		**84**	-
Total liabilities		**23,102**	15,688
Net (liabilities)/assets		**(4,058)**	22,294
EQUITY			
Issued Capital		**150,470**	128,382
Reserves		**15,332**	20,510
Accumulated losses		**(169,860)**	(126,598)
Total equity		**(4,058)**	22,294

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2023

Group	Issued Capital $000's	Share-based Payment Reserve $000's	Foreign Currency Translation Reserve $000's	Accumulated Losses $000's	Non-Controlling Interest $000's	Total $000's
At 1 January 2022	109,951	11,248	1,383	(94,823)	-	27,759
Loss for the year	-	-	-	(32,782)	-	(32,782)
Other comprehensive income	-	-	1,525	-	-	1,525
Total comprehensive income/(loss) for the year after tax	-	-	1,525	(32,782)	-	(31,257)
Transactions with owners in their capacity as owners:						
Issue of share capital	9,942	-	-	-	-	9,942
Issue of shares for the acquisition (see **Error! Reference source not found.**)	12,874	-	-	-	-	12,874
Issue of equity for services	504	2,561	-	-	-	3,065
Share-based payments	-	130	-	-	-	130
Shares issued to Directors	120	17	-	-	-	137
Exercise of options	20	-	-	-	-	20
Embedded derivative - Convertible Notes Options	-	49	-	-	-	49
Share issuance costs	(5,029)	4,604	-	-	-	(425)
Expired options	-	(1,007)	-	1,007	-	-
At 31 December 2022	128,382	17,602	2,908	(126,598)	-	22,294
At 1 January 2022	**128,382**	**17,602**	**2,908**	**(126,598)**	**-**	**22,294**
Loss for the year	**-**	**-**	**-**	**(52,446)**	**-**	**(52,446)**
Other comprehensive income	**-**	**-**	**1,027**	**-**	**-**	**1,027**
Total comprehensive income/(loss) for the year after tax	**-**	**-**	**1,027**	**(52,446)**	**-**	**(51,419)**
Transactions with owners in their capacity as owners:						
Issue of share capital	**5,286**	**-**	**-**	**-**	**-**	**5,286**
Issue of shares for the acquisitions	**1,342**	**136**	**-**	**-**	**-**	**1,478**
Conversion of convertible notes	**5,693**	**-**	**-**	**-**	**-**	**5,693**
Issue of equity for services	**5,606**	**1,453**	**-**	**-**	**-**	**7,059**
Issue of equity to settle loans	**2,827**	**-**	**-**	**-**	**-**	**2,827**
Issue of equity for loan extensions	**1,490**	**2**	**-**	**-**	**-**	**1,492**
Issue of equity to extinguish liability	**1,246**	**-**	**-**	**-**	**-**	**1,246**
Share-based payments	**190**	**884**	**-**	**-**	**-**	**1,074**
Shares issued to Directors	**628**	**47**	**-**	**-**	**-**	**675**
Embedded derivate	**-**	**7**	**-**	**-**	**-**	**7**
Exercise of options	**-**	**-**	**-**	**-**	**-**	**-**
Share issuance costs	**(2,845)**	**1,075**	**-**	**-**	**-**	**(1,770)**
Expired options	**625**	**(9,809)**	**-**	**9,184**	**-**	**-**
At 31 December 2023	**150,470**	**11,397**	**3,935**	**(169,860)**	**-**	**(3,463)**

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2023

	2023 **$000's**	2022 $000's
Cash flows from operating activities		
Receipts from customers	**23,214**	8,851
Payments to suppliers and employees	**(31,208)**	(25,630)
Payments for research	**(130)**	(425)
Interest received	**40**	1
Interest paid	**(57)**	(103)
Net cash used in operating activities	**(8,141)**	(17,306)
Cash flows from investing activities		
Payments for plant and equipment	**(313)**	(343)
Payments for intangibles	**-**	(5)
Cash acquired on acquisition of Sierra Sage Herbs LLC	**-**	164
Cash acquired on acquisition of Health House International Ltd	**232**	-
Loan to Health House International Ltd	**-**	(2,100)
Net cash used in investing activities	**(81)**	(2,284)
Cash flows from financing activities		
Proceeds from issue of shares	**5,124**	9,942
Proceeds from exercise of options	**-**	20
Proceeds from borrowings	**5,201**	4,854
Repayment of borrowings	**(1,803)**	(266)
Borrowing costs	**(318)**	(117)
Payment of share issue costs	**(699)**	(622)
Net cash from financing activities	**7,505**	13,811
Net decrease in cash and cash equivalents	**(717)**	(5,779)
Cash and cash equivalents at the beginning of the year	**1,388**	7,184
Effect on exchange rate fluctuations on cash held	**21**	(17)
Cash and cash equivalents at the end of the year	**692**	1,388

The Consolidated Statement of Cash Flows should read in conjunction with the notes to the financial statements.

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Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

Melodiol Global Health Limited (referred to as "Melodiol" or the "Company") is a company domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The consolidated financial statements of the Company as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "consolidated entity" or the "Group").

The principal activities of the Group during the year were:

a) the cultivation, processing and sale of cannabis products;
b) the distribution of pharmaceuticals internationally, specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, and non-cannabis products in the United Kingdom and Europe;
c) the development and sale of beauty and personal care products, produced using proprietary plant-based processes including under the brands Green Goo, Southern Butter and Good Goo; and

The Registered Office is disclosed in the Corporate Directory of the Annual Report.

(b) Basis of Preparation

Statement of compliance
The consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). Melodiol is a for-profit entity for the purpose of preparing the financial statements.

Basis of measurement
The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only..

New, revised or amended standards and interpretations adopted by the Group
The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The new and revised Standards and Interpretations did not have any significant impact.

New standards and interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2023. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations is that they are not applicable.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of $52,446,000 (2022: $32,782,000) and had net cash outflows from operating activities of $8,141,000 (2022: $17,306,000) for the year ended 31 December 2023. The Group had a deficiency between current assets and current liabilities of $17,498,000 (2022: $3,818,000) as at 31 December 2023.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful with the following factors:

- The ability of the Group to raise additional funds from shareholders, new investors and debt markets. The Group has successfully conducted a number of capital raises in both the current and recent years. When taking these into account, there is a reasonable expectation that alternative sources of funding can be sourced, as and when required. Further, the Company understands it will require further funding to continue to execute on its growth strategy as planned and is in negotiations with various parties to secure these funds and it is the Directors view that one or more of these funding arrangements will be successful;
- Increased revenue from opportunities with existing and new customers and sales arrangements as they are realised into sales revenue in the Group's Canadian, European and Australian operations, or should this fail the closure of underperforming business units; and
- Effective monitoring and reduction of the Group's overhead expenditures, including the continued realisation of head office cost reductions.

In the event that the Group is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the consolidated entity and the Company not continue as going concerns.

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Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Melodiol as at 31 December 2023 and the results of all subsidiaries for the year then ended. Melodiol and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. Management has determined that based on the report reviewed by the Board and used to make strategic decisions, that the consolidated entity has four reportable segments.

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Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue Recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
The Group generates revenue through the sale of a range of products across its operations:

- Mernova Medicinal Inc ("MMI") generates revenue from the production and distribution of pharmaceutical-grade and recreational cannabis to large retailers and wholesalers throughout North America.
- Health House International Ltd ("HHI") generates revenue from the distribution of pharmaceutical products to the United Kingdom, Europe and Australia.
- Sierra Sage Herbs LLC ("SSH") generates revenue from the production and distribution of personal beauty and health products through a number of distribution channels, including through traditional wholesaling and retailing channels, as well as via online distribution channels such as Amazon. During the year, SSH discontinued it's operations.
- Creso Pharma Switzerland ("CPS") generates revenue from the production and distribution of medicinal products for both the human and animal markets through wholesale and retail distribution chains.

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Revenue is recorded net of sales discounts and rebates, duties and taxes.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer, slotting fees, free fills (gifts with purchase), advertising co-op fees and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Where delivery cannot be determined on an individual order basis, a provision is recognised for deferred sales as disclosed in note 2 to properly recognise revenue in the period in which it has been earned.

Goods sold via online systems, such as Amazon, pose a risk goods being returned or failing to be successfully delivered. The consolidated entity recognises a provision to reflect these risks as disclosed in note 2.

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Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives to estimate residual value. The following estimated useful lives are used in the calculation of depreciation:

Buildings and Improvements	30 years
Plant and Equipment	3 – 10 years
Machinery Equipment	5 – 10 years
Irrigation and Lighting	5 – 10 years
Security Systems	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is consolidated entity policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(h) Intangible Assets

The Group has acquired significant intangible assets as a result of business acquisitions. Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property is considered to provide a benefit to the Group over a finite useful life and is amortised using the straight-line method over the following periods:

	Useful life
Patents and trademarks	5 – 10 years
Licenses (Canadian)	5 – 30 years
Client relationships	5 years
Developed technology	5 years
Software	5 years

The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are comprised of certain acquired brand name, product rights, and licences to grow which are carried at cost less accumulated impairment losses. Indefinite life intangible assets are not amortised but are tested for impairment annually and when there is an indication of impairment.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intellectual Property

The Group has acquired and developed a range of intellectual property. The group's intellectual property includes the following:

- Patents and trademarks which involve significant costs which are deferred and amortised on a straight-line basis over the period of expected benefit.
- Brand names and associated trademarks are amortised on a straight-line basis over the period of expected benefit. Brand names are an indefinite life asset and are tested annually for impairment.
- Client relationships are amortised on a straight-line basis over the period of expected benefit.
- Developed technology are amortised on a straight-line basis over the period of expected benefit.

Licences

Significant costs associated with licences are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 30 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

(i) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible Notes

When a conversion feature of a debt instrument results in the conversion of a fixed amount of stated principal into a fixed number of shares, it satisfies the 'fixed for fixed' criterion and, therefore, is classified as an equity instrument.

The value of the liability component and the equity conversion component were determined at the date the instrument was issued.

The fair value of the liability component at inception is calculated using a market interest rate for an equivalent instrument without a conversion option.

(k) Share-based Payments

Equity-settled share-based compensation benefits are provided to Key Management Personnel, employees and outside parties for services provided.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and outside parties in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a hybrid Monte Carlo or the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Fair value measurement
A number of assets and liabilities included in the Group’s financial statements require measurement at, and/or disclosure of, fair value.
The fair value measurement of the Group’s financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the ‘fair value hierarchy’):

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurements of the item. Transfers between items between levels are recognised in the period they occur. The Group measures a number of items at fair value, including the following which are considered level 3 in the fair value hierarchy:

- Biological assets
- Embedded derivative portion of the convertible notes

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

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Notes to the Consolidated Financial Statements

NOTE 3 SEGMENT INFORMATION

The Group requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance. On this basis, the Group's reportable segments under AASB 8 are as follows:

- Europe comprises operating entities Health House UK ("Health House UK"), which distributes pharmaceuticals across the United Kingdom and Europe – located in the UK, and Creso Pharma Switzerland GmbH ("Switzerland"), which develops and commercialises therapeutic products – located in Switzerland.
- Canada comprises operating entities Mernova Medicinal Inc ("Mernova"), which cultivates, processes and distributes cannabis products and Halucenex Life Sciences Inc ("Halucenex"), which is engaged in clinical trials of synthetic psilocybin; as well as non-operating entities: Creso Canada Corporate Limited, Creso Canada Limited, 3321739 Nova Scotia Limited, 4340965 Nova Scotia Limited and Kunna Canada Limited.
- USA comprises operating entity Sierra Sage Herbs LLC ("SSH"), which develops and distributes beauty and personal care products, and non-operating entity Creso Pharma US Inc.
- Asia Pacific comprises the Australian operations of Health House (Health House Australia), which distributes pharmaceutical products across Australasia and also Melodiol Global Health Limited ("Melodiol"), the parent company, which provides the Group's corporate administration – both located in Australia.
- Other segments comprise Kunna S.A.S., a non-operating entity - located in Colombia.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the group reports its primary segment information to the Board.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the group reports its primary segment information to the Board.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the group is managed and provides a meaningful insight into the business activities of the group.

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

Year ended 31 December 2023	**Asia Pacific $000's**	**Europe $000's**	**Canada $000's**	**USA $000's**	**All other segments $000's**	**Total $000's**
Revenue from products	7,349	4,636	6,936	-	-	18,921
Royalty income	-	24	-	-	(24)	-
Total segment revenue	7,349	4,660	6,936	-	(24)	18,921
Other income	680	30	89	-	-	799
Loss before tax expense[i]	(26,306)	(2,345)	(6,872)	-	-	(35,523)
Total Segment Assets	6,047	622	12,244	131	-	19,044
Total Segment Liabilities	14,559	1,609	2,863	4,071	-	23,102

(i) Included in profit and loss are impairments to operating segments of the Group as follows:

Impairment of intangible assets	11,142	-	-	-	-	11,142

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Notes to the Consolidated Financial Statements

NOTE 3 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	Asia Pacific $000's	Europe $000's	Canada $000's	USA $000's	South America $000's	Total $000's
Revenue from products	-	1,846	4,390	-	-	6,236
Total segment revenue	-	192	-	-	(192)	-
	-	2,038	4,390	-	(192)	6,236
Other income	84	-	116	-	-	200
Loss before in tax expense	(6,023)	(7,931)	(8,010)	-	-	(21,964)
Total Segment Assets	3,113	6,490	21,671	6,708	-	37,982
Total Segment Liabilities	6,067	183	1,114	8,324	-	15,688

(i) Included in profit and loss are impairments to operating segments of the Group as follows:

Impairment of intangible assets	**-**	5,891	-	6,630	-	12,521

NOTE 4 REVENUE AND OTHER INCOME

	2023 $000's	2022 $000's
Revenue from continuing operations		
Revenue from sale of products	**18,921**	6,236
	18,921	6,236
Other income		
Interest received	**679**	84
Other Income	**120**	116
	799	200

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated		
Major product lines		
Pharmaceutical products	**7,349**	-
Nutraceutical products	**4,636**	1,846
Cannabis products	**6,936**	4,390
Personal health and beauty products	**-**	-
Total	**18,921**	6,236
Geographical regions		
Asia Pacific	**7,349**	-
Europe	**4,636**	1,846
Canada	**6,936**	4,390
United States of America	**-**	-
Total	**18,921**	6,236
Timing of revenue recognition		
Goods transferred at a point in time	**18,921**	6,236
Total	**18,921**	6,236

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Notes to the Consolidated Financial Statements

NOTE 5 EXPENSES

		2023 $000's	2022 $000's
(a)	**Administrative expenses**		
	Audit, accounting and company secretarial fees	**1,838**	2,232
	Travel costs	**144**	257
	General and administration expenses	**805**	636
	Compliance and regulatory expenses	**1,097**	481
	Consulting fees	**2,355**	3,374
	Corporate advisory and business development	**1,588**	674
	Legal fees	**714**	1,021
	Investor and Media Relations	**347**	486
	Marketing	**794**	387
	US based Marketing & Media Relations	**-**	52
		9,682	9,600
(b)	**Depreciation and amortisation expense**		
	Total depreciation	**929**	620
	Less: capitalised to inventory	**(507)**	(629)
	Amortisation expense	**491**	1,413
		913	1,404
(c)	**Employee benefit expenses**		
	Director fees	**1,002**	1,301
	Wages and salaries	**2,412**	1,605
	Recruitment fees	**88**	4
	Superannuation	**189**	95
	Other employee expenses	**516**	146
		4,207	3,151
(d)	**Finance costs**		
	Interest Expense	**2,384**	34
	Bank Charges	**42**	(16)
	Capital Raising Fees	**726**	176
	Loan Settlement Fees	**5,695**	1
	Realised Foreign Exchange Gain/Loss	**(36)**	15
	Gain on embedded derivative	**-**	(17)
	Loss on extinguish of liability	**880**	235
		9,691	426

NOTE 6 INVENTORIES

	2023 $000's	2022 $000's
Finished goods	**360**	1,842
Work in progress	**1,041**	3,416
Consumables	**60**	250
	1,461	5,508

NOTE 7 BIOLOGICAL ASSETS

The continuity of biological assets is as follows:

	2023 $000's	2022 $000's
Carrying amount at 1 January	**265**	457
Production costs capitalised	**5,352**	5,025
Increase/(decrease) in FVLCS due to biological transformation	**(2,339)**	(407)
Foreign exchange translation	**(30)**	8
Less: Transfer to inventory upon harvest	**(2,857)**	(4,818)
Carrying amount at 31 December	**391**	265

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Notes to the Consolidated Financial Statements

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2023 $000's	2022 $000's
Opening net book amount	**9,978**	10,436
Additions (Capital Expenditure and Acquired assets)	**727**	364
Disposals	**(53)**	(307)
Depreciation charge	**(1,055)**	(663)
Provision for impairment	**(238)**	-
Foreign exchange translation	**296**	148
Closing net book amount	**9,655**	9,978
Cost	**13,073**	12,340
Accumulated depreciation	**(3,418)**	(2,362)
Net book amount	**9,655**	9,978

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Balance at 1 Jan 2023 $000's	Additions $000's	Acquired on acquisition $000's	Disposals $000's	Provision for impairm't $000's	Foreign currency fluctuation $000's	Deprec'n expense $000's	Balance at 31 Dec 2023 $000's
Land	387	-	-	-	-	4	-	391
Buildings & Improvement	8,082	-	-	-		48	(310)	7,820
Plant and equipment	203	163	84	-	(26)	(20)	(94)	310
Machinery & Equipment	149	3	-	(1)	-	49	(85)	115
Irrigation & Lighting	936	142	-	(52)	-	62	(269)	819
Security System	221	4	-	-	-	3	(58)	170
Right of use assets	-	-	331	-	(212)	150	(239)	30
Total	**9,978**	**312**	**415**	**(53)**	**(238)**	**296**	**(1,055)**	**9,655**

	Balance at 1 Jan 2022 $000's	Additions $000's	Acquired on acquisition $000's	Disposals $000's	Foreign currency fluctuation $000's	Depreciation expense $000's	Balance at 31 Dec 2022 $000's
Land	382	-	-	-	5	-	387
Buildings & Improvement	8,210	100	-	-	113	(341)	8,082
Plant and equipment	191	59	21	-	4	(72)	203
Machine & Equipment	185	1	-	-	4	(41)	149
Irrigation & Lighting	1,199	178	-	(307)	18	(152)	936
Security System	269	5	-	-	4	(57)	221
Total	**10,436**	**343**	**21**	**(307)**	**148**	**(663)**	**9,978**

During the period, the Group reviewed the plant and equipment in use and determined that certain equipment with a carrying value of $53,000 (2022: $307,000) was obsolete or otherwise no longer providing ongoing economic value to the Group. As a result, the Group recognised a loss on disposal of the equipment equal to its carrying value during the year.

Notes to the Consolidated Financial Statements

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NOTE 9 INTANGIBLE ASSETS

	2023 **$000's**	2022 $000's
Licences (Canadian) (i)	**103**	280
Intellectual property acquired on acquisition	**-**	15,560
Goodwill acquired on acquisition (ii)	**3,462**	-
Intellectual property purchased	**30**	8
	3,595	15,848

(i) Licences Canadian
Comprise the cannabis cultivation licence granted by Health Canada to Mernova Medicinal Inc in March 2019. The directors have considered the recoverability of the Canadian licence. The Mernova facility commenced cultivation in 2019, its operations have grown continuously since then and the directors are confident of the growth prospects of the business.

(ii) Goodwill acquired on acquisition
Comprises of Goodwill acquired on the acquisition of Health House International Limited (see note 13) for details).

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	**Licences (Canadian) $000's**	**Intellectual Property $000's**	**Computer Software $000's**	**Goodwill $000's**	**Total $000's**
Balance at 1 January 2023	**280**	**15,568**	**-**	**-**	**15,848**
Additions	-	-	-	-	-
Acquired on acquisition	-	-	-	5,914	5,914
Impairment[i]	-	(15,160)	-	(2,452)	(17,612)
Foreign exchange translation	4	142	-	-	146
Amortisation expense	(181)	(520)	-	-	(701)
Balance at 31 December 2023	**103**	**30**	**-**	**3,462**	**3,595**

Consolidated	**Licences (Canadian) $000's**	**Intellectual Property $000's**	**Computer Software $000's**	**Goodwill $000's**	**Total $000's**
Balance at 1 January 2022	**1,156**	**7,158**	**-**	**-**	**8,314**
Additions	-	5	-	-	5
Acquired on acquisition (see **Error! Reference source not found.**)	-	18,403	-	2,429	20,832
Impairment[i]	-	(10,089)	-	(2,432)	(12,521)
Foreign exchange translation	(28)	1,158	-	3	1,133
Amortisation expense	(848)	(1,067)	-	-	(1,915)
Balance at 31 December 2022	**280**	**15,568**	**-**	**-**	**15,848**

(i) The Group conducted impairment testing as detailed below. As a result, an impairment charge against intangible assets of $17,612,000 (2022: $12,521,000) was recognised during the period. Note 3 discloses the breakdown of impairment by segment.

Notes to the Consolidated Financial Statements

NOTE 10 TRADE AND OTHER PAYABLES

	2023 **$000's**	2022 $000's
Trade payables	**8,767**	4,036
Payables to related parties	**390**	113
Accrued expenses	**3,448**	2,971
Accrued expenses for related parties	**55**	-
Income in Advance	**60**	26
Other payables	**254**	1,496
	12,974	8,642

NOTE 11 BORROWINGS

	2023 **$000's**	2022 $000's
Secured borrowings		
Deed of trust loans	**2,689**	2,393
Other loans	**5,510**	2,952
Total secured borrowings	**8,199**	5,345
Unsecured borrowings		
Convertible notes	**1**	851
Related party loans	**103**	475
Other loans	**1,110**	475
Total unsecured borrowings	**1,214**	1,326
Total borrowings	**9,413**	6,671

NOTE 12 INVESTMENT IN CONTROLLED ENTITIES

Company Name	**Principal Activities**	**Country of Incorporation**	**Ownership interest 2023 %**	**2022 %**
Creso Pharma Switzerland GmbH	Development of nutraceutical products	Switzerland	**100**	100
Creso Canada Limited	Corporate entity	Canada	**100**	100
Creso Canada Corporate Limited	Corporate entity	Canada	**100**	100
Mernova Medicinal Inc.	Cultivation of cannabis plants and sale of cannabis products	Canada	**100**	100
3321739 Nova Scotia Limited	Corporate Entity	Canada	**100**	100
Kunna Canada Limited	Corporate entity	Canada	**100**	100
Kunna S.A.S	Holder of cannabis licenses in Colombia	Colombia	**100**	100
Halucenex Life Sciences Inc.	Clinical stage psychedelic drug development company	Canada	**100**	100
Creso Impactive Limited	CBD based life sciences company	Canada	**100**	100
Sierra Sage Herb LLC	Manufacture and sale of packaged consumer products	United States of America	**100**	100
Creso Pharma US Inc.	Corporate entity	United States of America	**100**	100
4340965 Nova Scotia Limited	Corporate entity	Canada	**100**	100
Health House International Limited	Distributor of medicinal cannabis and other controlled drugs	Australia	**100**	-

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Notes to the Consolidated Financial Statements

NOTE 13 BUSINESS COMBINATIONS DURING THE YEAR

On 16 May 2023 the Group acquired 100% of the voting equity instruments of Health House International Limited, a company whose principal activity is the distribution of medicinal cannabis and other controlled drugs.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair value provisionally determined $'000
Cash and cash equivalents	621
Inventories	282
Receivables	2,185
Property, plant and equipment	415
Borrowings	(825)
Payables	(3,608)
Lease liabilities	(349)
Total net liabilities	**(1,279)**

Fair value of consideration paid

Issue of ordinary shares	**1,343**
Issue of options	**136**
Pre-acquisition loan	**3,156**
Total consideration	**4,635**
Provisionally determined value of intangibles (including goodwill)	**5,914**

Acquisition costs of $212,000 were incurred as a result of the transaction and have been expensed in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31 December 2023, the Group has recorded a provisionally determined value of intangibles (including goodwill) or $5,914,000 in respect of the acquisition of Health House International Limited. As at the date of issuing this report, the acquisition is still subject to further review by management as the Group has 12 months from the date of acquisition to finalise its purchase price accounting.

The goodwill recognised will not be deductible for tax purposes.

At the year end, the Group conducted impairment testing on the goodwill acquired. As a result, an impairment charge against goodwill of $2,432,000 (2022: $Nil) was recognised during the period

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Notes to the Consolidated Financial Statements

NOTE 14 DISCONTINUED OPERATIONS

During the year the Group discontinued the following operations:

- Halucenex Life Sciences Inc. and 4340965 Nova Scotia Limited (HLF)
- Creso Impactive Limited (IMP)
- Sierra Sage Herb LLC and Creso Pharma US Inc. (SSH)

The discontinued operations are summarised below:

2023	**HLF $000's**	**IMP $000's**	**SSH $000's**	**Total $000's**
Revenue from continuing operations				
Revenue	-	-	2,643	2,643
Other income	**50**	-	89	139
Expenses				
Raw materials and consumables used	-	-	(2,878)	(2,878)
Loss on fair value adjustments	-	-	-	-
Administrative expenses	**(59)**	**(89)**	(2,414)	(2,562)
Depreciation and amortisation expenses	**(45)**	-	(799)	(844)
Employee benefit expenses	**(653)**	**(191)**	(2,794)	(3,638)
Impairment of intangibles	**(7,157)**	**(223)**	(1,853)	(9,233)
Other expenses	**(218)**	-	(170)	(388)
Loss on disposal of assets	-	-	-	-
Finance costs	**(5)**	**(1)**	(132)	(138)
(Loss) from discontinued operations before income tax	**(8,087)**	**(505)**	**(8,307)**	**(16,899)**
Income tax expense	-	-	(27)	(27)
(Loss) from discontinued operations	**(8,087)**	**(505)**	**(8,334)**	**(16,926)**

2022	**HLF $000's**	**IMP $000's**	**SSH $000's**	**Total $000's**
Revenue from continuing operations				
Revenue	-	-	2,453	2,453
Other income	-	-	138	138
Expenses				
Raw materials and consumables used	-	-	(1,537)	(1,537)
Loss on fair value adjustments	-	-	-	-
Administrative expenses	**(123)**	**(134)**	(1,566)	(1,823)
Depreciation and amortisation expenses	**(37)**	-	(507)	(544)
Employee benefit expenses	**(553)**	**(230)**	(1,310)	(2,093)
Impairment of intangibles	-	-	(6,630)	(6,630)
Other expenses	**(426)**	-	(88)	(514)
Loss on disposal of assets	-	-	-	-
Finance costs	**(2)**	-	(264)	(266)
(Loss) from discontinued operations before income tax	**(1,141)**	**(364)**	**(9,311)**	**(10,816)**
Income tax expense	-	-	-	-
(Loss) from discontinued operations	**(1,141)**	**(364)**	**(9,311)**	**(10,816)**

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Notes to the Consolidated Financial Statements

NOTE 15 RELATED PARTY DISCLOSURE

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2023 **$**	2022 $
EverBlu Capital Pty Ltd[i] – a company of which Adam Blumenthal is the Chairman		
Capital raising fees payable in cash	-	308,996
Capital raising fees payable in shares	-	829,258
Legal fees	-	-
Corporate advisory payable in shares	-	70,000
Monthly retainer	-	495,000
IRESS service fees	-	3,399
Out of scope fees	-	
	-	1,706,653
Balance owing to EverBlu Capital Pty Ltd at 31 December	-	899,258
Balance owing to Melodiol at 31 December	-	-
Everblu Capital Corporate Pty Ltd[i] – a company of which Adam Blumenthal is the Chairman		
Capital raising fees	-	149,838
Capital raising fees payable in shares	-	3,774,815
Monthly retainer	-	13,095
Debt restructuring fees	-	-
Business development and investor relations	-	-
Facilitation fees	-	-
Out of scope fees, including restructuring and corporate advice	-	-
	-	3,937,748
Balance owing to EverBlu Capital Corporate Pty Ltd at 31 December	-	3,774,815
Balance owing to Melodiol at 31 December	-	-

The above fees are inclusive of GST.

(i) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

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Notes to the Consolidated Financial Statements

NOTE 15 RELATED PARTY DISCLOSURE (CONTINUED)

	2023 $	2022 $
Suburban Holdings Pty Ltd – related party[i]		
Amount drawn down by Melodiol	**-**	1,000,001
Amount repaid	**-**	-
Balance owing at 31 December	**-**	-
International Water and Energy Savers Ltd - a company controlled by Boaz Wachtel		
Director's Fees for Boaz Wachtel	**80,000**	80,000
Bonus for Boaz Wachtel payable in shares	**-**	40,000
Balance owing from Melodiol at 31 December	**53,333**	40,000
HBAM Holdings Inc - a company controlled by Bruce Linton		
Director's Fees for Bruce Linton	**80,000**	93,504
Balance owing from Melodiol at 31 December	**46,667**	23,346
BQ Advisory - a company controlled by Ben Quirin		
Director's Fees for Ben Quirin	**80,000**	18,413
Director remuneration options	**2,802**	-
53,333	**-**	-
Jodi Scott		
Loan repayments	**363,863**	136,861
Interest on loan	**42,691**	7,136
Lease payments	**71,343**	17,306
Extinguished debt	**453,980**	-
Balance owing from Melodiol at 31 December	**-**	386,680
Kelly Hoyt – a person related to Jodi Scott		
Salary	**163,465**	40,941
Bonus	**-**	456
Balance owing from Melodiol at 31 December	**163,465**	5,849
Kathleen Scott – a person related to Jodi Scott		
Salary	**142,493**	51,177
Bonus	**-**	456
Balance owing from Melodiol at 31 December	**142,493**	7,311
William Lay		
Consulting fee	**222,538**	-
Director remuneration	**75,028**	-
Director incentive	**408,333**	-
Loan to SSH	**-**	18,327
Loan to Mernova	**-**	81,673
Balance owing from Melodiol at 31 December	**102,517**	100,000

(ii) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

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Notes to the Consolidated Financial Statements

NOTE 15 RELATED PARTY DISCLOSURE (CONTINUED)

(b) Transactions with related parties – non-cash

Other Share and Option Transactions with Related Parties					
	2023			2022	
	Shares	**Options**	**Performance Rights**	Shares	Options
EverBlu Capital Pty Ltd[i]					
Broker fees	-	-	-	-	-
Issue of Shares - Corporate Advisory Mandate	-	-	-	2,000,000	-
Share issue cost in February-22 Placement	-	-	-	-	57,971,032
Subtotal	-	-	-	2,000,000	57,971,032
EverBlu Capital Corporate Pty Ltd[i]	-	-	-		
Share issue cost in August-22 Placement	-	-	-	-	175,000,000[i]
Subtotal	-	-	-	-	175,000,000
Suburban Holdings Pty Ltd[i]	-	-	-		
Issue of bonus listed options	-	-	-	-	-
Subtotal	-	-	-	-	-
Atlantic Capital Holdings Pty Ltd[i]	-	-	-		
Issue of shares and listed options – October placement	-	-	-	-	-
Issue of bonus listed options	-	-	-	-	-
Issue of unlisted options for EverBlu out of scope fees	-	-	-	-	-
Subtotal	-	-	-	-	-
Anglo Menda Pty Ltd[i]	-	-	-		
Issue of shares	-	-	-	-	-
Subtotal	-	-	-	-	-
International Water and Energy Savings					
Director bonus – Boaz Watchel	-	-	-	2,000,000	-
Subtotal	-	-	-	2,000,000	-
James Ellingford[ii]					
Director bonus – James Ellingford	-	-	-	4,000,000	-
Subtotal	-	-	-	4,000,000	-
HBAM Holding Inc					
Director's fee – Bruce Linton	**33,333**	-	-	-	10,000,000
Subtotal	**33,333**	-	-	-	10,000,000
Quitin Alleaume Trust					
Director's fee – Ben Quirin	-	**2,802**	-	-	-
Subtotal	-	**2,802**	-	-	-
Noble House Consulting					
Director's remuneration – Will Lay	-	**28**	**75,000**	-	-
Director incentive	**175,000**	-	**233,333**		
Consulting fee	-	-	**222,538**	-	-
Subtotal	**175,000**	**28**	**530,871**	-	-
Jodi Scott					
Loan and loan interest repayment	**404,752**	-	-	-	-
Subtotal	**404,752**	-	-	-	-

(i) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

(ii) Mr Elingford resigned as a director on 30 November 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

Terms and conditions

All transactions with related parties were reviewed by the Board and were made on normal commercial terms and conditions and at market rates.

Other than the above, there were no other transactions with KMP during the year ended 31 December 2023.

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