



31 January 2022

QUARTERLY ACTIVITIES REPORT – 31 December 2021

Highlights:

- Revenue of A\$2,023,902 generated during the quarter – a 74% increase on last quarter (Q3 CY2021: A\$1,160,723)ⁱ
- Q4 CY21 revenue is a 246% rise on the previous corresponding period (“PCP”) (Q4 CY2020: A\$585,481)
- Record revenue of A\$6,213,536, unaudited, achieved in CY2021, representing a 152% increase on CY2020 revenue of A\$2,464,977.

Creso Pharma to enter the metaverse:

- Strategic landholding in The Sandbox’s metaverse allows the Company to launch the Cresoverse
- Creso Pharma to develop a digital replica of its 24,000 square foot cannabis cultivation facility in Nova Scotia, highlighting the entry of the Company into Web 3.0
- The metaverse is a collection of 3D virtual reality powered worlds which foster social interaction through technology to combine the physical and digital
- The Sandbox is a leading metaverse platform and Creso Pharma will join other high-profile landholders such as Atari, Adidas, PWC and Binance
- A Web 3.0 platform where creators monetise digital assets and experiences – The Sandbox is estimated to launch in March 2022, and already has over 500,000 users
- Initiative allows metaverse users to engage with Creso Pharma’s facility, witness its operations and learn about its product suite
- Creso Pharma has also built a virtual stage alongside its facility which may be used to host concerts, influencer collaborations and meetings, subject to strict adherence to all relevant regulatory guidelines
- Events could be targeted towards Mernova, or other products, including its European CBD line, and impACTIVE’s sports CBD products
- This will enhance community engagement whilst enriching the online experience for customers and shareholders

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

- A\$1,141,386ⁱⁱ (~C\$1,047,821) in sales recorded – a 43% rise on the last quarter (Q3 CY2021: A\$797,963) and a 115% increase on the previous corresponding period (Q4 CY2020: A\$530,563)
- Q4 CY2021 marks the highest ever quarterly sales period for the division since inception
- Growth underpinned by ongoing orders from provincial partners and key wholesalers
- THC testing completed highlighting superior THC content in new strains – new plant genetics are being grown and will be introduced under established brands to drive sales



- **Advanced growing processes underway – ongoing lighting, improved nutrition, and irrigation upgrades have led to increased plant yield and better product quality**
- **New SKUs (single 0.5g pre-rolls and Blunt joints) and strains expected to be launched towards the end of Q1 CY2022 alongside new province entries; maiden purchase orders received from Saskatchewan with discussions advancing in Manitoba**

Creso Pharma Switzerland – Nutraceutical division (Europe):

- **A\$882,516ⁱⁱⁱ (~CHF593,019) in revenue generated for Q4 CY2021 – a 143% uplift on previous quarter and 1,603% growth on the PCP (Q4 2020: A\$51,808)**
- **Increases in sales due to significantly increased demand for human health products**
- **Partnership with CannaHealth for the supply of cannabis and hemp plant products, as well as the marketing and sale of Creso Pharma’s products in Switzerland secured**
- **Letter of Intent (“LOI”) signed with licenced cannabis grower, Innuana AG to grow and market medicinal cannabis for the emerging Swiss market – provides Company with a new potential market entry**

Halucenex Life Sciences Inc. (“Halucenex”):

- **USP 61 and 62 testing requirements completed ahead of planned phase II clinical trial to test efficacy of psilocybin on treatment resistant Post Traumatic Stress Disorder**
- **Testing highlighted psilocybin concentration range of between 98.6% and 99.8%, while showing minimal impurity and superior quality**
- **7,14 and 30-day stability testing completed, with results reiterating high quality psilocybin supply**
- **Amendment granted to Controlled Drugs and Substances Dealer’s Licence (“Dealer’s Licence”)**
- **Amendment allows the Company to now produce, package and assemble a number of psychedelic substances**
- **Additions provide Creso Pharma with the most comprehensive approvals that can be awarded by Health Canada in relation to controlled substances**
- **Clinical Trial Authorisation lodged with Health Canada in January 2022 ahead of planned phase II clinical trial**

Corporate developments:

- **Acquisition of the assets of ImpACTIVE Holdings Ltd completed**
- **ImpACTIVE has developed a range of CBD based products to reduce muscle and joint inflammation without the use of heavy narcotics or prescription pharmaceuticals**
- **Significant progress made including the lodgement of tenders through a sourcing platform with users including CVS Pharmacy and Walgreens, patent protection applications, stability testing and international trademarking applications (trademarks on impACTIVE logo registered by WIPO, pending in Canada and USPTO)**



Creso Pharma Limited (ASX:CPH, OTC: COPHF FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to provide this Quarterly Activities Report for the period ended 31 December 2021 (the 'quarter'), together with its Appendix 4C Quarterly Cash Flow Report.

Commentary:

Chief Executive Officer and Managing Director, William Lay said: *"Creso Pharma has continued to grow, despite a challenging operational landscape. Revenue across each division has shown an upward trend, including a record quarter at Mernova. Additionally, several value-accretive milestones have been achieved. We anticipate that the acquisition of ImpACTIVE will provide us with another potential revenue stream and we look forward to scaling up the business alongside our other operations.*

"Halucenex has also made significant progress in preparation of its phase II clinical trial and achieved a number of key objectives. This included the granting of its Dealer's Licence and subsequent amendments, which will allow the Company to progress several opportunities across the psychedelic therapy sector. During the first month of Q1 CY2022, Halucenex lodged its Clinical Trial Authorisation with Health Canada.

"Further, we are very excited to unveil our plans to enter the metaverse. We expect that the launch will allow for the introduction of Creso Pharma's brands and products to a wide range of new consumers utilising the metaverse to seek the latest and most exciting developments.

"The Company continues to assess M&A opportunities across the life sciences sector to broaden our North American footprint and we look forward to updating shareholders as these opportunities materialise."

Operational overview:

Creso Pharma to enter the metaverse:

During Q4 CY2021, Creso Pharma partnered with innovative technology company Collective Campus to launch Creso Pharma's brand and products into the metaverse. Creso Pharma expects its entry into the digital world will unlock new marketing and sales opportunities for its products including its European CBD range and impACTIVE sports CBD products, while increasing engagement with new and existing customers and investors.

Creso Pharma has secured a plot of land in The Sandbox, a community-driven platform where creators can monetise digital assets and experiences. To date, the cost of the Metaverse project totals approximately A\$150,000.

The Sandbox is a leader in the digital metaverse space, having secured a US\$93m investment from Japanese multinational conglomerate SoftBank. The Sandbox metaverse will open to the public in the coming months, and already boasts over half a million users, which Creso Pharma can leverage for marketing and sales purposes. The Company's land is strategically located next to rapper, serial entrepreneur and iconic cannabis influencer, Snoop Dogg, which is expected to broaden awareness amongst metaverse participants.

As part of the Company's entry into the metaverse, it has constructed a digital replica of wholly-owned Canadian subsidiary Mernova Medicinal Inc.'s 24,000 square foot cannabis cultivation facility. Shareholders are invited to join the waitlist at www.cresopharma.io, allowing them to become the first to tour the facility once it is live. The Company anticipates a Q2 CY2022 launch.

The Company is also constructing a large stadium next to the digital facility, which may be used to host online concerts with prominent cannabis influencers, product launches and other events to drive



engagement with new potential customers, subject to any regulatory clearances that may be required. These events are intended to be geared towards Canadian customers and/or customers of Creso's European CBD products and impACTIVE CBD sports products. The development highlights Creso Pharma's innovative approach to marketing and engagement, across new, borderless channels. The Company will continue to provide updates on marketing and development initiatives.

Mernova Medicinal Inc. – Cannabis cultivations and sales division

During the quarter, unaudited revenue generated from Mernova was A\$1,141,386ⁱⁱ (~C\$1,047,821), representing a 43% increase on the preceding quarter and a 115% increase on the previous corresponding period ("PCP") (Q4 CY2020: A\$530,563). This highlights another consecutive quarter of growth for the division and Mernova's highest quarter of sales to date.

Mernova secured several purchase orders from a range of provincial partners, which underpinned revenue. These were from key partners in Nova Scotia, the Yukon, New Brunswick and Ontario, as well as wholesale orders from other licensed producers.

During the quarter, Mernova reached 4.5% market share in its home province of Nova Scotia, a significant milestone. Mernova products remain among the top sellers in the province, with demand continuing to grow in other markets. The rise in revenue coincides with the sale of product grown using the newly applied advanced grow methods, which have resulted in Black Mamba batches testing as high as 32.6% THC content, and Lemon Haze testing as high as 29.4% THC content. Mernova's products are now among the highest THC content in Canada. According to a report from Deloitte in 2021, THC content is the number one attribute that existing cannabis consumers use to evaluate quality of product^{iv}.

Operationally, Mernova continued its strong progress, completing testing of cannabinoid content for four of its new cannabis strains at pilot scale. Testing indicated that each new strain has shown a high level of THC content, which will assist the Company in its potential expansion and generate further sales growth.

The Company's new Mac 1 strain tested at a THC content level of 30.1% THC, Grape Cream Cake tested at 25.9% THC, while Monkey Berries and Vineyard Select tested at 23.6% THC and 19.6% THC, respectively. This highlighted a major achievement, with three of the four strains exceeding the current industry average THC content for dried flower products^v. These test results are from an initial trial run, with THC levels expected to increase as growing procedures are further customised on a strain by strain basis (ASX Release: 11 October 2021).

Creso Pharma expects to launch the new strains during the current quarter, through established *Ritual Green* and *Ritual Sticks* brands, and the soon to launch *Ritual Blunt* brand. The Company has an additional 10 plant genetics, which will undergo testing before being added to its high-quality product lines.

Management also implemented a number of advanced grow processes during the quarter, as well as commenced upgrades to the Company's 24,000 square foot cannabis cultivation facility. These included new lighting, higher quality nutrition, and irrigation upgrades, which led to increased plant yield and better product quality.

Demand continues to increase for the Company's indoor grown, hand trimmed, hang dried, cured, artisanal craft cannabis products and Mernova remains well placed to capitalise. Several additional product launches and potential new province entries are earmarked for near term expansion. Creso Pharma will provide updates once these developments materialise.



Creso Pharma Switzerland – Nutraceutical division (Europe):

During the quarter, unaudited revenue generated from human and animal health product sales were A\$882,516ⁱⁱⁱ (CHF593,019), representing a 143% uplift on the previous quarter and a 1,603% increase on the PCP (Q4 CY2020: A\$51,808). The increase in sales was underpinned by ongoing demand for the Company’s suite of CBD-based human health products.

Creso Pharma secured a partnership with Swiss-based company, CannaHealth AH (“CannaHealth”) for the supply of cannabis and hemp plant products, as well as the marketing and sale of Creso Pharma’s products in Switzerland (“Agreement”). CannaHealth has an established Swiss network, which is generating sales. Both parties are in discussions to potentially expand the agreement further into Europe at a later phase. For further details on this Agreement, refer to the ASX release dated 11 November 2021.

The Company also entered into a non-binding Letter of Intent (“LOI”) with licenced cannabis grower, Innuana AG (“Innuana”) to grow and market medicinal cannabis for the emerging Swiss market. Under the LOI, Innuana will grow and produce medicinal cannabis products to the Company’s specifications, which Creso Pharma will sell and distribute to patients. For further details on this LOI, refer to the ASX release dated 1 November 2021.

Innuana specialises on the research, growing, processing and production of medicinal grade cannabis and has been involved in cultivation, breeding and research for several years. The group has an established reputation in the Swiss market and secured one of the initial public orders to grow cannabis from the cantonal government to meet the needs of the City of Zurich in 2022 and beyond.

The agreement follows recent amendments to the Swiss Narcotics Act which facilitates patient access for the use of medicinal cannabis in the country. Following the regulatory revision, the cultivation, processing, production and trade of medicinal cannabis will become subject to the authorisation and control system of Swissmedic, the Swiss agency for therapeutic products. Accordingly, treatment with medicinal cannabis will no longer require an exceptional authorisation by FOPH (Federal Office of Public Health)^{vi}.

Creso Pharma will bring both medical and pharmaceutical expertise to the growing specifications, as well as experience to product marketing and sales. The Company established a number of relationships with clinics and prescribers in Switzerland, which it will leverage to drive sales growth.

Halucenex Life Sciences Inc.

Wholly-owned Canadian based psychedelics company, Halucenex achieved a number of operational milestones, which will allow it to continue towards its planned phase II clinical trial to test the efficacy of psilocybin on treatment resistant Post Traumatic Stress Disorder (PTSD).

Halucenex completed all USP 61 and 62 testing requirements and received exceptional results from laboratory testing, highlighting the superior quality of the Company’s psilocybin active pharmaceutical ingredient (API) (ASX Release: 8 November 2021).

USP 61 testing provides enumeration of mesophilic bacteria and fungi that may grow under aerobic conditions. The test provides the total number of aerobic organisms and mould present within a sample. The sample is typically diluted, plated and incubated, with results to determine whether or not compounds can be used in human testing.

The USP 62 test evaluates a product for the presence or absence of potential pathogens. USP 62 tests are necessary for cosmetic and personal products to determine that any microorganisms that may be



present in a product are not specific pathogenic microorganisms of particular concern if found in a consumer product.

Test results confirm that Halucenexs API samples had a concentration range of between 98.6% and 99.8%, while showing minimal impurity and superior quality. Both 7 and 14-day stability testing was undertaken during the USP 61 and 61 testing, which further outlined the product's high standard. 30-day stability testing for the API samples is now complete, with positive results.

In a major milestone, Halucenex secured an amendment to its Controlled Drugs and Substance Dealer's Licence ("Dealer's Licence") from Health Canada (ASX Release: 2 December 2021). This amendment allows the Company to now produce, package and assemble a number of psychedelic substances including psilocybin, ketamine, LSD, salvia divinorum, harmaline, salvinorin A, and MDMA amongst others.

The additions provide Creso Pharma with the most comprehensive approvals that can be awarded by Health Canada in relation to controlled substances. Halucenex will now advance initiatives including botanical psilocybin cultivation for comparative studies, clinical trials and potential sale to other licenced dealers in Canada. Sales would add another revenue stream for the Company, while ongoing R&D will assist with product and delivery method development.

During Q1 CY2022, Halucenex lodged its Clinical Trial Authorisation for its phase II study with Health Canada. The CTA is subject to a 30-day review by Health Canada, and if approved will allow Halucenex to commence its clinical trial in Q2 CY2022.

Corporate overview:

Acquisition of the assets of ImpACTIVE Holdings Ltd ("ImpACTIVE") to bolster North American presence:

Creso Pharma entered into an asset purchase agreement ("agreement") to acquire ImpACTIVE's assets through a newly incorporated subsidiary, Creso Impactive Ltd. ("Creso Impactive"). This allows the Company to strengthen its North American footprint and leading range of CBD products. Under the agreement, Creso Pharma issued 1,965,455 fully paid ordinary shares, to the vendors of ImpACTIVE as part consideration for the acquisition of the assets of ImpACTIVE. Additional transaction details are available in the Company's ASX announcements dated 25 October 2021.

ImpACTIVE is a Canadian life sciences business founded by current and former high-profile athletes seeking to provide alternative treatment routes to the athletic community. It has developed a suite of CBD based products, designed to reduce muscle and joint inflammation without the use of heavy narcotics or prescription pharmaceuticals. The products contain less than 0.3% THC on a dry weight basis, reducing international regulatory hurdles. Several well-known brand ambassadors promote its products, which are gaining traction amongst consumers in North America.

The Company will seek to penetrate this burgeoning market through the sale of ImpACTIVE's products and provide cannabis-derived pain relief products to help reduce muscle and joint inflammation.

ImpACTIVE recently received product approval through a discovery and sourcing platform used by leading retailers including CVS, Walgreens to help facilitate a fast, efficient, and scalable launch of the ImpACTIVE range. ImpACTIVE anticipates a full launch of its brand during late Q1 / early Q2 CY2022. The Company is also progressing stability testing, US patent applications and international trademark registration initiatives to drive growth. Trademarks on the ImpACTIVE logo have been registered by the WIPO, with registrations in Canada and with the USPTO pending.

**Appendix 4C Commentary:**

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 31 December 2021 accompanies this announcement, and shows a consolidated group cash balance of A\$7.06 million as at 31 December 2021.

As noted in its Appendix 4C, during the quarter the Company expended a net of A\$4.42 million on the operations of the Company. This comprised of receipts from customers (A\$2.28 million) offset by research and development costs (A\$46,000), product manufacturing and operating costs (A\$1.67 million), advertising and marketing costs (A\$928,000), staff costs (A\$1.85 million), administration and corporate costs (A\$2.16 million) and government grants and tax incentive costs (A\$30,000). In addition, the company made a total of A\$423,000 payments to acquire businesses and a total of A\$252,000 payments for property, plant and equipment. The Company also received total proceeds of A\$253,000 from exercise of options during the quarter.

The payments of A\$709,000 referred to in section 6.1 relate to Executive and Non-Executive Director remuneration (A\$271,000) and payments to EverBlu Capital for business advisory services (A\$438,000).

Notice under Section 33 of the ASIC Act:

On 25 November 2021, Creso Pharma disclosed that it had been served with a notice issued by ASIC under Section 33 of the ASIC Act, requiring it to produce certain documents to ASIC in connection with an ASIC investigation (Notice). Whilst the Notice identified that ASIC's investigation relates to suspected contraventions by the Company, its officers, agents, employees and representatives in relation to trading in its securities, it also stated that the Notice should not be construed as an indication by ASIC that a contravention of the law has occurred, nor should it be considered a reflection upon any person or entity.

The Company confirms that it has since produced documents to ASIC in compliance with the Notice and has not received any further material correspondence from ASIC in respect of this matter.

Creso will continue to keep the market updated on any material developments on this matter, however, as is evidenced by the Company's performance this quarter, the ASIC investigation has not impacted the Company's ability to continue to operate efficiently, with the Company's key business units in Canada and Switzerland being unaffected and operating as usual.

Board and management changes:

During the period, the Company advised that Mr Adam Blumenthal stepped down as Chairman, with Dr James Ellingford undertaking the role as interim Chairman. Subsequent to the end of the period, Creso Pharma also made three new appointments, including Mr William Lay as Chief Executive Officer and Managing Director, leading cannabis and psychedelics entrepreneur, Mr Bruce Linton as Non-Executive Director, and Mrs Micheline McKay as Executive Director.

These new appointments will assist the Company in rapidly accelerating its growth trajectory, while strengthening independence and corporate governance protocols.

-Ends-

**Authority and Contact Details**

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

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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.

ⁱ The difference in previously reported figures (refer ASX announcement: 1 July 2021) is due to differing currency conversion methods used for accounting purposes

ⁱⁱ Based on an AUD to CAD exchange rate of A\$1.089

ⁱⁱⁱ Based on an AUD to CHF exchange rate of A\$1.488

^{iv} https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/consumer-business/ca_cannabis_consumer_survey_en_aoda.pdf

^v http://davidhammond.ca/wp-content/uploads/2021/02/2021_Sikorski_CannabisConsumptionPurchasingSourcesYoungCanadians.pdf

^{vi} <https://www.bag.admin.ch/bag/de/home/medizin-und-forschung/heilmittel/med-anwend-cannabis/gesetzesaenderung-cannabisarzneimittel.html>

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 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,281	6,409
1.2 Payments for		
(a) research and development	(46)	(151)
(b) product manufacturing and operating costs	(1,676)	(4,163)
(c) advertising and marketing	(928)	(6,057)
(d) leased assets	-	-
(e) staff costs	(1,850)	(6,800)
(f) administration and corporate costs	(2,165)	(10,032)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(399)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	(30)	(169)
1.8 Other (provide details if material)	(10)	65
1.9 Net cash from / (used in) operating activities	(4,424)	(21,297)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:	-	34,167,506 shares
Deemed value in lieu of cash	-	6,136

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	(423)	(1,289)
(c) property, plant and equipment	(252)	(461)
(d) investments	-	-
(e) intellectual property	-	(261)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	-	(51)
2.6 Net cash from / (used in) investing activities	(675)	(2,062)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	18,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	253	8,517
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(1,696)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(404)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	253	24,417

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,856	6,004
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,424)	(21,297)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(675)	(2,062)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	253	24,417
4.5	Effect of movement in exchange rates on cash held	52	-
4.6	Cash and cash equivalents at end of period	7,062	7,062

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	7,062	11,856
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,062	11,856

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	709
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
- Executive director and non-executive directors remuneration	271
- Business Advisory Services – EverBlu Capital	438
Aggregate amount as above	709

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.

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

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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(4,424)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,062
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	7,062
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.60

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 are expected to improve in Q1'22 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: The Company has not undertaken any recent steps to raise further cash to fund its operations, however, 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 CY2021.

- 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: 31 January 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.