



25 July 2022

Sierra Sage Herbs LLC (“SSH”) secures private label manufacturing agreement with major US online retailer & update on US regulatory landscape

Highlights:

Agreement with FSA Store Inc.:

- **Target acquisition SSH secured non-exclusive private label manufacturing agreement with leading consumer health and wellness online retailer, FSA Store Inc., of which Health-E Commerce is the parent brand**
- **Health-E Commerce is a leading online retailer of health and wellness products that has built a family of brands with strong US market penetration, including FSA Store Inc.**
- **Health-E Commerce brands have led the direct-to-consumer e-commerce market in the US for exclusively pre-tax health and wellness benefits since its inception in 2010**
- **Health-E Commerce plays an essential role in expanding product eligibility for important new categories within the US list of eligible medical expenses**
- **It is intended that SSH will produce the group’s inaugural plant-based first-aid collection – expected to launch in November 2022**
- **Collection is intending to be aimed at over 70m Americans enrolled in flexible spending accounts (FSAs) and health savings account (HSAs), that allow them to set aside pre-tax income to pay for qualified healthcare expenses**
- **Agreement provides an interesting market opportunity for Creso Pharma and SSH as well as an additional sales channel**
- **Subject to shareholder approval, the proposed acquisition of SSH is expected to complete shortly, providing an array of opportunities for Creso Pharma**

Senate Democrats to introduce a federal bill to decriminalise recreational cannabis while US House of Representative pass cannabis advertising bill:

- **Senate Democrats expected to introduce the Cannabis Administration Opportunity Act in coming weeks**
- **Bill aims to remove cannabis from the list of drugs covered by the Controlled Substances Actⁱ**
- **Passing of the potential bill would potentially provide Creso with an entry point into a market that has the potential reach US\$130Bn in sales by 2024ⁱⁱ**
- **US House of Representatives approves bill allowing cannabis advertisements in states where marijuana is legalⁱⁱⁱ**
- **Bill will now move to the Senate and if passed, potentially provides the opportunity for Creso to commence a targeted advertising campaign for its relevant product suites**



Creso Pharma Limited (ASX:CPH, OTC:COPHF, FRA:1X8) ('Creso Pharma' or 'the Company') that target acquisition company Sierra Sage Herbs LLC ("SSH") (refer ASX announcement: 3 February 2022) has entered into a non-exclusive private label manufacturing agreement ("the Agreement") with FSA Store Inc., a part of leading consumer health and wellness online retailer Health-E Commerce to produce the group's inaugural plant-based first-aid collection. The Company also wishes to provide shareholders with an update on pending regulatory changes in the US.

Private label manufacturing agreement with FSA Store Inc.:

Based in New York, Health-E Commerce is a leading online retailer of health and wellness products. The group is the parent brand to FSA Store, HSA Store, and WellDeservedHealth. The company also created Caring Mill, a popular private-label line of health products that benefits Children's Health Fund and enables customers to make a donation with each purchase.

Since inception, the Health-E Commerce brands have led the direct-to-consumer e-commerce market for exclusively pre-tax health and wellness benefits. Health-E Commerce plays an essential role in expanding product eligibility for important new categories within the list of eligible medical expenses.

It is intended that SSH will produce the group's first ever plant-based first-aid collection. SSH will oversee and manage product development, supply chain logistics and production, while FSA Store Inc. will ensure the collection is made available to the millions of consumers that are enrolled in tax-advantage health accounts.

The collection is aimed at the more than 70 million Americans enrolled in flexible spending accounts (FSAs) and health savings account (HSAs), which allow them to set aside pre-tax income to pay for qualified healthcare expenses, including products for everyday health and wellbeing. This a major opportunity for Creso Pharma and SSH, given there was over US\$2.34Bn contributed to FSAs in 2020^{iv}.

Health-E Commerce is the only family of online marketplaces that caters to this audience with exclusively eligible products, the industry's most comprehensive eligibility list, and educational tools and content.

The initial product offerings, which will be available in white labelled 1.82 oz. recyclable travel tins, include First Aid, Tattoo Aftercare, Pain Relief, Poison Ivy, and Burn Repair salves. The full, plant-based collection is also cruelty-free.

Product development is currently underway and the Company anticipates that the collection will launch in November 2022. This provides another potential revenue generating opportunity for Creso Pharma, following the potential completion of the SSH acquisition, as well as another potential sales channel for the Company.

Under the Agreement, SSH will manufacture and deliver private labelled first aid and topical therapeutic products as directed in individual purchase orders by a distributor as an agent of FSA Store Inc.. No minimum quantities or set pricing are included in the Agreement, other than setting out that the product pricing should be in line with the prices charged by SSH to other customers for similar volumes of the same or similar products.

The term of the Agreement will run until 2 December 2023, unless either parties notify the other of their decision to terminate this Agreement after 2 December 2022 by giving 60 days notice or,



the Agreement is terminated for cause. The parties may choose to extend the Agreement by mutual agreement.

Senate Democrats to introduce a federal bill to decriminalise recreational cannabis:

Building on the continued uptake and potential legalisation of cannabis federally in the US, Senate Democrats are expected to introduce the Cannabis Administration Opportunity Act. If the bill was passed, it would remove cannabis from the list of drugs covered by the Controlled Substances Act^v. On a state by state basis however, each government body can still maintain and create prohibitions on production and distribution of marijuana.

The bill would create grant programs to aid communities and individuals impacted most by drug offenses and establish funding programs to provide loans to small cannabis businesses owned by disadvantaged individuals. It would also require that federal, non-violent cannabis related convictions and arrests be expunged within a year on enactment.

This highlights another potential step forward towards the legalisation of recreational cannabis in the US and follows the US House of representatives passing the Marijuana Opportunity Reinvestment and Expungement Act (refer ASX announcement: 4 April 2022).

Passing of the potential bill would potentially assist Creso with an entry point into a market that has the potential reach US\$130Bn in sales by 2024^{vi}.

US House of Representatives approve bill for cannabis advertisements:

Further to the introduction of the potential Cannabis Administration Opportunity Act, the US House of Representatives approved a bill on Wednesday, 20 July 2022 that would enable cannabis advertisements in states with legal cannabis programs to air on television and radio^{vii}.

At present, most television and radio stations in states where cannabis is legal do not receive ads from cannabis businesses, due to FCC licencing regulations and federal law. The bill will now be introduced to the Senate and if passed, potentially provide Creso Pharma with the opportunity to progress targeted advertising campaigns for impACTIVE and Good Goo products.

United States Drug Enforcement Agency reverses decision to ban five psychedelic substances:

Highlighting the ongoing shift towards the acceptance of psychedelic compounds in North America, the US Drug Enforcement Agency (“DEA”) has reversed a decision to criminalise five psychedelic substances and add them to the Controlled Substances Act. The substances are all tryptamines, which have been shown to have potential medical benefit^{viii}.

The proposed DEA’s ban followed considerable public dispute from advocates and researchers that took the opportunity to plead a case for the use of psychedelics at the DEA’s public hearing.

The development highlights the ongoing shift towards the acceptance of psychedelic substances and the potential for these, when used in a clinical setting or as an alternative treatment route. Creso Pharma’s wholly owned psychedelics company, Halucenex Life Sciences Inc. (“Halucenex”) will continue to monitor ongoing regulatory approvals ahead of initiating any potential R&D initiatives with tryptamines or in the US.

**Commentary:**

CEO and Managing Director William Lay said: *"The agreement with FSA Store Inc. provides considerable validation of SSH's product and manufacturing capabilities. FSA Store Inc. is part of a group of brands that is a leading provider of health and wellness products and to be trusted as the partner to provide these is a major achievement.*

"Importantly, the Agreement provides Creso Pharma and SSH with access to an interesting market opportunity and provides another potential revenue channel that can underpin SSH's growth. We look forward to working closely with the group to provide a suite of products to their customer base later this year.

"The Company will also continue to monitor the potential legislative shifts occurring in the US. The proposed Senate bill highlights the ongoing push for recreational cannabis legalisation across the nation and has the potential to unlock opportunities for Creso Pharma."

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Authority and Contact Details

This announcement has been authorised for release by the Disclosure Committee of the Board of Directors 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

About Health-E Commerce and FSA Store Inc.

Health-E Commerce is the parent brand to FSA Store, HSA Store, and WellDeservedHealth, a family of online marketplaces that serve the 70+ million consumers enrolled in pre-tax health and wellness accounts. The company also created Caring Mill, a popular private-label line of health products that benefits Children's Health Fund and enables customers to make a donation with each purchase. Since 2010, the Health-E Commerce brands have led the direct-to-consumer e-commerce market for exclusively pre-tax health and wellness benefits. Health-E



Commerce plays an essential role in expanding product eligibility for important new categories within the list of eligible medical expenses. To learn more please visit: <https://www.health-e-commerce.com/about>

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Forward Looking statements

This announcement contains forward-looking statements with respect to Creso Pharma 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 Pharma 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 Pharma and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso Pharma has no obligation to up-date such statements, except to the extent required by applicable laws.

ⁱ <https://www.bloomberg.com/news/articles/2022-07-14/marijuana-decriminalization-bill-teed-up-for-senate-introduction>

ⁱⁱ <https://mjbizdaily.com/chart-us-cannabis-industrys-economic-impact-could-hit-130-billion-by-2024/>

ⁱⁱⁱ <https://docs.house.gov/meetings/AP/AP00/20220624/114951/BILLS-117-FC-AP-FY2023-AP00-FSGG-U1.pdf>

^{iv} FSA Database (ebri.org)

^v <https://www.bloomberg.com/news/articles/2022-07-14/marijuana-decriminalization-bill-teed-up-for-senate-introduction>

^{vi} <https://mjbizdaily.com/chart-us-cannabis-industrys-economic-impact-could-hit-130-billion-by-2024/>

^{vii} <https://www.benzinga.com/amp/content/28148914>

^{viii} <https://microdose.buzz/news/breaking-news-dea-reverses-decision-to-ban-5-psychedelics/>