



25 October 2021

Creso Pharma to acquire ImpACTIVE Holdings Ltd's assets to bolster North American presence to progress market entry strategy

Highlights

- Creso Pharma enters into asset purchase agreement with ImpACTIVE Holdings Ltd ("ImpACTIVE"), a Canadian life sciences company focused on CBD-based products for the purchase of brand and product portfolio assets owned by ImpACTIVE ("ImpACTIVE Assets")
- ImpACTIVE's products deliver anti-inflammatory relief to professional and amateur athletes suffering from chronic muscle and joint pain, and joint and limb recovery
- Provides Creso Pharma with direct access to the sport and recreation market for CBD products – with an estimated value of US\$22 billion by 2022 and C\$220 million in Canada aloneⁱ
- ImpACTIVE assets include 8 products for sale, as well as a growing development pipeline
- All products contain less than 0.3% THC on a dry weight basis significantly reducing global regulatory hurdles
- Online sales of ImpACTIVE products to launch imminently– discussions with potential retail groups are well progressed
- ImpACTIVE has made a provisional patent application relating to topical compositions of cannabinoids and its delivery in pain relief agents
- Creso to issue: (i) C\$200,000 of fully paid ordinary shares of Creso ("Creso Shares") to ImpACTIVE immediately; and (ii) subject to ASX and shareholder approval, a further 6 million performance shares (the "Performance Shares"), with 3 million Performance Shares converting into Creso Shares upon reaching C\$20,000,000 in audited gross sales revenue in 36 months, and another 3 million Performance Shares converting into Creso Shares upon reaching C\$40,000,000 in audited gross sales revenue within 60 months
- ImpACTIVE current products have been approved for the RangeMe system (a product procurement platform) used by some of the world's largest retailers and as a result, tender applications have been lodged to have the ImpACTIVE products stocked in CVS pharmacies and Walgreens in North America
- RangeMe is a world leading product discovery and sourcing platform used by some of the worlds largest retailers such as CVS, Walgreens, Wholefoods, Petco, and Amazon
- CVS is America's largest retail chain by number of locations and operates 9,896 retail outlets in 49 statesⁱⁱ
- Walgreens is America's second largest pharmacy store chain operating 9,021 retail stores throughout the USⁱⁱⁱ
- The Company expects that this transaction is the first of many future M&A initiatives that will potentially allow Creso to expedite US market penetration



- **William Lay, Creso's newly appointed Executive VP to assist with strategic integration of acquisition to underpin the initial phase of an aggressive trajectory into the US market**

Creso Pharma Limited (ASX:CPH, FRA:1X8) ("Creso", "Creso Pharma" or "the Company") is pleased to advise that it has entered into an asset purchase agreement (the "Agreement") to acquire the ImpACTIVE Assets through a newly incorporated Creso subsidiary, Creso ImpACTIVE Ltd. ("Creso ImpACTIVE"). This allows Creso Pharma to significantly strengthen its North American footprint and leading range of CBD products.

Under the Agreement, Creso Pharma will acquire the ImpACTIVE Assets for C\$200,000 payable in Creso Shares, valued at A\$0.11 per Creso Share. The Creso Shares will be issued pursuant to Creso's Listing Rule 7.1 placement capacity.

The Agreement also includes the issue of 6 million Performance Shares, subject to shareholder and ASX approval. Out of these 6 million Performance Shares, 3 million Performance Shares will convert into Creso Shares upon Creso ImpACTIVE generating C\$20 million in audited gross sales revenue within 36 months and the remaining 3 million Performance Shares will convert into Creso Shares through Creso ImpACTIVE generating C\$40 million in audited gross sales revenue within 60 months.

With effect from closing, ImpACTIVE's co-founders Brett Ayers and Kevin Tansey will enter into employment agreements ("Employment Agreements") with Creso ImpACTIVE Ltd. As part of their remuneration package, Creso will issue Brett Ayers and Kevin Tansey 500,000 options each ("Options") that will be exercisable at the exercise price of \$0.1375 within 3 years from the issue of the Options. The Options will be subject to retention conditions so that the Options will vest in equal parts over the three years following the issuance of such Options. These Options will be issued pursuant to Creso's Listing Rule 7.1 placement capacity.

Creso has conducted its due diligence on the ImpACTIVE Assets which included obtaining legal opinions from both US and Australian legal advisers on the legality of ImpACTIVE's business operations.

The Agreement is subject to standard conditions for an agreement of this nature including the entry into the Employment Agreements with Brett Ayers and Kevin Tansey. Creso Pharma intends to hold a general meeting in December 2021 to approve the issue of the Performance Shares.

ImpACTIVE overview:

ImpACTIVE is a Canadian life sciences company founded in 2019 by current and former high-profile athletes seeking to provide alternative treatment routes to the athletic community. The group has developed a range 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, significantly reducing international regulatory hurdles. Several well-known brand ambassadors promote its products, which are gaining traction amongst consumers in North America.

Due to the increased prevalence of medical conditions such as arthritis, bone and muscle-related conditions, and diabetic neuropathy leading to pain, there is an increased demand for topical methods of pain relief. The global topical pain relief market is projected to reach US\$12.22 billion by 2027 and grow at a CAGR of 5.2% from 2021 to 2027^{iv}.



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

The Agreement follows a Letter of Intent ("LOI") between the two parties (refer ASX announcement: 9 March 2021), allowing ImpACTIVE to distribute Creso Pharma's hemp CBD based human health products, CannaDOL and cannaQIX®, in Canada and the US. As part of the LOI, Creso also obtained the rights to distribute ImpACTIVE's CBD roller application in Switzerland and Europe.

As part of the Agreement, Creso Pharma will add ImpACTIVE's products to its growing range. These include both topical creams and roll-on provides, such as the ImpACTIVE Pro-ReLEAF CBD Roll-On, Pro-ReLEAF Hybrid Roll-On, Pro-ReLEAF CBD Cream, XPro-ReLEAF CBD Cream, Pro-ReLEAF Hybrid Cream and the XPro-ReLEAF Hybrid Cream.

Creso Pharma is pursuing purchase orders for the new products through its key wholesalers in Switzerland and 2,100 distribution points through pharmacy networks, drugstores and specialised retailers. The Company will be leveraging ImpACTIVE's leading and recognised brand ambassadors to increase awareness.

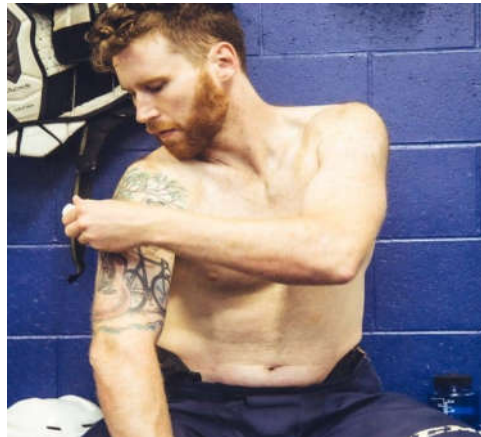
ImpACTIVE's recent progress:

ImpACTIVE has received product approval in the RangeMe system, a product discovery and sourcing platform used by leading retailers including CVS, Walgreens to help facilitate a fast, efficient, and scalable launch of the ImpACTIVE range.

As a result of this approval, tender applications for ImpACTIVE's products have also been submitted to CVS and Walgreens. These applications are currently being progressed.

Collectively, CVS and Walgreens have over 20,000 retail locations across the United States and the UK and average more than \$400Bn in gross revenue annually^v. The ImpACTIVE team is also pursuing approvals of another two products including the Pro-ReLEAF CBD Cream and Xtra Pro-ReLEAF CBD Cream. These products are pending submission following the supply of final compliance and insurance documentation and are expected to be approved shortly. Creso ImpACTIVE and Creso Pharma will also target other large retail outlets via RangeMe and other platforms. Buyers from other large US retailers including Walgreens, Whole Foods, PetCo, Target, GNC and Safeway amongst other commonly use RangeMe. Coupled with additional business development initiatives being undertaken by the Company.

Creso Pharma is also working with ImpACTIVE management to progress several new products, including topical rollers and creams containing only CBD, among others. The launch of these products is scheduled for the coming months with development currently in the final stages.



Images: ImpACTIVE's CBD roller stick, professional hockey player and brand ambassador Mark Fraser, a CVS and Walgreen retail outlet in the US

Strategic rationale:

The acquisition is a major and considered milestone for Creso Pharma. It will allow the Company to potentially increase its North American footprint and broadens the Company's range of leading CBD products. Creso Pharma will also have the opportunity to leverage ImpACTIVE's distribution and sales channels to drive growth across the Company's Swiss operations.

The global market for CBD products in sport presents a large addressable opportunity for Creso Pharma. The total market is estimated to reach US\$22 billion by 2022, with Canada accounting for US\$220 million alone^{vi}.

The Company is exploring a number of additional opportunities, including cross promotion of existing CBD products through ImpACTIVE's brand ambassadors and discussions with potential stockists. Management expects sales and additional partnerships to materialise in the coming months.

**Commentary:**

ImpACTIVE co-founder and CEO Mr Brett Ayers said: *"We are very excited to join the Creso Pharma group of companies. Creso has an established global footprint, existing sales channels and operations which will give us the framework to potentially significantly scale our own business to meet the revenue targets set. With the help of the Board and management team, we are very confident that we can achieve this sales growth, as well as pursue other international expansion opportunities. We have a number of opportunities that are expected to materialise in the near term."*

Executive VP of North America, Mr Will Lay said: *"This acquisition marks the first phase of Creso Pharma's efforts to enter into the US and I am excited to be working with ImpACTIVE to integrate them into the group. We have instituted aggressive sales targets, which is expected to lead to an increase in Creso Pharma's top line and increased its market share across North America."*

"This acquisition follows a significant legal and regulatory review which can now be relied upon to advance other CBD related acquisitions in the US; we are currently assessing multiple value accretive US M&A opportunities that will be based on a similar structure. Our model of acquisitions with high growth potential will be a key factor in the Company's US growth trajectory and I look forward to updating shareholders on further developments."

Non-executive Chairman Mr Adam Blumenthal added: *"This Agreement is a major development for the Company. The Agreement is at a low cost to Creso Pharma, with significant potential upside based on the performance of ImpACTIVE management."*

"We expect that ImpACTIVE's range of innovative products and brand ambassadors which will provide Creso Pharma with direct access to an emerging subsection of the global CBD market. The group also has established relationships with major US retail groups, which is expected to provide leverage for Creso Pharma as it seeks to grow sales of its own hemp based CBD products."

"Further, this Agreement highlights the Company's ongoing commitment to entering the US market ahead of its proposed dual listing. We look forward to working with ImpACTIVE's team to scale up sales and progress cross selling opportunities, which is anticipated to be to the benefit of our shareholders."



Images: ImpACTIVE marketing collateral and brand ambassadors

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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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Canada

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ImpACTIVE Holdings Ltd is a proudly Canadian company that echoes the values that helped build our nation, the Canadian communities and athletes, it supports: the Canadian Sports Institute, the Canadian Center for Mental Health and Sport, Coaching Association of Canada, Program led by Mark Fraser in collaboration with The Players Tribune. The company was founded by current and former athletes who share a passion for sport and a fiery competitive spirit. After struggling with injuries, they saw and seized an opportunity to give back to the athletic community that has given them so much (www.impactive.ca).

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 <https://www.brightfieldgroup.com/post/cbd-worth-22-billion-by-2022>

ⁱⁱ <https://cvshealth.com/about-cvs-health/our-company-at-a-glance>

ⁱⁱⁱ <https://web.archive.org/web/20160404155415/http://news.walgreens.com/fact-sheets/store-count-by-state.htm>

^{iv} <https://www.alliedmarketresearch.com/topical-pain-relief-market>

^v <https://cvshealth.com/news-and-insights/press-releases/cvs-health-reports-results-2020-q4> &

<https://www.macrotrends.net/stocks/charts/WBA/walgreens/financial-statements>

^{vi} <https://www.brightfieldgroup.com/post/cbd-worth-22-billion-by-2022>