



ASX Announcement

28 April, 2017

March Quarter Update

Highlights:

- **Creso Pharma's Australian partner, Health House granted an import/export licence; import of first shipment of medicinal cannabis to Australia expected over the coming weeks.**
- **Appointment of pharmaceutical and biotech industry professional, Mr David Russell as Chief Operating Officer in April.**
- **Two new LOIs secured for the development and commercialisation of Creso Pharma products.**
- **Significantly oversubscribed Placement to sophisticated and professional investors raises over \$8 million; boosts cash position to \$10.6 million as at 31 March 2017.**
- **Post quarter end, Creso Pharma's SPP also closed heavily oversubscribed: applications received for around \$4.1 million, well above maximum of \$1 million available.**

Creso Pharma Limited (ASX:CPH, the "Company") is pleased to provide its quarterly update for the three months ending 31 March 2017.

Operational Overview

Over the past few months, Creso Pharma has made substantial progress across a number of areas, including expanding its Australian presence and securing a number of commercial agreements, putting it in a strong position to achieve further significant milestones over the remainder of FY2017.

Australian partner granted medicinal cannabis import/export licence

In February, Creso Pharma's Australian partner, Health House International Pty Ltd (Health House), was granted an import/export licence under moves by the Australian Federal Government to facilitate faster access to medicinal cannabis for Australian patients.

Under the move, the Federal Government authorised controlled importation by approved providers from international sources to boost local supply until domestic production meets Australian needs.



The policy means that importers such as Health House and Creso Pharma, will be able to source supplies of medicinal cannabis from approved international providers and store these in Australia, shortening the timeframe to the supply to patients.

It is expected that Health House will successfully import its first shipment of medicinal cannabis to Australia over the coming weeks.

Appointment of Chief Operating Officer and expansion of Australian presence

Post quarter end, Creso Pharma significantly bolstered its local presence and commercialisation strategy with the appointment of pharmaceutical and biotech industry professional, Mr David Russell as its Chief Operating Officer.

Mr. Russell, who is based in Sydney, has more than 25 years' experience within the pharmaceutical and biotech industry with a number of leading global companies including Roche, Actelion Pharmaceuticals, Celgene and Novogen (ASX:NRT).

He will be responsible for assisting Creso Pharma's CEO with the Company's overall business and corporate strategy. He will also be responsible for developing the Australian business and the overall commercial strategy for the Company in Australia.

Mr Russell's appointment follows the Company expanding its Australian presence in February this year with the opening of a second office in Sydney.

New LOIs secured for the development and commercialisation of Creso Pharma products

Creso Pharma also successfully secured two new Letters of Intent (LOIs) during the quarter, enabling it to significantly advance its development and commercialisation plans.

In early March, it secured an LOI with Swiss-based food and pharma development company, Domaco, Dr. med Aufdermaur AG (Domaco), for the development and commercialisation of new cannabinoid-rich nutraceutical products for human and animal health.

Under the move, the two parties will develop, manufacture and commercialise two human health cannabinoid-rich nutraceutical products in innovative delivery technologies: one for the management of anxiety and stress and one for the management of bone metabolism disorders (osteoporosis and osteoarthritis). They will also develop one animal health nutraceutical products for companion animals. The animal product will target several conditions including behavioural-based disorders, chronic pain, inflammation, arthritis and metabolic conditions such as diabetes.

Commercialisation of the end products will be in collaboration with commercial partners targeting Switzerland, key European countries, Latin America and Australia.

Creso Pharma also secured an LOI during the quarter with Brazil-based Sin Solution for the marketing, sale and distribution of its products in Brazil, giving the Company a strategic foothold from which it can expand the launch of its cannabinoid-derived nutraceutical products into other countries in the region.

Through the LOI, Sin Solution will act as a commercial partner for the commercialisation in Brazil of Creso Pharma's various Swiss Vitamin premium nutraceutical products as well as its cannabinoid-derived nutraceutical products.

For personal use only



Sin Solution has an extensive commercial network, working with a number of high-profile commercial partners across the food manufacturing and pharmaceutical industries including global medical device, pharmaceutical and consumer goods manufacturer Johnson & Johnson.

New Scientific Advisory Board member

In early March, Creso Pharma significantly enhanced its scientific, medical and public health advisory network with the appointment of Prof. Dr. med Felix Gutzwiller to its Scientific Advisory Board.

Prof. Dr. med Felix Gutzwiller brings more than 30 years' experience across medicine, public health and politics, adding significant expertise as Creso Pharma continues to advance the development and marketing of its innovative therapeutics.

He joins Dr. Isaac Kobrin, Switzerland (ex Actelion Chief Medical Officer), Dr. Raquel Peyraube, Uruguay, and Dr. Stephane Redey, Australia (ex Actelion), on the Scientific Advisory Board.

Animal health products

During the quarter, Creso Pharma and its commercialisation partner, Greveling Holding BV (Greveling) obtained the first-ever and unique EU registration for two proprietary formulation animal feed CBD-based nutraceutical products for commercialisation in the global companion animal market.

The registration paves the way for Creso Pharma to sell the two products globally and the first-mover advantage will help the Company capture a leading share of the global companion animal market and a leading share of the hemp-derived animal health market worldwide. Creso Pharma aims to launch the products in July/August 2017.

Corporate and Financials

At the end of March, Creso Pharma successfully completed a bookbuild to raise \$8 million through a heavily oversubscribed placement to institutional and professional investors, which closed early.

The Company was originally expecting to raise up to \$5.6 million, but the Placement was expanded to \$8 million in order to accommodate high demand from an international investment group and other domestic and international investors.

Post the quarter end, the Company also announced that its Share Purchase Plan for eligible investors also closed heavily oversubscribed, with Creso Pharma receiving valid applications representing approximately \$4.1 million in subscriptions, well in excess of the maximum of \$1 million available.

The heavily oversubscribed Placement significantly strengthened the Company's cash balance for the quarter to a total of \$10.6 million as at 31 March 2017.

Creso Pharma has not recorded sales from its Hemp-Industries division in the March quarter but expects to do so in the near-term. Strict rules in many EU countries governing the chemical composition of medicinal cannabis products is the reason for the delay.

Going forward, the Company expects that the cash balance will be in line with expectations as it continues to invest in its development and commercialisation efforts.

For personal use only



The Appendix 4C report attached to this report contains the Company's cash flow statement for the quarter.

Outlook

Creso Pharma has made a number of significant achievements during the March quarter and in the weeks following which has put it in a strong position to achieve further significant milestones over the remainder of FY2017.

The funds raised from both the Placement and SPP will enable Creso Pharma to fast-track the commercialisation of its animal and human health nutraceutical products, with first products expected to be brought to market in the third quarter of 2017.

"We are confident that the success achieved over the past few months in all aspects of our business puts us in a very strong position to achieve further key milestones over the months ahead. The funding received during the quarter will expedite the development and commercialisation of both our human and animal health therapeutic products, and we expect to secure more commercial agreements over the near to medium term," said Creso Pharma CEO and Co-Founder, Dr. Miri Halperin Wernli.

---END---

Investor Enquiries:

Gabriella Hold
M: 0411 364 382
E: gabriella.hold@mcpartners.com.au

Media Enquiries:

Harrison Polites
M: 0409 623 618
E: harrison.polites@mcpartners.com.au

Corporate Queries:

EverBlu Capital
Level 39, Aurora Place
88 Phillip Street, Sydney, NSW 2000
E: info@everblucapital.com
P: +61 2 8249 0000

About Creso Pharma

Creso Pharma brings pharmaceutical expertise and methodological rigour to the world of medical cannabis and strives for the highest quality in its products. It is the leader in cannabidiol (CBD) innovation and develops cannabis- and hemp-derived therapeutic-grade CBD nutraceuticals and medical cannabis products with wide patient reach for human and animal health. Creso uses GMP 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. The Company is expected to generate revenues via its subsidiary, Hemp-Industries in the near-term.

For personal use only

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Creso Pharma Limited

ABN

89 609 406 911

Quarter ended ("current quarter")

31 March 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 5 | 5 |
| 1.2 Payments for | | |
| (a) research and development | (237) | (237) |
| (b) product manufacturing and operating costs | (12) | (12) |
| (c) advertising and marketing | (235) | (235) |
| (d) leased assets | - | - |
| (e) staff costs | (144) | (144) |
| (f) administration and corporate costs | (354) | (354) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 4 | 4 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (973) | (973) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

For personal use only

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| | (d) intellectual property | - | - |
| | (e) other non-current assets | | |
| 2.2 | Proceeds from disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) businesses (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) intellectual property | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | (192) | (192) |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (192) | (192) |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issue of shares | 8,782 | 8,782 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 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 | 8,782 | 8,782 |

| | | | |
|-----------|--|-------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 3,046 | 3,046 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (973) | (973) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (192) | (192) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 8,782 | 8,782 |

For personal use only

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | (22) | (22) |
| 4.6 | Cash and cash equivalents at end of quarter | 10,641 | 10,641 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 10,641 | 3,046 |
| 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) | 10,641 | 3,046 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

150

-

All transactions involving Directors and associates were on normal commercial terms.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

| |
|--|
| |
|--|

| 9. Estimated cash outflows for next quarter | \$A'000 |
|---|----------------|
| 9.1 Research and development | (248) |
| 9.2 Product manufacturing and operating costs | (232) |
| 9.3 Advertising and marketing | (101) |
| 9.4 Leased assets | - |
| 9.5 Staff costs | (302) |
| 9.6 Administration and corporate costs | (371) |
| 9.7 Other (provide details if material) | (823) |
| 9.8 Total estimated cash outflows | (2,077) |
| 9.7 Other cash outflows include capital raising and corporate advisory fees in relation to the 31 March 2017 Placement. | |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|---------------------|------------------|
| 10.1 Name of entity | N/A | N/A |
| 10.2 Place of incorporation or registration | | |
| 10.3 Consideration for acquisition or disposal | | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | | |

For personal use only

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.

Sign here: _____
(Company secretary)

Date: 28 April 2017

Print name: Sarah Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.