



ASX Announcement

28 August 2018

Creso Pharma - Company Update

Highlights:

- **Investment in Canadian Mernova cannabis growing facility continuing with construction on track and first revenues expected for Q1 2019**
- **First orders of cannaQIX® and anibidiol® completed in existing markets with increased revenue expected in second half of the year from re-orders and orders in new markets**
- **Commercial agreements signed with partners in the UK, Austria and Israel to commercialize Creso's CBD-based human health nutraceutical cannaQIX® in Europe and the Middle East**
- **cannaQIX® and anibidiol® expansion into Europe and Latin America progressing well, with additional partnership agreements due to be signed before year end**

Creso Pharma Limited (ASX: CPH) (the "Company" or "Creso"), is pleased to provide its half year update for 2018.

Proceeds raised from a recent options entitlements issue to Creso shareholders will be used to fast-track the construction of the Mernova growing facility and make it fully operational, with a view to it contributing to revenue by Q1, 2019. Construction of the facility is progressing well to meet this Q1 target. A growing licence will be applied for this quarter and a sales licence is expected by completion of the facility in Q1, 2019.

Dr. Miri Halperin Wernli, Creso Pharma's CEO and co-founder said: "To meet and benefit from the current high demand for cannabis products in Canada we are moving quickly to complete the Mernova growing facility. This state-of-the-art facility is being constructed to a GMP standard. Being purpose-built for growing cannabis makes it superior to other facilities and will ensure Creso is best placed to supply quality medicinal cannabis products to its markets."

Creso closed its non-renounceable entitlement issue on the 14 August 2018. The Board subscribed for 10,372,950 options. There was a shortfall in overall proceeds raised and the Board reserves the right to place the remaining Shortfall Options within three months after the closing date of the offer.

Confirmed initial product orders and reorders for cannaQIX® and anibidiol® in existing markets are delivering revenue. Revenues comprise sales of Creso products to the Company's distribution and commercial partners. There are no sales on consignment.

Further uplift in revenue is expected with the completion of the Mernova growing facility in Canada and as more markets open up across Europe, the Middle East, and Latin America.



Creso continues to identify and secure agreements with reputable commercial partners across Europe expanding the global reach of cannaQIX® and anibidiol®. This is off the back of a cost effective product launch and commercial partners' existing reputations and local expertise. The products are launched in the various territories by Creso's partners building on their local commercial structure and operations.

In a further case of bringing the Creso strategy to life, this month Creso signed three commercial agreements to launch cannaQIX® and further products into new markets. The first was with Dr. A. & L. Schmidgall GmbH & Co KG ("Schmidgall") of the Hedoga Group based in Vienna who will launch the products in Austria and targeted Eastern and Northern European countries. The second was with SuperMedic, based in Israel, to launch the products in Israel and a number of Middle East countries. The third agreement was with Pharmacare Europe for the marketing and distribution of cannaQIX® and other products in the UK.

In addition, an expansion contract with Virbac SA (EPA: VIRP) for anibidiol® is in advanced stage of agreement and this will open markets in up to 15 countries across Europe and South America.

Within Creso's lifestyle portfolio, the first terpene beers have been produced by CLV Frontier Brands Pty Ltd ("CLV"), Creso's equal one-third joint venture with UK-based brewer Baltic Beer Company Ltd and Canadian TSX Venture incorporated LGC Capital (LG: CVE). Commercial samples are being shipped to businesses in Europe, Israel, Australia and Canada.

In addition, branding for Creso's terpene enriched functional Swiss premium chocolate line has been finalised, and samples will be shipped to businesses across the world shortly.

The results set out in the Half-Year Financial Reports which accompany this Company Update are generally consistent with the Company's stated plans and their timing. Principally, these plans are to develop new products and to expand the markets for current and new products, as well as constructing a state-of-the-art cannabis cultivation facility in Canada to supply rapidly growing demand for both medicinal and recreational cannabis. In addition, the Company continues its activities to create or acquire operations where there are commercially significant opportunities for its products. In fulfilling its plans, the Company has invested significantly in personnel and services, as well as in capital works, as detailed in the Financial Reports. The Company's cash reserves are continuously managed to enable the Company's on-going activities. Revenues are increasing, driven by new products, new markets and re-orders of current products.

---ENDS---



Notes to Editors

1) Creso Pharma has a portfolio covering five key areas of focus: Creso Therapeutics, Creso Nutraceuticals, Creso Animal Health, Creso Lifestyle and Creso Topicals. For further information visit www.cresopharma.com

About Creso Pharma

www.cresopharma.com

Creso Pharma 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 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.

Forward Looking statements

This announcement contains forward-looking statements with respect to Creso and CLV, and their 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 and CLV 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 neither Creso nor CLV has any obligation to up-date such statements, except to the extent required by applicable laws.

Investor and Media Enquiries/Interviews:

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ASX APPENDIX 4D

CRESO PHARMA LIMITED

ABN: 89 609 406 911

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 30 JUNE 2018

(Previous corresponding period is the half-year ended 30 June 2017)

KEY INFORMATION	30-Jun-18 \$	30-Jun-17 \$	% Change
Revenue from ordinary activities	183,654	9,639	1805%
Loss from ordinary activities after tax attributable to members	(7,583,472)	(3,529,773)	(115%)
Net loss attributable to members	(7,583,472)	(3,529,773)	(115%)

DIVIDEND INFORMATION

No dividend has been proposed or declared.

NET TANGIBLE ASSETS PER SECURITY

	30-Jun-18	30-Jun-17
Net tangible assets per security	0.14	0.11

LOSS PER SHARE

	30-Jun-18 Cents	30-Jun-17 Cents
Basic earnings per share	(6.93)	(4.86)
Diluted earnings per share	(6.93)	(4.86)

CONTROL GAINED OR LOST OVER ENTITIES IN THE PERIOD

Name of entity	Mernova Medicinal Inc.
Date of control	15 February 2018
Country of incorporate	Canada

Name of entity	Creso Canada Limited
Date of control	1 January 2018
Country of incorporate	Canada

Name of entity	Creso Canada Corporate Limited
Date of control	31 January 2018
Country of incorporate	Canada



DETAILS OF ASSOCIATE

Name of associate	Reporting entity's percentage holding	
	Reporting period %	Previous period %
CLV Frontier Pty Ltd	33.33%	-%

AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

Refer to the Directors 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 half-year ended 30 June 2018 for Creso Pharma Limited, which has been reviewed by RSM Australia Partners.



CRESO
PHARMA

CRESO PHARMA LIMITED
ACN 609 406 911

HALF-YEAR FINANCIAL REPORT
30 JUNE 2018

Half-Year Financial Report For the half-year ended 30 June 2018

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2017 and any public announcements made by Creso Pharma Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate Directory

Board of Directors

Mr Boaz Wachtel	(Non-Executive Chairman)
Dr Miriam Halperin Wernli	(Managing Director and Chief Executive Officer)
Mr Adam Blumenthal	(Non-Executive Director)
Dr James Ellingford	(Non-Executive Director)

Secretary

Ms Sarah Smith

Registered Office

Suite 2, Level 1
1 Altona Street
West Perth WA 6005

Telephone: 08 6559 1792
Website: www.cresopharma.com

Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: CPH)

Auditors

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

Solicitors

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
123 St Georges Terrace
Perth WA 6000

Share Registry

Automatic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

Directors' Report

The Directors of Creso Pharma Limited (“Creso” or “the Company”) present their report, together with the financial statements on the consolidated entity consisting of Creso Pharma Limited and its controlled entities (the “Group”) for the half-year ended 30 June 2018.

DIRECTORS

The names of the Company’s Directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr Boaz Wachtel	(Non-Executive Chairman)
Dr Miriam Halperin Wernli	(Managing Director and Chief Executive Officer)
Mr Adam Blumenthal	(Non-Executive Director)
Dr James Ellingford	(Non-Executive Director)

PRINCIPAL ACTIVITIES

The principal activity of the Group during the period was to develop, register and commercialise pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments for human and animal health.

REVIEW AND RESULTS OF OPERATIONS

Overview

Creso Pharma is a leader in cannabidiol (CBD) innovation, developing cannabis and hemp-derived therapeutic-grade nutraceuticals and medical cannabis products with a broad range of applications in both human and animal health. Creso Pharma’s innovative CBD fully plant-based nutraceutical products are non-psychoactive, as they contain only trace amounts of THC.

Creso Pharma’s strategy is to develop, register, and globally commercialise pharmaceutical-grade cannabis and hemp-derived products and treatments, according to the highest GMP quality standards.

The highlights for the current financial period include:

- On 11 January 2018, Creso launched its new joint venture company with LGC Capital Ltd (TSXV: LG) (“LGC”) and Baltic Beer Company (“Baltic Beer Company”) to capitalise on the fast-growing cannabis and hemp-derived beverage markets. The joint venture company, CLV Frontier Brands Pty Ltd (“CLV”), intends to develop and globally commercialise a bespoke portfolio of cannabis and hemp-derived alcoholic and non-alcoholic beverages containing various ingredients, seeds, extracts and terpenes from hemp and cannabis plants.
- On 17 January 2018, Creso secured a commercialisation agreement with UK-based Precision Healthcare Ltd to market and distribute Creso Pharma’s cannaQIX®10 and 50 hemp-based human health nutraceutical products in the UK.
- On 12 February 2018, the Company appointed Mr Amit Edri to the new role of International Business Development Executive. Mr Edri brings extensive medicinal cannabis industry expertise to the role and was most recently COO at Israel’s largest medicinal cannabis company, The Bazelet Group.
- On 14 May 2018, Creso announced that it is entering the strategic Israeli medical cannabis market through a binding agreement with Cohen Propagation Nurseries Limited (“Cohen”). Under the agreement, the partners will establish and incorporate a joint venture to operate a medical cannabis growing facility in Israel.
- On 15 March 2018, Creso announced the development and plans to launch the cannaDOL® product range in 2019 with an oral Cannabidiol-(CBD)-based nutraceutical and a first-in-class CBD-based functional topical across Europe aiming to alleviate joint and muscle pain.
- On 21 May 2018, Creso signed a commercial agreement with Mediphos OTC Consumer Health BV, a Dutch company, to market and distribute its CBD hemp-based human nutraceutical product cannaQIX® in the Benelux region starting with the Netherlands.
- On 12 June 2018, the licence to cultivate medicinal cannabis in Colombia has been granted to Kuna S.A.S, the wholly owned subsidiary of Kunna Canada Ltd. Creso completed due diligence on Kunna Canada Ltd and Kunna S.A.S in July 2018.
- On 14 June 2018, Creso appointed Mr John Griese as Chief Operating Officer for the Americas.

Directors' Report

Financial Performance

The financial results of the Group for the half-year ended 30 June 2018 are:

	30-Jun-18	31-Dec-17
	\$	\$
Cash and cash equivalents	11,353,899	12,424,913
Net Assets	15,674,506	21,028,634
		30-Jun-17
Revenue	183,654	9,639
Net loss after tax	(7,583,472)	(3,529,773)

The financial result for the year ended 30 June 2018 is a net loss after tax of \$7,583,472 (30 June 2017: loss of \$3,529,773). The net loss after tax includes a non-cash cost of \$2,250,800 for the share-based payment expenses associated with options and performance rights issued during the half-year. As at 30 June 2018, the Group had a net cash balance of \$11,353,899 (31 December 2017: \$12,424,913) and net assets of \$15,674,506 (2017: net assets of \$21,028,634).

DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in state of affairs during and subsequent to the end of the financial period include:

Acquisition of Mernova Medicinal Inc.

In July 2017, the Company successfully expanded into the Canadian market with the proposed acquisition of emerging Nova Scotia-based medicinal cannabis producer, Mernova Medicinal Inc. (Mernova) for a total of C\$10.1 million (A\$10.2 million) in cash and equity.

On 15 February 2018, Creso completed the acquisition of Mernova. On completion, the shareholders of Mernova receive a cash payment of C\$200,000 and issued a total of 8,300,000 exchangeable shares in Creso Canada Limited, with such shares being exchangeable for fully paid ordinary shares in Creso on the satisfaction of milestones.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to the end of the half-year period, the Company made the following announcements:

- On 2 July 2018, the Company signed a commercial agreement with CB Distributors Limited, trading as CANNZ Logistics, for the introduction of its unique CBD medicinal cannabis product cannaQIX®50 to New Zealand.
- On 16 July 2018, the Company issued 1,096,000 performance rights to employees under the Company's Performance Rights Plan to incentivise and reward achievement of specified performance milestones within a specified time period. Each Performance Right will vest as one Share subject to the satisfaction of certain milestones and vesting conditions. On the same day, the Company issued 150,000 Unlisted Options exercisable at \$0.80 on or before 13 July 2021, issued to a Swiss marketing consultant for marketing services provided to the Company.
- On 17 July 2018, the Company listed on the Frankfurt Stock Exchange following the dual product launch of cannaQIX® and anibidiol® in Switzerland with initial revenue and initial sales orders in Europe's Benelux region.
- On 23 July 2018, the Company issued 70,000 fully paid ordinary shares on the exercise of Options exercisable at \$0.40 per share on or before 27 July 2021. On the same day, the Company issued 3,500,000 fully paid ordinary shares on the vesting of Performance Rights (issued 27 July 2017) upon the achievement of Milestones. On the same day, 550,000 Unlisted Options lapsed.

Directors' Report

- On 23 July 2018, Creso successfully completed its legal and technical due diligence to acquire 100% of Kunna Canada Ltd, and its wholly-owned subsidiary, medicinal cannabis group, Kunna S.A.S.
- On 23 July 2018, the Company announced it was considering a potential divestment of Hemp Industries s.r.o., its 100% owned subsidiary located in Slovakia. Negotiations are in the preliminary stages.
- On 25 July 2018, the Company issued 2,000,000 fully paid ordinary shares on vesting of Performance Rights (issued 27 July 2017) held by a Contractor to the company upon the achievement of a milestone.
- On 27 July 2018, the Company issued 200,000 Unlisted Options exercisable at \$0.535 on or before 27 July 2021 and 200,000 Unlisted Options exercisable at \$0.80 on or before 27 July 2022. On the same day, the Company issued 650,000 fully paid ordinary shares on the vesting of Performance Rights upon the achievement of a Milestone.
- On 14 August 2018, the Company signed a commercial agreement with Dr. A. & L. Schmidgall GmbH & Co KG of the Hedoga Group to commercialise cannaQIX® in Austria and targeted Eastern and Northern European countries.
- On 17 August 2018, the Non-Renounceable Entitlement Issue, announced on 23 July 2018, closed on the 14 August 2018 raising \$1.22 million.
- On 21 August 2018, Creso signed a commercial agreement with Pharmacare Europe, based in the UK, to market and distribute its CBD hemp-based human nutraceutical product cannaQIX® and further products in the UK and potentially in other European countries.
- On 21 August 2018, the Company issued 24,377,710 Unlisted Options, exercisable at \$0.80 on or before 21 August 2020, and 200,000 Unlisted Options, exercisable at \$0.55 on or before 21 August 2021.


There have been no other matters or circumstances that have arisen since 30 June 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out immediately after this Directors' Report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors,



Boaz Wachtel
NON-EXECUTIVE CHAIRMAN
28 August 2018

RSM Australia Partners

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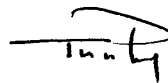
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Creso Pharma Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 28 August 2018

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 30 June 2018

	Note	30-Jun-18 \$	30-Jun-17 \$
Revenue from continuing operations			
Revenue from products	3	183,654	9,639
Cost of sales		(21,514)	(21,684)
Gross profit/(loss)		162,140	(12,045)
Other income			
Interest income	3	85,451	43,433
Royalty income	3	-	1,112
Foreign exchange gain		61,207	24,919
Lease income		3,856	-
Expenses			
Administrative expenses	4(a)	(766,402)	(591,131)
Compliance and regulatory expenses		(115,854)	(131,696)
Consultancy and legal expenses	4(b)	(1,312,410)	(672,021)
Depreciation and amortisation expense		(4,144)	(2,669)
Employee benefit expenses	4(c)	(1,082,777)	(349,133)
Exclusivity fee	4(d)	(313,283)	-
Facilitation fee	4(d)	(1,020,000)	-
Marketing and investor relations		(742,901)	(408,589)
Occupancy expenses		(87,345)	(30,405)
Share-based payment expense	15	(2,250,800)	(1,187,925)
Research and development costs		(155,555)	(160,087)
Other expenses		(44,555)	(53,536)
Share of net loss from associate	5	(100)	-
Loss from continuing operations before income tax		(7,583,472)	(3,529,773)
Income tax expense		-	-
Loss from continuing operations after income tax		(7,583,472)	(3,529,773)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(21,456)	15,623
Other comprehensive income for the period, net of tax		(21,456)	15,623
Total comprehensive loss attributable to the members of Creso Pharma Limited		(7,604,928)	(3,514,150)
Loss per share for the half-year attributable to the members of Creso Pharma Limited:			
Basic loss per share (cents)		(6.93)	(4.86)
Diluted loss per share (cents)		(6.93)	(4.86)

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

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30-Jun-18 \$	31-Dec-17 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	11,353,899	12,424,913
Trade and other receivables	7	550,360	941,337
Inventories	8	277,721	912
Other assets		-	1,228,351
Total current assets		12,181,980	14,595,513
Non-current assets			
Property, plant and equipment	9	3,792,644	50,996
Other receivables	10	436,681	6,949,395
Intangible assets	11	893,775	-
Investment accounted for using equity method	5	-	-
Total non-current assets		5,123,100	7,000,391
Total assets		17,305,080	21,595,904
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,596,207	563,748
Provisions		34,367	3,522
Total current liabilities		1,630,574	567,270
Total liabilities		1,630,574	567,270
Net assets		15,674,506	21,028,634
EQUITY			
Contributed equity	14	35,138,519	35,138,519
Reserves	15	7,791,346	5,562,002
Accumulated losses		(27,255,359)	(19,671,887)
Total equity		15,674,506	21,028,634

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

Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2018

	Issued Capital \$	Share-based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
As at 1 January 2018	35,138,519	5,516,511	45,491	(19,671,887)	21,028,634
Loss for the period	-	-	-	(7,583,472)	(7,583,472)
Other comprehensive income	-	-	(21,456)	-	(21,456)
Total comprehensive income/(loss) for the period after tax	-	-	(21,456)	(7,583,472)	(7,604,928)
Transactions with owners in their capacity as owners:					
Share-based payments	-	2,250,800	-	-	2,250,800
As at 30 June 2018	35,138,519	7,767,311	24,035	(27,255,359)	15,674,506
As at 1 January 2017	5,479,612	2,295,156	60,894	(4,595,811)	3,239,851
Loss for the period	-	-	-	(3,529,773)	(3,529,773)
Other comprehensive income	-	-	15,623	-	15,623
Total comprehensive income/(loss) for the period after tax	-	-	15,623	(3,529,773)	(3,514,150)
Transactions with owners in their capacity as owners:					
Issue of share capital	10,712,930	-	-	-	10,712,930
Share issue costs	(1,612,950)	-	-	-	(1,612,950)
Share-based payments	-	1,187,925	-	-	1,187,925
As at 30 June 2017	14,579,592	3,483,081	76,517	(8,125,584)	10,013,606

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

Consolidated Statement of Cash Flows

For the Half-Year ended 30 June 2018

	Note	30-Jun-18 \$	30-Jun-17 \$
Cash flows from operating activities			
Receipts from customers		321,319	9,600
Payments to suppliers and employees		(3,641,994)	(2,499,324)
Payments for research expense		(190,749)	(427,442)
Interest received		85,451	21,289
Net cash used in operating activities		(3,425,973)	(2,895,877)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,947,258)	(382)
Payments for intangibles		(386,493)	-
Net cash payment for asset acquisition	12	(115,625)	-
Investment in joint venture		(100)	-
Loan to associate		(394,671)	-
Repayment from other entities		3,942,654	-
Net cash from/(used in) investing activities		1,098,607	(382)
Cash flows from financing activities			
Proceeds from issue of shares in prior period		1,228,351	9,781,756
Payment of share issue costs		-	(681,776)
Proceeds from exercise of options		28,000	-
Net cash from financing activities		1,256,351	9,099,980
Net (decrease)/increase in cash and cash equivalents		(1,071,015)	6,203,721
Cash and cash equivalents at the beginning of the period		12,424,914	3,046,054
Cash and cash equivalents at the end of the period	6	11,353,899	9,249,775

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

Notes to the Consolidated Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group. The half-year financial report should be read in conjunction with the annual financial report of Creso Pharma Limited for the financial year ended 31 December 2017 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the parent entity during the period 1 January 2018 to the date of this report in accordance with the continuous disclosure obligation of the ASX listing rules.

(a) Basis of Preparation

Statement of compliance

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(b) Summary of Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 31 December 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

Notes to the Consolidated Financial Statements

AASB 9 Financial Instruments

This standard is applicable to annual report periods beginning on or after 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Group has adopted AASB 9 from 1 January 2018. The Group has performed an assessment and does not expect any material impact as a result of complying with the new requirements for the year ended 31 December 2018.

AASB 15 Revenue from Contracts with Customers

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The Group has adopted AASB 15 from 1 January 2018. The Group has performed an assessment on existing revenue streams and does not expect any material impact as a result of complying with the new requirements for the year ended 31 December 2018.

Revenue Recognition

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.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Notes to the Consolidated Financial Statements

Asset Acquisition

An asset or group of assets that do not meet the definition of a business are accounted for as asset acquisitions. Under this method, assets are initially recognised at cost based on their relative fair value at the date of acquisition.

Investment in Associate

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholder of between approximately 20% and 50% of the voting rights. Investment in Associates in the consolidated financial statements are accounted for using the equity method of accounting. On initial recognition, investment in associates are recognised at cost, for investments which were classified as fair value through profit or loss any gains or losses previously recognised are reversed through profit or loss. Under this method the Group's share of post-acquisition profits or losses of Associates are recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income. The cumulative post-acquisition movements are adjustment against the carrying amount of the investment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Notes to the Consolidated Financial Statements

NOTE 2 SEGMENT INFORMATION

The Group require 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:

- Hemp-Industries s.r.o. (“Hemp-Industries”) which include mainly administration costs during the period (Slovakia).
- Creso Pharma Switzerland GmbH (“Switzerland”) which includes the development and commercialisation of its therapeutic products (Switzerland).
- Mernova Medicinal Inc (“Mernova”) which includes an application for a cultivation license and construction of a medicinal cannabis growing facility (Canada).
- Creso Pharma Limited (“Creso”) which includes the Group’s corporate administration (Australia).

Such structural organisation is determined by the nature of risks and returns associated with each business segment and define 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 to monitor and evaluate the performance of our operating segments separately.

	Australia	Slovakia	Switzerland	Canada	Total
Period ended 30 June 2018	\$	\$	\$	\$	\$
Revenue from products	-	-	183,654	-	183,654
Other revenue	74,320	11,131	-	3,856	89,307
Total segment revenue	74,320	11,131	183,654	3,856	272,961
Loss before income tax expense	(6,901,250)	(67,983)	(437,201)	(177,038)	(7,583,472)
Total Segment assets	6,134,349	34,049	2,292,881	8,843,801	17,305,080
Total Segment liabilities	736,106	124,303	144,173	625,992	1,630,574

	Australia	Slovakia	Switzerland	Canada	Total
Period ended 30 June 2017	\$	\$	\$	\$	\$
Revenue from products	-	9,639	-	-	9,639
Other revenue	37,453	7,092	-	-	44,545
Total segment revenue	37,453	16,731	-	-	54,184
Loss before income tax expense	(2,829,848)	(170,229)	(529,696)	-	(3,529,773)
Total Segment assets	8,168,514	884,382	1,205,350	-	10,258,246
Total Segment liabilities	112,418	132,222	-	-	244,640

Notes to the Consolidated Financial Statements

NOTE 3 REVENUE AND OTHER INCOME

	30-Jun-18	30-Jun-17
	\$	\$
Revenue from continuing operations		
Revenue from services	-	4,903
Revenue from sale of products	183,654	4,736
	183,654	9,639
<i>Other income</i>		
Interest received	85,451	43,433
Royalty income	-	1,112
Lease income	3,856	-

NOTE 4 EXPENSES

(a) Administrative expenses

Accounting and company secretarial fees	209,543	94,302
Travel costs	461,265	408,691
General and administration expenses	95,594	88,138
	766,402	591,131

(b) Consultancy and legal expenses

Consulting fees	373,369	532,155
Corporate advisory fees	563,258	-
Legal fees	375,783	139,866
	1,312,410	672,021

(c) Employee benefit expenses

Director fees	389,115	289,656
Wages and salaries	390,539	53,207
Superannuation	31,079	6,270
Annual leave expense	34,124	-
Recruitment fees	198,983	-
Other employee expenses	38,937	-
	1,082,777	349,133

(d) Exclusivity and facilitation fee

Exclusivity fee ⁽ⁱ⁾	313,283	-
Facilitation fee ⁽ⁱⁱ⁾	1,020,000	-

(i) Exclusivity Fee of US\$250,000 paid to Kunna Canada in accordance with the Heads of Agreement.

(ii) A facilitation fee was paid to a consultant as part of the Mernova Acquisition ("Acquisition"). The fee is equal to 10% of the total deal value in relation to the acquisition. The fee was recognised as a prepayment at 31 December 2017. Once the Acquisition was completed on 15 February 2018, the fee was expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Consolidated Financial Statements

NOTE 5 INVESTMENT ACCOUNTD FOR USING EQUITY METHOD

Interests in associate is accounted for using the equity method of accounting. Information relating to associates that are material to the group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
CLV Frontier Brands Pty Ltd	Developing terpene beers and non- alcoholic beverages /Australia	33.33%	-%
Reconciliation of the group's carrying amount			
Opening carrying amount		100	-
Share of (loss) after income tax		(100)	-
Closing carrying amount		-	-

NOTE 6 CASH AND CASH EQUIVALENTS

	30-Jun-18 \$	31-Dec-17 \$
Cash at bank and in hand	4,827,434	10,424,913
Short-term deposits	2,500,000	2,000,000
Funds held in trust	4,026,465	-
	11,353,899	12,424,913

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made in varying periods between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

NOTE 7 TRADE AND OTHER RECEIVABLES

	30-Jun-18 \$	31-Dec-17 \$
Trade debtors	-	495,379
Less: Provision for doubtful debts	-	(495,379)
GST/HST receivable	453,473	186,579
Other deposits and receivables	96,887	754,758
	550,360	941,337

Allowance for expected credit losses

There is no loss recognised in profit or loss in respect of the expected credit losses for the half-year ended 30 June 2018.

NOTE 8 INVENTORIES

	30-Jun-18 \$	31-Dec-17 \$
Inventory – finished goods	277,721	912
	277,721	912

Notes to the Consolidated Financial Statements

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	30-Jun-18	31-Dec-17
	\$	\$
Land - at cost	<u>362,417</u>	-
Work in Progress - Buildings and improvements - at cost	<u>3,382,809</u>	-
Office, plant and equipment - at cost	71,414	59,680
Less: Accumulated depreciation	<u>(23,996)</u>	<u>(8,684)</u>
	<u>47,418</u>	<u>50,996</u>
	<u>3,792,644</u>	<u>50,996</u>

NOTE 10 OTHER RECEIVABLES

	30-Jun-18	31-Dec-17
	\$	\$
Loan receivable from CLV frontier Pty Ltd*	425,297	30,850
Loan receivable from Israel Joint Venture*	11,384	-
Loan to Mernova Medicinal Inc.	-	5,898,545
Prepayment - facilitation fee for Mernova	-	1,020,000
Loan to Hemp M&S OG	-	578,726
Less: Impairment of loan - Hemp M&S	-	(578,726)
	<u>436,681</u>	<u>6,949,395</u>

* The amount is interest free and unsecured.

Allowance for expected credit losses

There is no loss recognised in profit or loss in respect of the expected credit losses for the half-year ended 30 June 2018.

NOTE 11 INTANGIBLE ASSETS

	30-Jun-18	31-Dec-17
	\$	\$
Development assets- Anibidiol and CannaQIX patents	386,493	-
Cultivation license	507,282	-
	<u>893,775</u>	<u>-</u>

Movements in the carrying amount between the beginning and end of the current financial period:

Balance at the beginning of period	-
Development costs incurred	386,493
Acquisition of cultivation licence	507,282
	<u>893,775</u>

Notes to the Consolidated Financial Statement

NOTE 12 ACQUISITION OF SUBSIDIARY- MERNOVA MEDICINAL INC.

On 27 July 2017, Creso entered into a head of agreement (“HOA”) to acquire 100% of the shares in Mervova Medicinal Inc (“Mervova”), a company registered in Canada. The acquisition of Mervova was completed on 15 February 2018. The acquisition was assessed as an asset acquisition as Mervova has no inputs, processes and outputs as defined in AASB 3 Business Combination. The total consideration for the acquisition is as follows:

Summary of purchase consideration	30-Jun-18
	\$
Cash consideration (CAD\$200,000)	201,735
Net assets acquired are as follows:	15-Feb-18
	\$
Cash and cash equivalent	86,110
Property, plant and equipment	1,801,626
Intangible asset	507,282
Total assets	2,395,018
Other current liabilities	324,218
Borrowings	1,869,065
Total liabilities	2,193,283
Net assets acquired	201,735

NOTE 13 TRADE AND OTHER PAYABLES

	30-Jun-18	31-Dec-17
	\$	\$
Trade payables	318,492	282,271
Accrued expenses	757,856	104,975
Income in advance	137,883	-
Other payables	381,977	176,502
	1,596,208	563,748

NOTE 14 CONTRIBUTED EQUITY

(a) Issued and fully paid

	30-Jun-18		31-Dec-17	
	No.	\$	No.	\$
Ordinary shares	109,505,544	35,138,519	109,505,544	35,138,519

There are no movements in ordinary share capital for the half-year ended 30 June 2018.

Notes to the Consolidated Financial Statement

NOTE 15 RESERVES	30-Jun-18 \$	31-Dec-17 \$
Share-based payments	7,767,311	5,516,511
Foreign currency translation reserve	24,035	45,491
	7,791,346	5,562,002
<u>Movement reconciliation</u>		
Share-based payments reserve		
Balance at the beginning of the year	5,516,511	2,295,156
Equity settled share-based payment transactions	2,250,800	3,221,355
Balance at the end of the year	7,767,311	5,516,511
Foreign currency translation reserve		
Balance at the beginning of the year	45,491	60,894
Effect of translation of foreign currency operations to group presentation	(21,456)	(15,403)
Balance at the end of the year	24,035	45,491

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

NOTE 16 SHARE-BASED PAYMENTS	30-Jun-18 \$	31-Dec-17 \$
Recognised share-based payment transactions		
Options issued for consideration of services	-	139,509
Options issued to consultants	28,833	117,290
Performance rights issued	2,221,967	2,964,556
Shares issued for consideration of services	-	5,377,250
Facilitation Fee Shares – Mernova	-	1,020,000
	2,250,800	9,618,605
Reconciliation:		
<i>Recognised as share-based payment expenses in statement of profit and loss and other comprehensive income</i>	2,250,800	8,598,605
<i>Recognised as a prepayment</i>	-	1,020,000
	2,250,800	9,618,605

Notes to the Consolidated Financial Statement

The options issued to consultants have been valued using the Black-Scholes model. The model and assumptions are shown in the table below:

Black-Scholes Option Pricing Model		
	Tranche 1	Tranche 2
Grant Date	18-05-18	18-05-18
Vesting Date	18-05-19	18-05-20
Strike (Exercise) Price	\$0.80	\$0.80
Underlying Share Price (at date of issue)	\$0.695	\$0.695
Risk-free Rate (at date of issue)	2.22%	2.22%
Volatility	100%	100%
Number of Options Issued	75,000	75,000
Dividend Yield	0%	0%
Probability	100%	100%
Black-Scholes Valuation	\$0.416	\$0.416
Total Fair Value of Options	\$31,204	\$31,204

The Company issued performance rights to Directors and consultants to the Company in the current financial period. These rights are straight-forward, non-market-based performance rights, with no consideration upon achievement. Accordingly, the fair value of the performance rights is by direct reference to the share price on grant date (\$0.69).

	Tranche 1
Share Price at Grant Date	\$0.69
Exercise Price	N/A
Volatility (up to date of issue)	N/A
Grant Date	26-06-18
Vesting Date	16-07-23
Risk-free Rate	n/a
Number of Rights Granted	1,096,000
Value per Right	\$0.69
Total Fair Value of Rights	\$721,740

NOTE 17 INVESTMENT IN CONTROLLED ENTITIES

Entity	Principal Activities	Country of Incorporation	Ownership interest	
			2018	2017
			%	%
Hemp-Industries s.r.o.	Outsourced CBD extraction and CBD product sales activities	Slovakia	100	100
Creso Pharma Switzerland GmbH	Development of therapeutic products	Switzerland	100	100
Creso Canada Limited	Corporate entity	Canada	100	-
Creso Canada Corporate Limited	Corporate entity	Canada	100	-
Mernova Medicinal Inc	Construction of medicinal cannabis growing facility	Canada	100	-

Notes to the Consolidated Financial Statements

NOTE 18 CONTINGENCIES

As part of the acquisition of Mernova Medicinal Inc., the Company issued 8,300,000 fully paid Exchangeable Preferred Shares (Exchangeable Shares) in a Canadian subsidiary of the Group (Creso Canada Corporate Limited). Each Exchangeable Share will be exchanged for one ordinary share in Creso Pharma Limited when the Milestones noted below are met. As at 30 June 2018, the Exchangeable Shares and contingent cash payment are disclosed below:

Milestone 1: Cash payment of CAD\$800,000 and CAD\$4,150,000 of Exchangeable Shares will be exchanged on Creso Pharma Limited's announcement to the market of Mernova Medicinal Inc. securing a cultivation license from Health Canada under the ACMPR in relation to the cultivation facility. Milestone 1 must be achieved within 18 months of settlement.

Milestone 2: Cash payment of CAD\$800,000 and CAD\$4,150,000 of Exchangeable Shares will be exchanged on Creso Pharma Limited's announcement to the market of the grant of a sales license to Mernova Medicinal Inc. under the ACMPR. Milestone 2 must be achieved within 12 months of Milestone 1 being satisfied.

Other than the above, there have been no material changes to contingent liabilities since 31 December 2017.

NOTE 19 COMMITMENTS

	30-Jun-18	31-Dec-17
	\$	\$
Capital Commitments		
Capital expenditure budgeted for at the reporting period but not recognised as liabilities is as follows:		
Construction of the medicinal growing facility in Canada	7,096,664	-

NOTE 20 DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the half-year ended 30 June 2018.

NOTE 21 EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the half-year period, the Company made the following announcements:

- On 2 July 2018, the Company signed a commercial agreement with CB Distributors Limited, trading as CANNZ Logistics, for the introduction of its unique CBD medicinal cannabis product cannaQIX®50 to New Zealand.
- On 16 July 2018, the Company issued 1,096,000 performance rights to employees under the Company's Performance Rights Plan to incentivise and reward achievement of specified performance milestones within a specified time period. Each Performance Right will vest as one Share subject to the satisfaction of certain milestones and vesting conditions. On the same day, the Company issued 150,000 Unlisted Options exercisable at \$0.80 on or before 13 July 2021, issued to a Swiss marketing consultant for marketing services provided to the Company.
- On 17 July 2018, the Company listed on the Frankfurt Stock Exchange following the dual product launch of cannaQIX® and anibidiol® in Switzerland with initial revenue and initial sales orders in Europe's Benelux region.
- On 23 July 2018, the Company issued 70,000 fully paid ordinary shares on the exercise of Options exercisable at \$0.40 per share on or before 27 July 2021. On the same day, the Company issued 3,500,000 fully paid ordinary shares on the vesting of Performance Rights (issued 27 July 2017) upon the achievement of Milestones. On the same day, 550,000 Unlisted Options lapsed.
- On 23 July 2018, Creso successfully completed its legal and technical due diligence to acquire 100% of Kunna Canada Ltd, and its wholly-owned subsidiary, medicinal cannabis group, Kunna S.A.S.

Notes to the Consolidated Financial Statements

- On 23 July 2018, the Company announced it was considering a potential divestment of Hemp Industries s.r.o., its 100% owned subsidiary located in Slovakia. Negotiations are in the preliminary stages.
- On 25 July 2018, the Company issued 2,000,000 fully paid ordinary shares on vesting of Performance Rights (issued 27 July 2017) held by a Contractor to the company upon the achievement of a milestone.
- On 27 July 2018, the Company issued 200,000 Unlisted Options exercisable at \$0.535 on or before 27 July 2021 and 200,000 Unlisted Options exercisable at \$0.80 on or before 27 July 2022. On the same day, the Company issued 650,000 fully paid ordinary shares on the vesting of Performance Rights upon the achievement of a Milestone.
- On 14 August 2018, the Company signed a commercial agreement with Dr. A. & L. Schmidgall GmbH & Co KG of the Hedoga Group to commercialise cannaQIX® in Austria and targeted Eastern and Northern European countries.
- On 17 August 2018, the Non-Renounceable Entitlement Issue, announced on 23 July 2018, closed on the 14 August 2018 raising \$1.22 million.
- On 21 August 2018, Creso signed a commercial agreement with Pharmacare Europe, based in the UK, to market and distribute its CBD hemp-based human nutraceutical product cannaQIX® and further products in the UK and potentially in other European countries.
- On 21 August 2018, the Company issued 24,377,710 Unlisted Options, exercisable at \$0.80 on or before 21 August 2020, and 200,000 Unlisted Options, exercisable at \$0.55 on or before 21 August 2021.

There have been no other matters or circumstances that have arisen since 30 June 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

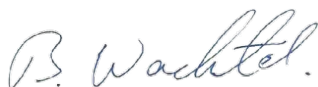
Directors' Declaration

In the directors' opinion:

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. Complying with Australian Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Boaz Wachtel

CHAIRMAN

28 August 2018



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CRESO PHARMA LIMITED**

We have reviewed the accompanying half-year financial report of Creso Pharma Limited which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Creso Pharma Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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RSM Australia Partners ABN 36 965 185 036

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Creso Pharma Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

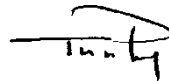
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Creso Pharma Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature of 'RSM' in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'Tutu Phong'.

TUTU PHONG
Partner

Perth, WA
Dated: 28 August 2018