



ASX Announcement | 17 January 2020

## **Creso Pharma revenues grow strongly in December quarter (Q4).**

### **Acceleration in global expansion and commercialisation of product portfolio.**

#### **Highlights in Q4**

- Unaudited consolidated group revenues grew very strongly in Q4, reaching AUD 1.986 million for the quarter, and AUD 3.651 million for the full year 2019.
- Strong growth in revenues was largely attributable to Nutraceutical and animal health product sales during Q4 of CHF 1,074 million (AUD 1.587 million). Equivalent unaudited revenues from nutraceutical and animal health product sales for the full year 2019 were CHF 1,903 million (AUD 2.774 million) an increase of almost 500% on AUD 0.556 million for the full year 2018.
- Delivered first orders of medicinal 10% CBD oil in New Zealand.
- Commenced sales in Australia of flagship medicinal cannabis product cannaQIX® 50.
- Prepared to launch the cannaQIX® range in South Africa in Q1 2020.
- The Mernova facility in Canada is in advanced stages of securing EU GMP certification, to enable exports to Europe.
- Nine (9) new products now pending commercialisation, in addition to four products already commercialised.
- Concluded the international phase of the Patent Cooperation Treaty (PCT), as part of the ongoing protection of intellectual property, and progressed to the National phase.
- Raised AUD 1.5 million via a share placement and secured additional convertible debt funding of up to AUD 8.2 million (approximately AUD 4 million of which has been drawn down to date and will be convertible subject to shareholder approval).
- Cash on hand as at 31 December 2019 was AUD 2.812 million. The Company also has undrawn debt facilities available of AUD 4.2million.

**Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company')** provides the following summary of its global operations along with its Appendix 4C Quarterly Cash Flow Report for the quarter and year ended 31 December 2019.



### Australia and New Zealand

In October, the Company delivered the first orders of its medicinal 10% CBD (cannabidiol) oil to JC Logistics Ltd t/a Medleaf Therapeutics in New Zealand. The delivery comprised Creso's second product introduction to New Zealand in 2019.

In December, Creso Pharma commenced sales in Australia of its flagship medicinal cannabis product cannaQIX® 50 in partnership with Burleigh Heads Cannabis.

Further, the partnership is collaborating on the distribution of additional therapeutic/medicinal products from Creso Pharma's pipeline.

Burleigh Heads Cannabis is a subsidiary of CDA Health Pty Ltd, an established Australian business providing patient access to medical cannabis products in Australia.

### Europe

Nutraceutical product revenues grew very strongly in Q4, reaching CHF 1,074 million (AUD 1.587 million). Equivalent unaudited revenues for the full year 2019 were CHF 1,903 million (AUD 2.774 million), an increase of 500% on AUD 0.556 million for the full year 2018.

	<b>Revenues Q4 2019</b>	<b>Revenues to 31 Dec 2019 (12 months)</b>	<b>% Growth on Prior Year 2018 (12 months)</b>
<b>Human Health</b>	AUD 794,000	AUD 1,165,000	271%
<b>Animal Health</b>	AUD 794,000	AUD 1,609,000	1,341%
<b>Total</b>	AUD 1,587,000	AUD 2,774,000	499%

### South Africa

The Company has partnered with leading South African pharmaceutical company Pharma Dynamics, a subsidiary of Lupin Limited (NSE:LUPIN). Creso Pharma granted Pharma Dynamics sole distribution rights for the Company's cannaQIX® product range across the African continent. Pharma Dynamics placed two initial orders for cannaQIX® Regular, totalling approximately AUD 300,000.

It is expected that Creso Pharma's products will be available in leading South African retail pharmacies at the end of the first quarter of 2020. The partnership will also pursue commercialisation of Creso Pharma's products in other African countries, including Angola, Botswana, Lesotho, Namibia, Mozambique, Swaziland, Uganda and Zimbabwe.



## Canada

The 24,000 sq ft world-class, revenue generating Mernova Cultivation Facility is in the advanced stages of securing EU GMP certification, which will allow the export of its GMP medicinal cannabis products to Europe. Upon receiving this certification, Mernova will be one of few Canadian companies with a licence to export to the EU.

Mernova's unaudited revenues for the full year 2019 were AUD 0.877 million in its first year of production. Mernova commenced production midway through 2019 and has been scaling up. The Facility is not yet at full production capacity, which is anticipated to occur at some point in 2020.

## Expanding product portfolio for human and animal health

The Company currently has a portfolio of 13 products which have been developed with standardised dosing and formulations through the application of pharmaceutical rigour, GMP standards and innovative delivery technologies.

Of the 13, four have been commercialised, with nine pending commercialisation. A full description of the Creso Pharma product portfolio is included in the the Company's Update on Strategy ASX Announcement dated 2 December 2019.

## Intellectual Property

During Q4, Creso Pharma continued the protection of its sustainable competitive advantage with the conclusion of the international phase of the PCT and the commencement of national filing in all European countries, Australia, New Zealand, South Africa and selected North and South American countries for both the human health and the animal health delivery systems.

## Corporate

In November, Creso Pharma announced the mutual termination of the proposed acquisition of the Company by PharmaCielo Ltd.

Also in November, Creso Pharma raised AUD 1,535,161 (before fees and expenses) upon placement of 8,299,271 shares and entered into convertible securities agreements with professional and sophisticated investors to raise up to AUD 8.2 million in tranches, with immediate draw down of the Tranche 1 Facility, raising AUD 3.45 million (before fees and expenses).

On 31 December, the Company drew down an initial sum of AUD 517,500 (before fees) under the Tranche 2 Facility.

Details of the share placement are included in the Company's ASX Announcement dated 2 December 2019 and details of the convertible securities agreements and draw-downs are



included in the Company's ASX Announcements dated 28 November and 31 December 2019. Under the terms of the convertible securities agreements the debt will be convertible subject to shareholder approval.

Cash on hand as at 31 December 2019 was AUD 2.812 million. The Company has undrawn debt facilities available of AUD 4.2million in addition to available share placement capacity of 9,498,113 million shares under ASX Listing Rule 7.1 and 6,945,606 million shares under ASX Listing Rule 7.1A.

On 23 December 2019, Creso Pharma gave notice of General Meeting to be held at 3pm AEDT on 28 January 2020 at Level 39, Aurora Place, 88 Phillip Street, Sydney NSW 2000.

**Dr Miri Halperin Wernli, Creso Pharma's CEO and co-founder said:** "Creso Pharma is performing very well. In Quarter 4 of 2019, Creso Pharma's total unaudited revenues were AUD 1.986 million. For the full year 2019 unaudited revenues were AUD 3.651 million showing strong growth in market acceptance for Creso Pharma products and successful penetration of new markets. In addition, the Company made considerable progress with the development and expansion of its product portfolio.

Creso Pharma has an expanding portfolio of innovative products and a leadership team with vast experience in the pharmaceutical industry. The Company's products are now sold across Europe and Oceania, and will soon be available in South Africa. We are confident in our ability to successfully commercialise our new and existing products, and we look forward to updating shareholders on our continuing progress and growth."

**Ends.**

### **Authority**

This announcement has been authorised for release by Dr Miri Halperin Wernli, CEO and Managing Director of Creso Pharma Limited and Adam Blumenthal, Non-Executive Director of Creso Pharma Limited.

### **Investor Enquiries**

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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](http://www.cresopharma.com)

## **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.

## 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 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,368	2,834
1.2 Payments for		
(a) research and development	(363)	(860)
(b) product manufacturing and operating costs	(884)	(2,330)
(c) advertising and marketing	(64)	(756)
(d) management costs	(275)	(1,490)
(e) staff costs	(621)	(2,431)
(f) Selling, General, Corporate and Admin Costs	(919)	(4,679)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	31
1.5 Interest and other costs of finance paid	(232)	(498)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	29	296
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,961)</b>	<b>(9,882)</b>
1.2 (f) Corporate and Admin Costs include costs incurred as a result of the Schemes of Arrangement and the proposed transaction with PharmaCielo Limited which was terminated in November 2019.		
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(2,976)
(b) businesses (see item 10)	-	(853)
(c) investments	-	-

+ See chapter 19 for defined terms

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$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	-	10
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	214
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3)</b>	<b>(3,605)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issue of securities	1,535	9,685
3.2	Proceeds from unissued securities	-	
3.3	Proceeds from exercise of share options	-	125
3.4	Transaction costs related to issues of securities	-	(641)
3.5	Proceeds from issue of convertible notes	3,968	3,968
	Proceeds from borrowings	31	9,231
3.6	Repayment of borrowings	(4,050)	(11,915)
3.7	Transaction costs related to loans and borrowings	(442)	(561)
3.8	Dividends paid	-	
3.9	Other (provide details if material)	(81)	(285)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>960</b>	<b>9,607</b>
3.5	<p>In terms of the proposed transaction with PharmaCielo Limited (ASX announcement 7 June 2019), PharmaCielo provided loan funds of C\$3.5m (A\$3.85m) which were repaid in November 2019.</p> <p>In November and December 2019 Tranches 1 and 2 of the Debt Note offer described in the Prospectus dated 27 November 2019 [ASX Announcement 27 November 2019] were drawn down to the extent of \$3.45 million and \$0.5175 million respectively.</p>		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,725	6,380
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,961)	(9,882)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3,605)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	960	9,607
4.5	Effect of movement in exchange rates on cash held	90	312
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,812</b>	<b>2,812</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,812	3,726
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,812</b>	<b>3,726</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	(677)
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	
6.1	Relates primarily to fees paid to Directors and their related parties	

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
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 & 2.5,	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <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	8,200	4,233
8.2 Credit standby arrangements	-	-
8.3 Other (see note 8.3 below)	-	-
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.		
8.1 The facilities comprise Tranches 1 and 2 of the Debt Note offer described in the Prospectus dated 27 November 2019 [ASX Announcement 27 November 2019]. Tranches 1 and 2 of were drawn down to the extent of \$3.45 million and \$0.5175 million respectively.		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(220)
9.2 Product manufacturing and operating costs	(690)
9.3 Advertising and marketing	(40)
9.4 Management costs	(550)
9.5 Staff costs	(610)
9.6 Selling, General, Corporate and Admin Costs	(1,100)
9.7 Property, plant and equipment	(190)
9.8 Other (see note 9.8 below)	-
<b>9.9 Total estimated cash outflows</b>	<b>(3,400)</b>

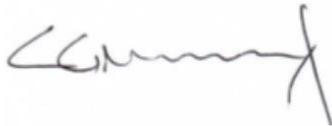
10. <b>Acquisitions and disposals of business entities</b>	Acquisitions	Disposals
10.1 Name of entity	Note applicable	Note applicable
10.2 Place of incorporation or registration	Note applicable	Note applicable
10.3 Consideration for acquisition or disposal	Note applicable	Note applicable
10.4 Nature of business	Note applicable	Note applicable

+ See chapter 19 for defined terms

**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:



Date: 17 January 2019

Print name: Chris Grundy (Chief Financial Officer)

**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.