



29 January 2021

QUARTERLY ACTIVITIES REPORT – 31 DECEMBER 2020 **Regulatory shifts and broadened global footprint underpin growth**

740% increase in customer receipts on previous quarter

Highlights:

- **Cash receipts from customers of A\$709,000 highlight a 740% increase on the prior quarter**
- **Board & Management extremely pleased with the purchase orders received during the quarter – on track to deliver increased POs in Q1 2021**
- **Cash receipts in Q1 2021 expected to exceed previous quarter receipts**
- **Recent regulatory shifts around cannabis continue to unlock significant opportunities**

Mernova Medicinal Inc. (100% CPH):

- **Supply agreement with Ontario Cannabis Retail Corporation marked entry into Canada's largest recreational cannabis market**
- **Recurring revenue profile continues to build – repeat POs secured and delivered**
- **Discussions with several world-leading distributors and resellers are well progressed – potential agreements are expected to considerably bolster sales**

Nutraceutical product line - cannaQIX®:

- **Second purchase order from Pharma Dynamics valued at CHF220,000 (~A\$320,000¹) secured – now delivered and booked as sales**
- **Heads of Agreement with Martin & Pleasance unlocks Australia and New Zealand markets**

Animal Health Product Line - anibidiol®:

- **anibidiol® becomes the first approved CBD hemp-based complementary feed for pets in Latin America**
- **Retail demand in Europe continues to grow - four purchase orders secured**
- **Product portfolio expansion initiatives underway to grow sector footprint**

Corporate Developments:

- **Leading cannabis executive and Canopy Growth Corporation founder Bruce Linton appointed as strategic advisor**
- **Successful capital raising of A\$8.992 million from institutional, professional, and sophisticated investors**
- **All convertible note structures have been completely extinguished, cleaning a significant part of the balance sheet and capital structure**
- **Cash at bank at quarter end totalled \$6 million with a further \$2.2m received from the exercise of share options post the quarter end**

¹This value is based on the CHF/AUD exchange rate as at 12 October 2020.



Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to provide this quarterly activities report for the period ended 31 December 2020.

Management Commentary:

Non-Executive Chairman, Mr Adam Blumenthal, said: “The quarter was a period of rapid growth for the Company. Creso achieved a number of major milestones in international markets, which were underpinned by pleasing regulatory shifts.”

“Pleasingly, Creso continued to expand its global footprint. Through the Company’s animal health business, we entered into the Latin American market and Mernova continued to gain traction in Canada, progressing agreements and purchase orders to unlock a number of new provinces. The Company also furthered its presence in the Australian and New Zealand market, securing an agreement with Martin & Pleasance to drive growth.”

“Strong sales were achieved over the period, stemming from a scale up of Mernova’s operations and the receipt of a number of new orders. While the uptick in customer receipts is very pleasing, we are now focused on continuing this rapid growth.”

“The Company has a number of purchase orders on and across all business divisions, which we expect to complete in the coming months allowing further sales to be recognised.”

“Board and management will continue to monitor regulatory shifts in key markets. Recent developments in the US have the potential to positively impact Creso Pharma and we are very well placed and funded to capitalise on these opportunities.”

“We remain in a strong position underpinned by growing sales revenue and burgeoning market opportunities, and we look forward to accelerating our strategic initiatives to deliver returns for our valued shareholders.”

Financials:

Creso generated A\$709,000 in receipts from customers, which is a 740% increase on the previous quarter (Q3 CY2020: A\$95,000) and highlights the growing sales pipeline that the Company has built over the last three months.

Out of the purchase orders received during the quarter, only partial amounts were captured in the quarter’s cash receipts. The remainder of these purchase orders will be recorded in the Q1 2021 and Q2 2021 cash receipts. Additionally, the Company expects ongoing substantial growth in customer receipts during the current period and beyond, as more purchase orders are secured and delivered across all business divisions.

Importantly, the Company also extinguished all convertible note structures during the period. To extinguish its outstanding convertible note facilities (refer to ASX announcement dated 7 October 2020), the Company had to incur several one-off corporate, legal and administration costs in the quarter. Despite the one-off costs, the extinguishing of the convertible note facility has led to a streamlined and optimised balance sheet. Coupled with a strong cash balance of A\$6 Million at the end of the quarter, Creso is very well funded to pursue a number of near-term growth objectives.

Further details of Creso’s funding are set out below and in the accompanying 4C report.

Operational Overview:

Cannabis:



Mernova continues sales growth and accelerates expansion into new markets:

The Company's wholly owned subsidiary Mernova Medicinal Inc. ('Mernova') delivered several important milestones, witnessing strong demand for its industry-leading products and progressing new market entries.

Mernova entered Canada's largest recreational cannabis market and received a Notice to Produce from the Province of Ontario, for its HPG13, Lemon Haze and Mimosa strains.

Shortly after this, Mernova secured a supply agreement with the Ontario Cannabis Retail Corporation ("OCRC"), operating as the Ontario Cannabis Store ("OCS"), which formally recognised Mernova as a supplier. This was a major achievement and highlighted Mernova's rapid progress towards entering Ontario, Canada's largest recreational cannabis market.

Under the agreement, Mernova will supply the OCS with a range of its high quality, indoor grown, hand trimmed, hang dried, cured, artisanal cannabis strains HPG13, Lemon Haze and Mimosa, which will be sold through established stores and through the OCS online sales platform under Mernova's *Ritual Green* Brand.

Strong demand for Mernova's products resulted in a robust sales pipeline and growing revenue profile, with a number of purchase orders received and delivered.

Mernova secured a purchase order valued at C\$232,826 (A\$243,841²) from Truro Cannabis Company ("Truro"), for a bulk order for three of Mernova's high quality cannabis strains in dried flower form, specifically HPG13, Lemon Haze and Mimosa. Truro is a licensed producer of medical and recreational cannabis products with an established presence across Canada. Truro will now sell Mernova's products through well established distribution channels.

The Company also received a maiden purchase order from the Yukon Liquor Corporation ("Yukon"), unlocking a new market. The purchase order was valued at C\$24,333 (A\$25,436³) and was for the HPG13, Lemon Haze and Mimosa strains, in dried flower form. These products will be sold under the Ritual Green brand in 3.5 gram and 7 gram units, through leading retailer Triple J's Canna Space.

Three additional purchase orders were also successfully delivered to the Nova Scotia Liquor Corporation ("NSLC") during the period, indicating a trend towards a recurring revenue model. Two orders were delivered in October and the third in December.



Figures 1-2: (L-R): Mernova's Ritual Green HPG13 (20-25% THC, <1% CBD) and Lemon Haze (20-25% THC, <1% CBD) products.

² This value is based on the CHF/AUD exchange rate as at 9 December 2020.

³ This value is based on the CHF/AUD exchange rate as at 9 December 2020.



Mernova also made the strategic decision to expand its current operations and target the Canadian Hash market. The decision followed a comprehensive review of the significant market opportunities available in Canada, and positive feedback regarding Mernova's current product range.

From a regulatory standpoint, Cannabis 2.0 legalised the production and sale of edible cannabis, cannabis extracts and cannabis topicals in October 2019. As a result, Hash can now be legally produced and sold in Canada.

Hash has grown in popularity in the legal market across Canada, as part of the new wave of cannabis-derived products. In the US, Hash use is increasing due to an overall rise in global interest in cannabis, increased availability due to legalisation in many states, and demand among older consumers familiar with the cannabis concentrate.

Mernova is working to capitalise on this growing demand and to further diversify its product lines, and has received considerable interest in its soon-to-be launched Hash products. It has also identified opportunities to progress sales in various provinces and territories across Canada including its current markets of Nova Scotia and the Yukon, as well as the imminent and future markets of Ontario and New Brunswick.

The Canadian legal Hash market is currently emerging and anticipated to grow rapidly in the near term, which provides Mernova with a large opportunity to emerge as a market leader. Mernova will progress production of premium Hash from its state-of-the-art facility with launch of the new products expected to occur in Q1 2021.



Figures 3-4: Hash products produced at Mernova's Nova Scotia Facility.

Creso Pharma to benefit from changing global attitudes to cannabis:

During the quarter, there were a number of significant shifts in the regulatory environment, which have the capacity to unlock a number of near-term and medium-term openings, with the Company being positioned to capitalise on such opportunities.

Court of Justice of the EU ruling unlocks major potential for CBD in Europe:

On 19 November 2020, the Court of Justice of the European Union (CJEU) ruled that member states must not prohibit the marketing of lawfully produced CBD. Further, the CJEU ruled that CBD is not considered a narcotic, and as a result, CBD can be freely sold in the European Union (EU).



This landmark ruling was a major development and continues to provide opportunities for Creso Pharma, which already has commercial agreements in place in the Iberian markets (refer to the ASX announcement: 12 August 2020).

United Nations reclassify cannabis as a less dangerous drug:

In December, the United Nations Commission on Narcotic Drugs voted to remove cannabis from Schedule IV of the 1961 drug convention treaty. Under the United Nation's system, Schedule IV substances are considered the most dangerous and addictive drugs. Cannabis is now classified under Schedule I, which is the least restrictive drug classification.

This landmark decision also recognised the potential medical properties of cannabis, which will benefit Creso Pharma's existing global distribution network and footprint.

Impact of Democratic majority in US Senate on cannabis reform:

During the quarter, there was a growing push in the United States to act on cannabis reform, and post-quarter end, the Company welcomed news that the US Democratic Party had won the balance of power in the US Senate, thereby increasing the likelihood of the decriminalisation of cannabis and the passing of the Marijuana Opportunity Reinvestment and Expungement ("MORE") Act.

The MORE Act aims to remove cannabis from the US Controlled Substances Act. The bill aims to erase certain federal convictions and essentially decriminalise cannabis in the US for the first time on a national level.

The Company has an established global distribution network, and its Mernova facility is only 220 miles from the US border, which is an ideal location to be able to cater to the Canadian and US markets and is likely to provide Mernova with opportunities to benefit upon US federal cannabis legislation reform.

Creso is currently exploring several US market opportunities in anticipation of the legislation's imminent approval.

TGA decision to reschedule CBD unlocks Creso's Australian market entry:

In December, the Therapeutic Goods Administration (TGA) announced a final decision to down-schedule low dose cannabidiol (CBD) preparations from Schedule 4 (Prescription Medicine) to Schedule 3 (Pharmacist Only Medicine).

This landmark decision allows for low-dose CBD containing products, up to a maximum of 150 mg/day, for use in adults that have been approved by the TGA, to be supplied over-the-counter by a pharmacist, without a prescription.

cannaQIX 50®, Creso's proprietary buccally formulated cannabidiol ("CBD") lozenge is available in Australia by prescription, under the 'LozaCan' brand. Creso is exploring the requirements to sell this product, as well as the Company's other GMP manufactured ranges, more broadly to Australian consumers.

The TGA decision has also allowed Creso Pharma to expedite its Heads of Agreement ("HOA") with Martin & Pleasance Pty Ltd to bring Creso Pharma's suite of CBD-based products to the Australian market.



Nutraceuticals:

~A\$320,000 purchase order from Pharma Dynamics strengthens revenue base:

Subsequent to the end of the quarter, the Company successfully delivered its leading cannaQIX® products to the subsidiary of Lupin International (NYSE: LUPIN), Pharma Dynamics South Africa. The delivery followed the receipt of a second purchase order from Pharma Dynamics in October valued at CHF220,000 (~A\$320,000⁴), which added to the Company's growing revenue profile.

Pharma Dynamics is a leading pharmaceutical company in South Africa, and is ranked the fifth biggest generic pharmaceutical company in South Africa.

Pharma Dynamics distributes Creso Pharma's hemp-based products across South Africa, with plans to extend the distribution to Namibia, Botswana, Zimbabwe, Swaziland, Lesotho, Angola, Mozambique, and Uganda. As a result, the Company anticipates additional opportunities will materialise in Africa through its established regional partner and will actively pursue those opportunities in the near-term.



Figure 5: Cannamics product packaging

Heads of Agreement with Martin & Pleasance to unlock Australian market:

The Company entered into a Heads of Agreement ("HOA") with leading natural, sustainable health and lifestyle brand supplier Martin & Pleasance Pty Ltd ("Martin & Pleasance" or "M&P") to capitalise on opportunities in the Australian market. As previously advised, the recent TGA decision (refer to ASX announcement: 15 December 2020) allowed Creso Pharma to expedite its HOA with Martin & Pleasance to bring Creso Pharma's suite of cannabis-based products to the Australian market.

Under the non-binding agreement, the parties confirmed their intention to negotiate and enter into a formal binding and exclusive Collaborative Agreement on or before 30 April 2021 under which Creso Pharma will manufacture a range of cannabidiol products in a GMP certified compliant facility in Switzerland, which would be then sold under new and existing Martin & Pleasance brands in Australia and New Zealand.

Martin & Pleasance was established over 150 years ago and provides an extensive range of natural remedies and medicines to consumers. M&P has an extensive field force directly servicing over 4,000 Pharmacies across Australia and New Zealand in addition to its online channels, grocery and practitioner suppliers.

⁴ This value is based on the CHF/AUD exchange rate as at 12 October 2020.



Animal Health:

anibidiol® becomes the first approved CBD hemp-based complementary pet feed in Latin America:

Creso Pharma secured regulatory approval from the Ministry of Agriculture and Animal Feed in Uruguay (Ministerio de Ganadaria, Agricultura y Pesca) through its commercial partner Adler Laboratories, Uruguay for its anibidiol® line of animal health products. Significantly, anibidiol® is now the first CBD hemp-based complementary feed approved for pets in Latin America which represented a ground-breaking milestone from a regulatory and business perspective.

The approval represents a strategic milestone and the Company's global footprint into the Latin American market, unlocking a large opportunity. Accessing this market provides access to over 24 Million pets across Uruguay, Argentina, Paraguay and Bolivia and further LATAM countries.

The Company also received an initial PO for anibidiol® in for 175,000 anibidiol® 8 sachets in 3,300 boxes valued at CHF60,000 (A\$86,957⁵), which will be delivered around April 2021.

Strengthened European sales pipeline:

Creso pharma secured three new POs for anibidiol® products, valued at CHF277,000 (~A\$414,000⁶). The new orders take total purchase orders generated through Creso Pharma's animal health segment to ~CHF634,000 (~A\$975,000⁷) in CY2020, highlighting the strong demand for the Company's products.

These orders were a significant achievement and highlight the Company's ability to navigate stringent regulatory requirements for marketing hemp products across Europe, as well as management's ability to progress growth initiatives in difficult market conditions. Demand for the products remains high and these additional POs served as further confirmation of the success of the anibidiol® product line in the rapidly growing European animal health market.

Corporate developments:

Canopy Growth founder Bruce Linton appointed as Strategic Advisor:

Creso Pharma appointed leading cannabis executive, Bruce Linton as strategic advisor during the quarter. Mr Linton was attracted to Creso Pharma for its unique IP, established global distribution footprint and robust product pipeline targeting distinct categories.

Mr Linton has extensive sector experience as a founder, CEO, Board member and adviser to a number of global cannabis companies.

Mr Linton's major achievements include his role as founder, Chairman and ex-CEO of Canopy Growth Corporation, during which time Canopy Growth Corporation's market capitalisation reached US\$15 Billion (and was approximately US\$11B upon his resignation in 2019). Canopy Growth has remained the largest listed cannabis companies on the NYSE since its IPO.

⁵ This value is based on the CHF/AUD exchange rate as at 21 December 2020.

⁶ This value is based on the CHF/AUD exchange rate as at 2 December 2020.

⁷ This value is based on the CHF/AUD exchange rate as at 2 December 2020.



Creso Pharma conducted a successful capital raising totalling A\$8.992m:

The Company raised A\$8.992 Million (before costs) from institutional, professional and sophisticated investors through the issue of 309,021,675 fully paid ordinary shares (“Shares”) at an issue price of \$0.0291 per Share (“Placement”).

\$7.992 million was committed from institutional, professional and sophisticated investors and \$1 Million was committed from Creso Pharma’s Non-Executive Chairman, Adam Blumenthal.

In addition to this Placement, the Company borrowed \$3,000,000 on an unsecured, interest free basis from Creso Pharma’s Non-Executive Chairman, Adam Blumenthal, which was fully repaid following shareholder approval on 23 December 2020, via the issuance of 103,092,784 Shares and 25,773,196 CPHOA Options (\$0.05, 22 Jan 2023) (refer to the Appendices 2A dated 23 December 2020 and 22 January 2021). The Company also borrowed a further \$3,779,412 from third parties, as detailed in sections 7 & 8 of the attached Appendix 4C.

The Company emerged from this placement and cash injections with a much stronger balance sheet and with significant financial flexibility to exercise many of its key short-term strategic initiatives.

-Ends-

Authority and Contact Details

This announcement has been authorised for release by the Board of Creso Pharma Limited.

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About Creso Pharma

Creso Pharma Limited (ASX:CPH) brings the best of cannabis to better the lives of people and animals. It brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. It develops cannabis and hemp derived therapeutic, nutraceutical, and life style products with wide patient and consumer reach for human and animal health.

Creso Pharma uses GMP (Good Manufacturing Practice) development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. It has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids. To learn more please visit: www.cresopharma.com



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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Creso Pharma Limited

ABN

89 609 406 911

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	709	3,752
1.2 Payments for		
(a) research and development	(27)	(452)
(b) product manufacturing and operating costs	(788)	(2,722)
(c) advertising and marketing	(247)	(293)
(d) leased assets	-	-
(e) staff costs	(1,115)	(4,166)
(f) administration and corporate costs	(2,309)	(4,840)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(86)	226
1.9 Net cash from / (used in) operating activities	(3,863)	(8,497)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:		
	39,220,150 shares	81,464,798 shares
Deemed value in lieu of cash	1,833	4,395

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(39)
(d) investments	-	-
(e) intellectual property	-	(107)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(298)	(375)
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(302)	(521)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	6,469	8,011
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(533)	(1,284)
3.5 Proceeds from borrowings	6,090	10,933
3.6 Repayment of borrowings	(3,464)	(3,559)
3.7 Transaction costs related to loans and borrowings	(818)	(1,819)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	7,744	12,282

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,560	2,812
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,863)	(8,497)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(302)	(521)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,744	12,282
4.5	Effect of movement in exchange rates on cash held	(135)	(72)
4.6	Cash and cash equivalents at end of period	6,004	6,004

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	6,004	2,560
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)	6,004	2,560

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	2,032
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments made to related parties and their associates comprise:	\$A'000
- Directors fees	241
- Capital raising Fees	710
- Loan Repayment	50
- Other services	1,031
Aggregate amount as above	2,032

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Secured Loan facilities	-	-
Unsecured Loan facilities	3,779	3,779
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,779	3,779

7.5 **Unused financing facilities available at quarter end** nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Unsecured, fully drawn loan facilities of \$3,779,412 comprise the following:

1. \$ 588,235 loan from Chifley Portfolios Pty Ltd
2. \$2,352,941 loan from Jamber Investments Pty Ltd
3. \$ 588,235 loan from L1 Capital Opportunities Master Fund

The above three loans all have the same terms:

- interest on each loan is a fixed amount equal to 15% of the loan inclusive of interest.
 - interest is payable in cash on the date the loan was advanced or upon demand by the lender. No interest has been paid to date and interest is included in the loan amounts stated above.
 - unless otherwise agreed, the Company must repay the loans on or before 1 July 2021. The Company can elect to repay a loan amount at any time before that date.
4. \$250,000 loan from Rimoyne Pty Ltd. The loan amount comprises:
- interest on the loan of a fixed amount of \$100,000.
 - no interest has been paid to date and interest is included in the loan amount stated above.
 - unless otherwise agreed, the Company must repay the loan on or before 31 January 2021. The Company can elect to repay the loan amount at any time before that date.

As at the date of this report, no additional financing facilities have been entered into after the quarter end.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,863)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,004
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	6,004
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes. Net operating cash flows are expected to similar or better for the time being.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. In the period since the quarter end the Company received \$2,223,000 from the exercise of 5,000,000 CPHOT26 Options and 9,000,000 CPHOPT28 Options.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, on the basis of funds currently available – refer note 2 immediately above.

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.

Date: 29 January 2021

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.