

ASX Announcement

31 October, 2016

September Quarter Report

Highlights:

- **Significant progress with development and commercialisation preparations, putting Creso in a strong position to achieve further key milestones over the remainder of FY2017.**
- **Good progress towards commercialisation of both its animal health and human health nutraceutical products, holding a number of discussions with various potential commercialization partners.**
- **Subsequent to the reporting period, LOIs secured for commercialisation of Creso's human health product; Company also close to securing LOI for animal health product**
- **Cash as at 30 September 2016 was A\$5 million**

Creso Pharma Limited (ASX: CPH, the "Company") is pleased to provide its quarterly update for the three months ended 30 September 2016.

Creso officially started trading on the Australian Securities Exchange under the ticker "CPH" in October 2016 following a successful A\$5 million capital raising that was significantly oversubscribed.

Operational Overview

During the quarter, Creso Pharma made significant progress with its development and commercialisation preparations, putting it in a strong position to achieve further key preparation milestones over the remainder of FY2017.

The Company progressed the development of its full plant extract, working with its two GMP extract providers, Linnea (Switzerland) and Enecta (Netherlands), to fully characterize the extracts, the source plants, provide a description of the extraction process, the detailed composition, and progress with the preparation of the dossiers sections which are required as part of the regulatory filing.

It also started conducting technical feasibility studies with one of the full plant extracts for its first human nutraceutical product based on the INNutri Soft Gums™ technology.

For its Vet nutraceutical product, Creso Pharma also started feasibility technical tests and exploring veterinary specific delivery technologies.



ABN: 89 609 406 911

The Company also made good progress towards commercialization preparation of both its animal health and human health products, holding a number of discussions with various potential commercialization partners.

Subsequent to the reporting period, the Company signed a binding letter of intent (LOI) with Swiss pharmaceutical firm, Streuli Pharma AG, for the commercialisation of the nutraceutical therapeutic product based on the INNutri Soft Gums™ technology in the Swiss market.

Creso is also close to securing a binding letter of intent for the development and commercialising of its nutraceutical products for companion animals.

Corporate and Financials

As at 30 September 2016, the Company's total cash was A\$5 million comprising funds raised under the Initial Public Offering. The Company believes it has sufficient funds to achieve its commercial milestones and reach profitability.

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

Outlook

Creso Pharma expects to achieve further solid progress with its development and commercialisation preparations over the remainder of FY2017.

"Our achievement of executing binding letters of intent to prepare the commercialisation of our first human and animal health therapeutical nutraceutical products underlines our leading position in the field of cannabis-derived, therapeutic nutraceutical products," said Creso Pharma CEO and Co-Founder, Dr. Miri Halperin Wernli.

"We look forward to further significant progress over the months ahead, both in terms of product development and additional commercialization agreements."

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About Creso Pharma

Creso Pharma will lead the field of cannabis derived therapeutic grade nutraceutical products for human and animal health. Leveraging science and research and focusing on unique and innovative delivery mechanisms, Creso Pharma is developing cannabis and hemp derived therapeutic products, manufactured to the highest pharmaceutical GMP standard and delivered to the highest quality levels across the supply chain. Creso is the leader in cannabidiol (CBD) innovation, bringing vast therapeutic choices and opportunities to human and animal health medicine.

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

49 281 339 429

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(92)	(92)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(4)	(4)
(f) administration and corporate costs	(175)	(175)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(271)	(271)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(100)	(100)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(100)	(100)

3.	Cash flows from financing activities		
3.1	Proceeds from application funds held in trust	5,000	5,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	145	145
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,145	5,145

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	226	226
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(271)	(271)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(100)	(100)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,145	5,145

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,000	5,000

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	5,000	226
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)		

5.1 At 30 September 2016, funds held in trust for equity to be issued.

6. Payments to directors of the entity and their associates

Current quarter \$A'000
16
-

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

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

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

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	145	145
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.		

On 19 August 2016, Creso Pharma Limited ("Creso") entered into a loan agreement with Chifley Portfolios Pty Ltd ("Chifley"). Chifley has agreed to advance A\$145,000 to Creso, with an interest rate of 12.5% of the loan and is payable to Chifley on the Repayment Date.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(108)
9.3 Advertising and marketing	(27)
9.4 Leased assets	-
9.5 Staff costs	(149)
9.6 Administration and corporate costs	(364)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(648)

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

