

31 July 2020

QUARTERLY ACTIVITIES REPORT – JUNE 30, 2020

Switzerland operations expand internationally and Mernova solidifies position as a leading premium product cannabis producer

Highlights:

Mernova Medicinal Inc. (100% CPH):

- **A\$257k (~C\$230k) in sales revenue recorded for the half year**
- **Second major purchase order valued at C\$625k from Univo Pharmaceuticals Ltd (TLV: UNVO) received subsequently to the end of the quarter ended 30 June 2020– further strengthens push into Israeli cannabis market**
- **Sales License received from Health Canada – allows the sale of products to provincially and territorially authorised retailers and to holders of a licence for sale for medical purposes**
- **Key proprietary processes implemented which have further optimised the state-of-the-art cannabis production and processing facility and improved product quality**
- **Mernova poised to enter retail market in Q3 as a leading ‘premium product cannabis producer’**

Nutraceutical Product Line - cannaQIX®:

- **Revenue for the half year of A\$411k (~CHF261k)**
- **Pharma Dynamics successfully launched Creso’s developed cannaQIX® under the brand of Cannamics in South Africa with major retail chains**
- **Commercial agreement with DHS Business International for the planned distribution of CBD oral and topical products into the Brazilian retail market**
- **Signed a binding letter of intent with Highnoon Laboratories (PSX: HINOON) and Route2 Health to collaborate on potential distribution of products into Pakistan**
- **New CBD hemp tea is now available and first purchase orders expected**

Animal Health Product Line - anibidiol®:

- **Revenue for the half year of A\$561k (~CHF357k)**
- **Due to changes in European regulatory classification of hemp oil in animal products, Creso is currently reformulating its anibidiol products**
- **Creso has been anticipating this regulatory change in Europe and as a result is well advanced in the reformulation process**
- **Development is underway of new hemp-derived animal health products with a new technology to substitute the hemp oil in the various products**

Corporate Developments:

- **Successfully completed a share placement to institutional and sophisticated investors**



- **Cash balance at 30 June 2020 of A\$3.28M**
- **Board continues to actively assess its funding strategy in line with broader operational developments and near-term capital requirements**

Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to provide this quarterly activities report and Appendix 4C for the period ended 30 June 2020.

Management Commentary

Dr Miri Halperin Wernli, Creso Pharma's CEO and co-founder said: "I am pleased to be providing this update to shareholders following a quarter that saw several important milestones achieved.

Creso Pharma, along with the broader business community globally, is operating in a new and challenging environment due to the unfolding COVID-19 situation. Like many, the effects of the pandemic have been felt to varying degrees across the business, however I am pleased that our robust safety protocols and solid foundations have allowed us to continue operating during the pandemic. We enter this quarter well equipped to navigate the future challenges presented by COVID-19.

Mernova continued to build significant momentum during the quarter, highlighted by the receipt of its Health Canada Sales License, a robust sales pipeline, and growing acceptance for its premium product from major players within the global cannabis industry. In a short period of time, Mernova has been able to position itself as a leading artisanal cannabis grower, and the company is well positioned to fill this high-demand market segment.

We also continued to make inroads to expand the international operations of our Swiss subsidiary, highlighted by expansion into high-growth markets such as Brazil and South Africa, and we are also working to register and facilitate the distribution of our products more broadly throughout Latin America and into Pakistan.

Changes to the regulatory environment across key markets in Europe have had an impact on our Hemp CBD based revenues this quarter, and we are working to adapt to these changes and reformulate our products to comply with these evolving regulations.

I look forward to reporting on a number of important initiatives currently underway across the business in due course."

Financials:

As at the quarter end, Creso Pharma had cash reserves of A\$3.28M. Further details of Creso's funding are set out below and in the accompanying 4C report.

Operational Overview:

Nutraceuticals:

Unaudited revenue for the half year for human health products was A\$411k (~CHF261k).

Planned new international market entries – for the cannaQIX® product line and cannaDOL®

In April, the Company reported it had formed a collaboration with Highnoon Laboratories Limited (PSX: HINOON) ('Highnoon'), one of Pakistan's most successful and progressive pharmaceutical



companies, and Route2 Health Limited ('Route2'), a leading player in the nutritional supplements area. Both Highnoon and Route2 are entities incorporated in Pakistan.

Creso Pharma signed a binding letter of intent with Highnoon and Route2 whereby the parties will look to enter into a strategic collaboration to expand distribution of its innovative hemp derived therapeutic products into Pakistan.

Subject to further regulatory approvals, the parties have also agreed to consider leveraging their international reach to explore broadening the strategic collaboration to include the additional markets of Afghanistan, Azerbaijan, Bangladesh, Cambodia, Georgia, the Maldives, Myanmar, the Philippines, Tajikistan, Turkmenistan, Uzbekistan, and Vietnam.

In June 2020, Creso Pharma signed a commercial agreement with DHS Business International ("DHS") for the distribution of the Company's CBD products into the Brazilian retail market. The development follows the latest change in policy from the Brazilian National Health Regulatory Authority ("ANVISA"), which enables the sale of CBD products without THC to be sold through retail channels in the country.

DHS was established in 1991 and is involved in strategic consulting and commercialisation operations in healthcare markets. The DHS group offers solutions to companies in the health and wellness space that are seeking expansion in Brazil.

DHS has an extensive network in Latin and North America, as well as operations in Africa and Portugal. Creso will seek to leverage DHS' extensive network and established reputation to drive sales growth through these regions. Under the agreement, Creso and DHS will offer several CBD products to retailers and consumers, including the CannaQIX® product range, which is produced by GMP facilities and is Swiss made. The Company believes the products will be well-received by end users and this will underpin sales growth.

Also in June 2020, Pharma Dynamics successfully launched cannaQIX® regular under the brand name Cannamics nationwide in accordance with the commercial agreement between Creso and Pharma Dynamics (see ASX Announcement dated August 22, 2019).

Pharma Dynamics - a subsidiary of Lupin Limited (NSE:LUPIN) - is a leading pharmaceutical company in South Africa, and is ranked the fifth biggest generic pharmaceutical company in South Africa. Pharma Dynamics leads with high quality generics at affordable prices and is well-known for its investments into innovative wellness programs towards holistic healthcare.



Figure 1: Cannamics product packaging



Medicinal Cannabis:

Mernova continues sales growth

During the quarter, the Company's wholly owned subsidiary Mernova Medicinal Inc. ('Mernova') delivered several important milestones.

Following the first purchase order of C\$775k received from major Israeli cannabis company Univo Pharmaceuticals Ltd (TLV: UNVO) last quarter (see ASX release dated 1 April 2020), the Company was pleased to report a second purchase order from Univo valued at C\$625k (see ASX release dated 10 July 2020), which was received in July subsequent to the end of the quarter ended 30 June 2020.

The Company advises that on 27 July 2020, it received the export permit from Health Canada which allows the first purchase order to be shipped to Univo. This order is now being prepared for shipment and further updates will be provided once the first shipment has been completed.

This strengthening sales partnership with Univo provides Creso Pharma with the opportunity to leverage Univo's extensive distribution networks into the rapidly growing Israeli market.

Receipt of Health Canada Retail Sales Licence

Mernova received its Sales Licence from Health Canada, effective from 8 May 2020. The Sales Licence provides for the sale of dried and fresh cannabis products to provincially and territorially authorised retailers and to holders of a licence for sale for medical purposes.

The Sales License is valid until February 2022, with opportunities to renew the licence at the end of the term, in line with Health Canada's standard licensing policy. The license facilitates the sale of Mernova's products to the higher margin retail market.

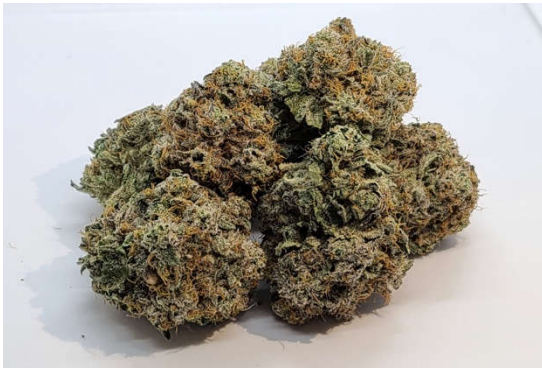
Implementation of proprietary processes continue to improve cannabis quality

During the quarter, Mernova reported that, as it continues to scale up production towards nameplate capacity, several proprietary processes have also been implemented to enhance product quality to meet a growing demand for small batch, artisanal cannabis products in Canada.

Improvements have been made to Mernova's post-harvest processes, and are already having positive effects on the aroma, appearance, feel, and overall quality of the cannabis. Creso Pharma is in initial discussions with several parties regarding the sale of its high-quality dried flower and cannabis 2.0 products and will keep shareholders updated when material binding agreements are entered.

Commenting at the time, Mernova's Managing Director Jack Yu, said: "Early in our planning, we identified that the premium market is looking for high quality cannabis, specifically indoor grown, small batch, artisanal product that isn't grown under the same 'factory' processes used by a number of the large-scale cannabis producers. We saw this as a massive near-term opportunity for Mernova and we believe we are now well placed to fill this gap in the market.

Following the implementation of several proprietary processes, we are confident that we are now producing some of the best legal cannabis in Canada, which sets us apart from many of our peers, and we look forward to reporting on sales and supply agreements when we are able."



Figures 2-3: (L-R): Mernova's PG-13 and Lemon Haze products utilizing the new post-harvest processes

Animal Health:

Sales Overview

Revenues for the half year amounted to A\$561k (~CHF357k).

The Company advises that anibidiol products with hemp oil are currently being reformulated to substitute the hemp oil in the product due to changes in regulatory classification of hemp oil in animal products in Europe. Having anticipated these regulatory changes for around 12 months, the Company is currently well advanced in preparing new formulations to substitute.

Creso Pharma is currently developing new hemp-derived animal health products utilising a new technology to substitute the hemp oil component contained in the various animal health products. Dog hemp biscuits have been formulated and will be launched to market in Q3 2020.

Corporate Developments:

COVID-19 impact and update

As reported last quarter, the Company responded quickly to the unfolding COVID-19 pandemic by implementing a remote working policy across its Australian and Swiss operations. This has allowed the business to minimise COVID-19 related impacts and continue to operate at near full-capacity during the quarter.

The Company continues to monitor the global situation as the COVID-19 pandemic unfolds and it remains well-positioned to adapt and grow as new opportunities are presented across key markets globally.

Funding update

In April 2020, the Company entered into a convertible securities agreement with Lind Global Macro Fund, LP ('Lind') to raise \$1,000,000 (less the applicable commitment fee) ('Lind Convertible Securities Agreement').

In June 2020, the Company received firm commitments to raise A\$2.137 million (before costs) through the issue of new fully paid ordinary shares in the Company ('Placement') to new and existing sophisticated and professional investors, and raised A\$2.037 million through the issue of 33,952,341



Shares. At 30 June 2020, the remaining tranche of 1,666,666 Shares in respect of director participation in the Placement, which will raise approximately \$100,000, remained subject to shareholder approval.

Funds raised under the Placement were deployed towards accelerating growth across the Company's existing human and animal health CBD product lines, repayment of outstanding debt and creditors and for general working capital purposes.

The Board continues to monitor its cash reserves and prudently deploy capital to conserve its cash position. The Company has in place funding facilities which can be drawn down subject to shareholder approval and/or the consent of the lender should additional capital be required. Further details are provided in the accompanying Appendix 4C.

As reported in February 2020 (ASX Announcement dated 14 February 2020), the Company achieved the second milestone with respect to the 2017 acquisition of Mernova. During the quarter, the Company advised that it had reached an agreement with the Mernova vendors to settle part of the debt in respect of the Milestone 2 cash payment (C\$800,000) through the issuance of 15,010,185 shares on 26 June 2020, at a deemed issue price of \$0.05 per Share.

Termination of Israeli Joint Venture

In March 2020, the Company received a letter of termination pertaining to the Israeli joint venture agreements (Israeli JV Agreements) between the Company's wholly owned subsidiary, Creso Pharma Switzerland GmbH (Creso GmbH) and Cohen Propagation Nurseries Ltd and Asaf Cohen (together, the Cohen Group).

The matter was settled in April 2020 (see ASX Announcement dated 20 April 2020), with all parties agreeing to a final, absolute, and complete settlement in connection with all of the claims and counterclaims related to the joint venture agreement on the terms set out in the ASX announcement.

Loan from Director-related entity

Subsequent to the end of the June quarter, the Company received an unsecured, no interest loan of A\$550,000 from Anglo Menda Pty Ltd, an entity controlled by Adam Blumenthal which was negotiated, and entered into, on an arm's length basis. The funds raised were used to fund working capital commitments of the Company.

Issued Capital

During the quarter, the Company issued 39,061,314 shares (including the 15,010,185 shares referenced above) in lieu of cash payments for debts totalling \$2,034,376. On 3 July 2020, the Company announced that it had redeemed 1,212,120 Performance Shares in the issued capital of the Company, as the milestone attached to these Performance Shares had not been achieved on or before 20 June 2020. For further information on the redemption of the Company's Performance Shares, refer to the ASX release dated 3 July 2020.

In addition, the Company advises that the following options have expired unexercised:

- a) 400,000 CPHOPT2 Options (\$0.40, 27 Jun 2020); and
- b) 100,000 CPHOPT12 Options (\$0.60, 27 Jul 2020).

The Company also notes the upcoming expiry of Listed CPHO Options (\$0.80, 21 Aug 2020) on 21 August 2020 and advises that pursuant to clause 5.3 of Appendix 6A to the Listing Rules, the Company will not send formal option expiry notices to option holders.



-Ends-

Authority and Contact Details

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

For further information, please contact:

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

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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,505	2,948
1.2 Payments for		
(a) research and development	(138)	(311)
(b) product manufacturing and operating costs	(704)	(1,371)
(c) advertising and marketing	(16)	(41)
(d) leased assets	-	-
(e) staff costs	(979)	(2,104)
(f) administration and corporate costs	(1,325)	(2,102)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	101	261
1.9 Net cash from / (used in) operating activities	(1,558)	(2,722)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:		
	39,061,314 shares	42,244,648 shares
Deemed value in lieu of cash	\$2,034	\$2,562

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(34)	(34)
(d) investments	-	-
(e) intellectual property	(107)	(107)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(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	(141)	(141)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,542	1,542
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	(552)	(552)
3.5 Proceeds from borrowings	1,608	3,358
3.6 Repayment of borrowings	(64)	(95)
3.7 Transaction costs related to loans and borrowings	(268)	(1,001)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,266	3,252

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	3,000	2,812
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,558)	(2,722)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(141)	(141)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,266	3,252
4.5	Effect of movement in exchange rates on cash held	(286)	80
4.6	Cash and cash equivalents at end of period	3,281	3,281

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	3,281	3,000
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)	3,281	3,000

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
599
-

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	231
- Capital raising fees – EverBlu Capital Pty Ltd & Suburban Holdings Pty Ltd	229
- Repayment of loan – Anglo Menda Pty Ltd	30
- Fees as per service mandate - EverBlu Capital Pty Ltd	109
Aggregate amount as above	599

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

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	22,972	5,557
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	22,972	5,557

7.5 **Unused financing facilities available at quarter end** 17,415

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.

1. The ability to draw down further funding under the existing facilities is subject to the Company obtaining shareholder approval and/or approval of the relevant lender.
2. The amounts set out in the table above reflect the amounts drawn down under each of these facilities, not the total amount owing to the lenders under these facilities.
3. The Company currently has on issue: 3,264,192 Tranche 1 Convertible Notes (CPHCON1) which have a face value of \$1.00; 1,800,000 New Convertible Notes (CPHCON4) which have a face value of \$1 and; one Lind Convertible Note (CPHCON3) which has a face value of \$1,111,111.
4. During the Quarter an additional amount of \$630,000, which had been drawn down under the New L1 Convertible Securities Agreement, was repaid through the conversion of 700,000 New L1 Convertible Notes into 14,000,000 Shares.

The Loan facilities noted at item 7.1 above consist of:

(a) Original L1 Capital Agreement

A convertible securities agreement between the Company and L1 Capital Global Opportunities Master Fund (**L1 Capital**) entered into on 27 November 2019 (**Original L1 Capital Agreement**). At the end of the Quarter, the Company had drawn down a total of \$1,500,000 under the Original L1 Capital Agreement and issued L1 Capital 1,666,667 Tranche 1 Convertible Notes. As announced on 14 April 2020, the amount outstanding in respect of the Tranche 1 Convertible Notes has been reduced. Accordingly, the number of Tranche 1 Convertible Notes on issue has been reduced to 1,319,747 and the amount drawn down at quarter end (and the corresponding facility amount) has been reduced to of \$1,187,772. Further details in respect of the Original L1 Capital Agreement are set out in the notice of meeting released on 23 December 2019 and the addendum to the notice of meeting released on 13 January 2020.

Interest accrues at 4% per annum, with the first interest payment payable on 27 July 2020, the second interest payment due on 23 August 2020 and payments due every 90 days thereafter. However, L1 Capital has agreed that the first interest payment may be deferred by up to 90 days and no less than 45 days.

(b) Suburban Agreement

A convertible securities agreement between the Company and Suburban Holdings Pty Limited (**Suburban Holdings**) entered into on or about 27 November 2019 (**Suburban Agreement**). At the end of the Quarter, the Company had drawn down a total of \$1,500,000 under the Suburban Agreement and issued Suburban 1,666,667 Tranche 1 Convertible Notes. Further details in respect of the Suburban Agreement are set out in the notice of meeting released on 23 December 2019 and the addendum to the notice of meeting released on 13 January 2020.

Interest accrues at 4% per annum, with the first interest payment payable on 27 July 2020, the second interest payment due on 23 August 2020 and payments due every 90 days thereafter. However, Suburban Holdings has agreed that the first interest payment may be deferred by up to 90 days and no less than 45 days.

(c) Chifley Agreement

A convertible securities agreement between the Company and Chifley Portfolios Pty Limited (**Chifley**) entered into on or about 27 November 2019 (**Chifley Agreement**). At the end of the Quarter, the Company had drawn down a total of \$250,000 under the Chifley Agreement and issued Chifley 277,778 Tranche 1 Convertible Notes. Further details in respect of the Chifley Agreement are set out in the notice of meeting released on 23 December 2019 and the addendum to the notice of meeting released on 13 January 2020.

Interest accrues at 4% per annum, with the first interest payment payable on 27 July 2020, the second interest payment due on 23 August 2020 and payments due every 90 days thereafter. However, Chifley has agreed that the first interest payment may be deferred by up to 90 days and no less than 45 days.

(d) New L1 Capital Agreement

A convertible securities agreement between the Company and L1 Capital entered into on 5 February 2020 (**New L1 Capital Agreement**). The Company has drawn down a total of \$2,250,000 under the New L1 Capital Agreement since entry into the agreement. During the Quarter, an amount of \$630,000, which had been drawn down under the New L1 Convertible Securities Agreement was repaid through the conversion of 700,000 New L1 Convertible Notes into 14,000,000 Shares. This resulted in a reduction in the total facility

amount to \$16,582,500 and a reduction in the amount drawn down to \$1,620,000. Further details in respect of the New L1 Capital Agreement are set out in the notice of meeting released on 15 April 2020.

Interest accrues at 4% per annum, with the first interest payment payable on the date which is 180 days after the date of the first advance (which was made on 6 February 2020) and every 90 days thereafter.

(e) Lind Agreement

A convertible securities agreement between the Company and with Lind Global Macro Fund, LP (**Lind**) to enable the Company to raise \$1,000,000 (less the applicable commitment fee) (**Lind Agreement**). The Company has drawn down \$1,000,000 under the Lind Agreement. Interest accrues at 4% per annum on the outstanding face value of the convertible note issued to Lind, with the first interest payment payable on the date which is 180 days after the date of closing (which occurred on 21 April 2020) and every 90 days thereafter.

Each of the Original L1 Capital Agreement, the Suburban Agreement, the Chifley Agreement, the New L1 Capital Agreement and the Lind Agreement are secured. Further details are set out in the ASX announcements released on 28 November 2019, 31 December 2019, 5 February 2020 and 20 April 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,558)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,281
8.3 Unused finance facilities available at quarter end (Item 7.5)	17,415
8.4 Total available funding (Item 8.2 + Item 8.3)	20,696
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	13

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: Not Applicable.

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: Not Applicable.

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: Not Applicable.

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: 31 July 2020
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Authorised by: The Board of Creso Pharma Limited
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(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.