



ASX Announcement

24 July, 2017

June Quarter Update

Highlights:

- **Strong quarter with Creso Pharma successfully advancing leadership position in the Australian market through a number of key commercial initiatives.**
- **Strategic agreement with LeafCann to accelerate development and commercialisation of Australian manufactured medicinal cannabis products.**
- **Creso Pharma becomes first company to successfully import medicinal cannabis products into Australia.**
- **SPP also closed heavily oversubscribed: applications received for around \$4.1 million, well above maximum of \$1 million available.**
- **Company expects first revenues by end of 2017 as well as continued growth in Australia and international markets.**

Creso Pharma Limited (ASX:CPH, the “Company”) is pleased to provide its quarterly update for the three months ending 30 June 2017.

Operational Overview

During the quarter, Creso Pharma successfully advanced its leadership position in the Australian medicinal cannabis market through a number of key commercial initiatives.

Strategic agreement with LeafCann

In May, the Company secured a strategic agreement with pre-eminent Australian medicinal cannabis producer LeafCann, to accelerate the development and commercialisation of locally manufactured medicinal cannabis products in Australia. LeafCann’s license submission is in process with the authorities.

The partnership strengthens Creso Pharma’s strategic leadership position in the sector and the Company is well placed to capitalise on the growth in the Australian market following Federal and State legislation to support local cultivation and production.

Through the strategic agreement, LeafCann is supplying Creso Pharma with cannabis and/or hemp-derived materials to Good Manufacturing Practice (GMP) standards, which will be used to develop, manufacture, sell and commercialise Creso Pharma’s pharmaceutical-grade therapeutic products for the human and animal health markets in Australia.

The parties are currently working together on joint product development.



First company to successfully import medicinal cannabis products into Australia

The LeafCann agreement came soon after Creso Pharma became the first company to successfully import medicinal cannabis products into Australia.

The import, through Creso Pharma's Australian partner, Health House International Pty Ltd (Health House), was of a range of three cannabis oils for human health from Canadian medical cannabis group, CanniMed. The oils will be used for a variety of conditions as approved by prescribing physicians.

Health House is distributing the CanniMed® products across Australia in authorised pharmacies in compliance with Federal and State legislation.

Letter of Intent (LOI) with Cannapharm AG gives Creso Pharma a first-mover advantage

During the quarter, the Company also secured an LOI with leading Swiss-based medicinal cannabis producer Cannapharm AG, giving Creso Pharma a first-mover advantage in exporting best-in-class pharmaceutical-grade products into the Asia Pacific and Latin American markets.

Cannapharm is a Swiss-based producer of fully Good Manufacturing Practice-certified (GMP) medicinal cannabis. It has more than 15 years' experience manufacturing products that meet the highest pharmaceutical and GMP standards in the tightly regulated Swiss market.

Under the collaboration agreement, Cannapharm will grant Creso Pharma the exclusive rights to import, store, transport, market, distribute, use and sell Cannapharm's medicinal cannabis products in seven countries in Asia Pacific, Central and Latin America.

These countries include Australia, New Zealand, China, Brazil, Chile, Colombia and Mexico. The agreement allows for both parties to expand the exclusivity to include additional countries or regions.

Corporate and Financials

During the quarter, Creso Pharma's Share Purchase Plan for eligible investors closed heavily oversubscribed, with the Company receiving valid applications representing approximately \$4.1 million in subscriptions, well in excess of the maximum of \$1 million available.

The Company's cash balance as at 30 June 2017 was \$9.23 million, with the cash balance remaining strong following the Company's heavily oversubscribed Placement conducted in the March quarter.

Going forward, the Company expects that the cash burn rate will be in line with expectations as it continues to invest in its development and commercialisation efforts. The Appendix 4C report attached to this report contains the Company's cash flow statement for the quarter.

Outlook

Creso Pharma looks forward to generating its first revenues with the launch of its hemp-based complementary feed products for companion and zoo animals in Switzerland by the end of the year and its CannaPharm GMP medicinal cannabis products in Australia by end of 2017.



The Company is also confident of further strengthening its leadership position in the Australian market and advancing its growth efforts internationally through the pursuit of further commercial agreements and partnerships.

“The launch of our first animal health hemp-based complementary feed and our GMP medicinal cannabis products is a critical milestone for Creso Pharma, not only in terms of introducing our innovative products to market but also generating first revenues for our business,” said Creso Pharma CEO and Co-Founder, Dr. Miri Halperin Wernli.

“At the same time, we have the resources in place to continue to grow our presence both here in Australia and globally and expect to secure more significant milestones with our business and commercial strategy in the months ahead.”

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Investor Enquiries:

Gabriella Hold
M: 0411 364 382
E: gabriella.hold@mcpartners.com.au

Media Enquiries:

Harrison Polites
M: 0409 623 618
E: harrison.polites@mcpartners.com.au

Corporate Queries:

EverBlu Capital
Level 39, Aurora Place
88 Phillip Street, Sydney, NSW 2000
E: info@everblucapital.com
P: +61 2 8249 4000

About Creso Pharma

Creso Pharma brings pharmaceutical expertise and methodological rigour to the world of medicinal cannabis and strives for the highest quality in its products. It is the leader in cannabidiol (CBD) innovation and develops cannabis- and hemp-derived therapeutic-grade nutraceuticals and medicinal cannabis products with wide patient and consumer reach for human and animal health. Creso uses GMP development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. It has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids.

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")

30 June 2017

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	6
1.2 Payments for		
(a) research and development	(470)	(707)
(b) product manufacturing and operating costs	(17)	(29)
(c) advertising and marketing	(220)	(455)
(d) leased assets	-	-
(e) staff costs	(154)	(298)
(f) administration and corporate costs	(852)	(1,206)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	13
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)	(22)	(22)
1.9 Net cash from / (used in) operating activities	(1,725)	(2,698)
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 (6 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	(39)	(231)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(39)	(231)

3.	Cash flows from financing activities		
3.1	Proceeds from issue of shares	1,000	9,782
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	(673)	(673)
3.5	Proceeds from borrowings	-	-
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	327	9,109

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	10,641	3,046
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,725)	(2,698)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(39)	(231)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	327	9,109

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	28	6
4.6	Cash and cash equivalents at end of quarter	9,232	9,232

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	9,232	10,641
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)	9,232	10,641

6. Payments to directors of the entity and their associates

- 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

Current quarter \$A'000
145
-

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

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

- 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

Current quarter \$A'000
-
-

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)	-	-
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(400)
9.2 Product manufacturing and operating costs	(20)
9.3 Advertising and marketing	(183)
9.4 Leased assets	-
9.5 Staff costs	(161)
9.6 Administration and corporate costs	(435)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,199)

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		

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: 
(Company secretary)

Date: 24 July 2017

Print name: Sarah Smith

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.