



ASX Announcement

30 January, 2017

December Quarter Report

Highlights:

- **Significant progress with development and commercialisation plans for the first human health and animal health nutraceutical products, putting Creso in a strong position to achieve its targets for FY2017.**
- **Product development for the human health product moved to pilot batch production; regulatory strategy is established and regulatory filings are being prepared.**
- **Post the reporting period, Creso obtained the first-ever EU registration for two CBD-based animal feed nutraceutical products for commercialisation in the global companion animal market.**
- **Several collaborative agreements are being developed with various potential commercialisation partners in Switzerland, Europe and Latin America.**
- **Binding LOI secured to develop and commercialise Creso's innovative cannabidiol (CBD)-rich hemp-derived nutraceutical products for the global pet care market.**
- **Creso subsidiary, Hemp Industries, fulfilled second shipment of hemp protein to one of the Slovakia's largest bakeries to meet consumer demand for "superfood".**
- **Key clinical experts from a number of Swiss and European University Hospitals selected to take part in Creso task force to support the successful launch of the human and veterinary products.**
- **Cash as at 31 December 2016 was \$3.054 million as Creso continues to invest in its business and progress development and commercialisation efforts.**

Creso Pharma Limited (ASX:CPH, the "Company") is pleased to provide its quarterly update for the three months ending 31 December 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 plans for its first human health and animal health nutraceutical products, putting it in a strong position to achieve further key milestones over the remainder of FY2017.

Creso also identified key clinical experts from major Swiss and European universities and Medical Centres to take part in a task force to support the successful commercial launch of its products. These experts expressed strong interest in and support of Creso's innovative and scientific approach.

Animal health products

Post the reporting period, Creso and its commercialization partner, Greveling Holding BV (Greveling) obtained the first-ever and unique EU registration for two proprietary formulation animal feed CBD-based nutraceutical products for commercialisation in the global companion animal market.

The registration paves the way for Creso to sell the two products globally and the first-mover advantage will help Creso capture a leading share of the global companion animal market and a leading market share of the hemp-derived animal health market worldwide. Creso aims to launch the products in April 2017.

The registration followed Creso securing a binding LOI in November with Greveling and Swiss animal health company, A&H Health Switzerland to develop and commercialise Creso's innovative cannabidiol (CBD)-rich hemp-derived nutraceutical products for the global pet care market.

Under the move, the three companies will develop and commercialise a range of Creso's products which can be administered via specialised veterinary delivery systems. Creso aims to capture a leading share of the global pet care market with its hemp-derived nutraceuticals as well as a leading market share of the hemp-derived animal health market worldwide. In addition to Europe, Creso is also targeting the Middle East, the Gulf Region and Latin America.

The veterinary health market represents an attractive opportunity for Creso with the market estimated to be worth \$US39.7 billion by 2021¹. Currently, the number of treatment options available to veterinarians are limited and available treatments are often human therapeutics that are poorly adapted to animals.

For the animal health product, Creso also initiated observational field studies in Switzerland and the Netherlands to gather data which will be used to support the Company's development and commercialisation efforts.

Human health products

Product development for the first human health product has moved to pilot batch production and Creso is preparing the relevant regulatory filings. Also during the quarter, formulation development and analytical tests were successfully concluded.

¹ Source: Mordor Intelligence, https://www.mordorintelligence.com/industry-reports/global-veterinary-animal-healthcare-market-industry?gclid=Cj0KEQjwhbzABRDHw_i4q6fXoLIBEiQANZKGW4D-M9PWyi7pnUEiajZ9YB0ZbK-f90LaU9pfumyAl8caArjj8P8HAQ.



As well as the animal health products, the Company also made good progress towards commercialisation preparation of human health products, with several letters of intent (LOIs) already signed and various others being prepared for partners in Switzerland, Europe and Latin America.

Creso also initiated collaboration with patient organisations for its human health products for anxiety and stress. The patient organisations will play a key role in supporting the treatment rationale for the products.

Hemp-Industries' second shipment

Also during the quarter, Creso's subsidiary, Hemp-Industries, successfully delivered its second shipment of hemp protein to one of the largest bakeries in Slovakia, Pekárne Liptovský Hrádok, s.r.o. (PLH).

Hemp Industries is anticipating growing demand for its product from PLH due to increasing public awareness of the health benefits of hemp seeds, which are regarded as the next big thing in the "superfood" industry for its high content of amino acids, omega acids, protein and other beneficial substances. The hemp protein is used by PLH to produce several top-quality protein bar products, which are sold in leading grocery chains like Tesco, Kaufland and others.

Corporate and Financials

As at 31 December 2016, the Company's cash balance was \$3.054 million. The cash burn rate for the quarter was \$1.955 million reflecting the costs associated with the ASX listing which includes the high legal, consulting and corporate costs associated with facilitating the Company's listing.

Going forward, the cash burn for the quarter will be in line with the Company's expectations as it continues to invest in its development and commercialisation efforts. The Company is confident that it will be able to access further capital when required to fund its future operations as it continues to progress towards its commercialisation targets.

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

Outlook

The achievements made during the quarter put Creso in a strong position in terms of its development and commercialisation efforts, and the Company expects to achieve further key milestones over the remainder of 2017. In terms of its animal health products, the award of EU registration for Creso's two cannabidiol (CBD)-based proprietary formulation animal feed nutraceutical products gives the Company a first-mover advantage in the growing veterinary health market. Creso is also making solid progress towards commercialisation preparation of both its human health and animal health products with several LOIs already signed and further agreements expected over the coming months.

"We are confident that the success achieved during this quarter in our development and commercialisation preparations for both our human and animal health products puts us in a very strong position for the remainder of FY2017. We expect to achieve further significant progress over the months ahead, both in terms of product development and additional commercialization agreements," said Creso Pharma CEO and Co-Founder, Dr. Miri Halperin Wernli.



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About Creso Pharma

Creso Pharma brings pharmaceutical expertise and methodological rigour to the world of medical 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 CBD nutraceuticals and medical cannabis products with wide patient 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. The Company is already generating revenues via its subsidiary, Hemp-Industries.

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 2016

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	10	10
1.2 Payments for		
(a) research and development	(168)	(213)
(b) product manufacturing and operating costs	(85)	(85)
(c) advertising and marketing	(46)	(46)
(d) leased assets	-	-
(e) staff costs	(126)	(130)
(f) administration and corporate costs	(954)	(1,129)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
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	(1,364)	(1,588)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(6)
(b) businesses (see item 10)	-	(47)
(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	(10)	(110)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(16)	(163)

3.	Cash flows from financing activities		
3.1	Proceeds from application funds held in trust	-	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	(403)	(403)
3.5	Proceeds from borrowings	-	145
3.6	Repayment of borrowings	(145)	(145)
3.7	Transaction costs related to loans and borrowings	(36)	(36)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(584)	4,561

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	5,000	226
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,364)	(1,588)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(16)	(163)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(584)	4,561

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	9	9
4.6	Cash and cash equivalents at end of quarter	3,045	3,045

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	3,045	5,000
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)		

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
181
-

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	(238)
9.2 Product manufacturing and operating costs	(219)
9.3 Advertising and marketing	(60)
9.4 Leased assets	-
9.5 Staff costs	(192)
9.6 Administration and corporate costs	(456)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,165)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Hemp-Industries s.r.o.	N/A
10.2 Place of incorporation or registration	Slovakia	
10.3 Consideration for acquisition or disposal	- Cash payment of EUR30,000 AUD 47,066 (paid in July 2016) - 1,000,000 fully paid Ordinary Shares - 1,000,000 Performance Shares	
10.4 Total net assets	\$447,066	
10.5 Nature of business	Hemp growing operations	

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: 30 January 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.