



ASX Announcement

30 April 2018

Creso Pharma - March Quarter 1 Update

Highlights:

- **Acquisition of Mernova Medicinal completed with new Nova Scotia based state-of-the-art production facility on track for completion in Q3**
- **Global revenues generated from cannaQIX®10 and anibidiol® following launch in Switzerland and Liechtenstein**
- **Commercialisation agreement signed enabling a UK launch of cannaQIX®10**
- **Announcement of planned entry into the sports and osteoarthritis market with nutraceutical and topical products under the cannaDOL® brand**
- **Launch of Joint Venture (JV) company to capitalise on the growing global demand for cannabis derived beverages**

Creso Pharma Limited (ASX:CHP) (the “Company” or “Creso”), is pleased to provide an update for quarter 1 ending 31 March, 2018.

Several important milestones have been achieved in this quarter and the company remains on track to meet its 2018 objectives. The first planned launch for the company’s flagship cannaQIX®10 brand has taken place in Switzerland.

The company has also completed a number of agreements with partners enabling future launches of its products across Creso’s five key areas of focus¹.

Company update - Mernova Medicinal

In February, Creso completed the acquisition of Canadian based medicinal cannabis producer Mernova Medicinal Inc (Mernova) marking Creso’s entry into Canada’s medicinal and recreational cannabis market.

The acquisition positions Creso uniquely as the only Australian company with direct exposure to the world’s largest legal cannabis market. Creso is building a 20,000 square foot facility in Nova Scotia, scalable to 200,000 square foot, to grow medicinal grade cannabis. Not only will this enable the vertical integration of the company’s production supply chain but will allow the company to supply cannabis for the Canadian recreational market which is expected to be legalised in late 2018. The Canadian recreational market is alone estimated to be worth between CAD\$4.9B to CAD\$8.7B by Deloitte Canada.



Creso continues to progress toward completion the construction of the Mernova production facility. In Q2, 2018, a further \$2million in funds provided by the Company will be invested in capital equipment as part of the program to finalise a Growing Licence application and the planting of its first crop shortly thereafter. The Nova Scotia facility will produce between 2,000 to 4,000 kilograms of dry cannabis bud in the first year of its operation.

Creso Nutraceuticals – cannaQIX®10

In March, Creso and Doetsch Grether AG announced the launch of cannaQIX®10 in Switzerland and Liechtenstein. Doetsch Grether AG is a highly respected Swiss pharma company and the agreement is the first time a pharmaceutical business has entered into a commercial agreement for a cannabis nutraceutical product; a landmark achievement for both companies.

The agreement provides access to 2,000 pharmacies and drug stores in Switzerland and Liechtenstein and represents the first market launch of cannaQIX®10 in Europe. Revenues from initial order of cannaQIX®10 of CHF140,000 (AUD\$187,620) have been recorded.

Creso is in talks with a range of commercial partners across Europe for the further commercialisation of cannaQIX®10. Regulatory and product notifications are in progress with the relevant authorities for each country.

Creso announced in January the conclusion on a commercialisation agreement with Precision Healthcare Ltd for the distribution of cannaQIX®10 (as well as the therapeutic grade cannaQIX®50) in the UK, which will provide access to the product via 5,000 points of sale in the UK. The UK launch of cannaQIX®10 is anticipated in July 2018.

Concurrently, regulatory activities for cannaQIX®10 are progressing quickly in South America, with the first regulatory registrations and notifications being progressed in both Colombia and Mexico. Discussions with potential commercial partners in both markets are now underway. Regulatory approval in Columbia is the gateway to market access in other Central American markets, where discussions with potential commercial partners have commenced.

Creso Nutraceuticals – cannaQIX50®

The development of cannaQIX50® has continued throughout the quarter. cannaQIX50® conforms with Swiss Food Law enabling the launch of the product as an over-the-counter food supplement without the need for a physicians' prescription. This will allow broad product access.



The launch of cannaQIX50® in its nutraceutical formulation in Switzerland will be announced later in 2018. An Australia and New Zealand launch of cannaQIX50® in its therapeutic formulation targeting pain reduction (requiring physician prescription) is also anticipated in 2018 and is well progressed.

Creso Nutraceuticals and Creso Skin Care – cannaDOL®

The cannaDOL® product range includes two formulations: topical and oral.

cannaDOL® in its proprietary topical formulation is a blend of CBD and a proprietary mix of essential oils that supports the reduction of inflammation and muscle pain.

In its proprietary oral formulation, cannaDOL® provides increased absorption of CBD with vitamins to support collagen synthesis, fatigue reduction and metabolism stimulation.

Creso has partnered with Frike Technologies, Switzerland's largest independent product manufacturer, to produce the topical cannaDOL® range. The partnership provides the company with specialised technologies and manufacturing capabilities to enable the supply of cannaDOL® to global markets.

Creso is planning to launch cannaDOL® in Europe starting with the UK in Q1 2019 representing the company's entry into the global sports and osteoarthritis sector.

Creso Animal Health – anibidiol®

Creso's flagship animal health product anibidiol® was successfully launched in Switzerland by Virbac SA (EPA: VIRP) in November 2017. Following the launch of the product feedback from veterinarians and pet owners has been very good. Initial order revenues of CHF70,000 (AUD\$93,000) have been recorded since launch. Further launches of anibidiol® in other European markets is anticipated in 2018 with revenue expected to continue to increase.

Creso is also making significant progress in developing additional CBD complementary feed products for dogs and cats as lifecycle extensions for its existing anibidiol® range. A first launch of this range is anticipated in Q3/Q4 2018 in partnership with Virbac.

Virbac is a global pharmaceutical animal health company with a presence in over 100 countries and more than 4,800 employees and sales subsidiaries in 31 countries. With a turnover of €872 million in 2016, Virbac ranks today as the 7th largest pharmaceutical veterinary company worldwide.



Creso Lifestyle – Cannabis terpene infused functional chocolates and beverages

Creso has completed its development into an initial line of three innovative cannabis terpene-infused Swiss made functional chocolates. The company is in the process of exploring a production and global marketing agreement with Felchlin Switzerland.

The agreement will enable a wide commercialisation of the product range and is expected to be signed in Q2 2018. The premium functional chocolates will target upper class fitness-oriented business travellers in top class hotels, airlines, restaurants, tourist information and convention centers.

Creso's joint venture with UK-based Baltic Beer Company Ltd and Canadian TSX Venture incorporated LGC Capital (CVE: LG) is also progressing successfully. The partnership will see the jointly-owned subsidiary CLV Frontiers develop a unique range of terpene infused beverages (beers and tonics) at its newly built European facility. Potential distribution partners in Europe, Asia Pacific, Central and Latin America, Canada and Africa have been identified by CLV.

The first test batches of the beverage range of products are expected to reach selected markets in May/June 2018, with commercial sales expected to be ready for shipments in Q3 2018.

Further portfolio extension into other alcoholic and non-alcoholic beverages is also planned and future announcements will be made in due course.

Post quarter - Company update

Creso continues with its proposed acquisition of Kunna Canada Ltd. and its wholly-owned Colombian subsidiary, medicinal cannabis group Kunna S.A.S. (formerly Cannalivio S.A.S). In April, the parties agreed to extend the end date of the Heads of Agreement (HOA) for the proposed acquisition from 30 April 2018 to 31 May 2018.

Creso is making steady and satisfactory progress toward completing the due diligence and satisfying the conditions precedent under the HOA.

The acquisition, if completed, will give Creso a foothold in the strategically important Latin American market and will serve the 400-plus million population who live in nations where some form of cannabis is legal.



Colombia represents a highly significant market opportunity for Creso, given the sizeable market for medicinal cannabis estimated at between 3-6 million patients. Colombia also has 44% of the entire world global quota for cannabis cultivation, equivalent of 40.5 tonnes for export-only. Creso's entry into this market is a significant opportunity for the company to contribute to this burgeoning industry.

Colombia is ideally situated for cannabis production because it has:

- A newly established regulatory regime;
- Plentiful trained agricultural workers;
- An ideal micro-climate for growing cannabis, with a daily average of 12 hours of sunshine; and
- Access to two oceans, making it easier to ship products both east and west

If completed, the acquisition will mean that Creso is the only Australian-listed medicinal cannabis company with direct exposure to the Colombian market, with the capacity to commercially cultivate medicinal-grade cannabis in that country.

Financials

The Company's cash balance as at 31 March 2018 was AUD\$11.038 million. The Company expects its cash burn rate will be in line with expectations as it continues to invest in product development and commercialisation.

The Appendix 4C report attached to this report contains the Company's cash flow statement for the first quarter of FY2018.

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Notes to Editors

- 1) Creso Pharma has a portfolio covering five key areas of focus: Creso Therapeutics, Creso Nutraceuticals, Creso Animal Health, Creso Lifestyle and Creso Skincare. For further information visit www.cresopharma.com



About Creso Pharma

www.cresopharma.com

Creso Pharma brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. Creso develops cannabis and hemp-derived therapeutic, nutraceutical, and life style products with wide patient and consumer reach for human and animal health. Creso uses Good Manufacturing Practices (GMP) development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. Creso has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids.

Forward Looking statements

This announcement contains forward-looking statements with respect to Creso and CLV, and their 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 and CLV 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 neither Creso nor CLV has any obligation to up-date such statements, except to the extent required by applicable laws.

Investor and Media Enquiries/Interviews:

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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 March 2018

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	188	188
1.2 Payments for		
(a) research and development	(550)	(550)
(b) product manufacturing and operating costs	(52)	(52)
(c) advertising and marketing	(599)	(599)
(d) management costs	(177)	(177)
(e) staff costs	(203)	(203)
(f) administration and corporate costs	(773)	(773)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	9
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	1
1.9 Net cash from / (used in) operating activities	(2,156)	(2,156)
1.1 The Company received A\$93,000 in cash receipts during the December quarter. A year-end audit adjustment for this amount was made after the December Appendix 4C was lodged.		
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	(202)	(202)
(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	(541)	(541)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(743)	(743)
2.3	During the quarter, Creso paid an Exclusivity Fee of US\$250,000 to Kunna Canada to pursue the grant of the Cultivation Licence and for other general working capital requirements per the Heads of Agreement.		
	During the quarter, Creso provided a loan of EUR150,000 to the Viru Beer joint venture company.		
3.	Cash flows from financing activities		
3.1	Proceeds from issue of shares	1,459	1,459
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	-	-
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	1,459	1,459
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	12,425	12,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,156)	(2,156)

+ See chapter 19 for defined terms

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(743)	(743)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,459	1,459
4.5	Effect of movement in exchange rates on cash held	52	52
4.6	Cash and cash equivalents at end of quarter	11,037	11,037

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	11,037	12,425
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)	11,037	12,425

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(205)
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	
6.1	Director fees paid to Directors and/or Director related entities	\$162,930
	Corporate advisory fees paid to a Director related entity	\$41,999

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	
N/A		

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

N/A

9. Estimated cash outflows for next quarter

\$A'000

9.1	Research and development	(530)
9.2	Product manufacturing and operating costs	(80)
9.3	Advertising and marketing	(280)
9.4	Management costs	(183)
9.5	Staff costs	(190)
9.6	Administration and corporate costs	(710)
9.7	Other (scheduled capital expenditure for Mernova production facility)	(2,058)

9.8 Total estimated cash outflows

(4,031)

9.7 In the next quarter, Creso will be providing a loan to Mernova Medicinal Inc. of ~CAD\$2.0 million.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

Acquisitions

Disposals

10.1	Name of entity	Mernova Medicinal Inc.	N/A
10.2	Place of incorporation or registration	Nova Scotia, Canada	
10.3	Consideration for acquisition or disposal	- Cash payment of C\$200,000 - 8,300,000 exchangeable shares in Creso Canada Limited	
10.4	Nature of business	Medicinal cannabis producer	

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 April 2018

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.