



ASX Announcement

25 August 2017

## Half-Year Results Report

### Highlights:

- **Significant progress with development and commercialisation plans for the first animal and human health nutraceutical products.**
- **Company to launch its proprietary formulated hemp-based complementary feed supplement products for companion animals in Switzerland in Q42017 with Virbac.**
- **Creso becomes the first company to successfully import medicinal cannabis products into Australia.**
- **Post half year end, Creso successfully expanded into the Canadian market with the acquisition of Mernova Medicinal Inc.**

**Creso Pharma Limited** (ASX:CPH, the “Company” or “Creso”) is pleased to provide a summary of key milestones achieved to accompany its half-year results report for the period ended 30 June 2017.

### Operational Overview

#### New LOIs for the development and commercialisation of Creso products

In early March, the Company secured an LOI with Swiss-based food and pharma development company, Domaco, for the development and commercialisation of new cannabinoid-rich nutraceutical products for human and animal health.

Creso Pharma also secured an LOI in March with Brazil-based Sin Solution for the marketing, sale and distribution of its products in Brazil, giving the Company a strategic foothold into the vast Latin American market.

#### Animal Health Products

After having registered hemp extract in the European Feed Materials Registry in January, Creso will launch its proprietary formulated hemp-based complementary feed supplement products for companion animals in Switzerland in Q42017 with Virbac.

Post the reporting period, Creso signed an exclusive commercialisation agreement with Virbac Switzerland, a global pharmaceutical animal health company, for the launch of these products in Switzerland in Q42017.

Virbac has 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 seventh largest



pharmaceutical veterinary company worldwide. Its wide range of vaccines and medicines are used in the prevention and treatment of the main pathologies for companion and food-producing animals.

From September, Virbac will be the exclusive distributor of Creso Pharma's animal health products in Switzerland and Lichtenstein with the rights to sell and distribute the products under Creso's trademark.

Creso will manufacture the products and Virbac will launch, market and promote the products to veterinarians and pet owners. The agreement starts from 1 September 2017 and remains in effect for at least three years.

A successful launch in Switzerland, regarded as a regulatory and marketing reference country for many countries in Europe, Latin America and the Asia Pacific, will enable expansion into additional international markets in 2018.

Anibidiol®1.25 and anibidiol® 2.5 are designed for companion animals such as dogs and cats and come in proprietary granule formulations. They address stress and behavioural problems, chronic pain (mainly arthritis), and age-related ailments in ageing animals.

This product range addresses the need of non-pharmaceutical therapeutic approaches which are natural and well tolerated by the animals for example avoiding GI and dependence side effects. The products contain full-plant hemp extract in proprietary formulations promoting the well-being by supporting the immune system and the natural response, as well as supporting the animal's behavioural balance.

In July 2017, the Swiss agency Agroscope provided confirmation of adherence to Swiss feed regulations and issued Free Sales Certificates for Creso's anibidiol® product range. Agroscope is a sub-department in the Swiss Federal Department of Economic Affairs, Education and Research (RAER) responsible for safe feed in Switzerland and trade from Switzerland.

The product launch will pave the way for Creso to sell its innovative hemp-based complementary feed products globally, and the first-mover advantage will help the Company capture a leading share of the global companion animal market and a leading share of the hemp-derived animal health market globally

#### Health House Granted Medicinal Cannabis Import/Export Licence

In February, Creso's Australian partner, Health House International Pty Ltd (Health House), was granted an import/export licence under the Australian Federal Government to facilitate faster access to medicinal cannabis for Australian patients.

Through Health House, Creso became the first company to successfully import medicinal cannabis products into Australia in May. Health House is distributing CanniMed® products across Australia in authorised pharmacies in compliance with Federal and State legislation.

#### Strategic Agreement with LeafCann

During the half year period, Creso also secured a strategic agreement with leading Australian medicinal cannabis producer, LeafCann, to accelerate the development and commercialisation of locally manufactured medicinal cannabis products in Australia.



Through the strategic agreement, LeafCann will supply Creso with cannabis and/or hemp-derived materials to GMP standards. These will be used to develop, manufacture, sell and commercialise Creso's pharmaceutical-grade therapeutic products for the human and animal health markets in Australia.

#### Acquisition of Mernova Medicinal Inc

Subsequent to end of the reporting period, Creso announced that it has successfully expanded into the Canadian market with the acquisition of emerging medicinal cannabis producer, Mernova Medicinal Inc (Mernova) for a total of C\$10.1 million (A\$10.2 million) in cash and equity.

Creso will become the only Australian cannabis company with direct exposure to the world's largest legal medicinal cannabis market. The fully-funded acquisition also delivers on the Company's strategy of establishing a Canadian presence and pursuing opportunities in the medicinal and soon to be legalised recreational cannabis space. Additionally, it gives Creso the ability to rationalise and vertically integrate its supply and production chain by building its own Good Manufacturing Process (GMP) cultivation and extraction facility.

#### **Corporate and Financials**

During the half year period, Creso successfully completed a Placement to institutional and professional investors raising A\$8.8 million, while a Share Purchase Plan raised an additional A\$1 million.

The funds raised under the Placement and SPP are being used to fast-track the commercialisation of the Company's cannabinoid-derived animal and human health nutraceuticals and other medical cannabis products and to expand the Company's development pipeline with additional products. Funds will also be used for geographic expansion and diversification.

Creso posted a half-year net loss after tax of A\$3.53 million with the result including a non-cash cost of A\$1.19 million for share-based payment expenses associated with options and performance rights issued during the half-year. As at 30 June 2017, Creso had a net cash balance of A\$9.25 million.

#### **Outlook**

Following the achievement of a number of key milestones in the first half 2017, Creso looks forward to the launch of its proprietary formulated hemp-based complementary feed supplement products for companion animals in Switzerland in the Q4 2017 with Virbac and to generating its first revenues.

The Company also plans to launch its human nutraceutical product, CannaQIX<sup>®</sup>, in Q1/Q2 2018 in Switzerland in the area of anxiety and stress.

At the same time, the Company will also develop its presence in the Canadian market following the acquisition of Mernova.

Creso expects to continue to grow its presence worldwide and to progress its development and commercialisation efforts over the near- to medium-term.

"The significant progress achieved during the first half of 2017 in our development and commercialisation preparations for both our human and animal nutraceutical products makes us very confident of further success over the months ahead. We expect to achieve additional key milestones, both in terms of



expanding our geographic presence and securing additional commercialisation agreements,” said Creso Pharma CEO and Co-Founder, Dr. Miriam Halperin Wernli.

-ENDS-

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**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 medicinal cannabis and 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.



## ASX APPENDIX 4D

### CRESO PHARMA LIMITED

ABN: 89 609 406 911

### RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 30 JUNE 2017

(Previous corresponding period is the half-year ended 30 June 2016)

KEY INFORMATION	30-Jun-17	30-Jun-16	% Change
	\$	\$	
Revenue from ordinary activities	9,639	-	100%
Loss from ordinary activities after tax attributable to members	(3,529,773)	(493,426)	(615%)
Net loss attributable to members	(3,529,773)	(493,426)	(615%)

#### DIVIDEND INFORMATION

No dividend has been proposed or declared.

#### NET TANGIBLE ASSETS PER SECURITY

	30-Jun-17	30-Jun-16
Net tangible assets per security	0.11	0.01

#### LOSS PER SHARE

	30-Jun-17	30-Jun-16
	Cents	Cents
Basic earnings per share	(4.86)	(2.28)
Diluted earnings per share	(4.86)	(2.28)

#### CONTROL GAINED OR LOST OVER ENTITIES IN THE PERIOD

There have been no gains or losses of control over entities in the period ended 30 June 2017.

This report is based on, and should be read in conjunction with, the attached financial report for the half-year ended 30 June 2017 for Creso Pharma Limited, which has been reviewed by RSM Australia Partners.



**CRESO**  
PHARMA

**CRESO PHARMA LIMITED**  
ACN 609 406 911

**HALF-YEAR FINANCIAL REPORT**  
**30 JUNE 2017**

## Half-Year Financial Report For the half-year ended 30 June 2017

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2016 and any public announcements made by Creso Pharma Limited during the period the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## Corporate Directory

### Board of Directors

Mr Boaz Wachtel	(Chairman)
Dr Miriam Halperin Wernli	(Managing Director)
Mr Adam Blumenthal	(Non-Executive Director)
Mr James Ellingford	(Non-Executive Director)
Mr Simon Buckingham	(Non-Executive Director) (resigned 5 May 2017)

### Secretary

Ms Sarah Smith

### Registered Office

C:\ Mirador Corporate Pty Ltd  
Suite 4, Level 1  
11 Ventnor Avenue  
West Perth WA 6005

Telephone: 08 6381 0054  
Facsimile: 08 9481 4950  
Website: [www.cresopharma.com](http://www.cresopharma.com)

### Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: CPH)

### Auditors

RSM Australia Partners  
8 St Georges Terrace  
Perth WA 6000

### Solicitors

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
Perth WA 6000

### Bankers

Westpac Banking Corporation  
Level 13, 109 St Georges Terrace  
Perth WA 6000

### Share Registry

Automic Share Registry  
Level 1, 7 Ventnor Avenue  
West Perth WA 6872

Telephone: 08 9324 2099  
Facsimile: 08 9321 2337

## Directors' Report

The Directors of Creso Pharma Limited (“Creso” or “the Company”) present their report, together with the financial statements on the consolidated entity consisting of Creso Pharma Limited and its controlled entities (the “Group”) for the half-year ended 30 June 2017.

### DIRECTORS

The names of the Company’s Directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr Boaz Wachtel	(Chairman)
Dr Miriam Halperin Wernli	(Managing Director)
Mr Adam Blumenthal	(Non-Executive Director)
Mr James Ellingford	(Non-Executive Director)
Mr Simon Buckingham	(Non-Executive Director) (resigned 5 May 2017)

### PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was to develop, register and commercialise pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments.

### REVIEW AND RESULTS OF OPERATIONS

#### Overview

The Company is pleased to provide the following summary of key operational milestones achieved by the Group. Highlights for the six-month period ended 30 June 2017 include:

- Significant progress with development and commercialisation plans for the first human health and animal health nutraceutical products;
- After having registered hemp extract in the European Feed Materials Registry, Creso will be launching in Switzerland in Q4 its proprietary formulated hemp-based complementary feed supplements for companion animals;
- Two new LOIs secured for the development and commercialisation of Creso product;
- Creso’s Australian partner, Health House granted an import/export licence;
- Significantly oversubscribed Placement to sophisticated and professional investors raising over \$8 million;
- Completed a Share Purchase Plan (“SPP”) raising \$1 million;
- Strategic agreement with LeafCann to accelerate development and commercialisation of Australian manufactured medicinal cannabis products; and
- Creso becomes first company to successfully import medicinal cannabis products into Australia.

#### Australian Partner Granted Medicinal Cannabis Import/Export Licence

In February 2017, Creso’s Australian partner, Health House International Pty Ltd (“Health House”), was granted an import/export licence under the Australian Federal Government to facilitate faster access to medicinal cannabis for Australian patients.

The policy means that importers such as Health House and Creso, will be able to source supplies of medicinal cannabis from approved international providers and store these in Australia, shortening the timeframe of the supply to patients.

Through Health House, Creso became the first company to successfully import medicinal cannabis products into Australia. Health House is distributing CanniMed® products across Australia in authorised pharmacies in compliance with Federal and State legislation.

## Directors' Report

### New LOIs Secured for the Development and Commercialisation of Creso Products

The Company successfully secured two new Letters of Intent (“LOIs”) during the half-year, enabling it to significantly advance its development and commercialisation plans.

In early March, the Company secured an LOI with Swiss-based food and pharma development company, Domaco, for the development and commercialisation of new cannabinoid-rich nutraceutical products for human and animal health.

Creso Pharma also secured another LOI during the period with Brazil-based Sin Solution for the marketing, sale and distribution of its products in Brazil, giving the Company strategic foothold from which it can expand the launch of its cannabinoid-derived nutraceutical products into other countries in the region.

### Animal Health Products

After having registered hemp extract in the European Feed Materials Registry Creso will be launching in Switzerland in Q42017 its hemp-based complementary feed supplements for companion animals.

This will pave the way for Creso to sell its hemp-based complementary feed products globally and the first-mover advantage will help the Company capture a leading share of the global companion animal market and a leading share of the hemp-derived animal health market worldwide.

### Strategic Agreement with LeafCann

In May 2017, 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 relevant authorities.

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

## Financial Performance

The financial results of the Group for the half-year ended 30 June 2017 are:

	<b>30-Jun-17</b>	31-Dec-16
	<b>\$</b>	\$
Cash and cash equivalents	<b>9,249,775</b>	3,046,054
Net Assets	<b>10,013,606</b>	3,239,851
		30-Jun-16
Revenue	<b>9,639</b>	-
Net loss after tax	<b>(3,529,773)</b>	(493,426)

The financial result for the year ended 30 June 2017 is a net loss after tax of \$3,529,773 (30 June 2016: loss of \$493,426). The net loss after tax figure includes a non-cash cost of \$1.19 million for the share based payment expenses associated with options and performance rights issued during the half-year. As at 30 June 2017, the Group had a net cash balance of \$9,249,775 (31 December 2016: \$3,046,054) and net assets of \$10,013,606 (2016: net assets of \$3,239,851).

## Corporate

During the half-year, the Company appointed Mr David Russell as its Chief Operating Officer. Mr Russell has more than 25 years’ experience within the pharmaceutical and biotech industry with a number of leading global companies including Roche, Actelion Pharmaceuticals, Celgene and Novogen.

On 5 May 2017, Dr Simon Buckingham resigned as Non-Executive Director of the Company.

## Directors' Report

### DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in state of affairs during and subsequent to the end of the financial year include:

#### Placement and Share Purchase Plan

On 31 March 2017, the Company successfully completed a Placement for institutional and professional investors raising \$8.8 million. The Company issued 12,727,188 shares at an issue price of \$0.69 per share.

On 12 April 2017, the Company completed a Share Purchase Plan ("SPP") issuing 1,449,160 shares at an issue price of \$1 million. The SPP raised \$1 million for the Company.

The funds raised under the Placement and SPP are being used to:

- fast-track the commercialisation of the Company's cannabinoid-derived animal and human health nutraceuticals and other medical cannabis products;
- expand the Company's development pipeline with additional products that utilise innovative delivery technologies in order to optimize bioactivity and absorption of cannabinoids;
- diversify Creso's business to new geographic regions;
- grow the Company's workforce; and
- fund general working capital, including sales and marketing activities.

### MATTERS SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to the end of the half-year period, the Company made the following announcements:

- On 27 July 2017, the Company announced that it has successfully expanded into the Canadian market with the proposed acquisition of emerging Nova Scotia-based medicinal cannabis producer, Mernova Medicinal Inc (Mernova) for a total C\$10.1 million (A\$10.2 million) in cash and equity.

As a result of the deal, Creso will become the only Australian cannabis company with direct exposure to the world's largest legal medicinal cannabis market. The fully-funded acquisition also delivers on Creso's strategy of establishing a Canadian presence and to pursue opportunities in the medicinal and soon to be legalised recreational cannabis space. Moreover, it gives Creso the ability to rationalise and vertically integrate its supply and production chain by building its own Good Manufacturing Process (GMP) cultivation facility.

- On 27 July 2017, the Company issued performance rights and options to Directors' and consultants as approved by shareholders at the General Meeting on 27 July 2017.
- On 7 August 2017, the Company announced that it has signed a commercialisation agreement with Virbac Switzerland AG ("Virbac") to launch and market its high-quality, proprietary formulated, hemp-based complementary feed products for companion animals in Switzerland and Lichtenstein.

There have been no other matters or circumstances that have arisen since 30 June 2017 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

## Directors' Report

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out immediately after this Directors' Report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors,



**Boaz Wachtel**

**CHAIRMAN**

25 August 2017

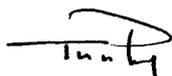
### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Creso Pharma Limited for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 25 August 2017

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>Revenue from continuing operations</b>			
Revenue from products	3	9,639	-
Cost of sales		<b>(21,684)</b>	-
Gross loss		<b>(12,045)</b>	-
<b>Other income</b>			
Interest income	3	43,433	729
Royalty income	3	1,112	-
Foreign exchange gain		24,919	-
<b>Expenses</b>			
Administrative expenses	4(a)	(591,131)	(75,448)
Compliance and regulatory expenses		(131,696)	(7,859)
Consultancy and legal expenses	4(b)	(672,021)	(289,841)
Depreciation and amortisation expense		(2,669)	-
Employee benefit expenses	4(c)	(349,133)	(54,675)
Marketing and investor relations		(408,589)	(47,000)
Occupancy expenses		(30,405)	-
Share-based payment expense	8	(1,187,925)	-
Research and development costs		(160,087)	(386)
Other expenses		(53,536)	(18,946)
<b>Loss from continuing operations before income tax</b>		<b>(3,529,773)</b>	(493,426)
Income tax expense		-	-
<b>Loss from continuing operations after income tax</b>		<b>(3,529,773)</b>	(493,426)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		15,623	(222)
<b>Other comprehensive income for the period, net of tax</b>		<b>15,623</b>	(222)
<b>Total comprehensive loss attributable to the members of Creso Pharma Limited</b>		<b>(3,514,150)</b>	(493,648)
<b>Loss per share for the half-year attributable to the members of Creso Pharma Limited:</b>			
Basic loss per share (cents)		(4.86)	(2.28)
Diluted loss per share (cents)		(4.86)	(2.28)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

**Consolidated Statement of Financial Position**

As at 30 June 2017

	Note	30-Jun-17 \$	31-Dec-16 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	9,249,775	3,046,054
Trade and other receivables	6	993,556	701,826
Inventories		-	2,519
<b>Total current assets</b>		<b>10,243,331</b>	<b>3,750,399</b>
<b>Non-current assets</b>			
Plant and equipment		14,915	17,474
<b>Total non-current assets</b>		<b>14,915</b>	<b>17,474</b>
<b>Total assets</b>		<b>10,258,246</b>	<b>3,767,873</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		241,713	525,828
Provisions		2,927	2,194
<b>Total current liabilities</b>		<b>244,640</b>	<b>528,022</b>
<b>Total liabilities</b>		<b>244,640</b>	<b>528,022</b>
<b>Net assets</b>		<b>10,013,606</b>	<b>3,239,851</b>
<b>EQUITY</b>			
Contributed equity	7	14,579,592	5,479,612
Reserves	8	3,559,598	2,356,050
Accumulated losses		(8,125,584)	(4,595,811)
<b>Total equity</b>		<b>10,013,606</b>	<b>3,239,851</b>

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Changes in Equity

For the Half-Year Ended 30 June 2017

Group	Issued Capital \$	Share-based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<b>As at 1 January 2017</b>	<b>5,479,612</b>	<b>2,295,156</b>	<b>60,894</b>	<b>(4,595,811)</b>	<b>3,239,851</b>
Loss for the period	-	-	-	(3,529,773)	(3,529,773)
Other comprehensive income	-	-	15,623	-	15,623
<b>Total comprehensive income/(loss) for the period after tax</b>	<b>-</b>	<b>-</b>	<b>15,623</b>	<b>(3,529,773)</b>	<b>(3,514,150)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	10,712,930	-	-	-	10,712,930
Share issue costs	(1,612,950)	-	-	-	(1,612,950)
Share-based payments	-	1,187,925	-	-	1,187,925
<b>As at 30 June 2017</b>	<b>14,579,592</b>	<b>3,483,081</b>	<b>76,517</b>	<b>(8,125,584)</b>	<b>10,013,606</b>
<b>Group</b>					
<b>As at 1 January 2016</b>	<b>801</b>	<b>-</b>	<b>-</b>	<b>(11,572)</b>	<b>(10,771)</b>
Loss for the period	-	-	-	(493,426)	(493,426)
Other comprehensive income	-	-	(222)	-	(222)
<b>Total comprehensive income/(loss) for the period after tax</b>	<b>-</b>	<b>-</b>	<b>(222)</b>	<b>(493,426)</b>	<b>(493,648)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	892,500	-	-	-	892,500
Share issue costs	(48,480)	-	-	-	(48,480)
<b>As at 30 June 2016</b>	<b>844,821</b>	<b>-</b>	<b>(222)</b>	<b>(504,998)</b>	<b>339,601</b>

The Consolidated Statement of Changes in Equity should be read  
in conjunction with the notes to the financial statements.

## Consolidated Statement of Cash Flows

For the Half-Year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		9,600	-
Payments to suppliers and employees		(2,499,324)	(506,723)
Payments for research expense		(427,442)	-
Interest received		21,289	729
<b>Net cash used in operating activities</b>		<b>(2,895,877)</b>	<b>(505,994)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(382)	-
Loan to Hemp-Industries s.r.o.		-	(119,844)
<b>Net cash used in investing activities</b>		<b>(382)</b>	<b>(119,844)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		9,781,756	892,500
Payment of share issue costs		(681,776)	(48,480)
Proceeds from unissued shares		-	35,000
<b>Net cash from financing activities</b>		<b>9,099,980</b>	<b>879,020</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,203,721</b>	<b>253,182</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>3,046,054</b>	<b>1</b>
<b>Cash and cash equivalents at the end of the period</b>	5	<b>9,249,775</b>	<b>253,183</b>

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

## Notes to the Consolidated Financial Statements

### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Creso Pharma Limited for the financial year ended 31 December 2016 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the parent entity during the period 1 January 2017 to the date of this report in accordance with the continuous disclosure obligation of the ASX listing rules.

#### (a) Basis of Preparation

##### ***Statement of compliance***

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

#### (b) Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 31 December 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

##### **Biological Assets**

Biological assets which include mature and immature hemp flower are stated at fair value less estimated point of sale costs except when the fair value cannot be measured reliably. In this instance, the biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses until such time as its fair value can be reliably measured.

Hemp flower is the harvested product of a biological asset and is measured at its fair value less estimated point of sale costs at the point of harvest.

Net movement in fair value less estimated point of sale costs of biological assets are included in the statement of profit and loss and other comprehensive income in the year they arise.

##### ***New, revised or amended standards and interpretations adopted by the Group***

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

## Notes to the Consolidated Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### *New standards and interpretations not yet mandatory or early adopted*

There were no new standards issued since 31 December 2016 that have been applied by Creso Pharma Limited. The 31 December 2016 annual financial report disclosed that Creso Pharma Limited anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standard issued but not yet applied at that date, and this remains the assessment as at 30 June 2017.

The Group has also reviewed new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business.

#### (c) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with the current period's disclosures.

### NOTE 2 SEGMENT INFORMATION

The Group require operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance. On this basis, the Group's reportable segments under AASB 8 are as follows:

- Hemp-Industries s.r.o. ("Hemp-Industries") which includes hemp growing operations, outsourced CBD extraction and CBD product sales activities.
- Creso Pharma Switzerland GmbH ("Switzerland") which includes the development and commercialisation of its therapeutic products.
- Creso Pharma Limited ("Creso") which includes the Group's corporate administration.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the Group reports its primary segment information to the Board.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the Group is managed and provides a meaningful insight into the business activities of the Group.

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board to monitor and evaluate the performance of our operating segments separately.

<b>Period ended 30 June 2017</b>	<b>Australia</b>	<b>Slovakia</b>	<b>Switzerland</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue from products	-	9,639	-	9,639
Other revenue	37,453	7,092	-	44,545
Total segment revenue	37,453	16,731	-	54,184
Loss before income tax expense	(2,829,848)	(170,229)	(529,696)	(3,529,773)
Total Segment assets	8,168,514	884,382	1,205,350	10,258,246
Total Segment liabilities	112,418	132,222	-	244,640

## Notes to the Consolidated Financial Statements

<b>Period ended 30 June 2016</b>	<b>Australia</b>	<b>Slovakia</b>	<b>Switzerland</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue from products	-	-	-	-
Other revenue	729	-	-	729
<b>Total segment revenue</b>	<b>729</b>	<b>-</b>	<b>-</b>	<b>729</b>
Loss before income tax expense	(492,974)	-	(452)	(493,426)
Total Segment assets	367,201	-	27,015	394,216
Total Segment liabilities	54,615	-	-	54,615

### NOTE 3 REVENUE AND OTHER INCOME

	<b>30-Jun-17</b>	<b>30-Jun-16</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>		
Revenue from services	4,903	-
Revenue from sale of products	4,736	-
	<b>9,639</b>	<b>-</b>
<i>Other income</i>		
Interest received	43,433	729
Royalty income	1,112	-

### NOTE 4 EXPENSES

#### (a) Administrative expenses

Accounting and company secretarial fees	94,302	9,822
Travel costs	408,691	46,756
General and administration expenses	88,138	18,870
	<b>591,131</b>	<b>75,448</b>

#### (b) Consultancy and legal expenses

Consulting fees	532,155	101,988
Legal fees	139,866	187,853
	<b>672,021</b>	<b>289,841</b>

#### (c) Employee benefit expenses

Wages and salaries	342,863	63,066
Superannuation	6,270	3,181
	<b>349,133</b>	<b>66,247</b>

### NOTE 5 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	3,249,775	1,046,054
Short-term deposits	2,000,000	2,000,000
Long-term deposits	4,000,000	-
	<b>9,249,775</b>	<b>3,046,054</b>

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made in varying periods between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

## Notes to the Consolidated Financial Statements

### NOTE 6 TRADE AND OTHER RECEIVABLES

	30-Jun-17	31-Dec-16
	\$	\$
Trade debtors	337,320	326,652
GST receivable	121,287	104,169
Other deposits and receivables <sup>(i)</sup>	534,949	271,005
	<b>993,556</b>	<b>701,826</b>

(i) The other deposits and receivables balance includes a \$478,087 loan to Hemp M&S (which is a separate company and does not form part of the Group due to Slovak legislation).

#### (a) Allowance for impairment loss

Receivables past due but not considered impaired are nil (2016: Nil).

### NOTE 7 CONTRIBUTED EQUITY

#### (a) Issued and fully paid

	30-Jun-17		31-Dec-16	
	\$	No.	\$	No.
Ordinary shares	<b>14,579,592</b>	<b>88,351,349</b>	5,479,612	57,725,001

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

#### (b) Movement reconciliation

	Number	\$
<b>At 1 January 2017</b>	<b>57,725,001</b>	<b>5,479,612</b>
Placement - First Tranche <sup>(i)</sup>	8,158,750	5,629,538
Vesting of performance rights <sup>(ii)</sup>	15,200,000	-
Placement - Second Tranche <sup>(iii)</sup>	4,568,438	3,152,222
Shares issued in lieu of cash fees for Placement <sup>(iv)</sup>	1,250,000	931,250
Share Purchase Plan <sup>(v)</sup>	1,449,160	999,920
Less equity raising costs	-	(1,612,950)
<b>At 30 June 2017</b>	<b>88,351,349</b>	<b>14,579,592</b>

- (i) On 31 March 2017, the Company completed a Placement and the Company issued 8,158,750 ordinary shares at \$0.69 per share to professional and sophisticated investors.
- (ii) On 31 March 2017, 15,200,000 ordinary shares were issued to Directors and Consultants upon vesting of Performance Rights issued under the Company's Performance Rights Plan.
- (iii) On 12 April 2017, completed the Second Tranche of the Placement to professional and sophisticated investors.
- (iv) On 12 April 2017, 1,250,000 ordinary shares were issued to corporate advisors in lieu of cash fees for services provided in relation to the March 2017 Placement. The fair value per share was calculated using the share price on the date the shares were issued to the corporate advisors. The share price on the date of issue was \$0.74. The share-based payment expense of \$931,250 had been recognised as a share issue cost in the Statement of Changes in Equity.
- (v) On 18 April 2017, the Company a Share Purchase Plan and issued 1,449,160 ordinary shares at \$0.69 per share.

## Notes to the Consolidated Financial Statements

<b>NOTE 8 RESERVES</b>	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>\$</b>	<b>\$</b>
Share-based payments	<b>3,483,081</b>	2,295,156
Foreign currency translation reserve	<b>76,517</b>	60,894
	<b>3,559,598</b>	<b>2,356,050</b>
<b>Movement reconciliation</b>		
<b>Share-based payments reserve</b>		
<b>Balance at the beginning of the year</b>	<b>2,295,156</b>	-
Equity settled share-based payment transactions	<b>1,187,925</b>	2,295,156
<b>Balance at the end of the year</b>	<b>3,483,081</b>	2,295,156
<b>Foreign currency translation reserve</b>		
<b>Balance at the beginning of the year</b>	<b>60,894</b>	-
Effect of translation of foreign currency operations to group presentation	<b>15,623</b>	60,894
<b>Balance at the end of the year</b>	<b>76,517</b>	60,894

### Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

### Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

## NOTE 9 COMMITMENTS AND CONTINGENCIES

As at 30 June 2017, there have been no material changes to commitments since 31 December 2016. There were no contingent liabilities as at 30 June 2017.

## NOTE 10 DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the half-year ended 30 June 2017.

## Notes to the Consolidated Financial Statements

### NOTE 11 EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the half-year period, the Company made the following announcements:

- On 27 July 2017, the Company announced that it has successfully expanded into the Canadian market with the proposed acquisition of emerging Nova Scotia-based medicinal cannabis producer, Mernova Medicinal Inc (Mernova) for a total C\$10.1 million (A\$10.2 million) in cash and equity.

As a result of the deal, Creso will become the only Australian cannabis company with direct exposure to the world's largest legal medicinal cannabis market. The fully-funded acquisition also delivers on Creso's strategy of establishing a Canadian presence and to pursue opportunities in the medicinal and soon to be legalised recreational cannabis space. Moreover, it gives Creso the ability to rationalise and vertically integrate its supply and production chain by building its own Good Manufacturing Process (GMP) cultivation facility.

- On 27 July 2017, the Company issued performance rights and options to Directors' and consultants as approved by shareholders at the General Meeting on 27 July 2017.
- On 7 August 2017, the Company announced that it has signed a commercialisation agreement with Virbac Switzerland AG ("Virbac") to launch and market its high-quality, proprietary formulated, hemp-based complementary feed products for companion animals in Switzerland and Lichtenstein.

There have been no other matters or circumstances that have arisen since 30 June 2017 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

## Directors' Declaration

In the directors' opinion:

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
  - a. Complying with Australian Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



**Boaz Wachtel**

**CHAIRMAN**

25 August 2017



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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CRESO PHARMA LIMITED**

We have reviewed the accompanying half-year financial report of Creso Pharma Limited which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Creso Pharma Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Creso Pharma Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

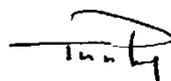
### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Creso Pharma Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 25 August 2017