

**Creso Pharma Limited**  
**(ASX: CPH)**

Initiating Coverage

March 2017

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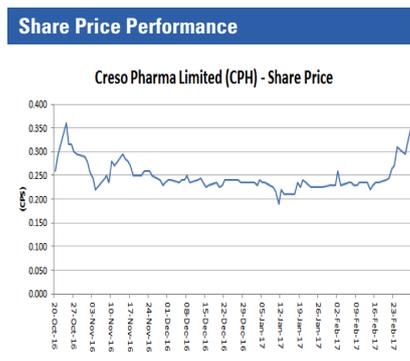


**Note:** This report is based on information provided by the company as at 15 March 2017.

Investment Profile	
Share Price (\$) as at 2 March 2017	0.50
Issue Capital:	
Ordinary Shares (M)	57,725,001
Options (M)	6,516,250
Performance Shares (M)	1,000,000
Performance Rights (M)	20,400,000
Fully Diluted (M)	85,641,251
Market Capitalisation - ords (M)	\$28.8M
12 month L/H (\$)	0.19 – 0.50

Board and Management	
Mr Boaz Wachtel (Exec Ch)	
Dr Miriam Halperin Wernli (MD)	
Mr Adam Blumenthal (Non Exec Dir)	
Mr James Ellingford (Non Exec Dir)	
Mr Simon Buckingham (Non Exec Dir)	

Major Shareholders	
Suburban Holdings Pty Ltd	6.93%
Pheakes Pty Ltd	5.85%
WHP Management Consulting GMBH	5.20%
Golden Dawn Ltd	4.59%
International Water Energy Savers Ltd	3.98%



The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

## POSITIONING FOR THE EXPANDING CANNABIS MARKET

Creso Pharma Limited (ASX: CPH) will develop, register and commercialise food grade and medicinal grade cannabis, initially supplying food supplements for animals, entering the human food supplement market in the short term, and later supplying medicinal cannabis based products for chronically ill patients. The company proposes to source and refine cannabis with high CBD and very low THC (Tetrahydrocannabinol) cannabinoids for legal use by consumers and patients. As legislation regulating the legality of medicinal grade cannabis is relaxed globally the potential market for CPH is expected to expand significantly. The company has a strategy to progressively evolve from food supplement supply to the medicinal cannabis market, with a number of product launches planned for the next 24 months. We expect the company will continue to establish its global network of third party product manufacturers and distributors, and then systematically replace these with internal capabilities as cash flow permits.

## KEY POINTS

**Identifiable Growth Strategy** – CPH will develop, register and commercialise, in association with licenced partners, animal health and human food supplements manufactured from cannabis. The company currently generates a modest income from sale of products. These products have a low concentration of the hallucinogenic compound THC, but high concentrations of the other medicinal compounds found in the cannabis plant. Creso will diversify into the medicinal cannabis market over the next 24 months, while it continues to expand its product range and country exposure through third party agreements to minimise up front capital cost. When Creso enters the medicinal cannabis market, it expects to commercialise extracts with various percentages of CBD and THC

**Favourable Regulatory Framework** – Governments are progressively legalising the use of medicinal cannabis. 17 countries have decriminalised medicinal cannabis. While cannabis remains illegal (to sell) in 152 countries, it is legal to sell (or “tolerated”) in: Bangladesh, Cambodia, Canada, Chile, Colombia, Croatia, Czech Republic, Germany, India, Israel, Macedonia, Netherlands, Poland, Puerto Rico, Spain, USA (certain States) and Uruguay.

**Capital Position** – CPH claims to have sufficient cash for the next 18 months, with \$3.1M cash on hand. The company will expand its operations through negotiating agreements with a number of large, established companies that will provide distribution, sales and manufacturing capabilities. While this will mean higher operating costs, the early stage capital costs for the company will be lower than establishing these capabilities inhouse.

**Market Opportunity** – The cannabis market has been estimated to be \$1.8B per annum, with strong growth prospects. The privately managed Viridian Cannabis Index has outperformed all other market indices (from a low base) in 2013, 2014 and Q1 2015 including a 38.4% gain in 2014. As world governments progressively relax restrictions on the cultivation, processing and use of medicinal cannabis the opportunity for CPH is expected to continue to expand.

**Investment Case** – An investment in Creso Pharma Ltd is considered speculative at this stage, based on the company’s low revenue base and the competitive environment. Independent Investment Research expects the company’s strong management, global strategies and low capital cost business model will provide the company with significant competitive advantages. The company also has strong industry and government lobbying capabilities that are expected to result in expansion of the medicinal cannabis market. CPH is positioned within a rapidly growing industry with global opportunities and global strategies. Initially CPH will focus on the food supplement market with products for both animals and humans. CPH will manage cash flow by utilising third parties for distribution and delivery platforms. The company will progressively internalise these functions as funds permit. The management, Board and Advisory Board have recognised backgrounds within major pharma companies. This experience is being applied to establishing market leading capabilities and standards. CPH has the attributes required to generate strong revenue growth and shareholder value accretion.

## SWOT ANALYSIS

### Strengths

- ◆ Strong management team and Board with extensive experience in large pharmaceutical companies and the emerging medicinal cannabis industry;
- ◆ Increasing global recognition by governments that medicinal grade cannabis may have advantages for an increasing range of medical conditions compared to more traditional medicines, in certain circumstances;
- ◆ An existing large global market for medicinal cannabis, with a strong growth profile projected;
- ◆ Global strategies including an expanding alliance partner network that is expected to establish a diverse supply, manufacturing, product range, delivery technology and distribution capability.

### Weaknesses

- ◆ Unknown level of acceptance of cannabis as a suitable medicinal product in the wider community. While there is a very vocal section of the community who have successfully campaigned for a relaxation of laws relating to medicinal cannabis use, it is not known how this will translate to consumer demand within Australia;
- ◆ Currently, Creso's lack of broad distribution and retail channels. Offsetting this, Creso is rapidly establishing alliance partnerships to address this issue.

### Opportunities

- ◆ An increasing number of symptomatic uses for medicinal cannabis are being discovered and published;
- ◆ Both human and animal markets are available to the company. In the short term CPH will address the large "food supplement" market for non-medicinal uses of their product;
- ◆ Cannabis contains many compounds with various medicinal applications. The hallucinogenic compound, THC, is not a significant component in the plants sourced by CPH. With a large range of other active compounds available from the plant, various medicinal mixes can be formulated to address several human and animal symptoms;
- ◆ Global markets are available to the company, with Creso already seeking distribution agreements in several major markets;
- ◆ CPH intends to undertake medical trials (with its experienced Board supervising the trial process) to add credibility to medicinal cannabis as a treatment, and to address the current lack of scientific analysis;
- ◆ Potential to develop differentiated products and delivery techniques based on buccal (inside cheek) and sublingual (under the tongue).

### Threats

- ◆ Clinical trials disproving the advantages of medicinal cannabis compared to other drugs;
- ◆ The discovery of cheaper mass production methods for medicinal cannabis (eg, large scale GMO-modified bacterial based production) which could negatively alter the profit dynamics of the industry;
- ◆ Usual competitive threats from other aggressive start-up and established cannabis supply companies. This could include large American based (USA and Canada) cannabis or pharma companies;
- ◆ The robustness and sustainability of the various licence agreements being signed;
- ◆ Key man risks (ie, key management personnel leaving the company);
- ◆ Funding risks – the company has sufficient funding to support the company for 18 months. There is the risk that the cost of developing infrastructure until the company's financial situation matures exceeds the resources of the company.

## OVERVIEW

### ◆ Current operations

Creso has established cannabis growing operations on certified organic farms in Slovakia through its recently acquired 100% subsidiary, Hemp-Industries. Extraction of the plant compounds, including CBD, and its product sales activities are outsourced. The hemp flowers, once cultivated, are transferred to Creso's related company Hemp M&S OG (to comply with Slovakian regulations) to extract the hemp oil. The cannabis oil is then mixed with other oils to enhance the flavour. The oil products are then packaged for sale in both the animal and human nutraceutical ("food supplement") markets.

The Switzerland based unit of Creso is a leader in developing cannabis- and hemp-derived therapeutic-grade nutraceuticals and medical cannabis products, with a broad range of applications in both human and animal health. These products will use innovative drug delivery systems. Creso holds worldwide rights for a number of proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids. Creso's standardised dosages are specifically designed and adapted for both human and animal health, and for several medical conditions including pain and anxiety disorders, metabolic disorders and inflammatory disorders.

### ◆ Product launch pipeline

The company has an active pipeline of products that are scheduled to be released over the next 24 months. The initial focus will be the animal health market to generate early cash flow, with two animal health nutraceutical products in to be launched in July 2017 - targeting behavioural disorders, pain, and inflammation. Creso will then launch two human health nutraceutical products - using two different delivery technologies - in Q1 2018 - targeting anxiety and stress. The company will then launch nutraceutical products targeting bone metabolism disorders in the beginning of 2019. Creso intends to launch medicinal cannabis products for the human health market in Q2 2019.

### ◆ Negotiating partnership agreements

Creso is establishing a network of supply, distribution and product delivery platform partnerships with recognised industry leaders to build a rapidly growing revenue base with limited capital outlay and risk. Creso will focus on the nutraceutical market for both animal and human consumption, before expanding into medicinal applications of cannabis.

The Slovakian based unit of Creso has entered into a supply agreement with one of Slovakia's largest bakeries to manufacture biscuits containing cannabis-derived compounds for the grocery markets.

The Switzerland based unit of Creso is negotiating distribution agreements in a number of large global markets.

### ◆ Creso announces significant addition to its partner network

Creso announced on 7 March, 2017 a product design, packaging and distribution licencing agreement with Domaco, Dr. med. Aufdermaur AG (Domaco), a Swiss based pharmaceutical company that supplies products to Blackmores, Bayer, Danone, Angelini, and other major organisations. Domaco will develop products for Creso using Creso's full-plant CBD hemp extracts. The agreement will include product formulation, laboratory scale testing, and development to stable commercial production. Domaco will manufacture the commercial product, and Creso will pay a licence fee based on the cost of goods. Sale of the products will be through distribution partners targeting markets in Switzerland, other European countries, Latin America and Australia. Domaco will have the option to become a distribution agent for Creso's products. This announcement establishes a manufacturing and distribution capability for a range of medicinal cannabis grade products - with limited up front costs funded by Creso.

### ◆ Experienced Board

The Board comprises recognised large-company pharmaceutical managers and professionals. One of the strengths of the company is this leadership team, which will build industry leading procedures and quality standards. This will differentiate Creso and its products from competitors.

### ◆ **Market continues to mature; Creso intends to be a leader**

The market for medicinal cannabis products is growing rapidly. Regulations are being relaxed in number of countries. Standards are rapidly being established and quality expectations are improving. Creso expects to lead the industry in its global reach, product quality and product range. It is expected that scientific evidence to prove the medical benefits of medicinal cannabis will grow over time, including from the research activities of Creso under the direction of its management who have extensive pharmaceutical experience.

Creso is already revenue generating, exposed to a strongly growing industry, building global exposure and establishing itself as an industry leader in standardisation and quality. Creso is developing products which are standardised in doses and formulation - this differentiates the company from products on the market which have no standardisation. Also, unlike a number of competitors, Creso will register its products which will ensure quality and credibility.

## RISKS

Creso operates in a rapidly developing industry with many startup competitors, each seeking access to technologies, partnerships and securing patents in order to differentiate themselves from the other industry participants. The international regulatory framework remains in a state of rapid flux. While the general direction of regulatory relaxation is currently favourable to Creso, the timing of important milestones remains highly uncertain. We have summarised several of the key risks that confront Creso.

### ◆ **Products contain controlled substances**

The key ingredients of Creso's products are derived from modified cannabis plants with reduced THC content (the main hallucinogenic compound). All the remaining active compounds of the cannabis plant exist within the modified plants. These compounds are on various restricted schedules, and thus their creation and handling is closely regulated and monitored. It is possible that these regulations could change in a detrimental way for the business model of Creso.

### ◆ **Access to active compounds**

Creso has established three sources of extracts in Europe which have been secured. The extracts have been fully characterised, analysed and established. With three suppliers the company has access to sufficient volumes of quality product to meet their requirements.

### ◆ **Competition**

Independent Investment Research has identified 87 exchange listed companies that operate in this market in various capacities. We expect the number of competitors to increase as the global opportunities expand. While Creso has superior management quality, the competitive pressures will increase, including competition to service companies that can supply distribution, packaging and delivery technologies.

### ◆ **Changes to regulations for nutraceutical and therapeutic products**

Creso will focus on the nutraceutical and therapeutic markets in the first instance. It is possible that regulations for the nutraceutical and therapeutic markets will be tightened over time, adding to the costs and approval time for Creso's products.

### ◆ **Industry consolidation**

As the legal cannabis market expands, it is possible that consolidation with the industry will restrict access to key partnerships that are required to expand Creso's technology portfolio, exposure and geographic reach.

## PEER GROUP ANALYSIS

- ◆ The medicinal cannabis market is expanding globally as regulators and governments accept the need for a new class of pain and symptom relieving treats for a number of chronic conditions that are not adequately treated by more traditional and approved drugs.
- ◆ With a growing global market for this product resulting from the relaxation of national laws, a number of companies have been established to create channels for the supply of medicinal cannabis for end consumers.

- ◆ IIR's research on the industry has identified 87 companies listed in overseas markets that are involved in the cultivation, refining or distribution of medicinal cannabis, and / or provide infrastructure and services to the industry. We have provided a summary of five companies that have business models similar to that of Creso. The market capitalisation of these companies ranges from US\$15.8M to US\$463M.

**Abattis Bioceuticals (TSX: ATBTF)****Market Cap US\$15.8M**

Abattis Bioceuticals Corp., a biotechnology company, produces, licenses, and markets proprietary ingredients and formulas for use in biopharma, nutraceutical, cosmetic, and animal nutrition markets. The company supports the production and extraction of botanical ingredients for various products, including cannabis; and focuses on offering medical marijuana and specialised health products. It is also involved in the research and marketing activities in the areas of botanical and natural health products. Abattis Bioceuticals Corp. was incorporated 1997 and is headquartered in Vancouver, Canada.

**AXIM Biotechnologies, Inc. (US OTC : AXIM)****Market Cap US\$463M**

AXIM Biotechnologies, Inc., a biotechnology company, focuses on the treatment of pain, spasticity, anxiety, and other medical disorders with the application of cannabinoids based products. It also focuses on the research, development, and production of pharmaceutical, nutraceutical, and cosmetic products, as well as procurement of genetically and nano-controlled active ingredients. AXIM Biotechnologies, Inc. was founded in 2010 and is headquartered in New York, New York.

**Cannabis Sativa, Inc. (US OTC : CBDS)****Market Cap US\$106M**

Cannabis Sativa, Inc., through its subsidiaries, develops, manufactures, and sells herbal based skin care products in the United States and internationally. It offers herbal based line of products, including Go Deep, a deep penetrating healing salve that reduces pain and inflammation when massaged into muscles, ligaments, tendons, and joints; Go Deep EXTRA, a deep penetrating pain relief ointment for use in mitigating migraine and sinus headaches; Face Garden, an antioxidant and moisturising cream for the face; Body Garden, a moisturising body lotion; and Lip Garden, an emollient balm. The company also engages in the research, development, and licensing of natural cannabis products comprising cannabis formulations, edibles, topicals, strains, recipes, and delivery systems. It markets and sells its products through sales professionals, as well as through retailers and distributors. Cannabis Sativa, Inc. is based in Mesquite, Nevada.

**United Cannabis Corporation (US OTC : CNAB)****Market Cap US\$88M**

United Cannabis Corporation owns intellectual properties related to growth, production, manufacture, marketing, management, utilisation, and distribution of medical and recreational marijuana, and marijuana infused products in the United States. It also provides consulting and product placement services related to marijuana industry. The company focuses on developing therapeutics, including Prana Bio Nutrient Medicinal products for supplement deficiencies related to the endocannabinoid system, including pain, neuropathy, arthritis, MS, IBS, autism, seizures, eczema, sleep, anxiety, head trauma, opioid dependency, and clinical endocannabinoid deficiencies; and Prana Aromatherapy Transdermal Roll-on line that provides targeted and large surface relief with combinations of aromatherapy. It has strategic partnerships with WeedMD RX Inc.; Harborside Health Center; and Westside Enterprises, LLC. The company also has a production and placement agreement with Jason Emo and Emotek LLC; licensing and exclusive distribution agreement with DNA Holding, LLC; and consulting and licensing agreement with Marcus Richardson. United Cannabis Corporation was founded in 2007 and is based in Denver, Colorado.

**Zynerba Pharmaceuticals, Inc. (NASDAQ : ZYNE)****Market Cap US\$259M**

Zynerba Pharmaceuticals, Inc., a specialty pharmaceutical company, focuses on developing and commercialising proprietary synthetic cannabinoid therapeutics formulated for transdermal delivery. Its products candidates include ZYN002, which is in Phase I clinical trial for the treatment of refractory epilepsy, Fragile X syndrome, and osteoarthritis; and ZYN001 that is in preclinical stage for the treatment of fibromyalgia and peripheral neuropathic pain. The company was founded in 2007 and is headquartered in Devon, Pennsylvania.

**Australian listed cannabis related stocks are tabulated below.** Their market capitalisations range from A\$28.6M (Creso) to A\$118.8M.

**Creso Pharma (ASX: CPH)****Share Price: A\$0.50****Market Cap: A\$28.6M**

Creso Pharma Limited will develop and commercialise cannabis and hemp based therapeutic products that are standardised and delivered by controlled dosages. Creso is targeting the food supplement market for both animal and human consumption, with medicinal cannabis products to be launched later. The target market is near global, established with a network of distributors under licence. The company was incorporated in 2015 and is based in West Perth, Australia.

**AusCann Group Holdings (ASX: AC8)****Share Price: A\$0.50****Market Cap: A\$95.8M**

AusCann Group Holdings Ltd produces and sells clinically validated cannabis medicines. The company sells to customers into the Australia market, and into export markets through agents.

AusCann is expected to cultivate cannabis plants in Australia, and has a secondary source from Chile through a joint-venture with Chilean group, Fundación Daya. AusCann and Daya, will form a 50/50 joint-venture company, DayaCann, to focus on becoming South America's leading medical cannabis group and a key player in the global supply chain. The first crop is expected to be harvested in May 2017.

<b>MMJ Phytotech Ltd (ASX: MMJ)</b>	<b>Share Price: A\$0.475</b>	<b>Market Cap: A\$118.8M</b>
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MMJ PhytoTech Limited is a medical cannabis company which aims to commercialise medical grade cannabis and high potential cannabis based therapeutics products to the rapidly growing international market with regulated medical cannabis laws. The company operates three subsidiaries with operations across the entire medical cannabis value chain, encompassing the company's "Farm to Pharma" strategy. Operations exist in Canada, Switzerland and Israel.

<b>Zelda Therapeutic (ASX: ZLD)</b>	<b>Share Price: A\$0.068</b>	<b>Market Cap: A\$45.6M</b>
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Zelda is working on cures for insomnia. The company plans to run clinical trials in insomnia, in Australia. Zelda is also conducting preclinical trials on breast cancer in Spain. Zelda has supply arrangements with AusCann for access to clinical grade medicinal cannabis.

## FINANCIAL POSITION

- ◆ The Full Year 2016 financial results for Creso Pharma Ltd, for the period to December, 2016, show that the company is in a sound financial position for the next year. As announcements are made relating to product development and the expanding partnership alliances signed, Independent Investment Research anticipates that the company will need to fund its activities through a combination of additional resources.
- ◆ While the loss from ordinary activities was reported at \$(4.5)M, this is typical for a pharma company progressing through development and initial revenues toward sustainable revenue levels. The company had in excess of \$3M of Cash Assets plus \$0.7M of Trade Receivables, offset by \$0.5M of Total Liabilities. The Net Equity of the company was \$3.2M. The company expects that the current cash holdings are sufficient, without any additional fund raising, to support the company for approximately 18 months.
- ◆ In the opinion of Independent Investment Research, the company is adequately funded for the short term and has established a number of strategies to expand its operations and product range for the food supplement market segment, and its global ambitions. The company will require additional funding to support its expanding global reach, depending on the rate of revenue growth.

## CAPITAL STRUCTURE

- ◆ At 31 December, 2016 Creso had on issue 57,725,001 ordinary shares on issue. This included 8,000,001 Founder Shares, 23,725,000 seed capital shares escrowed for various periods from 19 January 2017 to 18 July 2017 (as at the date of this report, 15,585,001 shares remain in escrow), 1,000,000 shares issued in consideration for the acquisition of Hemp-Industries, and 25,000,000 shares issued as a result of the IPO of Creso. Creso has on issue five unlisted option series, detailed in the following Capital table.

Description	Expiry Date	Exercise Price	Number
Ordinary shares	-	-	57,725,001
Unlisted options	14 October 2018	\$0.40	250,000
Unlisted options	27 June 2020	\$0.40	600,000
Unlisted options	13 October 2020	\$0.20	2,866,250
Unlisted options	13 October 2019	\$0.20	2,500,000
Unlisted options	23 January 2021	\$0.50	300,000
Performance shares, rights	-	-	21,400,000
<b>Total</b>			<b>85,641,251</b>

## MEDICINAL CANNABIS

- ◆ Clinical trials and anecdotal evidence suggest medical cannabis has several potential beneficial effects. Evidence is moderate that it helps in chronic pain and muscle spasms. Low quality evidence suggests its use for reducing nausea during chemotherapy, improving appetite in HIV/AIDS, improving sleep, and improving tics in Tourette syndrome. When usual treatments are ineffective, cannabinoids (medicinal cannabis compounds) have been recommended for anorexia, arthritis, migraine, and glaucoma.
- ◆ The genus Cannabis contains two species which produce useful amounts of psychoactive cannabinoids: *Cannabis indica* and *Cannabis sativa*, which are listed as Schedule I medicinal plants in the US. A third species, *Cannabis ruderalis*, has few psychogenic

properties. Cannabis contains more than 460 compounds; at least 80 of these are cannabinoids – chemical compounds that interact with cannabinoid receptors in the brain and are associated with the cure or treatment of a range of medical conditions.

- ◆ Cannabinoids have been shown to exhibit some anti-cancer effects in laboratory experiments, although there has been little research into their use as a cancer treatment in people. Cannabinoids have been proposed to have the potential for lessening the effects of Alzheimer’s disease. There is emerging evidence that cannabidiol may help slow cell damage in diabetes mellitus type 1, however a 2010 review concluded that “the potential risks and benefits for diabetic patients remain unquantified at the present time.” In 2009, the American Glaucoma Society noted that cannabis can help lower intraocular pressure (glaucoma).
- ◆ The use of cannabis as a medicine has not been rigorously tested due to production restrictions and other governmental regulations. There is a limited amount of evidence that suggests cannabis can reduce nausea and vomiting during chemotherapy, improve appetite in people with HIV/AIDS, and reduce chronic pain and muscle spasms.
- ◆ The medical use of cannabis is legal in certain countries, including Austria, Canada, Czech Republic, Finland, Germany, Israel, Italy, the Netherlands (where it is also legal recreationally), Portugal and Spain. Australia has recently passed a law which would allow the use of marijuana for medical and scientific purposes. In the United States, federal law outlaws all cannabis use, however 26 states and the District of Columbia no longer prosecute individuals for the possession or sale of medical marijuana. Three additional states are in the process of legalising medical cannabis.

### The regulatory and legal position in Australia

- ◆ Legislation to enable the cultivation of cannabis for medicinal and related research purposes in Australia was passed by the Federal Parliament on 29 February, 2016. The amendments relating to licensing came into effect on 30 October, 2016. A detailed regulatory framework has been put in place to enable applications for licences and permits for the cultivation, production and manufacture of medicinal cannabis.
- ◆ Cannabis grown for medicinal purposes, as well as the resulting consumer products, are subject to stringent security and quality control measures. Domestic cultivation of medicinal cannabis will enable sufficient quantities of raw materials to be available to meet the needs of local manufacturers. It also ensures that quality control measures on medicinal cannabis-derived products can be enforced to protect patient safety.
- ◆ The global supplies of cannabis for medicinal purposes are relatively scarce and expensive. The changes to legislation will allow Australia to develop a legal and sustainable local supply of cannabis for medicinal or scientific purposes. This will support greater local opportunities to manufacture and supply medicinal cannabis-based products.
- ◆ Cannabis is a highly regulated drug in Australia and its use and supply is controlled by a number of Commonwealth, State and Territory laws. The Australian Government is will not legalise the cultivation of cannabis outside of regulated medical purposes.
- ◆ There are mechanisms in place to enable access to medicinal cannabis products through the Therapeutic Goods Act 1989 which allows for access under clinical trials; and for individual patients, access under the Special Access and Authorised Prescriber Schemes administered by the Therapeutic Goods Administration (TGA).
- ◆ Cannabis products made from Australian grown medicinal cannabis crops could be available as early as 2017.

We have tabulated the legal status of cannabis in the countries where the product is either legal or tolerated. Based on the dates of legalisation in these countries, there appears to be a trend to broader decriminalisation of cannabis.

Country	Cannabis - Legal Status
Bangladesh	Possession of cannabis is illegal in Bangladesh. However, cannabis is openly sold and the laws are rarely enforced.
Cambodia	While technically illegal, the use of cannabis is widespread among the Khmer people and foreigners visiting the country. Marijuana can easily be purchased and smoked in public areas without the threat of arrest.
Canada	Legal with government issued licence for medical or industrial purposes. Canada will introduce legislation in spring 2017 to legalise and regulate cannabis.
Chile	Decriminalised private and personal cannabis use in 2005. Since 2014, Chile allows the cultivation of cannabis for medical purposes with authorisation. Cultivation of marijuana is legal in Chile. The sale of marijuana-derived medication is allowed on prescription from pharmacies.
Colombia	In 2016, The Supreme Court of Justice stated that someone who is caught with a greater amount than the statutory limit (22 grams) cannot be criminally prosecuted if the cannabis is for their own consumption.
Croatia	The possession of small amount of cannabis is a misdemeanour which leads to a fine of 5000–20000kn (\$800–3500). In 2015, Croatia officially legalised the use of cannabis-based drugs for medical purposes.
Czech Republic	Since 2010 possession of up to 15 grams for personal use is subject to minor fine - mostly not enforced. Medical use of cannabis on prescription has been legal since 2013.
Germany	On May 4, 2016 Germany legalised cannabis for seriously ill patients who have consulted with a doctor and “have no therapeutic alternative.” This law took effect in early 2017.
India	Cannabis remains illegal, but is rarely enforced. Many states have their own laws allowing cannabis. In 2016, a Private Member’s Bill was tabled which calls for the legalisation and regulation of “non-synthetic” cannabis.
Israel	Limited medical uses have been permitted since the 1990s. In early 2017, Gilad Erdan, the nation’s Public Security Minister, announced that Israel planned to decriminalise the possession of cannabis for personal use. The decriminalisation law came into force on 5 March 2017.
Macedonia	Medical cannabis legalised in 2016.
Netherlands	Personal possession has been decriminalised since 1976, and cannabis is sold openly in local “coffee shops”.
Poland	On 26 May 2011, Poland introduced legislation that would give prosecutors the option to not prosecute for possession of small quantities of cannabis for personal use.
Puerto Rico	In 2015 the Governor of Puerto Rico signed an executive order to legalise cannabis for medicinal use only.
Spain	Consumption and cultivation by adults in a private space is legal, the latter due to a legal vacuum.
USA	Laws vary by State, Territory, Indian Reservation, and Washington, DC. Legal at the State level in Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon and Washington. Medicinal sale legal other States.
Uruguay	On 10 December 2013, Uruguay legalised the production and sale of cannabis.

## BOARD AND ADVISORY COMMITTEE

A key strength of the company is the highly experienced and regarded Board along with supporting professionals who are expected to provide guidance and strategies to ensure Creso Pharma remains differentiated from its global peers.

### DIRECTORS

**Boaz Wachtel. Executive Chairman & Co-Founder.** Boaz Wachtel is a certified clinical research manager and holds an MA in Management and Marketing from the University of Maryland. Boaz is co-founder and former MD of MMJ-Phytotech Ltd, Australia's first publicly traded medical cannabis company. He is an Israeli medical cannabis pioneer and activist, who formulated and assisted the Ministry of Health with the implementation of the National Medical Cannabis Program – one of only four national programs in the world. He is a frequent lecturer and adviser to governments, national committees, business and NGO's on medical cannabis programs, international laws and UN drug convention compliance, as well as the founder and former chairman of the Green Leaf Party – a political party for cannabis legalisation and medicalisation, human rights and ecology.

**Dr Miri Halperin Wernli. Managing Director & Co-Founder, PhD, MBA.** Dr Halperin Wernli is a senior pharmaceutical and biomedical executive with over 25 years of strategic and operational leadership in the biopharmaceutical industry and a deep understanding of drug and product development. Dr Halperin Wernli has held worldwide senior leadership positions in product development, R&D and strategic marketing throughout Switzerland and in the US (Merck, Sharp and Dohme, Roche and Actelion Pharmaceuticals). Her extensive pharmaceutical industry experience includes preclinical and clinical development and strategy, to drug registration and launch. Dr Halperin Wernli is an experienced pharmaceutical leader with skills and broad expertise in drug development, regulatory affairs, project and portfolio management, development finance and corporate strategy. Miri's depth of experience in pharma drug development as well as her leadership roles in highly regulated health environments is an invaluable contribution to the development and growth of Creso.

**Adam Blumenthal. Non-Executive Director & Co-Founder.** Adam Blumenthal has 10 years experience in investment banking and corporate finance. He has deep exposure to Australian and International markets, having provided capital raising and financing solutions to a number of unlisted and listed companies. Adam has played a lead role in advising and supporting multiple organisations across a broad spectrum of industries, using his experience and extensive network of international contacts to provide corporate advisory and capital markets input. He has successfully brought to market several Medical Marijuana companies spanning Israel, Canada, Switzerland and Australia. Adam is also a consultant with EverBlu Capital Pty Ltd, the Lead Manager to the IPO of Creso.

**James Ellingford. Non-Executive Director** Dr Ellingford's professional life culminated in being President of an international publicly listed billion dollar business with its headquarters in Geneva, Switzerland and New York, USA. He has vast experience in the international arena and has successfully developed close ties with both financial institutions as well as governments throughout the world.

**Simon Buckingham. Non-Executive Director** Dr Buckingham has over 25 years experience in the global pharmaceutical industry across a range of functions and a variety of therapeutic areas. He is a senior global advisor and consultant to Actelion, one of the world's leading biopharmaceutical companies, and is a Director of Actelion Australia. Dr Buckingham has experience with licensing, M&A, alliance management and corporate strategic planning. He was the founding President of Actelion Pharmaceuticals US. From 1998-2000 he worked in sales and marketing for Parke-Davis (now part of Pfizer) in the US and prior to that served in roles in sales, marketing and development at Roche, both in Switzerland and Australia, for 9 years. Dr Buckingham is currently a non-executive director of Pharmaxis, an ASX listed pharmaceutical R&D company focused on inflammation and fibrosis; and Vaxxilon, a European based start-up dedicated to the discovery, development and commercialisation of innovative synthetic carbohydrate vaccines..

### OTHER KEY PERSONNEL

Messrs Masek and Strechaj were each 50% shareholders (until the acquisition by Creso) and the co-managing directors of associated company Hemp-Industries, which currently supplies most of the cannabis product distributed by Creso.

**Michal Masek** Mr Masek has significant experience in strategic and operational planning, company management and financial planning. He is currently the director of business development at a geothermal development company. Mr Masek holds 500,000 Performance Shares and 500,000 Shares in Creso. These securities are subject to a 24 months restriction period from the date of issue.

**Roman Strechaj** With close to a decade of experience in the industrial hemp industry, Mr Strechaj's expertise extends to policy, science, alternative medical practice and health and nutrition. Mr Strechaj is a member of the European Industrial Hemp Association. Mr Strechaj will hold 500,000 Performance Shares and 500,000 Shares in Creso. These securities are subject to a 24 months restriction period from the date of issue.

## SCIENTIFIC ADVISORY COMMITTEE

**Dr Isaac Kobrin, MD** Dr Isaac Kobrin is an internist with 15 years experience in medicine in Israel and the USA. He has over 22 years of experience in the pharmaceutical industry in Roche and Actelion. He has been responsible for the worldwide development of key compounds and has held numerous leadership positions in medical organisations.

**Raquel Peyraube** Dr Raquel Peyraube, is a specialist in the Drug field with 28 years of experience. Throughout her career she has been involved in training, prevention, treatment and harm reduction, developing innovative approaches emphasising ethical issues, which earned her regional and international recognition. She was an advisor of the National Drug Board preparing the Uruguayan cannabis regulating bill, and is currently an adviser to the Institute of Regulation and Control of Cannabis in Uruguay. Currently, she is mainly dedicated to the development of clinical trials with cannabinoids, medical cannabis education, and advocacy work and consulting on Drug Policy Reform in different countries of Latin America.

**Dr Stephane Redey** Dr Redey has 18 years experience leading teams in the technical development of innovative drugs and strategic outsourcing. He's held senior positions with global responsibilities in pharmaceutical companies in both Switzerland and in Australia, and has led successful international collaborations with companies on four continents.

**Jorge Wernli** Mr Wernli is an expert in market access, pricing and government affairs with over 30 years of experience in big pharmaceutical companies and, start-ups. He has previously dealt with and built relationships with Ministries of Health in Europe, South America and selected Asian countries. Mr Wernli has an extensive network including Ministries of Health and opinion leaders. He has worked on dozens of reimbursement and market access dossiers and will advise the Board and provide important introductions with regulators as Creso progresses towards the launch and commercialisation of its products.

**Prof Dr med Felix Gutzwiller** Prof Gutzwiller held managerial positions and has held professorships at the University of Basel, the Harvard School of Public Health, the John Hopkins University of Hygiene and Public Health, and the University of Zurich. Prof Gutzwiller has a long political career in Switzerland and is very highly regarded. He also has an established academic and scientific position both in Switzerland and globally.

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