



ASX Announcement

17th October 2018

Creso Pharma welcomes historic legalisation of recreational cannabis in Canada

Highlights:

- On 17 October 2018, Canada will be the first of the G7 countries to fully legalize cannabis for recreational consumption and open up the sale and distribution to domestic and international markets
- Demand is expected to outstrip capacity immediately as licensed suppliers are building out supply
- Creso's Canadian subsidiary Mernova Medicinal Inc. ("Mernova") is well positioned to introduce its premium brand Ritual Green and take advantage of this huge market opportunity driven by a shortage of supply
- One of Canada's biggest banks - CIBC, has estimated that cannabis will be a US\$6.5 billion (AUD \$8.7 billion) industry by 2020 in Canada
- Creso is in discussions for off-take supply agreements for products from its Mernova facility from other Licensed Producers in Canada.

Creso Pharma Limited (ASX:CPH, the "Company" or "Creso") has welcomed the change in law that on Wednesday October 17, will see Canada become only the second country in the world - and the first G7 nation - to legalise the recreational use of cannabis nationwide.

The landmark bill marks a major social shift, promised by Canadian Prime Minister Justin Trudeau, in order to help bring the black market into a regulated, taxed system after nearly a century of prohibition. Bill C-45, otherwise known as the Cannabis Act, stems from Trudeau's campaign pledge to keep cannabis away from underage users and reduce related crime.

Creso's Canadian subsidiary Mernova Medicinal Inc. ("Mernova"), had its application for a Cultivation License accepted in October this year, under the Access to Cannabis for Medical Purposes Regulations (ACMPR) administered by Health Canada. Once approved the Mernova License will be one of a very few licenses issued to local companies in Nova Scotia. The purpose-built Mernova facility, which has been constructed to full GMP standards, is designed to produce three to four tonnes of its "Ritual Green" brand of dry cannabis annually. In addition, Mernova will bring its Swiss food engineering capabilities and technologies to its new "Canadian Institute for Research and Development of Human and Pet Edible Cannabis Products".

Said Creso's CEO, Dr Miri Halperin Wernli: "This is a historic milestone for progressive policy in Canada and one which will change the global debate on drug policy. Canada has set the stage for a movement that will be followed by other countries."



“Creso remains the only company listed on the Australian Securities Exchange that owns a cannabis facility in Canada and that will be able to reap the benefits of being able to supply this growing market”.

The Cannabis Act was approved by the Senate 52-29 in June 2018 after already passing the House of Commons in May. The law allows the federal government to license producers and regulate how they grow, sell and distribute cannabis. Under the new law, adults aged 18 and over will be permitted to possess up to one ounce of cannabis for recreational use, and grow up to four cannabis plants. Cannabis-infused edibles are anticipated to be legal within one year of the law's implementation.

Canada is the first of the G7 countries to fully legalize cannabis for recreational consumption and open up the sale and distribution to domestic and international markets. Cannabis will be a US \$6.5 billion (AUD \$8.7 billion) industry by 2020 in Canada, according to research by one of Canada's biggest banks CIBC. That's more than the US \$5.1 billion Canadians spent on alcoholic spirits in 2017 - and a figure which is fast approaching wine sales.

In 2017, US \$2.25 billion was raised across 206 cannabis companies in Canada. In Q1 2018 alone, over US \$1.35 billion was raised across 96 Canadian cannabis companies, reflecting significant forecasted growth and demand. More equity capital has been raised in Canada for cannabis companies than anywhere else in the world with over 50 cannabis related companies listed on the Canadian exchange.

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About Creso Pharma

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Creso Pharma brings the best of cannabis to better the lives of people and animals. It brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. It develops cannabis and hemp derived therapeutic, nutraceutical, and life style 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.

**Forward Looking statements**

This announcement contains forward-looking statements with respect to Creso and its 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 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 Creso has no obligation to update such statements, except to the extent required by applicable laws.