



ASX Announcement

19 December 2018

Update on Creso Pharma's Canadian growing facility

Creso Pharma Limited (ASX:CPH, the "Company" or "Creso") is pleased to provide an update on its Canadian subsidiary, Mernova Medicinal Inc.'s ("Mernova"), Nova Scotia-based, 24,000 sq ft purpose-built, "state of the art" indoor cannabis growing facility.

The Company is pleased to confirm that construction of the facility is substantially complete and is ready to cultivate its first crop as soon as Health Canada approves the application. Video of the facility, site and building may be found at www.cresopharma.com

Mernova has successfully submitted its evidence package and migrated its application into the new Cannabis Tracking and Licensing System (CTLS). Health Canada has confirmed that Mernova is in the "in progress" review by Health Canada. The review determines if there are additional Health Canada questions that need to be answered on standard operating procedures, security, personnel and cannabis asset tracking. A cultivation license is issued subject to Health Canada being satisfied of facility and operational readiness.

Once completed, the Mernova facility will offer flexible manufacturing and scalable, reliable, low-cost, high-quality cannabis production, extraction and formulation.

The facility has been custom designed for the unique requirements of growing cannabis. Once operational, Mernova has the ability to provide the best growing environment with a combination of a complete and flexible computer controlled systems for watering schedules, nutrient cycles, fresh air exchange, lighting and temperature and humidity control. This controlled environment will produce pharmaceutical grade cannabis at a low production cost per gram.

Said Dr. Miri Halperin Wernli, Creso Pharma's CEO and co-founder: "The Mernova facility has been built from the ground up with a singular purpose – to produce the highest quality medicinal and recreational cannabis at the lowest possible cost. We have designed it with a large floor to ceiling space so we can grow the cannabis on two levels, effectively doubling the floor growing space".



“We have key staff in place and we are also installing and initiating the IT systems including seed-to-sale product tracking, record keeping, accounting, and building control systems, and preparation has begun for cultivation with plant material acquisition.

“We will commence production using cloned genetics for quicker market access followed with seeds of the best strains in Canada which are chosen with quality, cannabinoid consistency sales and yields in mind.

“From next year we will be supplying consistent, high-quality medicinal cannabis products to our global markets direct from our Mernova facility.

“Our aim is to supply medicinal cannabis direct from this facility to pharma companies with whom we have existing relationships in Germany, Italy, Spain and Switzerland. Discussions with these companies are already well underway. The demand for medical cannabis in Europe is growing and our high quality GMP medicinal cannabis products meet the need.

“With most of the Creso executive team coming from deep pharmaceutical backgrounds, we will continue to build on our extensive pharmaceutical contacts, past and present, as we grow further the base of those companies who want to work with us and introduce high quality GMP medical cannabis products in Europe.”

The Company is also focused on progressing the following milestones:

- Wholesale purchase and sale agreements with Licensed Producers
- Retail distribution agreements with Nova Scotia Liquor Corporation and regional provincial distributors

The Mernova facility has been constructed to full GMP standards, making it superior to other cultivation facilities. It is designed to produce three to four tonnes of dry cannabis annually.

Following receipt of a Cultivation License, the Company intends to apply for a full “Sales and Distribution License” following the growing, processing and third-party testing of the Company’s first two crop cycles in 2019.

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**About Creso Pharma**

www.cresopharma.com

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 Mernova and Creso, and their respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Mernova and 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 neither Mernova nor Creso has any obligation to update such statements except to the extent required by applicable laws.

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