



ASX Announcement

18 February 2019

Creso Pharma is Granted “License to Cultivate” cannabis at its State-of-the-Art Windsor Nova Scotia “Mernova Medical” facility

- The granting of a license to cultivate at Creso’s “Mernova Medical” facility in Nova Scotia, Canada makes Creso the only ASX listed company that has 100% ownership of a Canadian licensed producer
- Importantly, as a holder of a cultivation licence, Mernova Medical is permitted to sell and distribute dried and fresh cannabis, cannabis plants and cannabis plant seeds to other companies that hold certain licences under the Cannabis Act
- Construction of the state-of-the-art GMP-ready indoor facility was completed at the end of 2018, with European Union GMP certification expected within 180 days
- Construction of Creso’s own, inhouse cultivation facility allows the Company to vertically integrate and secure supply of high-quality raw material for Creso’s internally developed product line
- Creso has a supply agreement with TerrAscend Canada, a Licensed Producer (LP), to provide its premium cannabis product, securing revenue for 2019
- The Mernova Medical Windsor facility is currently 24,000sqft with the option to expand up to 200,000sqft having the capacity to produce 4,000 kgs¹ of cannabis annually and expansion capability of up to 10X this amount
- The Mernova Medical facility includes a custom built secure store room that can store up to \$100,000,000 in concentrated product
- Deloitte Canada has projected Canada’s recreational cannabis market use between CAD \$4.9b to \$8.7b.²
- Creso Pharma is the fifth licenced producer in Nova Scotia, Canada

Creso Pharma Limited (ASX:CPH, FRA:1X8, the “Company” or “Creso”) is pleased to announce that its wholly owned subsidiary, Mernova Medical Ltd (“Mernova Medical”), has been granted a license to cultivate by Health Canada, making it the only ASX-listed company that has a 100% ownership interest in a company that has a license to cultivate cannabis in Canada, and only the fifth licensed producer in Nova Scotia, Canada.

¹ Capacity Calculation FN1- A conservative estimate with a building housing 10 grow rooms with 460 plants per room turning 5 times a year and yielding 165 gr/plant. Does not take into account that a second tier is available. Expansion of the building of up to 200,000 sq ft on existing 10 acre parcel would add 10X capacity.

² Deloitte Canada, Recreational Marijuana insights and opportunities, 2016



Effective from 15 February 2019, the license gives Mernova Medical the ability to begin planting crops in the new, 24,000 square foot purpose-built, indoor growing facility based in Windsor, Nova Scotia. Mernova Medical has already signed a three year supply agreement with TerrAscend Canada, committing a large portion of the facility's capacity and securing committed revenue before growing begins. Importantly, the cultivation license granted to Mernova Medical permits sales of cannabis immediately on a B2B basis to TerrAscend.

Mernova Medical has also been in discussions with the Nova Scotia Liquor Corp ("NSLC"), the province's dedicated distributor of cannabis. Mernova Medical will be able to supply the NSLC as soon as a monthly commitment of kilograms of product can be met. There is exceptional demand in Nova Scotia for locally grown product, placing Mernova Medical in a strong position.

In addition, a key strategic advantage of the Mernova Medical Windsor facility is the secure storage room which allows for Mernova Medical to wholesale acquire cannabis products from other licensed producers or even import low cost cannabis products from Creso's proposed Colombian operations. The secure storage room can house up to \$100,000,000 in concentrated product which could be utilised by Creso as an input into medicinal based delivery technologies for the massive European market and through Creso's established distribution channels.

John Griese, Creso's North America Chief Operating Officer: "We are excited to achieve this much anticipated milestone. The license makes Creso one of only a handful of companies with a license to produce cannabis in Atlantic Canada. It opens up substantial revenue opportunities given the high demand suppliers face following legalisation in Canada last year.

"Our strategy of locking in sales revenue ahead of granting of the license means we can hit the ground running and capitalise on the capabilities of this premium growing facility."

The Mernova Medical Windsor facility is a purpose-built, highly efficient indoor cultivation facility on a 10 acre parcel of land and it is capable of accommodating up to 200,000 sq feet of cultivation. The facility includes many cultivation and automation technologies specifically designed to meet European Union (EU) Good Manufacturing Practices (GMP) certification standards. It currently accommodates a two-tier grow room with the capacity to yield in excess of 4,000 kgs of cannabis annually.

Figure 1,2 & 3: The Mernova Medical Windsor Nova Scotia facility





Dr. Miri Halperin Wernli, Creso's CEO and Co-Founder: "It is a great achievement that Creso now has the ability to cultivate and produce cannabis plants in Canada, a country where demand for cannabis is currently outstripping supply. Our rigorous research and production processes will ensure the products grown and produced at the Mernova Medical Windsor facility will be of the highest quality and, as a result, demand premium pricing. In addition to selling excess capacity to third parties, the Mernova Medical Windsor facility allows Creso to vertically integrate its production. In-house cultivation allows Creso to lower the cost of production with respect to its current cannabis product range. Creso can ensure raw material supply security as well as maintaining the highest quality level.

"Securing the license is another critical step we have taken over the past year fulfilling our goal to position Creso as a global cannabis brand with operations and the ability to supply human and animal health products across the world."

The Mernova Medical Windsor facility will service the Canadian adult use and medicinal marketplace with super premium flowers and value-added products. Creso's aim is to also supply medicinal cannabis direct from this facility to European pharma companies with whom it has existing relationships, specifically in Germany, Italy, Spain and Switzerland. Discussions with these companies are well underway. The demand for medicinal cannabis in Europe is growing and Creso's high quality medicinal cannabis products will meet this need as soon as EU GMP certification is achieved.

This year Creso also intends to build value added production onsite at the Mernova Medical Windsor facility which will produce edible cannabis products with a view to meeting anticipated demand when cannabis infused edible products are approved for sale in Canada by year end 2019. Health Canada will be introducing regulations specifically targeted at edible cannabis products, and Creso will leverage its current edible product formats sold globally for the Canadian marketplace.

There are four other companies in the Atlantic Canada region with licenses to cultivate, and Deloitte has estimated that the market size for recreational cannabis in this region could be up to \$0.29b.³

Deloitte Canada has projected Canada's recreational cannabis market use between CAD \$4.9b to \$8.7b.⁴

Under the Cannabis Act in Canada (and associated regulations), Mernova Medical already sell B2B as soon as product is available and meets standards. Following the grant of the "Sales and Distribution" license Creso can sell medicinal to patients and direct to

³ Deloitte Canada, 2018 cannabis report

⁴ Deloitte Canada, Recreational Marijuana insights and opportunities, 2016



provincial distributors following the growing, processing and third-party testing of the company's first two crop cycles in 2019. Based on advice from Mernova Medical's expert growing team, Creso estimates that these first two crops will be completed in the third quarter of 2019.

---END---

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 de-rived 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 up-date such statements, except to the extent required by applicable laws.

Investor and Media Enquiries:

EverBlu Capital
Level 39, Aurora Place
88 Phillip Street, Sydney NSW 2000
E: info@everblucapital.com
T: +61 (02) 8249 0000