



ASX Announcement

12 June 2018

CRESO PHARMA ADVANCES INTO LATIN AMERICA - LICENCE TO CULTIVATE MEDICINAL CANNABIS IN COLOMBIA GRANTED TO KUNNA S.A.S., THE WHOLLY OWNED SUBSIDIARY OF KUNNA CANADA LTD

Highlights:

- **Kunna S.A.S. has received its licence to cultivate medicinal cannabis in Colombia.**
- **Due diligence on Creso's proposed acquisition of Kunna Canada Ltd., and its wholly-owned Colombian subsidiary, Kunna S.A.S. on track for completion in June 2018.**
- **Colombia represents a significant market opportunity for Creso – with the country expected to export more than 40.5 tonnes of medicinal cannabis oil by 2019.¹**
- **On completion of the acquisition, Creso will be one of the few companies globally, and the only medicinal cannabis company listed on the ASX, with the capacity to commercially cultivate medicinal-grade cannabis in Colombia.**

Creso Pharma Limited (ASX:CPH, the "Company" or "Creso") is pleased to announce the licence to cultivate medicinal cannabis in Colombia has been granted to Kunna S.A.S, the wholly owned subsidiary of Kunna Canada Ltd. Creso anticipates completing due diligence on Kunna Canada Ltd. and Kunna S.A.S. in June 2018.

The licence to cultivate medicinal cannabis follows Kunna's receipt of the licences required to produce, manufacture, market and export cannabis derivatives and products using extracts in 2017.

The acquisition of Kunna and the grant of the cultivation licence will give Creso a strong springboard to the strategically important Latin American market, which now includes Argentina, Colombia, Chile, Mexico and Uruguay, and provides the capacity to commercially cultivate medicinal-grade cannabis in Colombia. It means Creso will be the only Australian-listed medicinal cannabis company with direct exposure to the Colombian market, which is expected to export more than 40.5 tonnes of medicinal cannabis oil by 2019.

Dr. Miri Halperin Wernli, Creso Pharma's CEO and co-founder said: "We are really excited about the opportunity that the acquisition of Kunna and its licence to cultivate provides us. It will allow us to bring Creso's pharmaceutical expertise and methodological rigour to medicinal cannabis production and cultivation in Colombia.

"We know from our pharmaceutical experience that a foothold in Colombia provides a great springboard into the rest of Latin America. In addition, from a product perspective, Colombia offers varied genetics and the ability to grow high quality products at low cost."



Colombia is a significantly cost-effective location to cultivate medicinal cannabis, particularly when compared to North America. In Colombia, cost of goods sold (COGS) for a gram of cannabis flower equivalent can be as low as just \$0.35 cents vs \$1.57 in Canada, and trimming rate per gram is \$0.10 vs \$0.50 in Canada. In addition, the average cost of planting over 46 hours is \$200 versus \$860 in Canada.

In recent years, Colombia has developed one of the most comprehensive and sophisticated medicinal cannabis frameworks in Latin America.² Cultivating in Colombia and access to its market and to Latin America provides significant opportunities for Creso.

Latin America has an estimated market of 620 million people, with 68 million people having conditions potentially suitable for treatment with medicinal cannabis, with many whose needs are currently unmet (for example in chronic pain, neurological conditions, anxiety and depression). In 2017, the country was allocated a production quota equivalent to one quarter of the world's total production (40.5 tonnes) by the International Narcotics Control Board (INCB), the UN's body responsible for regulating the legal cannabis market.

This quota is over and above the United States, which was allocated 33.4 tonnes.³ Global production for 2017 was established at 155.5 tonnes. Estimates suggest that Colombia could supply 44% of the global demand for medicinal cannabis in 2018 after the country's Drug Control Fund authorised the harvest of 40.5 tonnes for export-only purposes.⁴

The acquisition of Kunna provides a cost-effective entry into the Colombian market and the broader Latin American market for Creso, and the ability to greater integrate its supply chain, allowing it to produce its own medicinal cannabis as well as supply its existing planned products to the Colombian market and export to the broader Latin America market.

Colombia has a population of 48.6 million people. Its cannabis market is growing strongly with consumption increasing 15% per annum between 2008 and 2013. US\$86.3 million was spent on cannabis in 2008 alone.⁵ Many Canadian medicinal cannabis industry executives have stated they plan to use Colombia as a springboard to serve Latin America's 400-plus million people who live in nations where some form of cannabis is legal.⁶

The advancement into Colombia is part of Creso's broader aim to establish operations which reach all key global markets. Creso's Canadian medicinal cannabis operations are set up towards supplying North America, its Israeli operations towards supplying Europe and now its Colombia operations towards supplying Latin America.

About Kunna

Kunna intends to develop phytotherapeutic products with a view to treating seizures, chronic pain, cancer, epilepsy and multiple sclerosis, among others.

On 31 March 2017, Kunna was granted by the Ministry of Health a licence to produce, manufacture, market and export cannabis derivatives and products using extracts in Colombia, making it one of a small number of companies to have secured such a licence.



In preparation of receipt of a cultivation licence, Kunna has laid out a research project, which investigates plant genetics, disease and optimising cultivation.

Kunna has identified a parcel of land suitable for medicinal cannabis cultivation. Upon receiving the cultivation licence, Kunna will immediately start a seed certification project followed by a full genetic and fertilisation project to obtain the optimal scalable crop. The company will then also progress Stage 2 of its project development, which will give it access to a large expansion in its land package and production of medicinal cannabis. Stage 3 has the ability to deliver up to 600 hectares of cultivation property, subject to Colombian ministry quota grants.

Kunna is leveraging local resources and research combined with access to vast ideal cultivation property to become one of the lowest cost producers in the industry.

The Colombian cannabis market

Following the legalisation of medicinal cannabis in 2016, the Colombian government issued a decree, through the Ministry of Health, which regulates the production of medicinal cannabis in 2017.

Under the decree, growers will apply for licenses from the National Narcotics Council, while those seeking to manufacture cannabis-based drugs will apply for permits from the Colombian Ministry of Health. The Health Ministry will also grant permits to export such drugs and therapies to countries where they are legal.

In November 2017, 14 licences were given to medicinal cannabis businesses by the Health Ministry for the cultivation of psychoactive and non-psychoactive plants and for the use of seeds.

In 2017, the country was allocated a production quota equivalent to one quarter of the world's total production by the International Narcotics Control Board (INCB), the UN's body responsible for regulating the legal cannabis market. After Colombia, the United States is the country with the largest allocation of medicinal marijuana for both internal and external use with 33.4 tonnes approved.⁴ Global production for 2017 was established at 155.5 tonnes.

About Creso Pharma

www.cresopharma.com

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



¹ El Tiempo newspaper, Bogota, November 2017

² Marijuana Business Daily, May 2018, <https://mjbizdaily.com/colombias-first-canadian-stock-listing-could-bring-capital-to-medical-marijuana/>

³ Khiron, January 2018, <http://www.khiron.ca/articles/article/57>

⁴ The City Paper, January 2018, <https://thecitypaperbogota.com/news/colombia-aims-to-become-global-export-leader-in-medicinal-marijuana-in-2018/18689>

⁵ Observatorio Nacional de Drogas, <http://www.odc.gov.co/SIDCO/consumo/situacion-consumo>

⁶ Marijuana Business Daily, November 2017, <https://mjbizdaily.com/canadian-companies-aim-create-medical-marijuana-powerhouse-colombia-latin-america>