



ASX Announcement

2 April 2020

Creso Pharma outlines response to COVID-19

Highlights

- Creso Pharma has responded quickly to the unfolding COVID-19 pandemic by implementing a remote working policy across its Australian and Swiss operations, and implementing appropriate social distancing measures at its Canadian operations whilst the Company continues to maintain production levels at its Nova Scotia Facility.
- The Company has observed a strong surge in demand for medicinal cannabis in the Canadian market and is also working on several new products for its innovative product portfolio

Creso Pharma Limited (ASX:CPH) (**'Creso Pharma'** or **'the Company'**) provides an update to the market on the impact of the coronavirus (COVID-19) and the Company's response plans. The Company notes that as the situation is extremely fast-moving and fluid, its response will evolve in accordance with developments.

Safety and cost-reduction measures implemented

In the interest of the wider community and the welfare of its employees, Creso Pharma has implemented a remote working policy. Under this policy, the majority of corporate staff based in Sydney and R&D staff based in Switzerland are now working from home. Further, all travel has been suspended and social distancing measures have been promoted to all staff. The Swiss and Sydney teams have adapted seamlessly to this and operations are running smoothly. The Company is also looking to reduce non-essential costs during this period in order to be prudent and financially diligent.

In addition, the Company's Canadian Mernova Medical Inc. (**'Mernova'**) Facility is taking a number of positive initiatives to respond to the situation. Mernova has begun operating three shifts per day with staggered start and finish times to minimise contact between employees whilst ensuring that the facility is able to maintain production levels and operating efficiencies. A Social Distance Coordinator has been appointed to enforce the recommendations for social distancing at all times, tape has been laid out in common areas to provide guidance on the recommended distance between persons, and employees' temperatures are being measured at the beginning of all shifts to minimise contact between any potentially infectious person and other staff.



Mernova is also taking steps to manage less essential production tasks and is implementing remote working for all administration staff. In addition, non-essential contractors and other third parties are not permitted on the site. These measures are aimed at minimising the risk of spreading the virus and protecting employees with minimal disruption to operations. Mernova is currently managing these adjustments extremely well and is also handling the increased level of orders sufficiently due to a strong surge in demand for medicinal cannabis in the Canadian medicinal cannabis market.

The Company is making every effort to keep operations running at a pace to allow it to continue its growth trajectory once conditions improve, following the impressive revenue result in the final quarter of 2019, where Group revenues grew very strongly, reaching AU\$1.986 million for Q4 2019, against AU\$3.626 million audited group revenue for the full 2019 financial year.

Rising demand for Mernova's product

Despite the challenging macro-economic environment, Creso Pharma is working to maintain its business presence whilst pursuing possible corporate opportunities as and when they arise. The Company is also successfully continuing to progress towards securing European Union Good Manufacturing Practice ('EU GMP') certification which will permit Mernova to begin exporting its flower and oil into European markets. The Company expects to have further positive updates on this in the next one to two months.

The Company is well-positioned to take advantage of a strong surge in demand for medicinal cannabis in the Canadian medicinal cannabis market which could present a tailwind for the Company's sales in North America. As previously announced, Mernova has already seen a spike in revenue, receiving a CAD\$410k purchase order from a North American customer during the March quarter [ASX Announcement: 11 March 2020]. Mernova also closed its first Israeli deal as announced on 1 April 2020 and has a strong pipeline of potential deals at various stages of negotiations. Combined, these two purchase orders have allowed Mernova to already exceed its full-year 2019 revenues.

Creso Pharma Co-Founder and CEO Dr. Miri Halperin Wernli said: "Creso Pharma is continuing to monitor the situation as it unfolds and is taking precautionary steps to prepare for the potential impacts a continued disturbance may have on supply chains and sales. The COVID-19 pandemic will enhance our focus on continued operational improvements and efficiencies. Creso Pharma's lean organisational structure means that our operations are not affected by international travel bans. We believe we all should do our part to slow the spread of the virus and we hope to see improvements in the global situation in the weeks ahead."



Ends

Authority and Contact Details

This announcement has been authorised for release by the Board of Creso Pharma Limited.

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About Creso Pharma

Creso Pharma Limited (ASX:CPH) 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 Pharma 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. To learn more please visit: www.cresopharma.com

Forward Looking statements

This announcement contains forward-looking statements with respect to Creso Pharma 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 Pharma 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 Pharma and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso Pharma has no obligation to up-date such statements, except to the extent required by applicable laws.