



08 October 2018

**Creso's Application to become Licensed Producer accepted by Health Canada.
Construction Finance Loan signed to fast-track construction completion to generate
site revenues Q1, 2019**

Creso Pharma Limited (ASX: CPH, the "Company" or "Creso") is pleased to announce its Canadian subsidiary, Mernova Medicinal Inc. (**Mernova**), has completed a major milestone with the acceptance of its application for a Cultivation License under the Access to Cannabis for Medical Purposes Regulations (**ACMPR**) administered by Health Canada. The successful application will result in the granting of a Cultivation Licence, one of few licenses issued to local companies in Nova Scotia.

At the same time Creso advised that terms have been finalised and agreed on a construction finance loan (**Loan**) with a face value of AUD \$2.7m from L1 Capital Global Opportunities Master Fund and The Canadian Special Opportunity Fund. The Loan has a drawdown price of 90% of the face value and Creso will receive A\$2.42m in funding to finalize the construction of Mernova's cannabis growing facility. This will act as a cash buffer should the Company need it.

The Loan has an interest rate of 10% p.a, a maturity date of 28 June 2019 and is secured over the Mernova's assets.

Once the Health Canada Cultivation Licence is in hand, Mernova will plant its first cannabis crop in the new, 24,000 square foot (2,200 square metre) purpose-built, indoor growing facility based in Windsor, Nova Scotia. It is expected the first crop will be planted at the end of 2018.

Once two cannabis crops have been grown successfully, Mernova will apply for a "Sale License", the final stage to produce commercial cannabis crops. Mernova expects first revenues from the sale of cannabis in Q1, 2019.

Dr. Miri Halperin Wernli, Creso Pharma's CEO and co-founder said: "Creso is close to achieving one of its major strategic objectives - to supply consistent, high-quality medicinal cannabis products to its global markets. The purpose-built Mernova facility has been constructed to full GMP standards, making it superior to other cultivation facilities. It is designed to produce three to four ton of dry cannabis annually."

The submission comprised comprehensive data, photos, videos and attestations by David Hyde & Associates Inc, the renowned cannabis advisory firm. David Hyde & Associates have consulted on 65 Licensed Producer (LP) sites and more than 300 LP applications, helping LPs navigate security and compliance in the highly regulated legal cannabis industry.



Figure 1 - Images of the Mernova cannabis growing facility



With these two major steps in place, Creso is now focused on fast-tracking production at the state-of-the-art growing facility to meet high and increasing demand for recreational and medicinal cannabis products.

Deloitte Canada has projected Canada's recreational cannabis market use between CAD \$4.9b to \$8.7b.¹ Similar-size Canadian-listed cannabis companies, with facilities of between 15,000 and 25,000 square foot, have, on average, a market value of CAD \$64.95m.²

Plans include the ability to expand the Mernova facility by a further 200,000 square foot, leaving Creso well placed to become one of Canada's premier producers in the Canadian cannabis market.

On drawdown of the funds, Creso will pay a fee of 3% of the face value and issue the lenders 3,900,000 listed options (being the existing class of options (ASX:CPHO) which are exercisable at \$0.80 on or before 21 August 2020).

At any time prior to 21 March 2019, the lenders have the right to provide additional funding with a face value of up to A\$1.0m on similar terms.

Creso may at any time prior to the maturity date redeem the outstanding amount on the Loan for an additional fee of 5% and if Creso raises any capital whilst there is an outstanding amount under the Loan, the lenders can require Creso to apply the funds raised to redemption of the Loan.

The Company has agreed to repay the face value of the Loan via 3 instalments payable in cash starting 10 February 2018. The first 2 instalments will be for 25% each of the face value (plus interest accrued) with the final instalment being for the remaining outstanding face value and accrued interest.

¹ Deloitte Canada, Recreational Marijuana insights and opportunities, 2016

² Canadian cannabis stocks, facilities between 15,000 to 25,000 square foot

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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 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.