



ASX Announcement

1 April 2020

Creso Pharma's Mernova receives C\$775k purchase order for first shipment to Israel

Highlights

- Creso Pharma's subsidiary Mernova Medicinal Inc. has received a purchase order for C\$775k worth of premium, cured and hand-trimmed dried medicinal cannabis flower from Univo Pharmaceuticals, a leader in medicinal cannabis in Israel
- Half of the total purchase order is payable to Mernova within 10 business days, with the remaining 50% to be paid following delivery to Univo in Israel in approximately one month's time.
- The purchase order adds another distribution market to Creso Pharma's extensive global network, geographically expanding and diversifying the Company's partnerships
- Israel is a pioneer in the global medicinal cannabis market, which has been estimated to be worth US\$62.7bn by 2024¹

Creso Pharma Limited (ASX:CPH, FRA:1X8, 'Creso' or 'the Company') is pleased to announce that its wholly-owned subsidiary Mernova Medicinal Ltd (**'Mernova'**) has received a C\$775k purchase order (**'Purchase Order'**) for its premium, cured and hand-trimmed dried medicinal cannabis flower from Univo Pharmaceuticals Ltd (**'Univo'**) (TLV: UNVO).

Creso Pharma to enter Israeli market

Under the Purchase Order, Mernova will ship two of its premium strains of cured, hand-trimmed, dried medicinal cannabis flower, to Univo in Israel. Half of the order value will be paid in cash within ten business days of the signing of the order, with the remaining 50% to be paid in cash following delivery in Israel. Delivery is expected to be completed within one month, subject to the grant of an export permit by Health Canada.

The Purchase Order cannot be terminated by the Purchaser, but Univo has the right to reject the product and receive a partial refund if any material defects are identified within 21 business days of delivery. Univo will manage and coordinate the smooth transition of Mernova products into Israel while establishing processes for future shipments.

¹ Prohibition Partners (2019). *The Global Cannabis Report*. Retrieved from: <https://prohibitionpartners.com/2019/11/07/key-insights-from-the-global-cannabis-report/>



Univo is a medicinal cannabis company which has licenses for the entire supply chain including cultivation, production, R&D and distribution. Creso Pharma understands that Univo intends to distribute the product purchased from the Company through Hiliz Ltd (**'Hiliz'**), an Israeli firm operating in the medicinal cannabis distribution sector.

Hiliz has direct connections to over 20 Israeli medicinal cannabis pharmacy dispensaries, which may allow the Company's product to be directly marketed and distributed to patients.

Israel a pioneer in medicinal cannabis

The receipt of the Purchase Order is a significant milestone for Creso Pharma, as Israel is recognized as a pioneer of research into medicinal cannabis and is an international hub for medicinal cannabis innovation.

According to a recent white paper from the Israeli government², medicinal cannabis is currently supplied to more than 50,000 patients in Israel, with world-class research carried out with government approval and encouragement.

Further, Israel's medicinal cannabis market is flourishing alongside the global market which continues to grow rapidly. In its November 2019 Global Cannabis Report³, cannabis consultancy firm Prohibition Partners estimates that the global legal cannabis market will be worth US\$103.9bn by 2024. With medical cannabis legislation being enacted at a faster pace than recreational, Prohibition Partners believes that approximately US\$62.7bn of that market will be for medicinal cannabis, which presents a significant opportunity to Creso Pharma and Mernova.

Mernova ramps up

Mernova is a licensed cannabis-producing facility located in Nova Scotia, Canada. It is currently ramping up production and is in the process of securing its EU GMP certification, which will allow it to begin sales of high-quality cannabis flower and extracts, into established and growing markets in Europe.

² Ministry of Economy and Industry State of Israel (2019). *Israel's Medical Cannabis Innovation*. Retrieved from: <https://investinisrael.gov.il/Documents/RoundTable/medical-cannabis-doc250919.pdf>

³ Prohibition Partners (2019). *The Global Cannabis Report*. Retrieved from: <https://prohibitionpartners.com/2019/11/07/key-insights-from-the-global-cannabis-report/>



Last month, Mernova strengthened its senior management team with the appointment of two executives who formerly worked at Canopy Growth Corp (TSX:WEED, NYSE:CGC), one of the world's largest cannabis companies by market capitalisation [ASX Announcement: 11 March 2020].

Mernova also received a C\$410k purchase order in early March. Combined with this Purchase Order, Mernova has already exceeded its full-year 2019 revenues, which were approximately AU\$860k (C\$761k).

The demand from Israeli companies for Mernova's product is testament to the world-class quality of the Mernova facility, as Israel has one of the most informed and active cannabis markets in the world. As Mernova looks to scale up production this year, the Company is working to expand on this initial order to generate more reliable long-term sales streams.

Isaac Allen, Vice President of Mernova, said: "We are excited to work with Univo to enter the Israeli market. They are world-class partners with significant connections to pharmacies and patients in Israel. We are confident that they will be impressed with the quality of the strains produced at Mernova."

Creso Pharma CEO and Co-Founder, Dr. Miri Halperin Wernli, said: "We are extremely pleased to have received our first Israeli purchase order for the quality strains of dried flower being produced at Mernova. Following the recent deal we closed in North America it shows we are making significant inroads into new markets. Despite the challenges the world faces due to Covid-19, Creso Pharma remains on a strong trajectory for 2020. The order is the Company's first from Israel and we hope to expand on this initial order in the coming months. We also will continue to work hard to penetrate new markets as Mernova moves closer towards receiving EU GMP certification."

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 lifestyle 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

About UNIVO Pharmaceuticals

UNIVO Pharmaceuticals Ltd (TLV: UNVO) is a vertically-integrated medical cannabis company covering all aspects of cultivation, manufacturing and distribution. Their highly experienced researchers holding PhDs in chemistry, analytical chemistry, biomedicine and pharmaceuticals come together to create innovative and dosage formed products for next-generation medical cannabis. UNIVO possesses licenses for the entire supply chain: research and development, growing, breeding and nursery, production of medical cannabis products and distribution. To learn more, please visit: www.univopharma.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.