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Strong progress with construction of medicinal cannabis production facility in Canada

Highlights:

- **Construction progressing well, with site works such as the formation of roads and driveways and land excavation now complete.**
- **The walls, steel framing and roof are expected to be completed by mid-February 2018.**
- **By February 2018, the facility will also have a Level 8, Region 3 security level vault which will allow the storage of cannabis product up to C\$31,250,000 (A\$32,120,000) in value.**
- **Completion is targeted to coincide closely with the July 2018 legalisation of recreational cannabis in Canada.**
- **Allows Creso to vertically integrate its production chain and capitalise on the significant market opportunity once recreational cannabis is legalised in Canada.**

Creso Pharma Limited (ASX:CPH, the “Company” or “Creso”) is pleased to provide a market update on the progress of the construction of its medicinal cannabis production facility in Canada.

Construction of the 20,000 square foot facility commenced in Q3 2017 following Creso’s acquisition of emerging Nova Scotia-based medicinal cannabis producer, Mernova Medicinal Inc.

Building at the Mernova site is progressing well, with site works such as the construction of roads and driveways and land excavation now complete.



Figure 1: Construction of the medicinal cannabis production facility at the Mernova Medical site in Nova Scotia, Canada

In addition, the following construction milestones have been achieved:

- The supply of water and sewerages services;
- The commencement of concrete pouring of the foundation and walls; and
- The awarding of mechanical and electrical contracts and ordering of steel.

The walls, steel framing and roof are expected to be completed by mid-February 2018. By that time, the facility will also have a Level 8, Region 3 security level vault which will allow the storage of cannabis product up to C\$31,250,000 (A\$32,120,000) in value.

Completion is targeted to coincide closely with the July 2018 legalisation of recreational cannabis in Canada post granting of the appropriate licenses.



Figure 2: Construction of the medicinal cannabis production facility at the Mernova Medical site in Nova Scotia, Canada

Once completed, the facility is expected to produce 2,000 kilograms to 4,000 kilograms of cannabis annually.

Creso and Mernova have also agreed to exercise the right of first refusal option on the adjoining land parcel to allow Mernova to expand the facility to up to 200,000 square feet. The total land area is 9.75 acres.

As a result, the current facility will be built in a way that is scalable and which can grow with demand once recreational cannabis in Canada is legalised.

The facility is being built and will be operated to Good Agricultural and Collection Practices and Good Pharmaceutical Practice standards to ensure Creso can expand its research and development capabilities.

Creso also intends to build a state-of-the-art extraction facility that is fully Good Manufacturing Process (GMP) compliant at the Mernova site, which is an important strategic step and will allow the Company to fully capitalise on the Canadian market opportunity.

“We are very pleased that construction of the production facility is progressing well and remains on track for completion in Q3 2018,” said Creso Pharma Co-Founder and Chief Executive Officer Dr Miri Halperin Wernli.

“The ability to produce our own medicinal cannabis to GMP standards not only means we can vertically integrate our production chain but also capitalise on the huge market opportunity in Canada once recreational cannabis is legalised.”



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About Creso Pharma

Creso Pharma is bringing the best of Cannabis to better the lives of people and animals. Creso brings pharmaceutical expertise and methodological rigour to the world of medicinal cannabis and strives for the highest quality in its products. It is a global leader in medicinal cannabis and cannabidiol (CBD) innovation and developing cannabis and hemp-derived therapeutic-grade CBD nutraceuticals and medicinal cannabis products with wide patient 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. Creso has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids.