



ASX Announcement

27 October 2017

Creso Pharma Market Update

Highlight

- **Creso completes due diligence for Mernova Medicinal Inc.'s Canadian medicinal cannabis growing facility**
- **Construction contract signed, ground works commenced in Canada and project is on track for completion in Q3 2018**
- **Canada amends the Cannabis Act. Bill C-45 to allow edible cannabis products in 2019; opportunities for Creso's cannaQIX® and cannapeal® product ranges**
- **Over 200,000 patients now registered for medicinal cannabis in Canada**
- **Nova Scotia opens public consultation on medicinal cannabis**
- **Mernova Medicinal and Creso join 16 other licenced producers and Ad Standards group to further self-regulation for the industry**

Creso Pharma Limited (ASX:CPH, the "Company" or "Creso") is pleased to provide this market update:

Due diligence completed for medicinal cannabis growing facility

Creso has successfully completed due diligence on the Mernova Medicinal Inc. acquisition, a 20,000 square foot medical cannabis growing facility in Nova Scotia, Canada.

Also, the application for a medical cannabis cultivation licence under Health Canada's Access to Cannabis for Medical Purposes Regulation (ACMPR) program is progressing. It will give Creso a significant competitive advantage as one of the few companies globally and the only medicinal cannabis company listed on the ASX with 100% ownership and capacity to cultivate, extract and manufacture its own innovative cannabis and hemp derived human and animal therapeutic products in Canada.

These products will be for local distribution as well as export to countries which accept cannabis and hemp imports.

Construction contract signed, ground works commenced - on track for completion in Q3 2018

A construction contract was signed with Avondale Construction Ltd and completion of the new production facility is targeted to coincide closely with the July 2018 legalisation of recreational cannabis in Canada after granting of the appropriate licenses.

Once completed, the 20,000sq. ft. facility is expected to produce 2,000-4,000kg of cannabis annually.

Creso and Mernova have also agreed to exercise the right of first refusal option on the adjoining land parcel to allow, in time, Mernova to expand the facility to up to 200,000 square feet. The total land purchased 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 as the recreational market comes into existence. The 200,000sq. ft. facility is expected to produce 20,000-40,000kg of cannabis annually.

The facility is being built and will be operated to GACP and GPP (GMP) standards to ensure it can expand research and development capability for Creso.

Canada on track for Edibles - aligned to Creso's new cannaQIX® and cannapeal® product ranges

Following the Cannabis Act, the Canadian Government will develop and publish regulations - in line with the Task Force recommendation - to permit the sale of edible medicinal cannabis products in 2019.

Once regulatory oversight for these products - such as measures to protect public health and safety, standardized serving sizes and potency, child-resistant packaging requirements, and standardized health warnings - has been developed and put in place, the Canadian Government will allow medicinal cannabis edibles to be sold.

This opens a new market for Creso's cannaQIX® and cannapeal® product ranges.

Creso's cannaQIX® and cannapeal® are hemp-based nutraceutical products in proprietary innovative delivery technologies which have authorities confirmed authorization to market and Free Sales Certificates for global export in full compliance with Federal Swiss Food Laws and Regulations.

cannaQIX® and cannapeal® have strong scientific rationale to back their introduction in the area of anxiety and stress.

Over 200,000 patients now registered for medicinal cannabis in Canada

In June 2017 there were over 200,000 patients registered for medicinal cannabis in Canada (vs 75,000 last year).

Nova Scotia opens public consultation

Following Royal Assent, the Government of Canada intends to bring the proposed Cannabis Act into force no later than July 2018.

Implementing cannabis legalization and regulation requires action by the provinces, territories and municipalities. Nova Scotia has opened public consultation so it may take responsibility for developing, implementing, maintaining and enforcing systems to oversee the distribution and retail sale of cannabis, in close collaboration with municipalities.

The proposed Cannabis Act will allow Nova Scotia to license and oversee the distribution and sale of cannabis, subject to federal conditions.

Mernova Medicinal and Creso join 16 other licenced producers and Ad Standards

Creso Pharma through its wholly owned subsidiary Mernova Medicinal Inc. has joined the collaborative effort by 16 Licensed Producers representing over 90% of the legal cannabis industry to develop guidelines on how the drug should be branded and promoted before its recreational use becomes legal next year. The industry leaders have enlisted the help of Advertising Standards Canada. The guidelines developed by the Advertising Standards Canada in conjunction with the industry could serve as a baseline for the government's consultations.

-ENDS-

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About Creso Pharma

Creso Pharma brings pharmaceutical expertise and methodological rigour to the world of medicinal cannabis and strives for the highest quality in its products. It is the leader in medicinal cannabis and cannabidiol (CBD) innovation and develops cannabis- and hemp-derived therapeutic-grade nutraceuticals and medicinal cannabis 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.

About Mernova

Mernova Medicinal Inc.(Mernova) is a privately held company based in Halifax, Nova Scotia, Canada. The founder and CEO is William (Bill) Fleming. Mernova is establishing a team of experts qualified to build the proposed cannabis growing, production and extraction facilities to Creso's requirement of a GMP standard. Mernova has land available to construct an initial growing/production facility totaling 20,000 sq ft, with plans to expand this to 200,000 sq ft subject to market conditions and the Company's plans.

Creso also intends to build a state-of-the-art CO2 extraction facility that is fully GMP compliant at the Mernova site. This is an important strategical step for Mernova to ensure that it is fully able to capitalise on the Canadian market opportunity.

Extracts and other cannabis derivatives are the future in Canada (and all other legal markets). Creso, through Mernova, intends to be a market leader in this field.