



28 November 2017

Creso Pharma announces significantly oversubscribed placement to raise AUD\$17.5mn, Kingdom update, and new partnership with Swiss chocolate company Aeschbach Chocolatier

With the strengthened balance sheet, Creso Pharma is now able to pursue further growth opportunities in the hemp derived edibles space (Terpenes)

Highlights:

- **Creso Pharma expanded the placement from AUD\$10mn to AUD\$15.5mn.**
- **The placement was significantly oversubscribed with strong support from new and existing institutional, sophisticated and professional investors.**
- **The investors were both domestic and international.**
- **Eligible shareholders will have the opportunity to participate via an underwritten share purchase plan (“SPP”) at the same issue price to raise an additional minimum of AUD\$2mn.**
- **Funds raised will allow Creso Pharma to fast-track the construction of its medicinal cannabis growing facility in Nova Scotia, Canada.**
- **Funds will also be used for working capital and to pursue merger and acquisition opportunities to expand the global distribution of its products and to develop additional products.**
- **Creso Pharma will also pursue further growth opportunities in the hemp edible space.**
- **Creso and Aeschbach Chocolatier enter a partnership to create an exciting range of unique, terpene infused premium Swiss chocolates.**

Creso Pharma Limited (ASX:CPH, the “Company” or “Creso”) is pleased to announce that it has completed a heavily oversubscribed placement. (“Placement”).

The Placement was expanded from AUD\$10 million to AUD\$15.5 million (an additional \$5.5 million) in order to accommodate high demand from institutional, sophisticated and professional investors that were both domestic and international.

The Placement was conducted at an issue price of AUD\$1.10 a share, representing a 18% discount to Creso Pharma’s last closing price of AUD\$1.345 (as at Wednesday, November 22, 2017).

The Placement Shares will be issued in accordance with ASX Listing Rule 7.1 under the Company’s existing placement capacity.

EverBlu Capital acted as Lead Manager for the Placement, and will receive a capital raising fee of 6% of total funds raised. Everblu did not participate in the Placement.



Underwritten Share Purchase Plan

Creso Pharma's eligible shareholders will also have the opportunity to participate via a SPP at the same issue price of AUD\$1.10 per share. The SPP, which is underwritten by Energy Capital Partners Pty Ltd, will be targeted to raise a minimum of AUD\$2 million (although there will be no minimum fundraising condition attached to the SPP).

Everblu will not receive any additional fees in relation to the SPP.

The new shares issued under the Placement and the SPP will be on the same terms as, and will rank equally with, existing Creso Pharma shares.

The record date for participation in the SPP is Wednesday, 22 November 2017 and full details will be sent to investors over the coming days.

The proceeds from the Placement and SPP will primarily be used to fund:

- The construction of the cannabis growing facility at the Mernova Medical Inc. ("Mernova") site in Nova Scotia, Canada. Construction of the facility has already commenced and follows Creso Pharma's acquisition of Mernova earlier this year.
- M&A opportunities.
- Working capital to expand the global distribution of Creso's products and to develop additional products.
- Enable Creso Pharma to pursue further growth opportunities in the hemp edible space.

"The support of institutional and sophisticated investors in this capital raising is a strong endorsement of our Company and places Creso Pharma in a very strong position to accelerate the development of our cannabis growing facility in Canada and to pursue M&A opportunities in order to expand the international distribution of our products and develop new ones," said Creso Pharma Co-Founder and Chief Executive Officer, Dr Miri Halperin Wernli.

Timetable

The dates provided in the timetable below are indicative only and are subject to change at the Company's complete discretion.

Record date for SPP	5.00pm AEDT, Wednesday, 22 November 2017
Placement and SPP announced and Company's shares recommence trading on the ASX	Tuesday, 28 November 2017
Settlement of Placement Shares	Thursday, 30 November 2017
Dispatch SPP booklet to shareholders	Tuesday, 28 November 2017
Closing date for SPP	Tuesday, 19 December 2017
Allotment date for SPP securities	Thursday, 21 December 2017
Commencement of trading of new shares on ASX	Friday, 22 December 2017

**Dates are indicative only and subject to change*



As the Company undertook a previous Share Purchase Plan within the past 12 months the ASX Listing Rule 7.1 Exception 15 does not apply and the Company must comply with ASX Listing Rule 7.1 in relation to the issue of Shares under the SPP.

The Offer will result in a minimum of 1,818,182 Shares being issued pursuant to the SPP which exceeds the Company's remaining capacity pursuant to ASX Listing Rules 7.1 and 7.1A, being 1,324,592 Shares (assuming the Placement is fully subscribed). The Company anticipates that Shareholders will ratify the issue of 4,354,154 Securities (comprising of 3,094,154 Shares and 1,260,000 Options) at the upcoming general meeting to be held on 11 December 2017 (**General Meeting**). This will result in the Company having the capacity to issue 5,678,746 Shares pursuant to the SPP under the Company's ASX Listing Rule 7.1 and 7.1A capacities.

In the event Shareholders do not ratify all or a portion of the Securities at the General Meeting, the issue of Shares pursuant to the SPP will be subject to the Company obtaining, to the extent necessary, either a waiver from the ASX in respect of ASX Listing Rule 7.1 or shareholder approval.

Kingdom Update

Further to the announcement lodged with ASX on 20 November 2017 in relation to the partnership with Kingdom Creative Co Ltd, the Company provides the following update:

Creso was first introduced to Mr Ren Weiming ("Mr Ren"), the Chairman of Kingdom Holdings Limited ("Kingdom Holdings"), a Hong Kong listed company. Over the past four months, Creso Pharma and Mr Ren have been in discussions, in relation to a collaboration for Creso Pharma to enter the Chinese market.

Creso and Mr Ren agreed on a strategy for Creso to partner for distribution and other collaborations in China.

This arrangement culminated in Creso executing an agreement with Kingdom Creative Co Ltd ("Kingdom Creative").

Kingdom Creative is a related entity of Kingdom Holdings by virtue of being controlled by Mr Ren, the Chairman and a director of both Kingdom Holdings and Kingdom Creative. Mr Ren is also the major shareholder of both Kingdom Creative and Kingdom Holdings, making them associated companies and related parties. While Kingdom Creative Co Ltd. is a related party to Kingdom Holdings, Kingdom Creative is not a subsidiary of Kingdom Holdings.

While final product selection is yet to be agreed between Creso and Kingdom Creative, it is Creso's intention that the products that will be distributed under the Distribution Agreement will initially all be hemp based Food Supplements. They will contain hemp seed oil, in addition to a number of defined vitamins and minerals in proprietary Swiss delivery technologies, but no CBD, THC or other cannabinoids. Hemp seed and hemp seed oil in China has long been regulated as a "Traditional Chinese Medicine" (TCM) and used in various foods and traditional medicine preparations. Creso is very conscious of its legal obligations in all jurisdictions and will only ever distribute products strictly in compliance with local laws.

In the future, Creso may look to distribute products in China that contain CBD and/THC, however, that will only be after securing the appropriate regulatory approvals.



At this stage, Creso has not obtained a legal opinion in China on the distribution of hemp seed oil products because, as noted above, the Company is of the opinion that these types of products can be legally distributed and there is an abundance of material supporting this fact.

This includes the most recent English edition of the Pharmacopoeia of the People's Republic of China (PPRC) that was published in 2000 which confirms that hemp seed is a TCM.

<https://www.scu.edu.au/research-centres/southern-cross-plant-science/facilities--expertise/herbal-authentication/pharmacopoeial-monographs/pharmacopoeia-of-the-pprc-plant-list/#H>

Notwithstanding this, Creso will work very closely with local regulatory bodies each step of the way and Creso will only distribute and market products strictly in compliance with all local laws.

Creso Enters Fast Growing Edibles Market with Development of a range of unique, terpene infused premium Swiss Chocolates for Global Distribution

Creso enters fast growing edibles market with a range of unique, ultra-premium Swiss made terpene infused chocolate products with innovative proprietary recipes.

Creso Pharma has partnered with a highly reputable Swiss chocolate company, Aeschbach Chocolatier ("Aeschbach"), to develop premium chocolates infused with a variety of terpenes and exotic spices for global distribution.

Terpenes are essential oils (organic compounds) found in plants that carry flavour and aroma.

The terpenes in the new chocolate products will carry the characteristic odour and fragrance of cannabis with the same taste and feel but will not contain THC or CBD or any other cannabinoids.

The terpene mixes used to formulate the chocolates will have the smell and aroma of cannabis but in reality they will originate from other plants.

Creso Pharma's CEO and Co-Founder, Dr Halperin Wernli, said :“This is a huge advantage as it gets around the issue of regulatory restrictions. Terpenes are safe molecules and are recognized as GRAS (“GRAS” = Generally Recognized as Safe) as attested by the US Food and Drug Administration (FDA) classifying them as Food Additives, and by the Food and Extract Manufacturers Association and other world regulatory bodies classifying them as Safe. (see WHO1/ FEMA GRAS2).”

Dr Halperin Wernli added: “We are a global leader in cannabidiol (“CBD”) innovation, developing hemp and cannabis derived products, committed to becoming a leading global player in the cannabis and hemp industry through disruptive efficiency and innovation. Our approach is to partner with industry and technology leaders to develop and commercialise innovative products which will capture the consumers’ imagination. Entering the Edibles market exemplifies this approach and will build on our scientific and technical expertise as well as on our vast geographical reach for commercialization”. Dr James Ellingford, Creso Pharma's Non-Executive Director went onto say, “Early discussions with distribution partners in the USA are moving quickly and have proved most encouraging. We are working hard to achieve a first rate product targeted towards discerning upper middle-class business people, the fitness conscious and those who simply enjoy experiencing something truly unique”.



Aeschbach Chocolatier has been creating high-quality chocolate and confectionery specialties since 1972 in Switzerland, and has multiple certifications including Controlled Sustainable Cultivation, Certificate for Organic Production, Food Safety System Certification, and Certificate for Fair Trade.

Growth of the cannabis and hemp derived Edibles market

- The cannabis industry was worth an estimated \$7.2 billion in 2016 in the USA and is projected to grow up to 25% annually
- As more states legalize cannabis for recreational use, edibles are becoming big business
- In California alone, consumers gobbled up more than \$180 million worth of marijuana infused food and drinks last year, 10% of the state's cannabis sales, according to Arcview Market Research
- Sales of pot-infused treats increased 121% last year in Washington state where recreational marijuana is legal. Since Colorado first allowed recreational marijuana use, sales tripled from \$17 million in the first quarter of 2014 to \$53 million in the third quarter of 2016

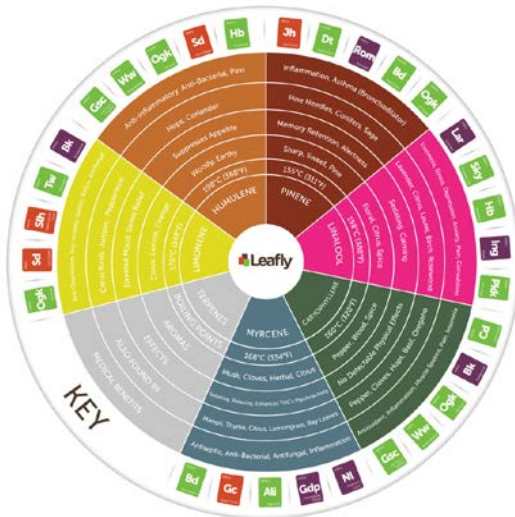
Forbes: <https://www.forbes.com/sites/mikemontgomery/2017/07/19/edibles-are-the-next-big-thing-for-pot-entrepreneurs/#3705f39e576b>



What are terpenes?

- Cannabis terpenes are fragrant oils that give cannabis its aromatic diversity
- They are what give Blueberry its signature berry smell and Lavender its sweet floral aroma
- At least 200 terpenes have been identified in cannabis and these molecules are potent and believed to affect both animal and human behaviour
- These oils are secreted in the flower's sticky resin glands, the same ones that produce THC, CBD, and other cannabinoids
- Like cannabinoids, terpenes bind to receptors in the brain and give rise to various effects
- As flavouring agents, terpenes raise no safety concerns
- Terpenoids are recognized as safe (they are "GRAS" = Generally Recognized as Safe) as attested by the US Food and Drug Administration (FDA) classifying them as food additives, and by the Food and Extract Manufacturers Association and other world regulatory bodies classifying them as Safe. (see WHO1/ FEMA GRAS2).

The infographic below outlines properties of six common cannabis terpenes.



1. <http://apps.who.int/food-additives-contaminants-jecfa-database/search.aspx>
2. <https://www.femaflavor.org/flavor-library>

The Partnership

The partnership with Aeschbach Chocolatier will create an exciting range of unique, terpene infused, premium Swiss chocolates with Creso’s own branding as well as co-branding opportunities with selected customers.

- Premium Swiss-made chocolate products with innovative proprietary recipes containing various terpene mixes
- Available in a variety of product formats and sizes with unique flavor profiles
- Chocolates will deliver mood enhancement and a real ‘feel good’ factor

Moving Forward

Aeschbach will provide technical expertise, facilities, and special ingredients (e. g. exotic spice mixes), as well as consumer palatability and preference testing settings for the development of the new products.

Creso will provide the terpene ingredients and will finance the joint technical development. Once the product has been developed and tested, the parties agree to negotiate, in good faith, the terms of a definitive collaboration agreement for production and supply of products globally with the parties agreeing on margin sharing and ownership of relevant intellectual property rights (“IP”), which may be held by Creso solely or jointly. The market will be updated accordingly.



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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.

About Aeschbach Chocolatier

Aeschbach Chocolatier headquartered in Root/Lucerne has been creating high-quality chocolate and confectionery specialities since 1972. From the heart of Switzerland they deliver individual chocolate creations and sweet promotion gifts to corporate and business clients as well as wholesale customers. Aeschbach have a modern manufacturing plant and event facilities, a ChocoCafé and a ChocoBistro, a ChocoShop and an interactive ChocoWorld exhibition - a world to experience chocolate for companies, tourists and all chocolate lovers. Being chocolate experts for private customers, they serve their customers in their 4 shops and in their online shop. They have own-brand original recipes, selected natural ingredients made by hand, and fresh products which are the secret of their success.