



Creso Pharma Begins Revenue Generation from Canadian Cannabis Sales

- Nova Scotia based Mernova Medical Delivers -

Highlights

- Sale of first harvest part of multi-year agreements
- Initial delivery invoice of CDN\$150,000 part of continuous delivery protocol expected to generate more than C\$5 million¹ for balance of year
- Production capacity at facility to surpass 700,000¹ grams by end of 2019
- Additional potential capacity based on future expansion oriented facility design

[Sydney, Australia and Halifax, Canada, July 2, 2019] -Creso Pharma Limited (ASX:CPH) (“Creso Pharma” or “the Company”) is pleased to announce the commencement of cannabis sales from its Nova Scotia-based Mernova Medical (“Mernova”) facility.

The first dried flower sale is part of multi-year agreements the Company has signed that will see revenue from the facility rising from the initial delivery invoice of C\$150,000 to more than C\$5 million¹ by the end of 2019. This milestone comes following receipt of the necessary cultivation licence in mid- February 2019 allowing commencement of both commercial cultivation and B2B sales.

To facilitate the demand for its high-quality cannabis products, Creso Pharma intends to produce at the Halifax facility two specific strains for its wholesale clients (B2B) and up to an additional five strains to the retail market, pending sales license. The Company expects to produce approximately 700,000¹ grams of dried flower in its built-for-purpose Mernova cultivation facility by year end. Creso Pharma plans to increase production capacity at the state-of-the-art facility to up to 4,000 kilograms of cannabis annually, with additional expansion capacity allowing for future increases of up to 10 times that amount.

Dr. Miri Halperin-Wernli, Creso Pharma CEO and Co-Founder noted: “Commencing sales at our Mernova facility in Canada marks an important milestone. We are now generating revenue in multiple markets. Canadian demand is rapidly growing and we are well positioned to help meet this demand. Complementing the dried flower approach of Mernova, going forward as part of Pharmacielo (TSXV:PCLO) will provide access to high quality, low cost CBD and THC oil for all our proprietary products and markets.”

¹ This is based on Mernova’s actual harvest schedule by week, through to the end of the 2019 calendar year. Estimates for yield are based on the first two harvests, which were very high quality. As growing processes are fine tuned, yield per plant is expected to increase.



Mernova cannabis production

Mernova has, to date, successfully produced very high quality cannabis. Creso Pharma's recent harvests delivered exceptional analytical results, reporting 22.6% and 23.2% THC levels respectively.

The Mernova 24,000 square foot facility in Canada was designed to accommodate a "two tier" grow room approach, with only one tier currently in place. When the second tier is completed and operational, it will effectively increase the capacity of the footprint by 60%.

Plans are in place to capitalise on this additional capacity, including an initial lighting power supply upgrade that is taking place in the near future. Progress is then expected to continue on completion of the second tier grow project over the balance of the summer.

Creso Pharma Chief Operating Officer John Griese added: "This facility was built to produce high quality cannabis and the facility and our team has not disappointed. We were pleased to receive independent lab confirmation that our strains produced high THC level and terpene rich flowers. We are now focused on maximising yield and increasing overall capacity of the facility."

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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 de-rived therapeutic, nutraceutical, and life style 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.



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.