



ASX Announcement

13 November 2017

Creso Pharma welcomes Canada's new proposed tax regime for recreational cannabis

Creso is well positioned in Canada with the recent purchase of Mernova Medical, based in Nova Scotia. The Company has commenced construction of a 20,000 square foot cannabis growing facility which is expected to be completed in Q3 2018

The Trudeau Government in Canada over the weekend has proposed a tax of C\$1 per gram of legalised recreational marijuana. The government has also stated that the tax should not exceed C\$1 per gram or 10% of the producer's price, whichever is higher.

Creso sees this as a major step forward in Canada's progressive stance in leading the world as a medical and recreational marijuana jurisdiction. It also believes that this low level of tax is designed to quash the black market for recreational marijuana and lure customers away from that market.

Total tax revenue from this initiative is expected to be as much a C\$1 billion a year.

Creso has recently purchased Mernova Medical which is located in Nova Scotia, Canada. The Company has commenced construction of a 20,000 square foot cannabis growing facility at the Mernova site which can be scaled up to a 200,000 square foot facility.

Mernova is wholly owned by Creso. It has applied for a medical and recreational cannabis cultivation licence in 2014 under Health Canada's Access to Cannabis for Medical Purposed Regulation (ACMPR) Program.

The granting of a licence to Mernova under the ACMPR, which is post construction of the facility will give the Company a significant competitive advantage. Creso will be one of the few companies globally and the only medical cannabis company listed on the ASX with 100% ownership and the capacity to commercially cultivate and extract cannabis and hemp in the Canadian federally regulated environment. Similar licences, once granted, are valued at between C\$50-C\$250 million (A\$50.4 - A\$252.2 million)

In addition, with Mernova, Creso will be vertically integrated which will be a major advantage for Creso in terms of the products which it will develop.



Picture of construction commenced at Creso's Mernova Medical facility,
Nova Scotia, Canada.

"Creso sees the Canadian tax initiatives announced over the weekend as a major step forward in Canada's progressive stance in leading the world as a medical and recreational marijuana jurisdiction. We are well placed to capitalise on these initiatives with our facility at the Mernova site," said Creso Pharma Co-Founder and Chief Executive Officer, Dr Miri Halperin Wernli.

"The ability to cultivate, manufacture and extract our own innovative cannabis and hemp products means we will have product for local distribution as well as export to countries which accept cannabis and hemp imports. Building our own Good Manufacturing Process cultivation facility also gives Creso the ability to rationalise and vertically integrate our supply and production chain."

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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.

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