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Creso reports strong progress with construction of its Canadian medicinal cannabis production facility in Nova Scotia

Highlights:

- **Site works at Creso's Canadian medicinal cannabis production facility in Nova Scotia such as the formation of roads and driveways and land excavation are now complete.**
- **Services for the site have been installed including water, sewer, drainage and power.**
- **The internal construction schedule has commenced with the final optimal floor and flow design for cannabis production, storage, extraction and distribution.**
- **Completion of the facility is targeted to coincide closely with the July 2018 legalisation of recreational cannabis in Canada.**
- **Will allow Creso to vertically integrate its production chain and capitalise on the significant market opportunity once recreational cannabis is legalised in Canada.**
- **Mernova Medicinal is working with Canadian Federal and Provincial governments to best position its branding, packaging and marketing initiatives to support the anticipated guidelines.**

Creso Pharma Limited (ASX:CPH, the "Company" or "Creso") is pleased 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 site is progressing well, with site works such as the formation of roads and driveways and land excavation now complete. Site services have also been installed including water, sewer, drainage and power.

The concrete tilt-up walls have been poured, walls erected and the building structure prepared for roof preparation and steel braces. The internal construction schedule has commenced with the final optimal floor and flow design for cannabis production, storage, extraction and distribution.

The installation of drains, sprinkler system and water intake and discharge has been initiated and Mernova Medicinal will quickly tender for mechanical and electrical systems in support of the already chosen LED lighting grow systems.



The walls, steel framing and roof at the facility are expected to be completed by mid-February 2018.

Mernova Medicinal also continues to identify and recruit key operational personnel and is proactively working with Canadian Federal and Provincial governments to best position its branding, packaging and marketing initiatives to support the anticipated guidelines.

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



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



Figure 2: Creso's logo on the production facility being constructed at the Mernova Medical site in Nova Scotia, Canada

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This progress follows the completion of significant milestones in December 2017 including:

- The completion of site works such as the construction of roads and driveways and land excavation;
- 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.



Figure 3: Construction of the medicinal cannabis production facility at the Mernova Medical site in Nova Scotia, Canada

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

Completion is targeted to coincide closely with the July 2018 legalisation of recreational cannabis in Canada and will allow Creso to vertically integrate its production chain and capitalise on the significant market opportunity once recreational cannabis is legalised.

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.

Significance of the Canadian market for Creso

The Mernova acquisition means Creso is the only Australian cannabis company with direct exposure to the world's largest legal medical cannabis market. It also delivers on the Company's strategy of establishing a Canadian presence and the pursuit of opportunities in the medicinal cannabis space, with added exposure to the huge recreational cannabis market once this is legalised.

Deloitte Canada has projected Canada's recreational marijuana use market could be between C\$4.9 billion to C\$8.7 billion (A\$4.98 billion to A\$8.84 billion). Various other industry estimates have also placed the total market size including ancillary products and services to total more than C\$20 billion (A\$20.32 billion).

Canada also currently has 58 licenced medicinal cannabis producers and 235,621 registered patients (as at September 2017). Health Canada has estimated in 2013 that Canada would reach 450,000 patients and a market size of approximately \$1.4 billion (A\$1.42 billion) by 2024, though current data is exceeding these forecasts (in 2016 there were roughly 130,000 registered patients, Health Canada estimated 60,000)¹.

Mernova has applied for a medical cannabis cultivation licence under Health Canada's Access to Cannabis for Medical Purposes (ACMPR). The granting of a licence to Mernova will give Creso a significant competitive advantage as it will be one of the few companies globally and the only medicinal cannabis company listed on the ASX with the capacity to commercially cultivate medicinal-grade cannabis in the Canadian federally regulated environment. Similar licences, once granted, are valued at between C\$50- C\$250 million (A\$50.82-A\$254.09 million).



Figure 4: Construction of the medicinal cannabis production facility at the Mernova Medical site in Nova Scotia, Canada

¹ Source: Everblu Medicinal Cannabis report



“We are very pleased that construction of the production facility is progressing well with site works such as the formation of roads and driveways and land excavation now complete as well as the installation of services including water, sewer, drainage and power,” said Creso Pharma Co-Founder and Chief Executive Officer Dr Miri Halperin Wernli.

“The Canadian market represents a significant opportunity for Creso and we look forward to completing construction by Q3 2018 which will allow us to capitalise on the huge market opportunity in Canada once recreational cannabis is legalised in addition to medicinal cannabis.”

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About Creso Pharma

<http://cresopharma.com>

Creso Pharma brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. It develops cannabis- and hemp-derived therapeutic, nutraceutical, and life style 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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