



11 January 2018

Creso launches JV Company with LGC Capital and Baltic Beer Company to capitalise on growing cannabis-derived beverages

Highlights:

- **Creso expands into the cannabis and hemp-derived beverage markets with the launch of CLV Frontier Brands Pty Ltd (“CLV”) which will develop and globally commercialise a bespoke portfolio of alcoholic and non-alcoholic beverages with cannabis and hemp ingredients.**
- **CLV is currently developing an initial premium four-beer range containing unique cannabis terpene mixes as well as other innovative ingredients.**
- **CLV will also create a vegan line for the consumer who demands this option.**
- **CLV is targeting shipping a first test batch of the initial beer range in April/May 2018, with commercial sales intended to commence in the third calendar quarter of 2018.**
- **CLV also intends to expand its product portfolio into other alcoholic and non-alcoholic beverages with various cannabis terpenes and other ingredients.**
- **First action under the JV will be to establish a pilot state-of-the-art R&D brewery facility in Tallinn, Estonia which will be dedicated to work on innovative recipes and to develop proprietary know-how and IP.**
- **CLV will have vast commercialisation reach spanning various continents leveraging the networks of all three companies.**

Creso Pharma Limited (ASX:CPH, the “Company” or “Creso”) is pleased to announce that it has formally launched its new joint venture company with LGC Capital Ltd (TSXV: LG) (“LGC”) and Baltic Beer Company Ltd (“Baltic Beer Company”) to capitalise on the fast-growing cannabis and hemp-derived beverage markets.

The joint venture company – CLV Frontier Brands Pty Ltd (“CLV”) – intends to develop and globally commercialise a bespoke portfolio of cannabis and hemp-derived alcoholic and non-alcoholic beverages containing various ingredients, seeds, extracts and terpenes from hemp and cannabis plants.

The launch of CLV follows the announcement in November 2017 of a binding letter of intent between the three parties and the formation of the joint venture company. The parties have now executed a formal binding joint venture agreement that more specifically outlines the rights and obligations of the parties.

Under the terms of the joint venture, both Creso and LGC will initially contribute €150,000 in start-up capital to CLV and Baltic Beer Company will contribute the equivalent sum by way of services to the company.

It is proposed that CLV will immediately start developing an initial premium four-beer range containing unique cannabis terpene mixes as well as other innovative ingredients.



These unique terpenes will carry the flavor and aroma of cannabis and will provide a sensual cannabis experience but the beverages will not contain any THC or CBD or any other cannabinoids.

What are terpenes?

- Cannabis terpenes are fragrant oils that give cannabis and hemp their 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 behavior.
- These essential oils are secreted in the flower's sticky resin glands.
- Like cannabinoids, terpenes bind to receptors in the brain and give rise to various effects.
- However, as essential oils and flavouring agents, terpenes raise no safety concerns. They are Generally Recognized As Safe ("GRAS") 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).

Shipment of initial test batch and commercial launch

CLV is targeting to ship the first test batch of an initial four beer range containing cannabis-derived terpenes in April/May 2018, with commercial sales aimed to commence in the following calendar quarter.

The joint venture participants have already identified potential distribution partners in Europe, far East Asia, Central and Latin America, Canada, Africa, Australia and New Zealand and also plan to expand CLV's portfolio into other alcoholic and non- alcoholic beverages in time.

CLV will establish a pilot state-of-the-art R&D brewery facility in Tallinn, Estonia which will be dedicated to work on innovative recipes and to develop proprietary know-how and IP which will be registered by the JV.

CLV will only distribute and market products strictly in compliance with all local and international laws.

Large market opportunity

The launch of CLV comes at a time when there is growing interest in the cannabis and hemp-derived beverage market which is experiencing strong growth.

In October 2017, global beverage conglomerate Constellation Brands (NYSE: STZ) took a 9.9 per cent stake in cannabis group, Canopy Growth, for a total of US\$200 million in order to develop and market cannabis-infused drinks¹.

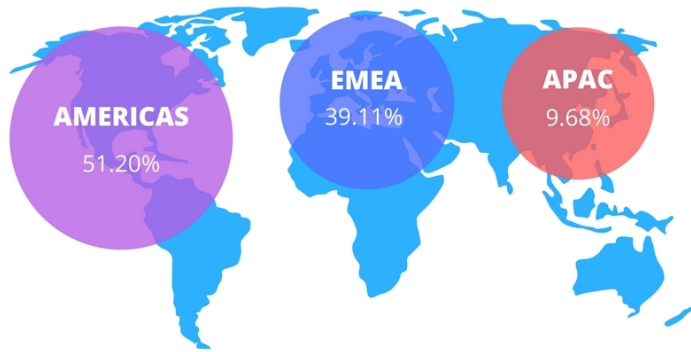
Meanwhile, the global craft beer market predicted to grow at a CAGR of 11.04% between 2017 and 2021², with the European, Middle East and African markets expected to reach US\$38.36 billion in 2021. The craft beer market in the APAC region is also growing strongly at a CAGR of 16.14%.

¹eater.com/2017/10/30/16575412/constellation-brands-cannabis-beverages-investment

²globenewswire.com/news-release/2017/10/25/1153114/0/en/Global-Craft-Beer-Market-Report-2017.html

GLOBAL CRAFT BEER MARKET GEOGRAPHICAL SEGMENTATION

Global Craft Beer Market By Geography 2016 (% share)



The craft beer market in the Americas was valued at \$29.82 billion in 2016.

The craft beer market in EMEA is expected to reach \$38.36 billion in 2021.

The craft beer market in APAC is growing at a CAGR of 16.14%.

The craft beer market in the US was valued at \$23.60 billion in 2016.

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Source: [businesswire.com/news/home/20170811005227/en/Global-Craft-Beer-Market---Geographical-Segmentation](https://www.businesswire.com/news/home/20170811005227/en/Global-Craft-Beer-Market---Geographical-Segmentation)

CLV's Board comprises Creso Pharma Chief Executive Officer, Dr Miri Halperin Wernli, LGC Capital Chief Executive Officer, Mr. John McMullen and Baltic Beer Company Director, Mr Alex Klaos, whose role will be to oversee the day-to-day operations of the new entity to ensure product development, growth targets, and distribution reach is achieved.

"CLV combines Creso Pharma's cannabis expertise with the strong global reach of Baltic Beer and the financial strength and global network of LGC Capital," said Creso Pharma Chief Executive Officer, Dr. Miri Halperin Wernli.

"We are leaders in cannabis innovation, developing hemp and cannabis derived therapeutic and life style products and are committed to becoming a leading global player in the cannabis space 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' senses and imagination. Entering the cannabis derived beverages market exemplifies this approach and will build on our scientific and technical expertise as well as on our vast geographical reach for commercialisation."

Baltic Beer Company Director Alex Klaos added: "This is an exciting time for all of us at Baltic Beer Company. As our Joint Venture has taken shape with CLV Frontier Brands and our new brewing test facility is being set up in Tallinn, Estonia we are continuing our work on developing the first four-product range of terpene-beers."

John McMullen, CEO of LGC Capital, Ltd added: "LGC recognized the value of this joint venture immediately. Working with industry leaders, Creso and Baltic Beer Company, to develop and commercialize innovative products. We fully expect the beverages we develop will be extremely well received. The worldwide commercialization will be aggressive and it hopefully will have a significant impact on the revenue stream for all parties involved."



About LGC Capital Ltd

LGC is a Canadian incorporated public company listed on the TSX Venture Exchange (TSXV: LG). LGC's objective is to become a diversified investment company with core holdings in businesses that provide shareholders with exposure to a diverse range of high growth businesses, products and services. To date, LGC has entered into agreements for investments in private cannabis operations in South Africa, Australia and Canada.

About Creso Pharma

www.cresopharma.com

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 Baltic Beer Company Ltd

A UK-based company that created and markets an iconic Estonian beer brand called Viru Premium Estonian Beer. Viru beer is currently sold in numerous markets around the world including Australia, China, UK, Italy and Mexico to name a few and has won multiple awards including gold medals at Monde Selection, Brussels and the World Beer Championships Chicago.

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