



14 February 2018

Market update on Colombian operations

Highlights:

- **Due diligence on proposed acquisition of Kunna Canada Ltd., and its wholly-owned Colombian subsidiary, Kunna S.A.S. on track for completion in March 2018.**
- **Kunna's application for a licence to cultivate medicinal cannabis is expected to be granted in April 2018. Follows receipt of licence to produce, market and export cannabis derivatives and products in 2017.**
- **Acquisition, if completed, will mean Creso will be the only Australian-listed medicinal cannabis company with capacity to commercially cultivate medicinal-grade cannabis in Colombia.**
- **Creso will also gain a foothold in the strategically important Latin American market.**
- **Colombia represents a significant market opportunity for Creso, with the country expected to be exporting more than 40.5 tonnes of medicinal cannabis oil by 2019¹.**
- **Colombian market is growing strongly: cannabis consumption increased 15% p.a. between 2008 & 2013; size of the country's medicinal cannabis market is estimated at between three to six million patients².**

Creso Pharma Limited (ASX:CPH, the "Company" or "Creso") is pleased to provide a market update on its progress in the Colombian market following the recent proposed acquisition of Kunna Canada Ltd., and its wholly-owned Colombian subsidiary, medicinal cannabis group, Kunna S.A.S. (formerly Cannalivio S.A.S).

Due diligence is on track for completion in March 2018. Kunna's application for a licence to cultivate medicinal cannabis has been completed and the licence is expected to be granted in April 2018.

The acquisition, if completed, will give Creso a foothold in the strategically important Latin American market. It will also mean Creso is the only Australian-listed medicinal cannabis company with direct exposure to the Colombian market and with the capacity to commercially cultivate medicinal-grade cannabis in that country.

The Colombian cannabis market

Following the legalisation of medicinal cannabis in 2016, the Colombian government issued a decree, through the Ministry of Health, which regulates the production of medical marijuana in 2017.

¹ Source: El Tiempo newspaper, Bogota, November 2017.

² <https://www.leafly.com/news/industry/colombia-wants-to-supply-the-world-with-cannabis>



Under the decree, growers will apply for licenses from the National Narcotics Council, while those seeking to manufacture cannabis-based drugs will apply for permits from the Colombian Ministry of Health. The Health Ministry will also grant permits to export such drugs to countries where they are legal.

In November 2017, 14 licences were given to medical cannabis businesses by the Health Ministry for the cultivation of psychoactive and non-psychoactive plants and for the use of seeds.

In 2017 the country was allocated a production quota equivalent to one quarter of the world's total production by the International Narcotics Control Board (INCB), the UN's body responsible for regulating the legal cannabis market. Global production for 2017 was established at 155.5 tonnes.

Significant market opportunity

The Colombian market represents a significant market opportunity for Creso, with industry sources suggesting that the size of the country's medicinal cannabis market is between three to six million patients³.

Estimates suggest that Colombia could supply 44% of the global demand for medicinal marijuana in 2018 after the country's Drug Control Fund authorised the harvest of 40.5 tonnes for export-only proposes⁴.

Since 2016, cannabis extracts have been legally available to patients in Colombia with a doctor's prescription and the country is expected to make the full marijuana flower available to patients sometime in 2018⁵.

There are many advantages to growing cannabis in Colombia. In addition to its equatorial location and ideal microclimates, it is one of the most economically advantageous countries in the world to produce large volumes of high-quality, low-cost cannabis due to its expertise in the flower industry, its knowledgeable and skilled labour force, and supportive government.

About Kunna

Kunna intends to develop phytotherapeutic products with a view to treating seizures, chronic pain, cancer, epilepsy and multiple sclerosis, among others.

On 31 March 2017, Kunna was granted a licence to produce, manufacture, market and export cannabis derivatives and products using extracts in Colombia by the Ministry of Health, making it one of a small number of companies to have secured such a licence.

Following receipt of this licence, Kunna applied for a licence to cultivate medicinal cannabis in Colombia and it expects this licence to be granted in April 2018.

In preparation of receipt of a cultivation licence, Kunna has secured, a research partnership with the 'GIEM' group (associated with the Universidad de Antioquia, Medellín), which investigates plant genetics, disease and optimising cultivation.

³ <https://www.leafly.com/news/industry/colombia-wants-to-supply-the-world-with-cannabis>

⁴ <https://thecitypaperbogota.com/news/colombia-aims-to-become-global-export-leader-in-medicinal-marijuana-in-2018/18689>

⁵ <https://news.medicalmarijuanainc.com/colombias-medical-marijuana-industry-expected-compete-global-stage-years-end/>



Kunna has identified a parcel of land that is suitable for medicinal cannabis cultivation and, on receiving the cultivation licence, intends to begin a full genetic and fertilisation research project. It will then also progress Stage 2 of its project development, which will give the company access to large expanses of land packages for medicinal cannabis cultivation, while Stage 3 could potentially bring the total holdings available to the Company up to 600 hectares, subject to Colombian ministry quota grants.

Benefits of the acquisition

The acquisition will provide Creso with the following advantages:

- Cost-effective entry into the Colombian market and broader Latin American market;
- A presence in the growing Colombian market for its innovative animal and human health nutraceutical products;
- Product and commercialisation synergies with Kunna having a complementary range of medicinal cannabis products aiming to develop end-user applications and a first-mover advantage in the Latin American market;
- The ability to greater integrate its supply chain, allowing it to produce its own medicinal cannabis as well as supply its existing planned products to the Colombian market; and
- The ability to bring its significant pharmaceutical expertise and rigour to medicinal cannabis production and cultivation in Colombia.

“We look forward to completing due diligence on the Kunna acquisition and to receiving the licence to cultivate medicinal cannabis, which is expected in April 2018. The acquisition and cultivation licence will give Creso a significant competitive advantage as 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 this strategic and growing market,” said Creso Pharma Co-Founder and Chief Executive Officer, Dr Miri Halperin Wernli.

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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.