



15 February 2021

Distribution Agreement secured for innovative hemp derived therapeutic products in Pakistan, Philippines and other new markets

Up to CHF1.71m (AUD2.48m¹) minimum order quantity across CannaQix 10, Cannaqix 50 and CannaDOL product lines

Highlights:

- **Creso enters into Distribution Agreement with Route2 Pharm Pvt Ltd in Pakistan, for the exclusive distribution of Creso Pharma's products into Pakistan and Philippines, as well as non-exclusive distribution into other potential target markets ('Agreement')**
- **Agreement contemplates combined minimum order quantities for the first contractual year of up to CHF1.71 million (AUD\$2.48 million¹) across CannaQix 10, Cannaqix 50 and CannaDOL product lines, pro-rata subject to timing of product registrations.**
- **Agreement follows a landmark decision by the Government of Pakistan allowing Pakistan to enter the billion-dollar Cannabidiol (CBD) market²**
- **Pakistan has a population of over 216 Million people and a wide range of unmet needs that can be addressed by a targeted portfolio of products**
- **Other potential target markets include Cambodia, Afghanistan, Azerbaijan, Bangladesh, Georgia, the Maldives, Myanmar, Tajikistan, Turkmenistan, Uzbekistan, and Vietnam ('Potential Target Markets')- takes potential addressable market to 750 Million people³**

Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to announce a comprehensive distribution agreement with leading nutritional supplements company, Route2 Pharm Pvt Ltd ('Route2'), to import, market, distribute and sell the Company's innovative hemp derived therapeutic products exclusively into Pakistan and Philippines (being the "**Exclusive Territories**"), and non-exclusively into other potential target markets including Cambodia, Afghanistan, Azerbaijan, Bangladesh, Georgia, the Maldives, Myanmar, Tajikistan, Turkmenistan, Uzbekistan, and Vietnam (being the non-exclusive "**Potential Target Markets**").

Route2 is a subsidiary company of Route2Health (www.route2health.net). Route2Health has over thirty years of pharmaceutical sciences experience and produces and distributes world-class herbal remedies and dietary supplements. It is based in Pakistan and has United States Pharmacopeia (USP) GMP compliant manufacturing facilities and global partnerships.

¹ Based on the CHF/AUD exchange rate of \$1.45, as calculated per the table on page 2 of this release.

² <https://www.hindustantimes.com/world-news/in-landmark-decision-pakistan-approves-industrial-use-of-cannabis-and-hemp/story-BNWRpToqe0eMKBASrnqq80.html>

³ <https://data.worldbank.org/indicator/SP.POP.TOTL>



Under the terms of the 3 year Agreement, Route 2 has exclusivity rights over the Company's cannaQIX® and cannaDOL product lines in the Exclusive Territories, subject to Route 2 achieving minimum order quantities (“**MOQ**”) for each product line in the first contractual year, being 1 January to 31 December (“**Contractual Year**”).

First Contractual Year minimum order quantities are as follows:

Product	MOQ (CHF)	MOQ (AUD) ¹
cannaQIX® 10	123,250	178,712
cannaQIX® 50 (various package sizes)	1,402,500	2,033,625
cannaDOL, 0.1%	78,000	113,100
cannaDOL, 1%	108,000	156,600
Total	1,711,750	2,482,037

The minimum order quantities only become applicable three months after each product is registered in each Exclusive Territory, and Route 2 shall launch and commence distribution within 6 months after such product registration, with minimum order quantities in the first contractual year being adjusted pro rata relative to the date that a product is registered and launched in an Exclusive Territory. Route 2 is responsible for obtaining all such necessary and legally required registrations, authorisations and certifications.

For the second and third contractual years of the Agreement, the Parties will negotiate in good faith to set new minimum sales targets.

In the event that minimum order quantities are not realised within any Contractual Year, Creso has the right to terminate the Agreement upon giving Route 2 six months written notice, with such notice to be given on or before 31 March of the following Contractual Year.

The Agreement may otherwise be terminated by either party in the event of a material breach, or bankruptcy of the counterparty.

The Agreement follows a landmark decision made by the Pakistan government in September 2020, which will allow the country to enter into the billion-dollar cannabidiol (CBD) market, through a focus on cultivating cannabis and hemp for therapeutic products. Route2Health has a strategic association with Highnoon Laboratories Limited (PSX: HINOON) (‘Highnoon’), one of Pakistan’s most successful and progressive pharmaceutical companies. Under the Agreement, both parties have agreed, subject to further regulatory approvals, to leverage their combined international reach to distribute and sell Creso’s products into additional markets including the Philippines and Cambodia, as initial priorities, as well as Afghanistan, Azerbaijan, Bangladesh, Cambodia, Georgia, the Maldives, Myanmar, Tajikistan, Turkmenistan, Uzbekistan, and Vietnam.

This considerably broadens Creso’s international footprint and unlocks a number of large market opportunities. Pakistan has a population of over 216 Million people and a wide range of unmet needs that can be addressed by Creso’s targeted portfolio of products.



Creso has a growing portfolio of cannabis and hemp-derived products that focus on four key areas including therapeutics, nutraceuticals, animal health, and cosmetics. The Company currently has a portfolio of 13 products, eight of which have been commercialised and are generating revenues, as well as a strong product development pipeline.

Non-executive Chairman Adam Blumenthal said: “This Agreement has the potential to take Creso into markets with a combined population of over 750 million people. Our mission is to deliver access to affordable, high quality, broad spectrum, GMP products for the betterment of people’s lives everywhere. We’re delighted to conclude this important partnership, through which we hope to provide the opportunity for millions of people to have access to our innovative products.”

Tausif Khan, the Chairman of Route2 and Highnoon Laboratories said: “We are very excited to progress this partnership with leading global cannabis company Creso Pharma. There exists a vast amount of real-world and strong clinical evidence which supports the safety and efficacy of hemp-based therapeutic products. The basis for this partnership is a shared commitment of bringing affordable, high quality products to market which improve peoples lives. We intend to fully leverage the financial and marketing strength of our group to deliver on this mission.”

Shahnawaz Baig, Managing Director of Route2 said: “Our company has thirty years’ experience of successfully bringing products to market. These products draw on our knowledge in both pharmaceutical sciences and time-tested herbal remedies. We have been strongly encouraged with the recent regulatory breakthrough on CBD in Pakistan, which will result in the removal of obstacles to patient access. We continue to work closely with the relevant authorities to pave a way for patients and consumers to gain access to the benefits of Creso’s innovative hemp-derived therapeutic products.”

Proposed Issue of Incentive Securities to Key Employees

The Company has also agreed to issue the following securities to certain key employees of the Company (or their nominees) under the Company’s Employee Incentive Plans, subject to obtaining shareholder approval at a general meeting.

Employee	Performance Rights	Options
Miri Halperin Wernli (Technology, Innovation and Distribution Head)	10,000,000	10,000,000
Jorge Wernli (Commercial Director of Creso Pharma Switzerland)	4,000,000	2,000,000
Total	14,000,000	12,000,000

Each Performance Right shall convert into one fully paid ordinary share upon the satisfaction of certain vesting conditions with performance milestones to be agreed, subject to ASX and shareholder approval, and shall expire on the date which is 3 years from the date of shareholder approval.



Each Option shall be exercisable into one fully paid ordinary share at an exercise price of \$0.30, on or before the expiry date that is 2 years from the date of shareholder approval, and are also subject to certain vesting conditions subject to shareholder approval.

Further details on the material terms of the Performance Rights and Options, including the applicable vesting conditions will be set out in a Notice of Meeting to be sent to all shareholders in due course.

The purpose and commercial rationale for the proposed awards are to:

- a) reward the employees for their performance in respect of the 2019 and 2020 financial years, during which neither of the proposed recipients were awarded incentive equity securities, notwithstanding the considerable work undertaken to grow the Company's business and revenues in Canada, Switzerland, Europe, Australia and South Africa.
- b) incentivise the ongoing commitment and performance of Miri Halperin Wernli and Jorge Wernli and to promote their retention in the business. Both Miri Halperin Wernli and Jorge Wernli are very experienced and highly sought-after industry professionals with key technical and commercial expertise which the Board considers to be integral to the day-to-day operations of the Company and the execution of its strategic growth objectives.

-Ends-

Authority and Contact Details

This announcement has been authorised for release by the Board of Creso Pharma Limited.

For further information, please contact:

Investor Enquiries

EverBlu Capital

E: info@everblucapital.com

P: +61 2 8249 0000

Released through:

Ben Jarvis, Six Degrees Investor Relations: Ph: +61 (0) 413 150 448

About Creso Pharma Limited

Creso Pharma Limited (ASX:CPH) 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 derived therapeutic, nutraceutical, and life style products with wide patient and consumer reach for human and animal health.

Creso Pharma uses GMP (Good Manufacturing Practice) development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. It



has worldwide rights for several unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids.

To learn more please visit: www.cresopharma.com

About Route 2 Pharm Pvt Ltd

Route to Pharma is a wholly owned subsidiary of Route 2 Health and located in Lahore, Pakistan. Its manufacturing facility is approved by the Drug Regulatory Authority of Pakistan to manufacture herbal and nutritional products and is both GMP and ISO certified. The group has a number of notable national and international partnerships, including with Highnoon Laboratories, Himalaya and Engelhard Arzneimittel.

To learn more please visit: www.route2health.net

About Highnoon Laboratories Ltd. (PSX: HINOON)

Highnoon Laboratories Limited was incorporated as a private limited company in Pakistan in 1984, converted into a public limited company in 1985 and its shares are quoted on Pakistan Stock Exchange since November 1994. The Company is principally engaged in the manufacture, import, sale and marketing of pharmaceutical and allied consumer products. The registered office of the Company is situated at 17.5 Km, Multan Road, Lahore.

To learn more please visit: www.highnoon-labs.com

Forward Looking statements

This announcement contains forward-looking statements with respect to Creso 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 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 and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso has no obligation to up-date such statements, except to the extent required by applicable laws.