



1 March 2021

Creso signs non-binding LOI to conditionally enter US market with established partner

Highlights

- **Non-binding Letter of Intent entered into with CERES Natural Remedies (“CERES”) to distribute anibidiol® in the US**
- **CERES is a leading provider of plant-based medicines and CBD products and an operating business of High Fidelity, Vermont’s largest independent cannabis company**
- **High Fidelity has an established footprint and has generated over US\$35m in revenue since 2013**
- **CERES has three traditional retail stores and an established distribution footprint of ~50,000 outlets in the US focusing on high growth customer segments**
- **CERES will aim to achieve a target of US\$5m in anibidiol® sales over the first two years of the agreement, subject to federal legalisation of CBD in the US**
- **The US is a major market opportunity for Creso with considerable growth expected**

Creso Pharma Limited (ASX:CPH, FRA:1X8) (‘Creso Pharma’ or ‘the Company’) is pleased to advise that it has executed a non-binding letter of intent (“LOI”) with leading CBD and plant-based remedies provider CERES Natural Remedies (“CERES”) (www.ceresremedies.com) to distribute and sell Creso’s range of CBD and hemp animal health products anibidiol®, in the USA.

CERES is a leading Vermont headquartered distribution company, specialising in plant based remedies and CBD and hemp products for the US market. It is the sister company to Champlain Valley Dispensary, Vermont’s first licensed and only independent medicinal cannabis company.

Champlain Valley Dispensary and CERES are both subsidiaries of High Fidelity, Vermont’s largest independent cannabis company. High Fidelity currently operates two of the five vertically integrated cannabis licences available in the state and services 70% of registered patients. Since 2013, High Fidelity has generated in excess of US\$35 million in revenue.

CERES has three traditional retail stores in Vermont and access to over 50,000 distribution outlets across the country. It services a number of high growth customer segments, including conventional and convenience based grocery stores, colleges and universities, fast food outlets, natural grocers and medicinal and recreational cannabis dispensaries. In addition to its own branded products, CERES has a strong track record of scaling up regional, national and international brands through its sales channels. Creso expects to leverage CERES’ established relationships to expand the Company’s footprint into the US.

Under the agreement, the parties have agreed to enter into a formal commercial agreement on or before 1 April 2021 setting out the terms upon which CERES will sell Creso’s anibidiol® animal health products through its established distribution network in the US, subject to federal legalisation of CBD in the US.



Images: CERES Natural Remedies, Flagship store in Burlington Vermont

Initially, it is intended that CERES will focus on Vermont, Maine, New Hampshire, New York, Connecticut, Massachusetts and Rhode Island and explore opportunities to target additional states across the US.

Creso and Ceres will work together collectively to prepare to sell and distribute within the US market upon legislation occurring which both groups believe will happen in 2021.

The initial term of the agreement is one year (“Initial Term”) and will automatically renew after one year (“Renewal Term”), unless either party notifies the other of their decision to not renew the agreement within 90 days prior to the expiry of the Initial or Renewal Term. Initial Term and Renewal Terms are subject to termination for cause upon notice by either party, or upon failure to meet the above referenced renewal conditions.

CERES will aim to achieve a target of at least US\$5 million in sales over a two-year period, subject to federal legalisation of CBD in the US. The Company has recently witnessed considerable shift in the regulation of cannabis globally and eagerly awaits legislative reform in the US (refer to ASX announcements from 8 January 2021 and 7 December 2020). Creso and Ceres are forming the view this legislation may occur at some point during 2021 and intend to formalise the commercial agreement quickly in order to be able to move swiftly upon such legislation occurring.

The US represents a large, emerging addressable market for Creso. The global CBD pet supplements market was valued at US\$27.7m in 2019 and is anticipated to grow at a 40% compound average growth rate from 2020 to 2027¹. This agreement leaves Creso very well placed to benefit with sales expected to materially add to the Company’s growing revenue profile.

Management Commentary

Non-executive Chairman, Adam Blumenthal said: *“Entering the US market with a high calibre partner such as CERES is a major achievement for Creso Pharma and we look forward to working with the group to outline a progress of the launch of anibidiol® across the country.”*

“Importantly, CERES has an established distribution footprint and relationships with over 50,000 stores across the country, as well as a track record of scaling up its own branded products and international offerings. To this end, we are very confident that our animal health products will be well received.”

¹ <https://www.grandviewresearch.com/industry-analysis/cannabidiol-pet-market#:~:text=b.,USD%2037.37%20million%20in%202020>



“We will continue to monitor regulatory and policy shifts in the US to ensure the Company and CERES are primed for launch and expect first sales to add to the Company’s revenue streams.”

“Creso has a number of exciting growth initiatives across all key operating business pending and we look forward to updating shareholders as they materialise in the coming months.”

CERES Executive Director, Shayne Lynn added: *“We are excited to partner with Creso Pharma to introduce the Company’s industry leading animal healthcare products to the US market. We continue to witness rapid demand for CBD and hemp based pet health products through our network and anticipate anibidiol® to be very well received.”*

“We look forward to working with Creso’s management team to explore additional growth opportunities which will benefit both parties and create a long term, value accretive partnership.”

-Ends-

Authority and Contact Details

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

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About Creso Pharma

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 a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids. To learn more please visit: www.cresopharma.com

About CERES Natural Remedies

Ceres Natural Remedies is one of Vermont’s premier most successful retailers and distributors of hemp derived CBD products. Offering New England’s largest selection of CBD products for plant-based health and wellness, CNR offers over 50 brands of extracts, capsules, edibles, pet and body care



products made from hemp. Ceres Natural Remedies brings together artisanal quality and science-based healing through local and national brands like Mary's Nutritionals Medicinals, Social CBD Charlotte's Web, CBD Medic and more. Visit them online at www.ceresremedies.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.