



21 February 2022

Creso Pharma's wholly-owned Canadian subsidiary, Mernova Medicinal Inc. progressing new product development, ongoing sales growth, and Canadian expansion opportunities

Highlights:

Launch of *Ritual Gold* – Mernova's new vaporiser products:

- **New one gram vaporiser product is expected to be sold to new and existing provincial partners in Canada during H2 CY2022**
- **Product utilises cannabis flower trim inventory and other biomass which are not optimal for retail sale – providing opportunity to increase sales across the division on an attractive margin basis**
- **150kg of biomass prepared and ready to be sent to specialized manufacturer - will result in approximately 15,000 1g vape units**
- **Preparation for product registration and regulatory approval to begin concurrently to support expedited sales**
- **Global cannabis vaporiser market anticipated to reach a value of over US\$15.77Bn by 2028ⁱ**

Ongoing sales growth in Nova Scotia:

- **Mernova recently reached a record weekly retail market share in Nova Scotia of 4.8% with weekly sales over C\$95,000 (A\$104,429ⁱⁱ) during the weeks of both of 17 January and 31 January**
- **Strong demand witnessed from several provincial partners with sustained high performance in Nova Scotia**

Expansion into a new province to broaden footprint:

- **Mernova enters Saskatchewan via purchase order totalling C\$57,000 (A\$62,657ⁱⁱⁱ)**
- **Saskatchewan is the fifth province in which Mernova has commenced sales of its leading, high-THC Ritual brands**
- **Saskatchewan is a lucrative market, with no cap on the number of cannabis retail stores and monthly cannabis sales of upwards of C\$13.4m^{iv}**
- **Additional province expansion anticipated in coming months**

Creso Pharma Limited (ASX:CPH, OTC:COPHF, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to provide the following update on progress made through wholly-owned, Canadian subsidiary Mernova Medicinal Inc. ("Mernova"), including product development initiatives through the preparation for a launch of a new range of vaporisers which is expected to drive increased revenue and incremental gross margin, as well as ongoing sales growth and provincial expansion in Canada.

**Mernova vaporiser range:**

The Company advises that it is preparing the launch of a new handheld vaporiser product, which will be sold under the *Ritual Gold* (or similar) brand. This will provide Creso Pharma with an entry point into the global cannabis vaporiser market, which is expected to reach a value of over US\$15.77Bn by 2031^v.

The new range will utilise Mernova's top-quality, indoor grown, hand trimmed, hang dried, cured, artisanal, high-THC, craft cannabis flower which will be manufactured into one gram vape cartridges. The range will use cannabis trim and other biomass which are not optimal for retail sale, resulting in potentially increased revenue from unused inventory. Mernova's production process produces trim as a by-product, therefore providing a consistent supply of high-quality material for future vape production runs.

Mernova has prepared an initial 150kg of biomass of its leading Lemon Haze strain for shipment to its specialized vape manufacturer, which will equate to approximately 15,000 one gram vape cartridges. Product registration with the provinces and Health Canada regulatory approval initiatives will occur concurrently with production; the Company expects to be able to commence sale of the new range during H2 CY2022.

Creso Pharma has been in discussions with potential provincial customers regarding the new range and early-stage interest is very encouraging. Mernova will leverage its leading brand and existing market footprint to initiate and drive sales growth of *Ritual Gold* once regulatory milestones have been achieved.

Ongoing sales growth in Nova Scotia:

Mernova has continued to witness strong sales through its established provincial groups which include the Yukon, New Brunswick and Ontario, as well as Nova Scotia. Most recently, the Company has achieved weekly sales of greater than C\$95,000 (A\$104,429^{vi}) in Nova Scotia for the weeks of 17 January and 31 January, which equated to a 4.8% market share. The incremental increase in total market share highlights a record for the Company up from the previous record of 4.5% (refer ASX announcement: 31 January 2022).

Mernova continues to work with its established provincial partners and licenced wholesale groups to drive recreational cannabis sales. Additional purchase orders are anticipated in the coming weeks from all five provinces.

New province entry increases Canadian footprint:

Mernova advises that it has secured a purchase order from Saskatchewan totalling C\$57,000 (A\$62,657^{vii}), highlighting the group's entry into this market.

Saskatchewan marks the fifth Canadian province into which Mernova has progressed sales of its Ritual Green and Ritual Sticks product range. The new province is a lucrative market, with no cap on the number of cannabis retail stores and monthly cannabis sales upwards of C\$13.4m^{viii}.

Mernova is progressing multiple initiatives to grow market share in Saskatchewan and establish a presence with new customers and cannabis retailers in the region. Additionally, the company is currently pursuing new additional provinces for near term expansion.

**Commentary:**

CEO and Managing Director Mr William Lay said: *“Mernova continues to progress, leveraging industry leading cannabis quality, and we anticipate that the launch of the Ritual Gold range will provide another revenue generating activity for the group.*

“Importantly, the Ritual Gold range will utilise cannabis inventory and production by-products which are not optimal in their pre-processed form for retail channels. This will allow the Company to introduce a new product category that is expected to provide incremental revenue at high gross margins.

“Our recent progress in Nova Scotia highlights the ongoing demand we are witnessing for our high-THC products. and we are also excited to have entered the Saskatchewan market. The Company is in well progressed discussions with further provincial partners, which would allow Mernova to further expand its distribution channels.”

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Authority and Contact Details

This announcement has been authorised for release by William Lay, Managing Director and CEO of Creso Pharma Limited.

For further information, please contact:

Investor Enquiries

Creso Pharma Limited
E: info@cresopharma.com
P: +61 (0) 497 571 532

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 lifestyle 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

Creso Pharma offices:**Australia**

Suite 5 CPC, 145 Stirling Hwy, Nedlands, WA, 6009

Switzerland

Allmendstrasse 11, 6310 Steinhausen, Schweiz



Canada

59 Payzant Drive, Windsor, Nova Scotia, B0N 2T0 and 50 Ivey Ln, Windsor, Nova Scotia, B0N 2T0

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.

ⁱ <https://www.prnewswire.com/news-releases/handheld-marijuana-vaporizer-market-size-to-reach-15-77-billion-by-2028-owing-to-its-benefits-in-the-treatment-of-neurological-and-mental-disorders--million-insights-301288146.html>

ⁱⁱ Based on a CAD to AUD exchange rate of \$1.10

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^{iv} <https://www.westerninvestor.com/saskatchewan-manitoba/saskatchewan-cannabis-sales-top-13-million-per-month-3978405>

^v <https://www.prnewswire.com/news-releases/handheld-marijuana-vaporizer-market-size-to-reach-15-77-billion-by-2028-owing-to-its-benefits-in-the-treatment-of-neurological-and-mental-disorders--million-insights-301288146.html>

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