



21 March 2022

Creso Pharma's wholly-owned Canadian subsidiary, Mernova Medicinal Inc. reaches significant market share milestone and materially improves plant yields

Highlights:

- **Strong sales growth continues in Nova Scotia – 5% market share achieved in the province across all product formats, market share as high as ~15% in some categories**
- **New FLUENCE SPYDR lighting installed in two of ten grow rooms at Mernova's grow facility alongside improved nutrition products in all rooms; first room harvested with both new lights and nutrition products indicates an increase in plant yield of approximately 56%**
- **Remaining grow rooms to be retrofitted with FLUENCE SPYDR lights over course of FY22**
- **Improvements will allow Mernova to increase volumes and decrease cost per gram, benefiting from operating leverage**
- **Management team strengthened with the appointment of Mrs Micheline MacKay as Mernova's managing director**
- **As a Creso Pharma Executive Director, the appointment of Mrs MacKay will further consolidate the Creso Pharma board and Mernova senior management team link**

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").

Mernova recently achieved a major milestone, achieving a market share of >5% in its home province of Nova Scotia for the first time during the week of 28 February through 6 March 2022. This milestone follows a consistent trend of increased sales in Nova Scotia since the end of Q2 2021 (refer to below chart). Ongoing sales growth is attributable to Mernova's *Ritual Green* brand positioning as a premium product at a reasonable price, as well as the efforts of Mernova's sales and marketing team, and Product Knowledge ("PK") sessions conducted with budtenders and managers at individual dispensaries extensively throughout Nova Scotia since Q2 2021. The Company is now expanding the PK training approach to new markets, with the objective of emulating the growth witnessed in Nova Scotia.

Additionally, Mernova's market share in the product categories in which it participates in Nova Scotia (dried flower and pre-rolls only) is 7.9%, and its market share in the specific product formats that it offers (dried flower in 3.5g format and pre-rolls) is 14.6% (refer to below table).

This data further highlights the opportunity for additional growth presented by the upcoming introduction of the Ritual Gold oil vape product range (refer to ASX announcement: 21 February 2022) which will expand the Company's product offering in Nova Scotia and is expected to launch in late Q2 or early Q3 of 2022. A January report from ATB Capital Markets estimated that the value of the Canadian recreational cannabis market will grow to C\$4.8 billion in 2022, an increase of 19% from an estimated C\$4.0 billion in 2021¹.



Figure 1: Mernova Weekly Sales in Nova Scotia at Retail (C\$000s)

Retail Sales - Week of Feb 28 - March 6 2022			
Product Format	Mernova Sales	Nova Scotia Sales	Mernova Share
All Products	\$98,371	\$1,934,761	5.1%
Dried Flower & Pre Roll Only	\$98,371	\$1,252,385	7.9%
Dried Flower (3.5g) & Pre Roll Only	\$98,371	\$673,593	14.6%

Figure 2: Analysis of Nova Scotia Retail Market Share by Category, for Week Ended 6 March 2022

Separately, Mernova personnel have also progressed several initiatives to further improve its growing process to increase plant yield and quality. These activities consisted of investments in higher quality nutrition products, irrigation system upgrades and new FLUENCE SPYDR lighting.

The Company has completed its first harvest and drying process of a batch of its high-THC Black Mamba strain from a growing room with both the new lighting and nutrition products. The total yield of trimmed dried flower from this batch was a 56% increase in yield vs. the average of the 14 previous batches of Black Mamba harvested prior to the new lighting and nutrition.

The new lighting has now been installed in two grow rooms in the facility with the remainder of the rooms expected to be retrofitted over the course of FY2022. Upsurge in yield not only increases the total product available for sale, but also reduces the cost of growing on a per gram basis, given a high proportion of fixed costs within the growing process.

To underpin the Company's rapid upward trajectory, recently appointed Creso Pharma Executive Director Mrs Micheline MacKay has also been appointed the Managing Director of Mernova. This provides a stronger link between the Creso Pharma board and the senior management team at Mernova.



Mrs MacKay has 22 years of experience in regulatory environments, including pharmaceuticals, medical devices, and government regulated industries. Her appointment will see her managing all business aspects for Mernova, and overseeing all operational areas including strategy, budgeting, forecasting, tracking and growth.

CEO and Managing Director, Mr William Lay said: *"I'm incredibly encouraged by the progress our team has made with sales in Nova Scotia. To reach ~15% market share within certain sub-categories is a testament to the quality of our products, and the hard work and dedication of our production staff and sales and marketing team. We look forward to taking our successful Nova Scotia approach and methodologies to other markets as we target further sales growth. These figures also highlight the opportunity presented by the Ritual Gold oil vape range which will come to market later this year.*

"Separately, I'm very pleased to see the ongoing improvements to our growing processes leading to such a significant increase in crop yield. By improving these processes, we will be able to take advantage of operating leverage as we push towards profitability in this business unit, which I view as a critical key performance indicator."

"I'd also like to congratulate Micheline on her new role within Mernova. Micheline has been a strong contributor to our business over the last few years, has a tremendous work ethic and is the ideal person to lead the continued growth of this business unit."

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Authority and Contact Details

This announcement has been authorised for release by the Disclosure Committee of the Board of Directors 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 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

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Forward Looking statements

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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://mjbizdaily.com/canadian-cannabis-sales-could-top-ca4-8-billion-in-2022-analyst-forecasts/#:~:text=Canada's%20recreational%20marijuana%20sales%20could,2022%20of%20CA%244.9%20billion.>