



11 October 2021

Creso Pharma's wholly-owned Canadian subsidiary Mernova completes THC content testing on new cannabis strains – results exceed industry average

Highlights:

- Mernova completes third-party testing of THC content for four new cannabis strains with a Health Canada certified lab
- Each new strain recorded an average THC content of between 19.6% to 30.1%, with peak THC anticipated to be higher in future testing - this is a major achievement and exceeds the industry average of 15% to 20%ⁱ
- New Miracle Alien Cookies strain shows 30.1% THC content – up to almost 50% above the levels offered by most competitors high THC strains
- New strains will provide Mernova with some of the highest THC content products to be sold in Canada's legal market – expected to deliver a competitive advantage and increase product demand
- Having an increase in product offerings with some of the highest THC levels in the industry, is anticipated to allow Mernova to grow market share, raise brand recognition and expand into new provinces
- Skill and experience level of staff has increased sufficiently to begin implementation of advanced grow methods – multiple process improvements have been made, and upgrades are currently underway which are expected to increase plant yield and quality
- Business development initiatives with potential new provincial partners ongoing – product range increases and entry into new provinces are expected near term
- High-quality, high THC content products are leading to interest and discussions with bulk buyers
- Additional 4 strains have been started from seed and will undergo testing in the coming months to determine sex - males will be eliminated or set aside for breeding, and the remaining females will undergo phenotype testing – those that qualify are expected to be introduced during 2022
- Sales continue to grow – additional A\$152,236 (C\$139,666ⁱⁱ) in purchase orders secured in the last week

Creso Pharma Limited (ASX:CPH, OTC:COPHF, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to advise that its wholly-owned Canadian subsidiary, Mernova Medicinal Inc. ("Mernova") has completed initial testing of cannabinoid content for four of its new cannabis strains. Testing has indicated that each new strain has shown a high level of THC content, which is expected to underpin Mernova's potential expansion into new provinces and sales growth.



The new strains are expected to be introduced under the Company's leading *Ritual Green* and *Ritual Sticks* brands in Q1, 2022. Each new product will support the growing demand for Mernova's top-quality, indoor grown, hand trimmed, hang dried, cured, artisanal, craft cannabis products.

The Company is very pleased that the new Miracle Alien Cookies strain tested at a THC content level of 30.1% THC. Grape Cream Cake tested at 26% THC, with Monkey Berries and Vineyard Select testing at 23.6% THC and 19.6% THC, respectively.

This is a major milestone and highlights that three of the four new plant genetics have exceeded the industry average THC content levels for dried flower products. The current THC content of most commercially available cannabis is between 15% and 20%ⁱ. Exceeding this benchmark provides Mernova with another key competitive advantage.

Testing was undertaken by Nova Scotia based, Bloom Labs, a laboratory licensed by Health Canada to conduct cannabis testing.

The four strains tested are the first of fourteen new plant genetics acquired in July (refer ASX announcement: 30 July 2021), and those that qualify will be added to Mernova's line of high-quality *Ritual Green* and *Ritual Sticks* products.

As the skill and experience level of Mernova's staff continues to increase, advanced grow processes are being implemented, and the Company is beginning to witness the benefits. Mernova will soon be introducing recently harvested Lemon Haze for sale which tested at 26.9% THC, followed soon by Black Mamba pre-roll joints which tested at 30.84% THC, and Black Mamba dried flower which tested at 32.60% THC. The Company believes that the 32.60% THC Black Mamba should be the most potent recreational cannabis sold as dried flower in Nova Scotia, once it becomes available for sale. In addition, the Company has recently begun to upgrade its facility, including the lighting and irrigation, which is expected to result in an increase in quality and yield.

Ongoing business development and new purchase orders ('PO'):

Mernova will utilise the new strains to increase its product offerings, attempt to increase market share, and further strengthen brand recognition. Management expects that the new, high-THC content strains will be well received by consumers seeking access to top-quality, craft cannabis.

The Company remains in discussions with a number of provincial partners regarding range increases and expects to expand its presence across new provinces in the near term.

Mernova's strong growth has been highlighted by recent POs totalling over A\$800,000 (refer ASX announcement: 5 October 2021). In the last week the Company has secured an additional A\$152,236 (C\$139,666ⁱⁱⁱ) in new orders from Cannabis NB and the Nova Scotia Liquor Corporation, existing provincial partners.

Commentary:

Mernova's Managing Director, Jack Yu said: "Acquiring such high-quality genetics and having the ability to grow them to such a high level of quality with this level of THC content, are major achievements for Mernova, and will provide us with a competitive advantage.

"With the increase in skill level of the staff, we have been able to increase implementation of advanced grow methods, and the results have been great. So far, they have resulted in an increase in potency and quality, with a recent Lemon Haze batch testing at 26.9% THC, a batch of Black Mamba allocated for pre-



roll joints testing at 30.84% THC, and a batch of Black Mamba allocated for dried flower testing at 32.60% THC. We anticipate that the increased level of quality will lead to an increase in sales.

"Recently, we have also begun to make improvements to the facility, including lighting and fertigation upgrades, which we expect will improve our quality and yields, leading to further enhancements of our top-quality product suite.

"We are very excited by the initial cannabinoid test results and are eager to introduce these new strains under our established Ritual Green and Ritual Sticks brands. Consumers are currently seeking new, leading edge, high THC strains and cannabis products, and Mernova is positioned to capitalise on the current market demand and the opportunities we hope these new strains will offer.

"Discussions with provincial partners are ongoing and feedback is very positive, as always. We look forward to updating shareholders about near-term opportunities and potential purchase orders as they materialise."

-Ends-

Authority and Contact Details

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

For further information, please contact:

Investor Enquiries

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

Enquiries can be texted to +61 (0) 497 571 532

Released through:

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

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

**Creso Pharma offices:****Australia**

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

Switzerland

Allmendstrasse 11, 6310 Steinhausen, Schweiz

Canada

59 Payzant Driver, Windsor, Nova Scotia, B0N 2T0

Canada

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 http://davidhammond.ca/wp-content/uploads/2021/02/2021_Sikorski_CannabisConsumptionPurchasingSourcesYoungCanadians.pdf

ⁱⁱ Based on a CAD to AUD exchange rate of \$1.09