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Mernova Medicinal Inc. appoints consultant to map EU GMP License process to fast track cannabis exports to Australia and Europe

Highlights:

- **Leading North American regulatory and scientific cannabis consulting agency, CannDelta Inc. (“CannDelta”) contracted to map European Good Manufacturing Practice (“EU GMP”) licensing process for Mernova**
- **EU GMP describes the minimum standard that a medicines manufacturer must meet in its production processes which is required to export to several major global markets**
- **Regulatory upgrade has the potential to unlock new, large international markets and higher margin sales for Mernova**
- **Initial focus on Australian market following a government decision to amend regulations around the import of cannabis which as of July 2023 must be GMP standard**
- **Australian market offers a minimum of 2x higher pricing than Canada on a per gram sales basis providing opportunity for increased revenues and higher margins**
- **Strategic decision follows Creso Pharma’s acquisition of Health House International Limited (ASX: HHI)**
- **Creso Pharma will leverage HHI’s established cannabis distribution network and relationships to pursue high growth sales in Australia following approvals**
- **Mernova is currently operating at 60% capacity (to match supply and demand – resulting in Q1 cash flow positive) – international revenue sources could scale sales growth materially without investing in new production footprint**
- **The EU GMP process set to commence immediately with Mernova personnel working closely with CannDelta to ensure all requirements are assessed as quickly as possible**

Creso Pharma Limited (ASX:CPH, FRA:1X8) (‘Creso Pharma’ or ‘the Company’) is pleased to advise that wholly-owned Canadian subsidiary, Mernova Medicinal Inc. (“Mernova”) has entered into a consulting agreement with leading North American regulatory and scientific cannabis consulting agency, CannDelta Inc. to map the European Good Manufacturing Practice licensing process for its Canadian manufacturing facility in Nova Scotia.

An EU GMP license would allow the Company to considerably broaden its international footprint and unlock multiple new large markets, which provide significantly higher margin opportunities.

CannDelta has offices in New York, Hackensack, New Jersey and Toronto and is focused on bringing innovation to the cannabis, psychedelic and pharmaceutical industries. The group assists companies with consulting services around licencing, business plans, strategy, operational support and ongoing compliance.



Under the agreement, CannDelta will provide quality and regulatory advisory support to Mernova as it progresses its EU GMP licence application. This includes a review and recommendations of the Company's physical security, Standard Operating Procedures, inventory control and record keeping measures, as well as assisting with additional cleaning and process validation, building and equipment qualification, installation or upgrade requirements and stability study protocols prior to the required inspections for Mernova to apply for EU GMP approval. CannDelta will receive a monthly retainer of C\$12,167 for the first three months for completing the risk assessment, with additional requirements to be priced and budgeted for separately depending on the gap findings. Creso Pharma may terminate CannDelta's services at any time, upon providing thirty days written notice.

EU GMP describes the minimum standard that a medicines manufacturer must meet in its production processes. The approval will allow Mernova to considerably expand its reach and operations with particular focus on Australia.

The decision to progress EU GMP license follows the Australian Government's Department of Health's verdict to amend regulations around the import of cannabis, which as of July 2023, stated that all imported medicinal cannabis products released for supply in Australia will have to present evidence to be produced under GMPⁱ.

The Australian market provides another lucrative opportunity for Creso Pharma and has the potential to increase sales volumes and gross margins. Cannabis sales in Australia on a per gram basis are generally at least two times higher than Canada.

Following the completion of the acquisition of Health House International Limited (refer ASX announcement: 16 May 2023), Creso Pharma plans to leverage HHI's existing medicinal cannabis distribution channels and relationships in the Australian market to fast track sales growth (pending approval).

Mernova is currently operating at around 60% capacity to meet existing demand, The Company is confident that its underutilised grow rooms can be leveraged in a cost effective manner to provide sufficient scale to meet the anticipated demand of the Australian market.

Preparation towards an EU GMP inspection will commence shortly, and earliest approval is anticipated in February 2024. Additional updates will be made as developments materialise.

Management commentary:

CEO and Managing Director, Mr William Lay said: *"The decision to pursue EU GMP registration for Mernova will allow the Company to considerably scale up operations and further expand our international footprint outside of Canada. This also has the potential to lead to a significant growth in revenue.*

"Following the completion of the HHI acquisition, Creso Pharma has an enviable international medicinal cannabis distribution network which can be immediately leveraged to drive sales growth in Australia at a much higher margin than Canada.

"Further, to have secured the services of a top tier consulting firm such as CannDelta will ensure Mernova's operations are running at optimum capacity and in line with stringent regulations. Work alongside CannDelta is expected to commence in the coming weeks, which will be followed by minor building upgrades and process optimisation prior to an EU GMP inspection in early 2024. We look forward to providing shareholders with additional updates over the coming months."

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Authority and Contact Details

This announcement has been authorised for release by the Disclosure Committee 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

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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.

¹ <https://www.legislation.gov.au/Details/F2022C01204>