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Creso's Canadian subsidiary Mernova streamlines operations and ramps up cannabis production ahead of premium retail product launch

Highlights:

- **Operational improvements at Nova Scotia production facility have improved cannabis quality – further enhancements to both yield and quality expected over coming months**
- **Mernova is currently scaling up cannabis production towards maximum capacity to meet growing demand from medical and recreational markets in Canada**
- **Mernova is well-positioned to become a leading premium product producer through its proprietary cultivation processes and artisanal approach to growing**
- **Discussions with recreational customers in Canada are advancing**

Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to provide the following operational update on its related body corporate, Mernova Medicinal Inc (**'Mernova'**), a licensed producer in Nova Scotia, Canada.

Mernova has recently implemented several key proprietary processes aimed at optimising its state-of-the-art cannabis production and processing facility ahead of its pending premium retail product launch (ASX announcement: 11 May 2020 and 10 June 2020). Already, Mernova has reported that these optimisation changes have streamlined production and delivered tangible improvements to cannabis quality, with increased yields soon to follow.

Following the completion of the legal due diligence on Creso Pharma's sales licence from Health Canada (ASX announcement: 10 June 2020), Mernova has been focused on increasing productivity at the facility to ensure it is well placed to meet demand from initial retail market purchase orders. Mernova's high quality initial offerings will be dried flower in its natural form (see below Figures 1 and 2), with other new premium products such as extracts and pre-rolled joints soon to follow.



Figures 1 & 2 (L-R): Mernova's PG-13 and Lemon Haze products utilizing the new post-harvest processes.



As Mernova continues to scale up production towards nameplate capacity, it has also initiated several proprietary processes to enhance product quality to meet a growing demand for small batch, artisanal cannabis products in Canada. Improvements have recently been made to Mernova's post-harvest processes, and are already having positive effects on the aroma, appearance, feel, and overall quality of the cannabis.

Creso Pharma is in initial discussions with several parties in North America regarding the sale of its high quality dried flower and cannabis 2.0 products, and will keep shareholders updated when material binding agreements are entered.

Management Commentary

Creso Pharma's CEO and Co-Founder Dr. Miri Halperin Wernli, said: "Mernova has been busy setting the stage for its retail product launch and we are delighted with the level of activity achieved over the past few months, even amidst the backdrop of challenging global conditions.

"The Mernova team, led by Jack and Isaac, is building a strong track record of continually finding innovative ways to improve the quality of its cannabis products and I believe this is ultimately what will set Mernova apart from its competition in both the recreational and medicinal markets.

"Alongside the streamlining of operations, discussions are also underway with a number of potential customers in the Canadian market and we look forward to updating shareholders on developments when appropriate."

Mernova's Managing Director Jack Yu commented: "This is an exciting time at Mernova as we get closer to launching our premium retail product range.

"Early in our planning, we identified that the premium market is looking for high quality cannabis, specifically indoor grown, small batch, artisanal product that isn't grown under the same 'factory' processes used by a number of the large-scale cannabis producers. We saw this as a massive near-term opportunity for Mernova and we believe we are now well placed to fill this gap in the market.

"Following the implementation of several proprietary processes, we are confident that we are now producing some of the best legal cannabis in Canada, which sets us apart from many of our peers, and we look forward to reporting on sales and supply agreements when we are able."

Mernova Production Facility Background

The Windsor facility is located in Nova Scotia, Canada. Construction for the state-of-the-art, GMP-ready indoor facility was completed towards the end of 2018. The facility is 24,000sqft with the option to expand an additional 200,000sqft. It has the capacity to produce up to 3,500kgs of cannabisⁱ annually and expansion capability of up to ten times this amount.

The Windsor facility received its license to cultivate from Health Canada in February 2019 (ASX announcement: 18 February 2019) and was only the fifth licensed producer in Nova Scotia, at that time. All Mernova plants are 100% indoor grown and fed hydroponically, allowing for the cultivation for exceptionally high quality and high margin product.

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Authority and Contact Details

This announcement has been authorised for release by the Creso Board

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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

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 Capacity Calculation FN1- A conservative estimate with a building housing 10 grow rooms with 460 plants per room turning 5 times a year and yielding 165 gr/plant. Does not take into account that a second tier is available. Expansion of the building of up to 200,000 sq ft on existing 10-acre parcel would add 10X capacity.