

**CRESO PHARMA LIMITED**  
**ACN 609 406 911**

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**PROSPECTUS**

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For the offer of:

- (a) one (1) convertible note with a face value of \$1,111,111 (**Convertible Note Offer**);
- (b) 10,752,688 Options exercisable at \$0.1386 each on or before the date that is 36 months from the date of issue (**Convertible Note Option Offer**); and
- (c) up to 10,000 Shares at an issue price of \$0.20 per Share to raise up to \$2,000 (**Cleansing Offer**),

(together, the **Offers**).

**IMPORTANT NOTICE**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as highly speculative.

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## 1. CORPORATE DIRECTORY

### Directors

Boaz Wachtel  
*Executive Chairman*

Miriam Halperin Wernli  
*Chief Executive Officer & Executive Director*

Adam Blumenthal  
*Non-Executive Director*

James Ellingford  
*Non-Executive Director*

### Joint Company Secretaries

Erlyn Dale and Winton Willesee

### Share Registry\*

Automic Registry Services  
Level 2  
267 St Georges Terrace  
PERTH WA 6000

Telephone:  
1300 288 664 (within Australia)  
+61 02 9698 5414 (International)

### Registered Office in Australia

'CPC'  
Suite 5, 145 Stirling Highway  
NEDLANDS WA 6009

Telephone: +61 8 9389 3180

Email: [info@cresopharma.com.au](mailto:info@cresopharma.com.au)  
Website: [www.cresopharma.com](http://www.cresopharma.com)

### Corporate Adviser

EverBlu Capital Pty Ltd  
Level 39, Aurora Place  
88 Phillip Street  
SYDNEY NSW 2000

### Auditor\*

BDO East Coast Partnership  
Level 11  
1 Margaret St  
SYDNEY NSW 2000

### Solicitors

Steinepreis Paganin  
Lawyers and Consultants  
The Read Buildings  
Level 4, 16 Milligan Street  
PERTH WA 6000

\*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

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## 2. INDICATIVE TIMETABLE

Issue of the Additional Tranche 1 Collateral Shares	23 June 2020
Issue of Shares pursuant to the Previous Share Issues	
Lodgement of Prospectus with the ASIC and ASX	23 June 2020
Opening Date of the Offers	23 June 2020
Closing Date of the Convertible Note Offer and the Convertible Note Option Offer	4:00pm (WST) on 24 June 2020
Issue of the Convertible Notes and Convertible Note Options	after 4:00pm (WST) on 24 June 2020
Issue of the Subsequent Collateral Shares and the Settlement Shares	24 June 2020
Closing Date of the Cleansing Offer*	4:00pm (WST) on 25 June 2020

\* The Directors reserve the right to extend or reduce the Closing Date or extend the issue date of the any of the Offers at any time after the Opening Date without notice.

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### **3. IMPORTANT NOTES**

This Prospectus is dated 23 June 2020 and was lodged with the ASIC on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Securities will be issued on the basis of this Prospectus after the expiry date.

The Offers are only available to those who are personally invited to accept the Offers. Applications for Securities offered pursuant to this Prospectus can only be submitted on the original Application Form which accompanies this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

#### **3.1 Risk Factors**

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 8. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

#### **3.2 Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Offers described in this Prospectus which is not contained in this Prospectus. Any information or representations not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offers. You should rely only on information in this Prospectus.

#### **3.3 Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8 of this Prospectus.

### **3.4 Web Site – Electronic Prospectus**

A copy of this Prospectus can be downloaded from the website of the Company at [www.cresopharma.com](http://www.cresopharma.com). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 8 9389 3180 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at [www.cresopharma.com](http://www.cresopharma.com).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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## 4. BACKGROUND TO THE OFFERS

### 4.1 Background to the Offers

As announced on 20 April 2020, the Company entered into the convertible securities agreement with Lind Global Macro Fund, LP (**Lind**) to enable the Company to raise \$1,000,000 (less the applicable commitment fee), which will largely be used to fund the Company's current liabilities and outstanding obligations and for the Company's operations and working capital purposes (**Lind Convertible Securities Agreement**).

The Company agreed to issue the following Securities under the Lind Convertible Securities Agreement:

- (a) a debt security with a face value of \$1,111,111 and a subscription price of \$1,000,000, which was issued on 20 April 2020 as a unconvertible debt until such time as Shareholder approval is obtained for the debt security to be replaced by the issue of a convertible equity security with terms further detailed in Section 7.2 (**Convertible Note**);
- (b) 21,000,000 Shares for nil cash consideration to be issued as collateral shares (**Collateral Shares**), comprising of:
  - (i) 6,000,000 Collateral Shares which were issued on 20 April 2020, pursuant to the Company's capacity under ASX Listing Rule 7.1; and
  - (ii) subject to the Company obtaining Shareholder approval, a further 15,000,000 Collateral Shares (**Subsequent Collateral Shares**); and
- (c) subject to the Company obtaining Shareholder approval, 10,752,688 Options exercisable at \$0.1386 each on or before the date that is 36 months from the date of issue (**Convertible Note Options**).

Further details in respect of the Lind Convertible Securities Agreement are set out in the ASX announcement released on 20 April 2020 and the notice of annual general meeting released on 12 May 2020 (**Notice of Meeting**).

The Company obtained Shareholder approval to issue the Convertible Note, the Subsequent Collateral Shares and the Convertible Note Options at the annual general meeting held on 16 June 2020 (**Annual General Meeting**).

The Convertible Note and the Convertible Note Options are being offered pursuant to this Prospectus. Further details in respect of the Convertible Note Offer and the Convertible Note Options Offer are set out in Section 5.

The Company intends to issue the Subsequent Collateral Shares prior to the closing date of the Cleansing Offer.

### 4.2 Shareholder Approvals

In accordance with Shareholder approval obtained at the Annual General Meeting, the Company is intending to issue an aggregate of 52,310,954 Shares comprising of:

- (a) 15,000,000 Subsequent Collateral Shares to Lind (or its nominee);

- (b) 32,000,000 Shares in accordance with the terms of the Original Convertible Securities Agreements (**Additional Tranche 1 Collateral Shares**), comprising of:
  - (i) 15,000,000 Shares to L1 Capital (or its nominee);
  - (ii) 2,000,000 Shares to Chifley (or its nominee); and
  - (iii) 15,000,000 Shares to Suburban Holdings (or its nominee); and
- (c) 5,310,954 Shares to nominee of the Settlement Parties in accordance with the Settlement Agreement (**Settlement Shares**).

Further details in respect of these issues are set out in the Notice of Meeting. The Company issued the Additional Tranche 1 Collateral Shares on 23 June 2020 prior to lodgement of this Prospectus. The Company intends to issue the Subsequent Collateral Shares and the Settlement Shares prior to the closing date of the Cleansing Offer.

#### **4.3 Previous Share Issues**

As announced on 23 June 2020, the Company issued an aggregate of 15,920,000 Shares at a deemed issue price of \$0.05 per Share to existing creditors of the Company on conversion of debt owed and to service providers in lieu of cash fees for services (**Previous Share Issues**). The Previous Share Issues were completed pursuant to the Company's available placement capacity under ASX Listing Rule 7.1.

#### **4.4 Additional Share Issues**

The Company may, subject to reaching agreement with existing creditors, consider undertaking a placement of up to 16,000,000 Shares at a deemed issue price of not less than \$0.05 (**Additional Shares**). Any agreement and or issue of Additional Shares will be made in accordance with the Company's available placement capacity under ASX Listing Rule 7.1.

If the Company is able to reach agreement on these issues shortly, the Company may issue the Additional Shares prior to the closing date of the Cleansing Offer.

#### **4.5 Lead Manager Fees**

There is no lead manager for the Offers under this Prospectus. However, as announced on 20 April 2020, EverBlu Capital has acted as lead manager to the Lind Convertible Securities Agreement. In connection with this, EverBlu Capital will be paid a cash fee of \$66,667 and will also be issued, subject to receipt of prior Shareholder approval to be sought at the next general meeting of the Company, 833,333 Shares and 833,333 Options. The Options will be exercisable at \$0.20 each on or before the date that is 3 years from the date of issue.

Director, Adam Blumenthal, is the Chairman of EverBlu Capital and a major shareholder and controller of EverBlu Capital. Mr Blumenthal is excluded from any board resolutions considered by the Company relating to EverBlu Capital.

#### **4.6 Funds available to the Company**

Following the entry into the New L1 Convertible Securities Agreement (under which \$2,250,000 has been advanced), entry into the Lind Convertible Securities Agreement and completion of the Placement, the Board believes the Company

will have sufficient working capital to adequately meet the Company's short-term creditor commitments as a result of the funds raised and funds generated through the Company's revenue streams. The Company further notes that it conditionally has the ability, subject to obtaining Shareholder approval and agreement with the relevant investors:

- (a) to access:
  - (i) up to a further \$2.05 million under the Tranche 1 Convertible Note Facility; and
  - (ii) up to a further \$2.1825 million under the Tranche 2 Convertible Note Facility,in accordance with the terms of the Original Convertible Securities Agreements; and
- (b) to access up to a further \$15,232,500 (of which the Company obtained Shareholder approval to access up to a further \$3,500,000 at the Shareholder meeting held on 18 May 2020 (**General Meeting**)), in accordance with the terms of the New L1 Convertible Securities Agreement.

The Company intends that any further funds drawn down will be used for working capital purposes in order to pay debts, short term liabilities and operational expenses.

The Company is presently considering other fundraising initiatives to meet the medium-term working capital requirements of the Company and repayment of the Tranche 1 Convertible Notes (noting that the first periodic repayments for the Tranche 1 Convertible Notes issued on 11 February 2020 are due on 27 July 2020), the repayment of the Convertible Note offered under this Prospectus, the repayment of the New Convertible Notes and the repayment of any other New Convertible Notes, issued under the New L1 Convertible Securities Agreement, in the future, if they are not converted into Shares. The Company is confident that it will be able to generate further funding as and when available. Additionally, the Company continuously explores merger and acquisition opportunities with a view to strengthening its existing businesses and/or divesting operations. Further, the Company continuously explores further product offerings and available market opportunities in line with its business strategies and objectives which may enable the Company access additional funding.

#### **4.7 Dilution**

As set out in this Prospectus, the Company is intending to issue the Convertible Note, and the Convertible Note Options. In addition, the Company is intending to issue the Subsequent Collateral Shares and the Settlement Shares prior to the Closing Date of the Cleansing Offer.

The dilutionary impact in percentage terms on current Shareholders on completion of these issues and the issue of the Subsequent Collateral Shares and the Settlement Shares (assuming that that maximum number of Securities are issued under each of the issues noted above and no convertible securities are exercised or converted) is set out below.

Percentage of Shares held by different categories of Shareholders		
	Shares	Percentage
Current Shareholders <sup>1</sup>	327,060,235	94.15%
Lind	15,000,000	4.32%
Settlement Parties	5,310,954	1.53%
<b>Total</b>	<b>347,371,189</b>	<b>100.00%</b>

**Notes:**

- This figure includes:
  - 279,140,235 Shares which were held by Shareholders prior to the date of this Prospectus (representing 80.36% of the issued capital of the Company within the above example);
  - 15,920,000 Shares which were issued pursuant to the Previous Share Issues immediately prior to lodgement of this Prospectus (representing 4.58% of the issued capital of the Company within the above example);
  - 15,000,000 Additional Tranche 1 Collateral Shares which were issued to L1 Capital immediately prior to lodgement of this Prospectus (representing 4.32% of the issued capital of the Company within the above example);
  - 15,000,000 Additional Tranche 1 Collateral Shares which were issued to Suburban Holdings immediately prior to lodgement of this Prospectus (representing 4.32% of the issued capital of the Company within the above example); and
  - 2,000,000 Additional Tranche 1 Collateral Shares which were issued to Chifley immediately prior to lodgement of this Prospectus (representing 0.58% of the issued capital of the Company within the above example).
- The above table does not consider current Shareholdings of parties who will be issued further Shares under the transactions contemplated under this Prospectus.
- This does not include any potential dilution that may result from the issue of the Additional Shares.

If subsequently, the Amount Outstanding in respect of the Convertible Note is converted at an assumed conversion price of \$0.041 (being 90% of the average of the five lowest daily VWAPs for the 20 days trading days immediately prior to 22 June 2020, rounded down to the nearest \$0.001), the Convertible Note Options are exercised, and no other convertible securities are exercised or converted, the percentage Shareholding of current Shareholders will reduce to 84.90%

Percentage of Shares held by different categories of Shareholders		
	Shares	Percentage
Current Shareholders <sup>1</sup>	327,060,235	84.90%
Lind	52,852,957	13.72%
Settlement Parties	5,310,954	1.38%
<b>Total</b>	<b>385,224,146</b>	<b>100.00%</b>

**Notes:**

- This figure includes:
  - 279,140,235 Shares which were held by Shareholders prior to the date of this Prospectus (representing 72.46% of the issued capital of the Company within the above example);
  - 15,920,000 Shares which were issued pursuant to the Previous Share Issues immediately prior to lodgement of this Prospectus (representing 4.13% of the issued capital of the Company within the above example);

- (c) 15,000,000 Additional Tranche 1 Collateral Shares which were issued to L1 Capital immediately prior to lodgement of this Prospectus (representing 3.89% of the issued capital of the Company within the above example);
  - (d) 15,000,000 Additional Tranche 1 Collateral Shares which were issued to Suburban Holdings immediately prior to lodgement of this Prospectus (representing 3.89% of the issued capital of the Company within the above example); and
  - (e) 2,000,000 Additional Tranche 1 Collateral Shares which were issued to Chifley immediately prior to lodgement of this Prospectus (representing 0.52% of the issued capital of the Company within the above example).
2. The above table does not consider current Shareholdings of parties who will be issued further Shares under the transactions contemplated under this Prospectus.
  3. Lind may elect to convert the aggregate Amount Outstanding of the Convertible Notes (which for clarity may but need not include accrued interest) (the **Conversion Amount**) at the lesser of 90% of the 5 lowest daily VWAPs for the 20 Trading Days immediately prior to the date of issue of a conversion notice, rounded down to the nearest \$0.001). The above table assumes that the Conversion Amount is \$1,111,111 and the conversion price is \$0.041 (being 90% of the average of the five lowest daily VWAPs for the 20 days trading days immediately prior to 22 June 2020, rounded down to the nearest \$0.001).
  4. This does not include any potential dilution that may result from the issue of the Additional Shares.

If all the Additional Shares are issued, assuming no other Shares are issued and no convertible securities are exercised or converted, the percentage Shareholding of current Shareholders will reduce to 81.52%.

Percentage of Shares held by different categories of Shareholders		
	Shares	Percentage
Current Shareholders <sup>1</sup>	327,060,235	81.52%
Lind	52,852,957	13.17%
Settlement Parties	5,310,954	1.32%
Parties issued Additional Shares	16,000,000	3.99%
<b>Total</b>	<b>401,224,146</b>	<b>100.00%</b>

**Notes:**

1. This figure includes:
  - (a) 279,140,235 Shares which were held by Shareholders prior to the date of this Prospectus (representing 69.57% of the issued capital of the Company within the above example);
  - (b) 15,920,000 Shares which were issued pursuant to the Previous Share Issues immediately prior to lodgement of this Prospectus (representing 3.97% of the issued capital of the Company within the above example);
  - (c) 15,000,000 Additional Tranche 1 Collateral Shares which were issued to L1 Capital immediately prior to lodgement of this Prospectus (representing 3.74% of the issued capital of the Company within the above example);
  - (d) 15,000,000 Additional Tranche 1 Collateral Shares which were issued to Suburban Holdings immediately prior to lodgement of this Prospectus (representing 3.74% of the issued capital of the Company within the above example); and
  - (e) 2,000,000 Additional Tranche 1 Collateral Shares which were issued to Chifley immediately prior to lodgement of this Prospectus (representing 0.50% of the issued capital of the Company within the above example).
2. The above table does not consider current Shareholdings of parties who will be issued further Shares under the transactions contemplated under this Prospectus.

For the avoidance of doubt, where an issue of Shares under the Lind Convertible Securities Agreement would result in the voting power of Lind or any other person

exceeding 19.99%, the Company will not issue the relevant Shares to Lind (or its nominee). In these circumstances, without limiting any of Lind's other rights under the Lind Convertible Securities Agreement, require the Company to pay the Cash Substitution Amount.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offers being implemented and the Directors do not make any representation as to such matters.

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## **5. DETAILS OF THE OFFERS**

### **5.1 The Convertible Note Offer**

The Convertible Note Offer is an offer of one (1) Convertible Note with a face value of \$1,111,111.

The Convertible Note will be issued to Lind (or its nominee). Convertible Note Application Forms will only be provided by the Company to Lind (or its nominee).

The key terms and conditions of the Convertible Note are set out in Section 7.2. This information should be read in conjunction with other information contained in this Prospectus including the risk factors set out in Section 8.

As set out in Section 4.1, Shareholder approval for the issue of the Convertible Note was obtained at the Annual General Meeting. Further information in respect of the Convertible Note and the Lind Convertible Securities Agreement is set out in the Notice of Meeting. The Convertible Note offered pursuant to the Convertible Note Offer will be issued on the terms and conditions set out in Section 7.2.

The Convertible Note will be issued to Lind (or its nominee) as soon as practicable after the Closing Date of the Convertible Note Offer.

### **5.2 Convertible Note Option Offer**

The Convertible Note Option Offer is an offer of 10,752,688 Options for nil consideration in accordance with the Lind Convertible Securities Agreement.

The Convertible Note Options will be issued to Lind (or its nominee). Convertible Note Option Application Forms will only be provided by the Company to Lind (or its nominee).

No funds will be raised from the issue of the Options pursuant to the Convertible Note Option Offer as the Convertible Note Options are being issued for nil cash consideration in accordance with the terms of the Lind Convertible Securities Agreement.

As set out in Section 4.1, Shareholder approval for the issue of the Convertible Note Options was obtained at the Annual General Meeting. Further information in respect of Convertible Note Options and the Lind Convertible Securities Agreement is set out in the Notice of Meeting.

The Options offered pursuant to the Convertible Note Option Offer will be issued on the terms and conditions set out in Section 7.3.

The Convertible Note Options will be issued to Lind (or its nominee) as soon as practicable after the Closing Date of the Convertible Note Option Offer.

### **5.3 The Cleansing Offer**

The Cleansing Offer is an offer of up to 10,000 Shares at an issue price of \$0.20 per Share, to raise up to \$2,000 (before expenses).

The Cleansing Offer will only be extended to specific parties on invitation from the Directors. Cleansing Offer Application Forms will only be provided by the Company to these parties.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 7.

#### **5.4 Purpose of the Offers**

##### Purpose of the Convertible Note Offer and the Convertible Note Option Offer

The Convertible Note Offer and the Convertible Note Option Offer are being made such that the relief provided under ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80 with respect to the on-sale provisions of section 707 of the Corporations Act is available.

Specifically, if the Convertible Note and Convertible Note Options under these Offers are issued with disclosure under this Prospectus then the Shares issued upon the exercise of any of the Convertible Note or Convertible Note Options can be on-sold within 12 months of their issue, without a disclosure document for the on-sale offer.

##### Purpose of the Cleansing Offer

The primary purpose of the Cleansing Offer is to remove any trading restrictions that may have attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Cleansing Offer (including prior to the date of this Prospectus). In particular, the Cleansing Offer is intended to remove any on-sale restrictions that may affect:

- (a) the Additional Tranche 1 Collateral Shares and the Shares issued pursuant to the Previous Share Issues which were issued on 23 June 2020, immediately prior to the lodgement of this Prospectus;
- (b) the issue of Shares pursuant to the Subsequent Collateral Shares and the Settlement Shares which are intended to be issued prior to the Closing Date of the Cleansing Offer; and
- (c) any Additional Shares which may, subject to the Company reaching agreement with existing creditors, be issued prior to the Closing Date of the Cleansing Offer.

Accordingly, the Company is seeking to raise only a nominal amount of \$2,000 under the Cleansing Offer as the purpose of the Cleansing Offer is not to raise capital.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
  - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
  - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have

been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and

- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

## 5.5 Opening and Closing Date of the Offers

The Opening Date of the Offers will be 23 June 2020, the Closing Date for the Convertible Note Offer and the Convertible Note Option Offers will be 4:00pm (WST) on 24 June 2020 and the Closing Date for the Cleansing Offer will be 4:00pm (WST) on 25 June 2020.

The Directors reserve the right to close the Offers early or extend the Closing Date (as the case may be), should it be considered necessary to do so.

## 5.6 Minimum Subscription

There is no minimum subscription to the Offers.

The Company reserves the right to withdraw the Offers at any time, in which case the Company will refund application monies in accordance with the Corporations Act and will do so without interest.

## 5.7 Not underwritten

The Offers are not underwritten.

## 5.8 Lead Manager

There is no lead manager for the Offers under this Prospectus. However, as announced, EverBlu Capital has acted as lead manager to the Lind Convertible Securities Agreement, details of which are set out in Section 4.3.

## 5.9 Applications for Securities

Securities	Application Process
<b>Convertible Notes</b>	Applications for the Convertible Note must be made by Lind (or its nominee) and must be made using the relevant Convertible Note Application Form accompanying this Prospectus.
<b>Convertible Note Options</b>	Applications for Convertible Note Options must be made by Lind (or its nominee) and must be made using the Convertible Note Option Application Form accompanying this Prospectus.
<b>Shares</b>	Applications for Shares must be made by investors at the direction of the Company and must be made using the Cleansing Offer Application Form accompanying this Prospectus. Payment for the Shares subscribed for under the Cleansing Offer must be made in full at the issue price of \$0.20 per Share. The Company does not currently intend to issue any Shares under the Cleansing Offer. Accordingly, Cleansing Offer Application Forms should only be submitted if instructed to by the Directors.

By completing the relevant Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and

that you have received personally the relevant Application Form together with a complete and unaltered copy of the Prospectus.

#### **5.10 ASX Listing**

The Company will not apply for Official Quotation of the Convertible Note and Convertible Note Options offered under this Prospectus as the Convertible Note and Convertible Note Options will not be quoted.

The Company will apply for Official Quotation of the Shares offered under this Prospectus within 7 days after the date of this Prospectus. If ASX does not grant Official Quotation of the Shares offered under this Prospectus pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any such Shares under this Prospectus and will repay all application monies for the Shares offered under this Prospectus within the time prescribed under the Corporations Act, without interest. The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

#### **5.11 Issue of Securities under the Offer**

##### Issue of the Convertible Note under the Convertible Note Offer

The issue of the Convertible Note offered under the Convertible Note Offer will take place as soon as practicable after the Closing Date of the Convertible Note Offer.

The Directors will determine the recipients of the Convertible Note. The Directors reserve the right to reject any application. The Company's decision on whether to allocate the Convertible Note to an applicant will be final.

Holding statements for the Convertible Note issued under this Prospectus will be mailed to Lind (or its nominee).

##### Issue of Convertible Note Options under the Convertible Note Option Offers

The issue of the Convertible Note Options offered under the Convertible Note Option Offers will take place as soon as practicable after the Closing Date of the Convertible Note Option Offers.

The Directors will determine the recipients of all the Convertible Note Options. The Directors reserve the right to reject any application or to allocate any applicant fewer Convertible Note Options than the number applied for. Where the number of Convertible Note Options issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the applicant as soon as practicable after the Closing Date of the Convertible Note Option Offers.

The Company's decision on the number of Convertible Note Options to be allocated to an applicant will be final.

Holding statements for Options issued under this Prospectus will be mailed to Lind (or its nominee).

## Issue of Shares under the Cleansing Offer

As noted in Section 5.4, the primary purpose of the Cleansing Offer is to remove any trading restrictions that may have attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Cleansing Offer (including prior to the date of this Prospectus).

If the Directors decide to issue Shares under the Cleansing Offer, the issue of Shares will take place as soon as practicable after the Closing Date. Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the applicants in a separate bank account as required by the Corporations Act. Any interest earned on the application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether any Shares are issued, and each applicant waives the right to claim any interest.

The Directors will determine the recipients of the Shares. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the applicant as soon as practicable after the Closing Date of the Cleansing Offer.

The Company's decision on the number of Shares to be allocated to an applicant will be final.

Holding statements for Shares issued under this Prospectus will be mailed to the investors under the Cleansing Offer.

### **5.12 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Securities or otherwise permit an offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

### **5.13 Enquiries**

Any questions concerning the Offers should be directed to Eryn Dale, Joint Company Secretary on +61 8 9389 3180.

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## **6. PURPOSE AND EFFECT OF THE OFFERS**

### **6.1 Effect of the Offers**

As set out in Sections 5.3 and 5.4, the primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus) and to remove any trading restrictions attaching to Shares issued on conversion of the Convertible Note and/or the exercise of the Convertible Note Options. Accordingly, no funds will be raised (assuming that no Shares are issued under the Cleansing Offer).

As previously announced \$1,000,000 has been raised under the Lind Convertible Securities Agreement (less the applicable commitment fee) as at the date of this Prospectus, which it intended to be applied toward the Company's current liabilities and outstanding obligations and for the Company's operations and working capital purposes. Further details are set out in the ASX announcement released on 20 April 2020.

In addition, the Company anticipates that it will continue to generate further working capital through its revenue streams.

### **6.2 Principal effect of the Offers**

The principal effect of the Offers (assuming that the Subsequent Collateral Shares and the Settlement Shares are issued and no other Securities are issued or exercised or converted) will be to:

- (a) increase the number of Shares on issue from 327,060,235 Shares as at the date of this Prospectus to 347,371,189 Shares following completion of the Offers and the issue of the Subsequent Collateral Shares and the Settlement Shares. If the Company issues the Additional Shares, the number of Shares on issue will increase to 363,371,189 Shares;
- (b) increase the number of Options on issue from 138,123,479 Options as at the date of this Prospectus to 148,876,167 Options following completion of the Offers;
- (c) increase the number of convertible notes on issue from 5,064,192 convertible notes as at date of this Prospectus to 5,064,193 convertible notes following completion of the Offers;
- (d) remove any trading restrictions that may have attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Cleansing Offer (including prior to the date of this Prospectus); and
- (e) to remove any trading restrictions attaching to Shares issued on exercise of the Convertible Note and Convertible Note Options issued under this Prospectus.

### 6.3 Effect on the capital structure

The effect of the Offers and the issue of the Subsequent Collateral Shares and the Settlement Shares on the capital structure of the Company is set out below.

#### Shares

	Number
Shares currently on issue <sup>1</sup>	327,060,235
Shares offered pursuant to the Offers <sup>2</sup>	-
Share to be issued prior to the Closing Date of the Offers: <sup>2</sup>	
• Subsequent Collateral Shares	15,000,000
• Settlement Shares	5,310,954
<b>Total Shares on issue after completion of the Offers</b>	<b>347,371,189</b>

#### Notes:

1. This figure includes 279,140,235 Shares which were held by Shareholders prior to the date of this Prospectus, 15,920,000 Shares which were issued pursuant to the Previous Share Issues, 15,000,000 Additional Tranche 1 Collateral Shares which were issued to L1 Capital, 15,000,000 Additional Tranche 1 Collateral Shares which were issued to Suburban Holdings and 2,000,000 Additional Tranche 1 Collateral Shares which were issued to Chifley.
2. Assumes no Shares are issued under the Cleansing Offer.
3. As set out in Section 4.1, these Shares are intended to be issued prior to the Closing Date of the Cleansing Offer.
4. In accordance with the terms of the Original Convertible Securities Agreements, the Company may, subject to obtaining Shareholder approval and the identification of investors, raise a further \$2.05 million through the issue of up to a further 2,277,777 Tranche 1 Convertible Notes (together with up to a further 4,555,555 Collateral Shares and up to a further 357,766 Shares as a drawdown fee). In addition, subject to obtaining Shareholder approval and the consent of L1 Capital, the Company may raise a further \$2.1825 million through the issue of up to a further 2,425,000 Tranche 2 Convertible Notes (together with up to that number of Shares which is calculated by dividing \$97,000 by the 10 day VWAP for the 10 Actual Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number). If further funds are drawn down under the Tranche 1 Convertible Note Facility, the Company has agreed, subject to obtaining Shareholder approval, to issue up to 683,333 Shares to EverBlu Capital.
5. The Tranche 1 Noteholders may elect to convert the Tranche 1 Convertible Notes into Shares at a conversion price of \$0.35 (the **Fixed Conversion Price**) at any time prior to the respective maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
6. If any further Tranche 2 Convertible Notes are issued, L1 Capital may elect to convert the Tranche 2 Convertible Notes into Shares at the lesser of 90% of the lowest daily VWAP during the 40 Actual Trading Days immediately prior to the date of issue of a conversion notice rounded down to the nearest A\$0.01 and the Fixed Conversion Price (**Variable Conversion Price**) at any time prior to the respective maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
7. The Tranche 1 Noteholders will hold an aggregate of 39,222,222 Shares as collateral shares under the Original Convertible Securities Agreement, comprising 18,333,334 Shares held by Suburban Holdings, 2,555,555 Shares held by Chifley and 18,333,334 Shares held by L1 Capital (**Collateral Shareholding Number**). If at any time the market value of the Collateral Shareholding Number of Shares held by a Tranche 1 Noteholder is less than

20% of the amount outstanding under the Original Convertible Securities Agreement, the Tranche 1 Noteholder may give the Company a top-up notice requesting that the Company issues additional Shares to the Tranche 1 Noteholder as Collateral Shares, so that following the issue, the market value of the Collateral Shareholding Number of Shares (as increased by the issue of the additional Shares) will be at least 20% of the amount outstanding (**Top-Up Notice**). The issue of any Shares upon receipt of a Top-Up Notice will be subject to the Company obtaining Shareholder approval.

8. As announced on 5 February 2020, the Company has entered into the New L1 Convertible Securities Agreement to access up to \$17,482,500 (including the advances) (**New L1 Convertible Securities Facility**). In accordance with the terms of the New L1 Convertible Securities Agreement, the Company has issued 2,500,000 convertible notes to L1 Capital (or its nominee) (**New Convertible Notes**) of which 700,000 have been converted into Shares and may be required, subject to obtaining Shareholder approval, to issue up to a further 16,925,000 New Convertible Notes. L1 Capital may elect to convert the amount outstanding in respect of the New Convertible Notes into Shares at the Variable Conversion Price at any time prior to the respective maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
9. If the Company elects to draw down under the New L1 Convertible Securities Facility, and subject to the Company obtaining Shareholder approval, the Company must issue L1 Capital that number of Shares which is calculated by dividing the relevant amount of the drawdown fee (of 4% of the aggregate face value of the New Convertible Notes issued excluding any New Convertible Notes issued in repayment of the Advance) by the 10 day VWAP for the 10 Actual Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number.
10. CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C> (the nominee of L1 Capital) currently holds 10,835,676 Shares as collateral shares under the New L1 Convertible Securities Facility (**L1 Collateral Shareholding Number**). If at any time the L1 Collateral Shareholding Number is less than the L1 Threshold Amount, L1 Capital may give the Company written notice requesting that the Company issue additional Shares to L1 Capital as Collateral Shares (**Additional Collateral Shares**), so that following the issue, the L1 Collateral Shareholding Number will be at least the L1 Threshold Amount (**L1 Top-Up Notice**). The issue of any Shares upon receipt of a L1 Top-Up Notice will be subject to the Company obtaining Shareholder approval. At the General Meeting, the Company obtained Shareholder approval to issue up to 30,000,000 Additional Collateral Shares to L1 Capital, which, subject to receipt of a valid L1 Top-Up Notice, may be issued on or before 18 August 2020.
11. If the Company requests to draw down under the New L1 Convertible Securities Facility and in respect of a requested draw down, immediately following the draw down the Collateral Shareholding Number will be less than the L1 Threshold Amount, then on or before the relevant date of the draw down and subject to the Company obtaining Shareholder approval, the Company must issue to L1 Capital (or its nominee) additional Collateral Shares, so that immediately following the draw down the Collateral Shareholding Number will be at least the L1 Threshold Amount.
12. As announced on 5 February 2020, if the Company draws down further funds under the New L1 Convertible Securities Facility, the Company has agreed, subject to obtaining Shareholder approval, to issue up to a further 3,385,000 Shares to EverBlu Capital for advisory services in connection with the New L1 Convertible Securities Facility on the basis of 1 Share for every \$5 of the face value of the funds actually drawn down.
13. Following completion of the issue of the Subsequent Collateral Shares (as set out in the table above), Lind will hold 21,000,000 Shares as collateral shares under the Lind Convertible Securities Agreement (**Lind Collateral Shareholding Number**). In accordance with the terms of the Lind Convertible Securities Agreement, if at any time the market value of the Lind Collateral Shareholding Number of Shares held by Lind is less than the Lind Threshold Amount, Lind may give the Company a top-up notice requesting that the Company issues additional Shares to Lind as Collateral Shares, so that following the issue, the market value of the Lind Collateral Shareholding Number of Shares (as increased by the issue of the additional Shares) will be at least the Lind Threshold Amount (**Lind Top-Up Notice**). The issue of any Shares upon receipt of a Lind Top-Up Notice will be subject to the Company obtaining Shareholder approval. At the Annual General Meeting, the Company also obtained Shareholder approval to issue up to 15,000,000 additional Collateral Shares to Lind upon receipt of a Lind Top-Up Notice.

14. Following completion of the issue of the Convertible Note to Lind (which is being offered pursuant to this Prospectus), Lind may elect to convert all or a portion of the amount outstanding in respect of the Convertible Note into Shares at the lesser of \$0.35 (the **Fixed Price**) and 90% of the average of the 5 lowest daily VWAPs from the daily VWAPs for the 20 Trading Days immediately prior to the conversion notice date (the **Variable Price**) at any time prior to the maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Price, the Company must seek Shareholder approval to vary the Fixed Price to the issue price under the relevant capital raising.
15. The Company has also agreed, subject to obtaining Shareholder approval:
- to issue 2,000,000 Shares to EverBlu Capital for each of the six-month periods ending December 2020 and June 2021 subject to EverBlu Capital remaining engaged to provide services to the Company (up to a maximum of 4,000,000 Shares) in accordance with the terms of the New Corporate Advisory Mandate;
  - to issue 833,333 Shares to EverBlu Capital in connection with entry into the Lind Convertible Securities Agreement (as announced on 20 April 2020);
  - to issue 833,333 Shares to each of Adam Blumenthal and Miri Halperin Wernli, to enable these Directors to participate in the Placement on the same terms as other investors (**Director Participation**);
  - to issue up to 1,602,855 Shares to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the Placement (being three Shares for every \$4 raised under the Placement); and
  - subject to obtaining the consent of its existing secured lenders, to issue 2,400,000 Shares to L1 Capital (or its nominee).
16. The Company may consider undertaking a placement of up to 16,000,000 Additional Shares at a deemed issue price of not less than \$0.05 pursuant to the its available placement capacity under ASX Listing Rule 7.1. If the Company is able to reach agreement on these issues shortly, the Company may issue the Additional Shares prior to the closing date of the Cleansing Offer.

## Options

	Number
Options currently on issue	
Listed Options (ASX: CPHO) (exercisable at \$0.80 on or before 21 August 2020)	72,796,411
CPHOPT2 (exercisable at \$0.40 on or before 27 June 2020)	400,000
CPHOPT3 (exercisable at \$0.20 on or before 13 October 2020) <sup>1</sup>	2,886,250
CPHOPT5 (exercisable at \$0.50 on or before 23 January 2021)	300,000
CPHOPT12 (exercisable at \$0.60 on or before 27 July 2020)	100,000
CPHOPT14 (exercisable at \$0.80 on or before 13 July 2021)	150,000
CPHOPT16 (exercisable at \$0.535 on or before 27 July 2021)	200,000
CPHOPT17 (exercisable at \$0.80 on or before 27 July 2022)	200,000
CPHOPT18 (exercisable at \$0.55 on or before 21 August 2021)	200,000
CPHOPT19 (exercisable at \$0.80 on or before 15 September 2022) <sup>2</sup>	400,000
CPHOPT20 (exercisable at \$0.35 on or before 12 February 2023)	2,128,387
CPHOPT21 (exercisable at \$0.40 on or before 12 February 2023)	6,847,725
CPHOPT22 (exercisable at \$0.25 on or before 1 March 2023)	250,000
CPHOPT23 (exercisable at \$0.08 on or before 10 March 2024) <sup>3</sup>	1,000,000
CPHOPT24 (exercisable at \$0.16 on or before 10 March 2024) <sup>4</sup>	1,000,000

	<b>Number</b>
CPHOPT25 (exercisable at \$0.20 on or before 10 March 2024) <sup>5</sup>	500,000
CPHOPT28 (exercisable at \$0.17 on or before 2 June 2023) <sup>6</sup>	36,764,706
CPHOPT29 (exercisable at \$0.25 on or before 2 June 2023)	4,000,000
CPHOPT31 (exercisable at \$0.20 on or before 2 June 2023) <sup>7</sup>	8,000,000
Options offered pursuant to the Convertible Note Option Offer	10,752,688
<b>Total Options on issue after completion of the Offers</b>	<b>148,876,167</b>

**Notes:**

1. The vesting conditions in relation to the CPHOPT3 Options relate to part of the business of the Company that has been abandoned and therefore the vesting conditions can never be satisfied.
2. 200,000 CPHOPT19 Options have vested. Vesting and exercise of the remaining CPHOPT19 Options is subject to the holder's continuous service, on the following dates:
  - a. 31 August 2020: 100,000 CPHOPT19 Options; and
  - b. 31 August 2021: 100,000 CPHOPT19 Options.
3. These CPHOPT23 Options will vest in three equal tranches with 333,333 CPHOPT23 Options vesting on 10 March 2021, 333,333 CPHOPT23 Options vesting on 10 March 2022 and 333,334 CPHOPT23 Options vesting on 10 March 2023.
4. These CPHOPT24 Options will vest in three equal tranches with 333,333 CPHOPT24 Options vesting on 10 March 2021, 333,333 CPHOPT24 Options vesting on 10 March 2022 and 333,334 CPHOPT24 Options vesting on 10 March 2023.
5. These CPHOPT25 Options will vest in three equal tranches with 166,666 CPHOPT25 Options vesting on 10 March 2021, 166,667 CPHOPT25 Options vesting on 10 March 2022 and 166,667 CPHOPT25 Options vesting on 10 March 2023.
6. In accordance with the terms of the Original Convertible Securities Agreements, the Company may, subject to obtaining Shareholder approval and identifying investors, raise a further \$2.05 million through the issue of up to a further 2,277,777 Tranche 1 Convertible Notes (together with up to a further 3,727,275 Options). In addition, subject to obtaining Shareholder approval and the consent of L1 Capital, the Company may raise a further \$2.1825 million through the issue of up to a further 2,425,000 Tranche 2 Convertible Notes (together with up to a further 2,425,000 Options). The Options will be exercisable at \$0.40 each on or before the date that is three years from the date of issue. If further funds are drawn down under the Tranche 1 Convertible Note Facility, the Company has agreed, subject to obtaining Shareholder approval, to issue up to 683,333 Options to EverBlu Capital.
7. In accordance with the terms of the New L1 Convertible Securities Agreement, if the Company draws down under the L1 Capital Agreement, the Company has agreed, subject to obtaining Shareholder approval to issue L1 Capital that number of Options which is equal to the aggregate face value (in A\$) of the New Convertible Notes being issued at the relevant draw down, divided by the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant purchase date. The Options will be exercisable at 250% of the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant purchase date and will expire on the date which is 36 calendar months after the date of issue of the relevant Options.
8. As announced on 20 April 2020, the Company has agreed, subject to obtaining Shareholder approval, to issue EverBlu Capital 833,333 Options in connection with entry into the Lind Convertible Securities Agreement. The Options will be exercisable at \$0.20 each on or before 3 years from the date of issue. The Company intends to seek Shareholder approval for the issue of these Options at the next general meeting of the Company.

## Convertible Notes

	Number
Convertible Notes on issue at date of Prospectus	5,064,192
Convertible Notes offered pursuant to the Convertible Note Offer	1
<b>Convertible Notes on issue after completion of the Offers</b>	<b>5,064,193</b>

### Notes:

1. Comprising of 3,264,192 Tranche 1 Convertible Notes and 1,800,000 New Convertible Notes. The terms of the Tranche 1 Convertible Notes and the subsequent rights of conversion into Shares are set out in the December Notice of Meeting. The terms of the New Convertible Notes and the subsequent rights of the conversion into Shares are set out in the notice of meeting dated 15 April 2020.
2. As announced on 20 April 2020, the Company has agreed to apply \$87,500 of the funds that will be raised under the Lind Convertible Securities Agreement to partially redeem Tranche 1 Convertible Notes held by Suburban Holdings and Chifley. Following completion of the redemption, there will be an aggregate of 3,176,692 Tranche 1 Convertible Notes on issue (including 1,591,667 Tranche 1 Convertible Notes held by Suburban Holdings and 265,278 Tranche 1 Convertible Notes held by Chifley).
3. The Tranche 1 Noteholders may elect to convert the Tranche 1 Convertible Notes into Shares at the Fixed Conversion Price (being \$0.35) at any time prior to the respective maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
4. If any further Tranche 2 Convertible Notes are issued, L1 Capital may elect to convert the Tranche 2 Convertible Notes into Shares at the Variable Conversion Price (being the lesser of 90% of the lowest daily VWAP during the 40 Actual Trading Days immediately prior to the date of issue of a conversion notice, rounded down to the nearest A\$0.01 and the Fixed Conversion Price) at any time prior to the respective maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
5. In accordance with the terms of the Original Convertible Securities Agreements, the Company may, subject to obtaining Shareholder approval and the identification of investors, raise a further \$2.05 million through the issue of up to a further 2,277,777 Tranche 1 Convertible Notes. In addition, subject to obtaining Shareholder approval and the consent of L1 Capital, the Company may raise a further \$2.1825 million through the issue of up to a further 2,425,000 Tranche 2 Convertible Notes. The terms of the Tranche 1 Convertible Notes and the Tranche 2 Convertible Notes and the subsequent rights of conversion into Shares are set out in the December Notice of Meeting.
6. In accordance with the terms of the New L1 Convertible Securities Agreement, the Company has issued 2,500,000 New Convertible Notes to L1 Capital (or its nominee) of which 700,000 have been converted into Shares. The Company may be required, subject to obtaining Shareholder approval, to issue up to a further 16,925,000 New Convertible Notes L1 Capital may elect to convert the New Convertible Notes into Shares at the Variable Conversion Price at any time prior to the respective maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
7. In accordance with the terms of the Lind Convertible Securities Agreement, Lind may elect to convert all or a portion of the amount outstanding in respect of the Convertible Note into Shares at the lesser of the Fixed Price and the Variable Price at any time prior to the maturity date. If the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Price, the Company must seek Shareholder approval to vary the Fixed Price to the issue price under the relevant capital raising.

## Performance Rights

	Number
Performance Rights currently on issue	2,298,000 <sup>1</sup>
Performance Rights offered pursuant to the Offers	-
<b>Total Performance Rights on issue after completion of the Offers</b>	<b>2,298,000</b>

### Notes:

- Comprising 66,000 Performance Rights which have vested and 2,232,000 Performance Rights, which will vest upon satisfaction of the following vesting conditions:
  - 800,000 CPHPERR6 Performance Rights: Vest upon the holder successfully identifying and concluding a collaboration or joint venture acquisition and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017);
  - 800,000 CPHPERR7 Performance Rights: Vest upon the holder successfully identifying and concluding a collaboration or joint venture acquisition in Israel and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017);
  - 100,000 CPHPERR16 Performance Rights: Vest upon the creation of local collaborations to the material benefit of the Company as determined by the CEO, and completion of 36 months of continued engagement with the Company from date of issue (being 27 July 2017);
  - 132,000 CPHPERR24 Performance Rights: Vest upon Mernova achieving gross sales revenue of C\$1,500,000;
  - 300,000 CPHPERR29 Performance Rights: Vest upon the completion of three years of continuous service with the Company, commencing from 21 November 2017; and
  - 100,000 CPHPERR32 Performance Rights: Vest upon the completion of the Annual Report & Appendix 4E for the financial year ended 2020, five days or more before the ASX reporting deadline.
- The Board is currently considering the issue of up to an additional 28,600,000 Performance Rights to Directors, executives and consultants. The contemplated issue of Performance Rights and the terms of conversion of the Performance Rights (including the vesting conditions) will be subject to Board, ASX and, where required, Shareholder approval.

## Performance Shares

	Number
Performance Shares currently on issue	1,212,120 <sup>1</sup>
Performance Shares offered pursuant to the Offers	-
<b>Total Performance Shares on issue after completion of the Offers</b>	<b>1,212,120<sup>1</sup></b>

### Notes:

- Each Performance Share will automatically convert into one Share in the event Kunna S.A.S. (an entity incorporated in Colombia) is successful at the cultivation, extract and sale of 10 kgs of cannabis extract (with a minimum of 6% CBD or 6% THC in flower), which must occur on commercial arm's length terms, from its operations within 18 months of settlement of the acquisition (being 20 December 2018). As this milestone has not been met by the required deadline, the Company is in the process of redeeming these Performance Shares.

## Exchangeable Shares

	Number
Exchangeable Shares currently on issue	8,300,000 <sup>1</sup>
Exchangeable Shares offered pursuant to the Offers	-
<b>Total Exchangeable Shares on issue after completion of the Offers</b>	<b>8,300,000<sup>1</sup></b>

### Notes:

1. Comprising of 4,150,000 Milestone 1 Exchangeable Shares and 4,150,000 Milestone 2 Exchangeable Shares, which are exchangeable into up to a maximum of 16,600,000 Shares in accordance with the agreed ratio. Further details are set out in the notice of meeting released on 9 November 2017.

## 6.4 Substantial Shareholders

Based on publicly available information and information known to the Company as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Jamber Investments Pty Ltd <The Amber Schwarz Fam A/C>	23,735,938	7.26%

## 6.5 Financial effect of the Offers

As noted in Section 5.4, the primary purpose of the Cleansing Offer is to remove any trading restrictions that may have attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Cleansing Offer (including prior to the date of this Prospectus). If the Directors decide to issue Shares under the Cleansing Offer, the issue of Shares will take place as soon as practicable after the Closing Date.

The expenses of the Offers (of approximately \$30,000) are expected to exceed the amount raised under this Prospectus (if any). The excess will be met from the Company's available working capital.

## 6.6 Pro-forma balance sheet

The audited balance sheet as at 31 December 2019 and the unaudited pro-forma balance sheet as at 31 December 2019 as shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

A\$ (000s)	AUDITED 31 /12/19	SCENARIO 1 <sup>1</sup>		SCENARIO 2 <sup>1,2</sup>	
		UNAUDITED PRO-FORMA ADJUSTMENT	UNAUDITED PRO- FORMA	UNAUDITED PRO-FORMA ADJUSTMENT	UNAUDITED PRO- FORMA
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	2,800	4,062	6,863	4,062	6,863

A\$ (000s)	AUDITED 31 /12/19	SCENARIO 1 <sup>1</sup>		SCENARIO 2 <sup>1,2</sup>	
		UNAUDITED PRO-FORMA ADJUSTMENT	UNAUDITED PRO- FORMA	UNAUDITED PRO-FORMA ADJUSTMENT	UNAUDITED PRO- FORMA
Trade and Other Receivables	1,698	(149)	1,550	(149)	1,550
Inventory	1,993	-	1,993	-	1,993
Biological assets	424	-	424	-	424
Other assets	-	361	361	361	361
<b>Total Current Assets</b>	<b>6,915</b>	<b>4,275</b>	<b>11,190</b>	<b>4,275</b>	<b>11,190</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	11,270	-	11,270	-	11,270
Intangible assets	4,478	800	5,358	800	5,358
<b>Total Non-Current Assets</b>	<b>15,748</b>	<b>880</b>	<b>16,628</b>	<b>880</b>	<b>16,628</b>
<b>Total Assets</b>	<b>22,663</b>	<b>5,155</b>	<b>27,818</b>	<b>5,155</b>	<b>27,818</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and Other Payables	2,111	46	2,157	(754)	1,357
Provisions	51	-	51	-	51
Borrowings	3,227	3,611	6,838	3,611	6,838
<b>Total Current Liabilities</b>	<b>5,389</b>	<b>3,657</b>	<b>9,047</b>	<b>2,857</b>	<b>8,247</b>
<b>Non-Current Liabilities</b>					
Borrowings	-	-	-	--	-
Total Non-Current Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>5,389</b>	<b>3,657</b>	<b>9,047</b>	<b>2,857</b>	<b>8,247</b>
<b>Net Assets</b>	<b>17,274</b>	<b>1,497</b>	<b>18,771</b>	<b>2,297</b>	<b>19,571</b>
<b>Equity</b>					
Contributed Equity	46,528	3,344	49,871	4,144	50,671
Reserves	22,603	-	22,603	-	22,603
Accumulated Losses	(51,857)	(1,846)	(53,703)	(1,846)	(53,703)
<b>Total Equity</b>	<b>17,274</b>	<b>1,497</b>	<b>18,771</b>	<b>2,297</b>	<b>19,571</b>

**Notes:**

1. The above pro-forma balance sheet has been prepared including the assumptions below:
  - a. the Company has received \$2,250,000 under the advances made under the New L1 Convertible Securities Facility, less the cash draw down fees and expenses payable to L1 Capital in accordance with the New L1 Convertible Securities Agreement, being \$103,000;
  - b. payment of the cash fee to EverBlu Capital in respect of the New L1 Convertible Securities Facility, being \$350,000;
  - c. the Company has received \$1,000,000 under the advance made under the Lind Convertible Securities Agreement, less the cash commitment fee and expenses payable to Lind in accordance with the Lind Convertible Securities Agreement, being \$97,777;
  - d. payment of the cash fee to EverBlu Capital in respect of the Lind Convertible Securities Agreement, being \$66,667;
  - e. the Company has raised \$2,137,140 under the Placement (including \$100,000 that may be raised under the Director Participation subject to Shareholder approval being obtained) and paid \$782,000 from the funds raised to outstanding creditors;
  - f. payment of the cash fee to EverBlu Capital in respect of the Placement, being \$128,228 (including fees payable in respect of the Director Participation);
  - g. payment of an out of scope fee of \$210,000 to EverBlu Capital;
  - h. expenses of this Prospectus, being \$30,000. Refer to Section 9.7 for further details; and
  - i. the Company has issued the Convertible Note and Options pursuant to this Prospectus and issued an aggregate of 52,130,954 Shares (being the issue of the Additional Tranche 1 Collateral Shares, the Subsequent Collateral Shares and the Settlement Shares) and an aggregate of 15,920,000 Shares (being the Previous Share Issues); and
  - j. the Company has received A\$148,787 (C\$135,261) upon termination of the TerrAscend Agreement.
2. Assumes that the Company issues a further 16,000,000 Shares in satisfaction of debts incurred by the Company at a deemed issue price of \$0.05 pursuant to the Additional Share Issues, subject to agreement.

The pro-forma balance sheet has been prepared assuming no additional Shares are issued, and no convertible securities are exercised or converted prior to the Closing Date and including the expenses of the Offers.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted above. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all the disclosures required by Australian Accounting Standards applicable to annual financial statements.

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## **7. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES**

### **7.1 Shares**

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General meetings and notices**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

#### **(b) Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the

Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

**7.2 Terms and Conditions of the Convertible Note**

A summary of the material terms and conditions of the Convertible Note is set out below.

<b>Face Value</b>	\$1,111,111
<b>Closing Price</b>	\$1,000,000 (less the applicable commitment fee of \$77,777)
<b>Conversion Price</b>	<p>The lesser of:</p> <ul style="list-style-type: none"> <li>• \$0.35 (<b>Fixed Price</b>); and</li> <li>• 90% of the average of the 5 lowest daily VWAPs from the daily VWAPs for the 20 Trading Days immediately prior to the Conversion Notice Date (provided that if the resultant number contains four or more decimal places, that number will be rounded down to the next lowest number containing three decimal places). (<b>Variable Price</b>).</li> </ul> <p>However, if the Company undertakes one or more capital raisings after the date of execution of the Lind Convertible Securities Agreement and raises of at least \$2,500,000 in aggregate at a price per Share lower than the Fixed Price, the Company must seek Shareholder approval to vary the Fixed Price to the issue price under the relevant capital raising. If Shareholder approval is not obtained within 60 days from the date of completion of the capital raising, an event of default will have occurred.</p>
<b>Interest Rate</b>	4% per annum on the outstanding Face Value of the Convertible Note, which interest will accrue daily, from the date on which Closing occurred (being 21 April 2020) until the Company discharges the Amount Outstanding in full. The Company must pay all accrued interest on 18 October 2020 and every 90 days afterward.
<b>Maturity Date</b>	The later of 21 April 2020, the date upon which the Company pays Lind the whole of the Amount Outstanding in cash, and 30 days after all obligations of the Company in relation to the Convertible Note are satisfied.
<b>Conversion Rights</b>	<p>Lind may at any time and on more than one occasion provide the Company no less than two (2) Business Day's prior notice (<b>Conversion Notice</b>) (each date of such notice, a <b>Conversion Notice Date</b>) requiring the Company to effect a conversion of the whole or part of the Convertible Note at any time during the Conversion Period specified by Lind in its sole discretion (each a <b>Conversion Date</b>).</p> <p>The Conversion Notice will specify:</p>

	<ul style="list-style-type: none"> <li>• the Conversion Date by which Lind requires Conversion to occur, giving at least two (2) Trading Days;</li> <li>• the aggregate Amount Outstanding of the Convertible Note to be converted (which for clarity may but need not include accrued interest), determined by Lind in its sole discretion, except that it must be less than or equal to the Amount Outstanding (<b>Conversion Amount</b>);</li> <li>• whether the Conversion Amount will be constituted in whole or in part by a reduction in the Collateral Shareholding Number and if so, advise the reduction in the Collateral Shareholding Number which will be applied to satisfy some or all of the Conversion Amount (<b>Conversion Collateral Capitalisation Election</b>); and</li> <li>• the Conversion Price applicable to the Conversion.</li> </ul>
<p><b>Redemption on Capital Raising</b></p>	<p>If the Company arranges to obtain any debt funding or other financial accommodation after the date of execution of the Lind Convertible Securities Agreement other than as agreed, the Company must unless waived in writing by Lind, immediately on receipt of the proceeds raised through such debt funding or financial accommodation use those proceeds to repay, with no penalty, up to 50% of the Amount Outstanding on the Convertible Note, unless otherwise agreed in writing by Lind.</p>
<p><b>Early Redemption by the Company</b></p>	<p>At any time, the Company may, in its sole discretion, buy-back the whole (or part, only where Lind has already given a Conversion Notice to the Company) of the outstanding Face Value of the Convertible Note on 10 Business Days' notice to Lind. In the event the Company elects to exercise its right under this clause, it must issue Lind with a notice stating the Company's intention to buy-back the Convertible Note (<b>Buy-Back Notice</b>).</p> <p>A Buy-Back Notice must exclude that part of the outstanding Face Value of a Convertible Note in respect of which, as of the time the Company gives Lind a Buy-Back Notice, Lind has already given a Conversion Notice to the Company (the <b>Excluded Converted Amount</b>).</p> <p>Within five (5) Business Days of receiving a Buy-Back Notice, Lind may give one or more Conversion Notices to the Company for up to (in aggregate) 50% of the Face Value of the Convertible Note at the time of issue (<b>Buy-Back Conversion Notice, Buy-Back Conversion Amount</b>).</p> <p>Upon issuing a Buy-Back Notice to Lind, the Company irrevocably and unconditionally agrees to, within five (5) Business Days of receiving the Buy-Back Conversion Notice, or if no Buy-Back Conversion notice is received then within ten (10) Business Days of issuing the Buy-Back Notice:</p> <ul style="list-style-type: none"> <li>• pay to Lind in immediately available funds, 105% of: <ul style="list-style-type: none"> <li>○ the Amount Outstanding;</li> <li>○ less any Excluded Converted Amount; and</li> <li>○ less any Buy-Back Conversion Amount requested by Lind in a Buy-Back Conversion Notice that is permitted under the Lind Convertible Securities Agreement to be settled with Conversion Shares; and</li> </ul> </li> <li>• (where Lind has given the Company a Buy-Back Conversion Notice) issue the Buy-Back Conversion Shares to Lind,</li> </ul> <p>and upon the Company doing so the Convertible Note will be redeemed.</p>

<b>Periodic Redemption</b>	<p>The Company must redeem Lind Convertible Note by making cash payments to Lind on the dates which are 18 October 2020 and 16 January 2021.</p> <p>These cash payments must be equal to 102% of the lesser of:</p> <ul style="list-style-type: none"> <li>• the balance of the aggregate of the outstanding Face Value of the Lind Convertible Note (Amount Outstanding); and</li> <li>• the sum of 25% of the aggregate Face Value of the Lind Convertible Note and all interest then accrued.</li> </ul>
<b>Mandatory Redemption</b>	<p>If the Lind Convertible Note has not been converted prior to the Maturity Date, the Company must repay the 102% Amount Outstanding to Lind in cash</p>
<b>Ranking on Conversion</b>	<p>Shares issued on conversion of the Lind Convertible Note will rank equally with existing Shares on issue.</p>
<b>Reconstruction of capital</b>	<p>If at any time the Company undertakes a consolidation, subdivision or pro-rata cancellation of its issued capital, pays a dividend on its Shares or undertakes a distribution of Shares, the Fixed Price and the Collateral Shareholding Number will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled.</p>
<b>Security</b>	<p>The Convertible Note will be secured by:</p> <ul style="list-style-type: none"> <li>• a general security agreement by the Company in favour of the Collateral Agent, on terms acceptable to L1 Capital;</li> <li>• a general security, collateral security and a general assignment of rents and leases in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital;</li> <li>• a collateral agency agreement between Lind, each Co-Investor, the Collateral Agent, the Company, Mernova Medicinal Inc, 3321739 Nova Scotia Limited, Creso Canada Limited and Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital;</li> <li>• a guarantee and indemnity in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital;</li> <li>• a guarantee and indemnity in favour of the Collateral Agent granted by Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital; and</li> <li>• from each of Creso Canada Limited and 3321739 Nova Scotia Limited: <ul style="list-style-type: none"> <li>○ a guarantee and indemnity in favour of the Collateral Agent granted by the relevant entity, on terms acceptable to L1 Capital; and</li> <li>○ a general security agreement by the relevant entity in favour of the Collateral Agent (or such document is equivalent in the place of jurisdiction of the relevant entity, on terms acceptable to the Tranche 1 Investors).</li> </ul> </li> </ul> <p>(together, the <b>Security Documents</b>).</p>
<b>Reduction of Convertible Note through reduction of Collateral Shares</b>	<p>Lind may at any time by written notice to the Company elect to purchase a reduction in the Collateral Shareholding Number (<b>Collateralisation Election Notice</b>), which may reduce the Amount Outstanding in respect of the Convertible Note. This will occur if Lind elects to reduce the amount outstanding in respect of the Convertible Note by an amount equal to 98% of the Collateral Shareholding Number specified in the Collateralisation Election Notice multiplied by the Variable Conversion Price.</p>

<b>Takeover Threshold</b>	<p>Where an issue of Shares under the Lind Convertible Securities Agreement would result in the voting power (as defined in Chapter 6 of the Corporations Act) in the Company of Lind or any other person exceeding 19.99%, then without limiting any of Lind's other rights under the Lind Convertible Securities Agreement:</p> <ul style="list-style-type: none"> <li>• Lind may by written notice to the Company (Cash Substitution Notice) require the Company to pay a cash amount to Lind equal to Z multiplied by \$C, where:  Z = the number of new Shares which would have been issued to Lind; and  \$C = the VWAP per Share on the date Lind's Shares were to be issued,  <b>(Cash Substitution Amount)</b>; and</li> <li>• upon the Company receiving a Cash Substitution Notice from Lind, the Company must within five (5) Business Days pay Lind in immediately available funds the Cash Substitution Amount.</li> </ul>
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### 7.3 Terms and Conditions of Convertible Note Options

A summary of the material terms and conditions of the Convertible Note Options is set out below.

#### (a) Nature of Options

- (i) Each Option will grant the holder of that Option the right but not the obligation to be issued by the Company one Share at an exercise price of \$0.1386 per Option (**Options Exercise Price**) (subject to any adjustment under the Lind Convertible Securities Agreement).
- (ii) Each Option will be exercisable by the Option holder complying with its obligations at any time after the time of the grant of the Option and prior to the date which is 36 months after the date of issue of the options (**Options Expiration Date**), after which time it will lapse.

#### (b) Exercise of Options

- (i) Without limiting the generality of, and subject to, the other provisions of the Lind Convertible Securities Agreement, an Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:
  - (A) a copy, whether facsimile or otherwise, of a duly executed Option exercise form (the **Exercise Form**), to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder);
  - (B) a copy, whether facsimile or otherwise, of any exercise form required by the share registrar; and
  - (C) payment of an amount equal to the Options Exercise Price multiplied by the number of Shares in respect of which the Options are being exercised at the time by wire transfer to the account specified by the Company

from time to time or by bank draft delivered to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder).

(ii) As soon as reasonably practicable, but in any event no later than two (2) Business Days after receipt of a duly completed Exercise Form and the payment referred to in clause (b)(i)(C) above, the Company must cause its securities registrar to:

(A) issue and Electronically Deliver the Shares in respect of which the Options are so exercised by the Option holder; and

(B) provide to the Option holder holding statements evidencing that such Shares have been recorded on the Share register.

(c) **Bonus Issues**

If prior to an exercise of an Option, but after the issue of the Option, the Company makes an issue of Shares by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan), pursuant to an offer of such Shares to at least all the holders of Shares resident in Australia, then on exercise of the Option, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

(d) **Rights Issues**

If prior to an exercise of an Option, but after the issue of the Option, any offer or invitation is made by the Company to at least all the holders of Shares resident in Australia for the subscription for cash with respect to Shares, options or other securities of the Company on a pro rata basis relative to those holders' shareholding at the time of the offer, the Options Exercise Price will be reduced as specified in ASX Listing Rule 6.22.2 in relation to pro-rata issues (except bonus issues).

(e) **Reconstruction of Capital**

In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, and subject to such changes as are necessary to comply with the Listing Rules applying to a reconstruction of capital at the time of the reconstruction:

(i) the number of the Shares to which each Option holder is entitled on exercise of the outstanding Options will be reduced or increased in the same proportion as, and the nature of the Shares will be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and

- (ii) an appropriate adjustment will be made to the Options Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options will not alter.

(f) **Cumulative Adjustments**

Full effect will be given to the provisions of clauses (c) to (e), as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Shares already on issue.

(g) **Notice of Adjustments**

Whenever the number of Shares over which an Option is exercisable, or the Options Exercise Price, is adjusted pursuant to the Lind Convertible Securities Agreement, the Company must give notice of the adjustment to all the Option holders as soon as reasonably practicable and in any event, within five (5) Business Days.

(h) **Rights Prior to Exercise**

Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company.

(i) **Redemption**

The Options will not be redeemable by the Company.

(j) **Assignability and Transferability**

The Options will be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable Law.

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## **8. RISK FACTORS**

### **8.1 General**

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **8.2 Risks relating to the Company**

#### **(a) Dilution**

The Company currently has 327,060,235 Shares on issue. As set out in this Prospectus, the Company is intending to issue the Convertible Note and the Convertible Note Options. In addition, the Company is intending to issue the Subsequent Collateral Shares and the Settlement Shares prior to the closing date of the Cleansing Offer.

The interests of the various recipients of the Securities and the current Shareholders of the Company following the issue of these Securities are set out in Section 4.7 of this Prospectus. There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the ongoing operations of the Company.

In particular, as set out in Section 4.4, the Company may, subject to agreement with third parties, issue up to 16,000,000 Additional Shares, which would result in further dilution to Shareholders. If the Company is able to reach agreement on these issues shortly, the Company may issue the Additional Shares prior to the closing date of the Cleansing Offer.

#### **(b) Going concern**

As announced on 28 February 2020, the Company's audited financial report for the year ended 31 December 2019 included a statement that there was material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

The financial statements were still prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent on obtaining additional funding facilities scaling back corporate overheads and thereafter revenue growth in the operations in Canada and

Switzerland and positive cash flows from operations during the financial year.

At the time of the preparation of the financial reports, the Directors believed that the consolidated entity would be able to continue as a going concern and therefore it was appropriate to adopt the going concern basis in the preparation of the financial report. The Directors formed this view following the consideration of the fact that the Group has the ability to access, subject to obtaining Shareholder approval and agreement with or identification of relevant investors:

- (i) in accordance with the terms of the Convertible Securities Agreements, access to access:
  - (A) up to a further \$2.05 million under the Tranche 1 Convertible Note Facility; and
  - (B) up to a further \$2.1825 million under the Tranche 2 Convertible Note Facility; and
- (ii) in accordance with the terms of the New L1 Convertible Securities Agreement, to access up to a further \$15,232,500 (of which the Company obtained Shareholder approval to access up to a further \$3,500,000 at the General Meeting).

Further the Board continues to consider the following additional factors in assessing whether the Company will be able to continue as a going concern:

- (i) the Company continuously explores merger and acquisition opportunities with a view to strengthening its existing businesses or divesting operations which are no longer of strategic importance to it;
- (ii) the Company continuously explores further product offerings and available market opportunities in line with its business strategies and objectives which may enable the Company to access additional funding in the short term, at a time where market conditions are highly volatile and alternative financing may not be available, or, where available, may be highly dilutive to shareholders;
- (i) the Company continues to expand its range of Products, with a current portfolio of 13 Products, of which eight Products have been commercialised and five are pending commercialisation;
- (ii) revenues from the Company's Switzerland and Mernova operations are growing;
- (iii) the Company plans to raise equity through the issue additional Shares in the next 12 months. This has previously proven to be successful (including as demonstrated by the Placement); and
- (iv) the Company plans to continue to re-organise its operations during the next 12 months, including scaling back corporate overheads and other aspects of its cost base, in order to curtail expenditure, in the event that financial projections indicate that available cash will be insufficient to meet projected expenditure.

The Directors continue to believe that the consolidated entity will be able to continue as a going concern on the basis that the above factors still remain true.

However, it is highly likely that further funding will be required to meet the medium term working operating costs of the Company and in the event that the Company is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

Further information in respect of additional requirements for capital are set out in the risk in Section 8.2(c).

(c) **Default Risk**

The Company has and may continue to enter into convertible note facilities such as the Original Convertible Securities Agreements, the New L1 Convertible Securities Agreement and the Lind Convertible Securities Agreement, under which it will have obligations to make periodic interest payments to the investors on the relevant due dates and either repay amounts advanced to Company on the relevant due dates, or issue Shares upon receipt of a conversion notice.

The Company expects to be able to redeem the Tranche 1 Convertible Notes or make interest payments in respect of the amounts advanced under the Tranche 1 Convertible Notes using the proceeds from future debt or equity raisings, cash flows from operations or proceeds from the sale of assets (noting that the first periodic repayments for the Tranche 1 Convertible Notes issued on 11 February 2020 are due on 27 July 2020). However, as set out in Section 8.2(b), there is a risk that the Company may be unable to procure or raise sufficient cash resources from its operations, future debt or equity raisings.

In addition, as announced on 5 February 2020 and 20 April 2020, the Company has entered into the New L1 Convertible Securities Agreement and the Lind Convertible Securities Agreement, under which it will have obligations to make periodic interest payments to L1 Capital and Lind (as applicable) on the relevant due dates and either repay amounts advanced to Company on the relevant due dates, or, subject to Shareholder approval being obtained, issue Securities to L1 Capital and Lind.

Should the Company default on its obligations under any of the Original Convertible Securities Agreements, the New L1 Convertible Securities Agreement or the Lind Convertible Securities Agreement (including the obligation to make interest payments) an event of default will occur.

In these circumstances, if the Company is unable to raise sufficient funds or otherwise cure the default, the Tranche 1 Noteholders, L1 Capital and/or Lind (as applicable) will be able to seek immediate repayment of the debts or enforce the security granted under the Security Documents and sell some or all of the Company's assets.

(d) **Additional requirements for capital**

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds.

Depending on the Company's ability to generate income and revenue from its operations, the Company may require further financing in the future. Specifically, the Company will require funding for the payment of the milestone payment of C\$800,000 payable to the Mernova Vendors and the payment of a settlement sum of USD\$260,000 to the Settlement Parties (as summarised in Section 8.2(e) below). The Company confirms that, to assist with cashflow management, the Mernova Vendors have agreed to receive the payment pursuant to a payment plan.

Additionally, under the terms of the Original Convertible Securities Agreements, the Company is currently required to redeem up to 25% of the outstanding amount of the Tranche 1 Convertible Notes on 27 July 2020 and on 23 August 2020. The Company is also currently required to redeem up to 25% of the outstanding amount of the Convertible Note under the terms of the Lind Convertible Securities Agreement on 18 October 2020 and on 16 January 2021.

Following the entry into the New L1 Convertible Securities Agreement (under which \$2,250,000 has been advanced), entry into the Lind Convertible Securities Agreement and completion of the Placement, the Board believes the Company will have sufficient working capital to adequately meet the Company's short-term creditor commitments as a result of the funds raised and funds generated through the Company's revenue streams.

The Company further notes that it conditionally has the ability, subject to obtaining Shareholder approval and agreement with or identification of relevant investors:

- (i) to access:
  - (A) up to a further \$2.05 million under the Tranche 1 Convertible Note Facility; and
  - (B) up to a further \$2.1825 million under the Tranche 2 Convertible Note Facility,in accordance with the terms of the Original Convertible Securities Agreements; and
- (ii) to access up to a further \$15,232,500 (of which the Company obtained Shareholder approval to access up to a further \$3,500,000 at the General Meeting) in accordance with the terms of the New L1 Convertible Securities Agreement.

The Company intends that any further funds drawn down will be used for working capital purposes in order to pay debts, short term liabilities and operational expenses.

The Company is presently considering other fundraising initiatives to meet the medium-term working capital requirements of the Company and repayment of the Tranche 1 Convertible Notes (noting that the first periodic repayments for the Tranche 1 Convertible Notes issued on 11 February 2020 are due on 27 July 2020), the repayment of the Convertible Note offered under this Prospectus, the repayment of the New Convertible Notes and the repayment of any other New Convertible Notes, issued under the New L1 Convertible Securities Agreement, in the future, if they are not converted into Shares. The Company is confident that it will be able to generate further funding as and when available. Additionally, the Company continuously explores merger and acquisition opportunities with a view to strengthening its existing businesses and/or divesting operations. Further, the Company continuously explores further product offerings and available market opportunities in line with its business strategies and objectives which may enable the Company access additional funding.

Any additional equity financing (including the conversion of the Tranche 1 Convertible Notes, the New Convertible Notes and the Convertible Note which will be issued under this Prospectus or the issue of Shares under a placement, as repayment of debt or for capital, including any issue of Additional Shares) will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development and research programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

(e) **Risks relating to the Israeli JV**

On 6 September 2018, Creso Pharma Switzerland GmbH (**Creso Switzerland**) a wholly-owned subsidiary of the Company, Asaf Cohen (**Cohen**) and Creso Grow Ltd., an Israeli corporation jointly owned by Creso Switzerland and Cohen (the **Israeli JV Entity**), entered into a Joint Venture and Shareholders Agreement (the **JV Agreement**), which was superseded by an Amended and Restated Joint Venture and Shareholders Agreement (the **Amended JV Agreement**) entered into by the parties on 31 October 2018 (effective 6 September 2018) to pursue a cannabis business related joint venture in Israel. The Amended JV Agreement was later supplemented by a Memorandum of Understanding entered into by the parties and Cohen Propagation Nurseries Ltd. (**Cohen Nurseries** and together with Cohen, collectively referred to as the **Cohen Group**) on 28 April 2019 (the **MOU** and together with the **JV Agreement** and **Amended JV Agreement**, the **Israeli JV Agreements**), pursuant to which, the Cohen Group through the Israeli JV Entity, would pursue obtaining all the necessary regulatory approvals to begin cultivating cannabis in Israel (the **Israeli JV**).

As announced on 2 March 2020, the Company received a letter of termination in respect of the Israeli JV Agreements. The Cohen Group also advised that they intended to seek damages in respect of alleged breaches by Creso Switzerland of its obligations under the Israeli JV Agreements.

Whilst Creso Pharma denies the allegation, in order to procure the settlement of the dispute in a timely manner, the Company has entered into a settlement agreement with the Cohen Group and various other parties (**Settlement Parties, Settlement Agreement**). Pursuant to the Settlement Agreement, the Company, Creso Switzerland and the Settlement Parties have agreed to the final, complete, absolute, and irrevocable settlement of all of the claims of the parties, against each other, including in relation to the Israeli JV on the terms and conditions contained therein. Further details of the Settlement Agreement are set out in the ASX announcement released on 20 April 2020.

In connection with the terms of the Settlement Agreement, the Company obtained Shareholder approval at the Annual General Meeting and agreed to issue up to an aggregate of 5,310,954 Shares to the nominee of the Settlement Parties (**Settlement Shares**) and pay the Settlement Parties an amount of USD\$260,000 (of which USD\$140,000 remains payable) over a prescribed period. The Settlement Shares are intended to be issued prior to the closing date of the Cleansing Offer. The Company has also transferred the shares that it held in the Israeli JV Entity to Cohen.

If Creso Pharma is unable to fulfil its obligations under the Settlement Agreement, the Company may be liable to pay liquidated damages and the Cohen Group may pursue further litigation. The occurrence of such events could materially adversely affect the Company's operations, financial performance and its financial condition. Further details of the Settlement Agreement are set out in the ASX announcement released on 20 April 2020.

(f) **Coronavirus (COVID – 19)**

In December 2019, a novel strain of coronavirus (**COVID-19**) was first identified in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic—the first pandemic caused by a coronavirus. The outbreak of COVID-19 has resulted in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans, intended to control the spread of the virus.

The COVID-19 pandemic may prevent the Company, its suppliers, customers, and other business partners from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. Such measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

As announced on 2 April 2020, the Company is implementing a wide range of strategies to mitigate the risks posed by the coronavirus pandemic including implementing remote working policies for the majority of its corporate staff based in Sydney and its R&D staff based in Switzerland, the suspension of overseas travel and the promotion of social

distancing measures. Further, the Company has implemented a number of measures at its Mernova Facility including amending shift times to minimise contact between employees, appointing a Social Distance Coordinator, implementing remote working for all administration staff, and prohibiting non-essential contractors and other third parties from entering the Mernova Facility. These measures are aimed at minimising the risk of spreading the virus and protecting employees with minimal disruption to operations.

Further, the outbreak of COVID-19 is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market regarding the impact of COVID-19 on its revenue channels and any other material adverse impacts on the Company.

(g) **Uncertainty in cannabis stocks**

In July 2019, one of Canada's largest cannabis producers, CannTrust Holdings Inc. (**CannTrust**) was found to be illegally growing marijuana in unlicensed areas in Canada. As a result, actions taken by Health Canada towards CannTrust, such as the revoking of CannTrust's cannabis sales licence, have dominated the Canadian news cycle and the cannabis industry over the last few months. This negative publicity which originated from CannTrust's actions detrimentally affected the cannabis industry as a whole and had a depreciating effect on the stock prices of cannabis companies. This general adverse market perception has created volatility in the cannabis market in general which may affect the market and demand for the Shares.

(h) **Intellectual property rights**

The Company may be forced to litigate to enforce or defend its intellectual property rights against infringement and unauthorised use by competitors, and to protect our trade secrets. In so doing, the Company's intellectual property may be put at risk of being invalidated, unenforceable, or limited or narrowed in scope. Further, an adverse result in any litigation or defence proceedings may place pending applications at risk of non-issuance. In addition, if any licensor fails to enforce or defend their intellectual property rights, this may adversely affect the Company's ability to develop and commercialise the Company's current and future products (**Products**) and prevent competitors from making, using, and selling competing products. Any such litigation could be very costly and could distract management from focusing on operating the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, we may face additional difficulties in defending our intellectual property rights.

(i) **Protection of proprietary technology**

The Company's success will depend, in part, on the Company's ability to obtain patents, protect trade secrets and operate without infringing on the proprietary rights of others. If the Company fails to adequately protect its intellectual property, it may face competition from companies who attempt to create a generic product to compete with the Products. The Company may also face competition from companies who develop a substantially similar product to one of the Products that is not covered by any protection.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. Proceedings to enforce the Company's patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of its business.

(j) **Competition**

The pharmaceutical and nutraceutical industries are highly competitive and subject to rapid change. The industries continue to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than the Company. Some of these competitors and potential competitors have similar or more experience than the Company in the development of pharmaceutical products, including validation procedures and regulatory matters. In addition, the Products compete with, product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than we or our future collaboration partners may have. If the Company is unable to compete successfully, it may be unable to generate, grow and sustain its revenue.

(k) **Joint venture, partnerships or other strategic alliances**

The Company may enter into strategic partnerships or alliances with third parties in order to enhance its business. Additionally, the Company continuously explores merger and acquisition opportunities with a view to strengthening its existing business and/or divesting non-core business operations. Any entry into, or commitment to, such relationship or opportunity will bring additional risks specifically contractual risks. The Company would also be likely to incur transactional costs in evaluating and negotiating such relationships which will need to be incurred regardless of whether the proposed transactions complete or bring benefit to the Company. At the date of this Prospectus, unless otherwise disclosed, the Company is not aware of the occurrence or likely occurrence of any such risks which would have a material adverse effect on the Company or its subsidiaries.

### **8.3 Risks relating to Products**

(a) **Risk of generating public controversy**

Some of the Products contain controlled substances and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased

expenses for the Products. These pressures could also limit or restrict the introduction and marketing of the Products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by the Products and the operations of the Company. The nature of the Company's business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, our reputation may be harmed.

(b) **Legal and regulatory changes**

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining required regulatory approvals all over the world. The regulatory regimes applicable to the cannabis business in Canada, Australia, Colombia, Brazil, and the European Union are currently undergoing significant changes and the Company cannot predict the impact of the changes on its operations once the regulatory regimes are finalized.

Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations.

In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(c) **Controlled substance legislation may restrict or limit ability to develop and commercialise the Products**

Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to our obtaining marketing approval for the Products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit the Products to be marketed or achieving such amendments to the laws and regulations may take a prolonged period of time.

(d) **Product liability and uninsured risks**

Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavors to work to rigorous standards there is still the potential for the products to contain defects or may fail to meet customer's agreed specification. These defects or problems could result in the loss of or delay in generating revenue, requirements to repay prepaid revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and damage to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer, and it could be liable for damages.

Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

(e) **Customer and Contractual Risks**

Currently, the Mernova segment of the Company's business is still in its initial phase and therefore currently only derives its revenues from a limited number of customers and distributors. The loss of or significant decrease in business from any of those customers could harm Mernova's revenues and the Company's business until additional distribution/supply agreements are entered. This is not an unusual situation for businesses in the initial phases is closely monitored by the Board who is in discussions with potential third parties.

Further, although the Company has agreements in place with such customers, these agreements require Mernova and/or the Company to meet certain obligations (including specifications of products) as is the case for any licence producer which is selling cannabis grown flowers. There is no guarantee that such obligations will be met or that factors outside the Company's control (i.e. delivery mechanisms, customer testing techniques or circumstances) may impact the final products received by customers. Any failure to meet obligations may result in the need to replace products, loss of revenue or termination of existing agreements which may have a material adverse effect on the Company and its operations.

Like with any partnering or distribution agreement the Company is also subject to the risk that the parties to these agreements will not adequately or fully comply with their respective contractual rights and obligations including the obligations to order minimum quantities or that these contractual relationships may be terminated.

(f) **Access to active ingredients**

Some of the Products will/do contain active cannabis or hemp derived ingredients from full plant extracts. The Company needs access to these materials. An inability to access these raw materials with the required specifications or quality could mean that some of the Products are compromised or delayed.

The Company may, from time to time, enter into agreements with other suppliers of active cannabis or hemp derived ingredients. There is a risk that the Company may have protracted negotiations on commercial

terms and this may result in delays in the development of the Company's products and/or increase in the Company's costs of development and production.

(g) **Cultivation Risks**

Part of the Company's business involves the cultivation and growing of medical cannabis and/or hemp, which are agricultural products. As such the business may be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, invasive plant species, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events. In addition, significant interruptions or negative changes in the availability of economics of the supply chain for the raw material and supplies related to growing operations as well as electricity, water and other local utilities inputs could materially impact the business, financial condition and operating results of the Company.

The Company's cultivation operations are subject to the licenses required and other applicable legislation and regulations enforced in those countries. Accordingly, the amount of medical cannabis and hemp the Company is able to produce may be capped and ultimately this will restrict the amount that the Company can sell, at least whilst no further legislation is in operation.

(h) **Climate Change**

There are a number of climate-related factors that may affect the operations and proposed activities of the Company. The climate change risks particularly attributable to the Company include:

- (i) the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and
- (ii) climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. These physical risks may have financial implications for the Company, such as indirect impacts from supply chain disruption and industry demand.

All these risks associated with climate change may significantly change the industry in which the Company operates.

## 8.4 General risks

### (a) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development programmes, as well as on its ability to fund those programmes.

### (b) Market conditions

Share market conditions may affect the value of the Company's Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and cannabis stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### (c) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

### (d) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(e) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. The manufacture and global distribution of products and services is important to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

(f) **Contractual risk**

The Company's ability to efficiently conduct its operations in a number of respects depends upon a number of contracts. As in any contractual relationship, the ability for the Company to ultimately receive the benefit of the contract is dependent upon the relevant third party complying with its contractual obligations. To the extent that such third parties default in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

## **8.5 Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## **9. ADDITIONAL INFORMATION**

### **9.1 Litigation**

Other than as set out in this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company as at the date of this Prospectus.

### **9.2 Continuous Disclosure Obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's Securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
23/06/2020	Appendix 2A
23/06/2020	Proposed issue of Securities - CPH
16/06/2020	Results of Meeting
15/06/2020	Ceasing to be a substantial holder
11/06/2020	Change in substantial holding
11/06/2020	Israeli Cannabis Legislation
10/06/2020	Update on Mernova Sales License
09/06/2020	Change of Director's Interest Notice
09/06/2020	Becoming a substantial holder
09/06/2020	Successful launch of Creso's Cannamics in South Africa
04/06/2020	Appendix 2A
03/06/2020	Appendix 2A
03/06/2020	Agreement for Entry into Brazilian Retail Market
02/06/2020	Proposed issue of Securities – CPH
02/06/2020	Cleansing Prospectus
02/06/2020	Placement and Corporate Update
02/06/2020	Appendix 2A
01/06/2020	Creso Pharma Receives Firm Commitments to Raise A\$2.137M
01/06/2020	Appendix 2A
01/06/2020	Proposed issue of Securities - CPH
28/05/2020	Appendix 2A
28/05/2020	Proposed issue of Securities - CPH
28/05/2020	Appendix 2A
27/05/2020	Trading Halt
18/05/2020	Results of Meeting

<b>Date</b>	<b>Description of Announcement</b>
13/05/2020	Update on Mernova Sales Licence
12/05/2020	Letter to Shareholders Regarding AGM
12/05/2020	Notice of Annual General Meeting/Proxy Form
11/05/2020	Trading Halt
11/05/2020	Pause In Trade
11/05/2020	Mernova Receives Retail Sales License from Health Canada
30/04/2020	Quarterly Update and Appendix 4C (Replacement)
30/04/2020	Quarterly Update and Appendix 4C
20/04/2020	Appendix 2A
20/04/2020	Cleansing Prospectus
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Funding Update
20/04/2020	Israeli JV Update
15/04/2020	Notice of General Meeting/Proxy Form
14/04/2020	L1 Capital Collateral Purchase Notice & Top-Up Notice
14/04/2020	Pause in Trading
14/04/2020	Binding LOI to Expand Distribution into Pakistan
08/04/2020	ASX Listing Rule 3.13.1 Notice Regarding AGM
07/04/2020	Appendix 3G
07/04/2020	Creso Completes AUD 200,000 Order of anibidiol to Virbac
02/04/2020	Creso Pharma Outlines Response to COVID-19
02/04/2020	Pause in Trading
01/04/2020	Mernova Receives C\$775k Order for First Shipment to Israel
26/03/2020	First Shipment of cannaQIX to South Africa For Launch in Q2
24/03/2020	Creso Pharma to Launch CBD Hemp Tea
12/03/2020	Ceasing to be a substantial holder - Correction
11/03/2020	Ceasing to be a substantial holder
11/03/2020	Creso Strengthens Mernova Senior Management Team
10/03/2020	Trading Halt
10/03/2020	Pause in Trading
06/03/2020	Becoming a substantial holder
03/03/2020	Creso Signs Agreement to Market its Products in Scandinavia
02/03/2020	Termination of Israeli Joint Venture
28/02/2020	Appendix 4G & Corporate Governance Statement

Date	Description of Announcement
28/02/2020	Preliminary Report & Annual Report to Shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website at [www.cresopharma.com](http://www.cresopharma.com).

### 9.3 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus and the most recent dates of those sales were:

	Price	Date
Highest	\$0.079	13 May 2020
Lowest	\$0.040	18 June 2020
Last	\$0.042	23 June 2020

### 9.4 Directors' and proposed Directors' interests

Other than as set out in this Prospectus, no Director or proposed director holds or has held within 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion or
  - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be and no benefits have been given or agreed to be given to a Director or proposed director:

- (d) as an inducement to become, or to qualify him as, a Director; or
- (e) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offers.

## Security holdings

The relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Shares	Quoted Options <sup>5</sup>	Unquoted Options	Performance Rights <sup>4</sup>
Boaz Wachtel <sup>1</sup>	8,300,000	3,000,000	-	1,600,000
Dr. Miriam Halperin Wernli <sup>2</sup>	12,800,000	4,147,950	-	-
Adam Blumenthal <sup>3</sup>	8,208,388	2,750,000	14,128,387 <sup>6</sup>	-
Dr James Ellingford	1,450,000	550,000	-	-

### Notes:

- Comprising 800,000 CPHPERR6 Performance Rights and 800,000 CPHPERR7 Performance Rights. These Performance Rights vest upon satisfaction of the following vesting conditions:
  - CPHPERR6 Performance Rights: Successfully identifying and concluding a collaboration or joint venture acquisition and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017); and
  - CPHPERR7 Performance Rights: Successfully identifying and concluding a collaboration or joint venture acquisition in Israel and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017).
- Includes 300,000 Shares and 75,000 Quoted Options held by Jorge Wernli, who is the spouse of Dr. Miriam Halperin Wernli.
- Director Adam Blumenthal is a director and shareholder of EverBlu Capital, the corporate advisor of the Company. Further details of the fees payable to EverBlu Capital in its role as corporate advisor of the Company are set out in the ASX announcement released on 21 January 2020. EverBlu Capital has also acted as lead manager to the Convertible Securities Facilities (details of the fees payable in respect of this appointment are set out in the Notice of Meeting) and the Placement (details of the fees payable in respect of this appointment are set out in the ASX announcement released on 1 June 2020).
- The Board is currently considering the issue of up to an additional 28,600,000 Performance Rights, of which 25,600,000 Performance Rights are contemplated to be issued to Directors. The contemplated issue of Performance Rights will be subject to Board, ASX and, where required, Shareholder approval.
- Options exercisable at \$0.80 each on or before 21 August 2020 (ASX:CPHO).
- Comprising of:
  - 2,128,387 Options exercisable at \$0.35 each on or before 12 February 2023;
  - 4,000,000 Options exercisable at \$0.25 each on or before 2 June 2023; and
  - 8,000,000 Options exercisable at \$0.20 each on or before 2 June 2023.
- As announced on 1 June 2020, Directors Adam Blumenthal and Miri Halperin Wernli each wish to participate in the Placement. Subject to Shareholder approval being obtained, Adam Blumenthal will be issued 833,333 Shares and Dr Halperin Wernli will be issued 833,333 Shares.

## Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors'

remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive Directors.

Director	Proposed remuneration for financial year ending 31 December 2020 <sup>13</sup>	Remuneration for financial year ended 31 December 2019	Remuneration for financial year ended 31 December 2018
Mr Boaz Wachtel	\$87,500 <sup>1</sup>	\$245,282 <sup>5</sup>	\$717,000 <sup>9</sup>
Dr Miriam Halperin Wernli	\$679,000 <sup>2</sup>	\$799,302 <sup>6</sup>	\$2,068,075 <sup>10</sup>
Mr Adam Blumenthal	\$269,000 <sup>3</sup>	\$247,788 <sup>7</sup>	\$854,723 <sup>11</sup>
Dr James Ellingford	\$187,610 <sup>4</sup>	\$163,569 <sup>8</sup>	\$187,831 <sup>2</sup>

**Notes:**

1. Comprising a cash payment of \$82,500 in executive remuneration. Share-based payments were fully expensed in prior years. In addition, the amount of \$5,000 in remuneration, accrued from the financial year ended 31 December 2019, will be paid in the financial year ending 31 December 2020. Comprising cash payments of \$451,000 in executive remuneration and \$228,000 in director's remuneration. Share-based payments were fully expensed in prior years.
2. Comprising a cash payment of \$200,000 and a superannuation payment of \$19,000. Share-based payments were fully expensed in prior years. In addition, the amount of \$54,750, comprising \$50,000 in remuneration and associated superannuation of \$4,750, accrued from the financial year ended 31 December 2019, will be paid in the financial year ending 31 December 2020. It is intended that \$4,750 of superannuation payable will not become payable until 2021 and will therefore be paid in the financial year ending 31 December 2021.
3. Comprising a cash payment of \$141,000, a superannuation payment of \$13,395. Share-based payments were fully expensed in prior years. In addition, the amount of \$36,682, comprising \$33,500 remuneration and associated superannuation payment of \$3,182, accrued in the financial year ended 31 December 2019, will be paid in the financial year ending 31 December 2020. It is intended that \$3,467 of superannuation payable will not become payable until 2021 and will therefore be paid in the financial year ending 31 December 2021.
4. Comprising a cash payment of \$105,000 in executive remuneration and a share-based payment of \$135,282. Accrued amounts from the previous year were paid in full. In addition, the amount of \$5,000 in remuneration was accrued and will be paid in the financial year ending 31 December 2020.
5. Comprising cash payments of \$392,563 in executive remuneration, \$248,910 in director's remuneration and a share-based payment of \$157,829.

6. Comprising a cash payment of \$200,000, a superannuation payment of \$19,000 and a share-based payment of \$67,641. Accrued amounts from the previous year were paid in full. In addition, the amount of \$54,750, comprising \$50,000 in remuneration and associated superannuation of \$4,750, was accrued and will be paid in the financial year ending 31 December 2020.
7. Comprising a cash payment of \$134,000, a superannuation payment of \$12,730 and a share-based payment of \$39,172. Accrued amounts from the previous year were paid in full. In addition, the amount of \$36,682, comprising \$33,500 remuneration and associated superannuation payment of \$3,182, was accrued and will be paid in the financial year ending 31 December 2020.
8. Comprising a cash payment of \$120,000 and a share-based payment of \$607,000. An amount of \$10,000 in remuneration was accrued and paid in the financial year ended 31 December 2019.
9. Comprising a cash payment of \$470,677, a bonus of \$203,648 and a share-based payment of \$1,393,750.
10. Comprising a cash payment of \$121,000, a superannuation payment of \$11,495 and a share-based payment of \$738,125. An amount of \$15,897, comprising \$12,667 in remuneration and associated superannuation of \$3,230, was accrued was paid in the financial year ended 31 December 2019.
11. Comprising a cash payment of \$119,000, a superannuation payment of \$8,930 and a share-based payment of \$74,250. In addition, the amount of \$14,349, comprising \$11,167 in remuneration and associated superannuation of \$3,182, was accrued and was paid in the financial year ended 31 December 2019.
12. The Board is currently considering the issue of up to an additional 28,600,000 Performance Rights, of which 25,600,000 Performance Rights are contemplated to be issued to Directors. The contemplated issue of Performance Rights will be subject to Board, ASX and, where required, Shareholder approval. These Securities are not included in the above table.

## 9.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offers.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offers and associated due diligence process. The Company estimates it will pay Steinepreis Paganin \$20,000 (excluding GST and disbursements) for these services.

## 9.6 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as proposed directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) have not authorised or caused the issue of the Prospectus and does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO East Coast Partnership has given its written consent to being named as the auditors to the Company in this Prospectus and to the inclusion of the audited balance sheet for the Company for the period ending 31 December 2019 in Section 6.6 of this Prospectus in the form and context in which it is included. BDO East Coast Partnership has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## 9.7 Expenses of the Offers

The expenses associated with this Prospectus are estimated to be up to approximately \$30,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	<b>Minimum Subscription (\$)</b>
ASIC fees	3,206
Legal fees	20,000
Printing, distribution and miscellaneous items	6,794
<b>Total</b>	<b>\$30,000</b>

## **9.8 Electronic Prospectus**

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 8 9389 3180 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at [www.cresopharma.com](http://www.cresopharma.com).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **9.9 Clearing House Electronic Sub-Register System ("CHES") and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

## **9.10 Financial forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## **9.11 Privacy Act**

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity Securities in the Company, facilitate distribution payments and corporate communications to you as a Security holder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

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**10. DIRECTORS' CONSENT**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented in writing to the lodgement of this Prospectus with the ASIC.



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**Boaz Wachtel**  
**Executive Chairman**  
**For and on behalf of**  
**CRESO PHARMA LIMITED**

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## 11. DEFINITIONS

**Actual Trading Day** means a Trading Day on which trading actually takes place in the Shares on the ASX.

**Advance** means the amount of \$2,250,000 which has been advanced by L1 Capital to the Company in accordance with the terms of the New L1 Convertible Securities Agreement.

**Amount Outstanding** means the balance of the aggregate of the outstanding face value of the Convertible Note issued under this Prospectus.

**Application Form** means a Cleansing Offer Application Form, Convertible Note Application Form or a Convertible Note Option Application Form (as applicable).

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** means the Listing Rules of the ASX.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**Board** means the board of Directors unless the context indicates otherwise.

**Chifley** means Chifley Portfolios Pty Limited (ACN 001 303 939)

**Cleansing Offer** means the offer of up to 10,000 Shares at an issue price of \$0.20 per Share to raise up to \$2000.

**Cleansing Offer Application Form** means an application form in respect of the Cleansing Offer either attached to or accompanying this Prospectus.

**Closing Date** means closing date for receipt of an Application Form as set out in Section 2 (unless extended or closed early).

**Company** or **Creso Pharma** means Creso Pharma Limited (ACN 609 406 911).

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Convertible Note Application Form** means an application form in respect of the Convertible Note Offer either attached to or accompanying this Prospectus.

**Convertible Note Offer** means the offer of one (1) convertible note with a face value of \$1,111,111.

**Convertible Note Option Application Form** means an application form in respect of the Convertible Note Option Offer either attached to or accompanying this Prospectus.

**Convertible Note Option Offer** means the offer of 10,752,688 Options exercisable at \$0.1386 each on or before the date that is 36 months from the date of issue.

**Corporations Act** means the Corporations Act 2001 (Cth).

**December Notice of Meeting** means the notice of meeting lodged by the Company and released on the ASX on 23 December 2019 as supplemented by the addendum released on the ASX on 13 January 2020.

**Directors** means directors of the Company at the date of this Prospectus.

**Dollar** or **\$** means Australian dollars.

**EverBlu** or **EverBlu Capital** means EverBlu Capital Pty Ltd (ACN 612 793 683) (AFSL 499601).

**General Meeting** means the Shareholder meeting held on 18 May 2020.

**Group Company** means each of the Company and its subsidiaries and **Group** means all of them, excluding Hemp Industries S.R.O.

**L1 Capital** means L1 Capital Global Opportunities Master Fund.

**L1 Threshold Amount** means the greater of:

- (a) 9,000,000; and
- (b) 20% of the aggregate of the amount outstanding under the New L1 Convertible Securities Agreement and the amount outstanding under the Original Convertible Securities Agreement between the Company and L1 Capital divided by the numeric average of the 10 daily VWAPs for the 10 Actual Trading Days immediately prior to the day on which the determination is made.

**Lind Convertible Securities Agreement** means the convertible securities agreement entered into between the Company and Lind to enable the Company to raise \$1,000,000.

**Lind Threshold Amount** means the greater of:

- (a) 21,000,000 Shares; and
- (b) 20% of the amount outstanding under the Lind Convertible Securities Agreement, divided by the numeric average of the 10 daily VWAPs for the 10 Trading Days immediately prior to the day on which the determination is made.

**Mernova** means Mernova Medical Inc. a company registered in Canada.

**Mernova Vendors** means William Fleming, Marybeth Fleming and William Fleming, as trustee of the Fleming Family Trust (2011).

**Milestone 2** means the Company's announcement to the market of the grant of a sales license to Mernova Medicinal Inc. under the Access to Cannabis for Medicinal Purposes Regulations (which have now been superseded), unless otherwise agreed between Creso Pharma and the Mernova Vendors, which occurred on 14 February 2020.

**New Corporate Advisory Mandate** means the new corporate advisory mandate entered into between the Company and EverBlu Capital, as announced on 21 January 2020.

**New L1 Convertible Securities Agreement** means the convertible securities entered into between the Company and L1 Capital to enable the Company to access up to \$17,482,500 as announced on 5 February 2020.

**New L1 Convertible Securities Facility** means the convertible note facility provided for under the terms and conditions of the New L1 Convertible Securities Agreement.

**Offers** means the Convertible Note Offer, the Convertible Note Option Offer and the Cleansing Offer.

**Official Quotation** means official quotation on ASX.

**Opening Date** means the opening date for receipt of an Application Form under this Prospectus as set out in Section 2.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Original Convertible Securities Agreements** means the convertible securities agreements entered into between the Company and each of Chifley, L1 Capital and Suburban Holdings as announced on 28 November and 31 December 2019.

**Placement** means the issue of 35,619,007 Shares at an issue price of \$0.06 per Share to raise up to approximately 2.137 million (as announced on 1 June 2020).

**Previous Share Issues** has the meaning given in Section 5.4.

**Prospectus** means this prospectus.

**Section** means a section of this Prospectus.

**Securities** means Shares, Options, Convertible Notes, Performance Rights, Performance Shares and/or Exchangeable Shares.

**Settlement Agreement** has the meaning provided in Section 8.2(e).

**Settlement Parties** has the meaning provided in Section 8.2(e).

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Automatic Share Registry.

**Shareholder** means the holder of a Share.

**Suburban Holdings** means Suburban Holdings Pty Limited (ACN 106 824 471).

**Trading Day** has the meaning given to that term in the ASX Listing Rules.

**Tranche 1 Convertible Notes** means the Convertible Notes and the subsequent rights of conversion into Shares set out in the December Notice of Meeting.

**Tranche 1 Convertible Note Facility** means an initial convertible security facility to enable the Company to raise up to \$5,500,000 through the issue of up to 6,111,111 debt securities, which, subject to Shareholder approval being obtained, will be replaced by convertible equity securities.

**Tranche 1 Noteholder** means the holder of a Tranche 1 Convertible Note.

**Tranche 2 Convertible Notes** means the Convertible Notes and the subsequent rights of conversion into Shares set out in the December Notice of Meeting.

**Tranche 2 Convertible Note Facility** means an additional convertible security facility to enable the Company to raise up to \$2,700,000.

**VWAP** means, in relation to one or more Trading Days, the volume weighted average price (in A\$), of the Shares on the ASX for those Trading Days, as reported by Bloomberg, LP.

**WST** means Western Standard Time as observed in Perth, Western Australia.