

CRESO PHARMA LIMITED
ACN 609 406 911

PROSPECTUS

For the offer of:

- (a) up to 3,611,112 convertible notes each with a face value of \$1 (**Tranche 1 Convertible Note Offer**);
- (b) up to 575,000 convertible notes each with a face value of \$1 (**Tranche 2 Convertible Note Offer**);
- (c) 6,847,725 options which are exercisable at \$0.40 each on or before the date that is three years from the date of issue (**Convertible Note Option Offer**);
- (d) 2,128,387 options which are exercisable at \$0.35 each on or before the date that is three years from the date of issue (**Adviser Option Offer**); and
- (e) 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 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*

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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.

2. INDICATIVE TIMETABLE

Lodgement of Prospectus with the ASIC and ASX	7 February 2020
Opening Date of the Offers	7 February 2020
Issue of Securities under the Offers and the Proposed Security Issues	10 February 2020
Closing Date of the Convertible Note Offers and the Option Offers*	10 February 2020
Closing Date of the Cleansing Offer*	11 February 2020

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

3. **IMPORTANT NOTES**

This Prospectus is dated 7 February 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. 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 Debt Note Application Form or the Cleansing Offer Application Form (as applicable). 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.

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.

4. BACKGROUND TO THE OFFERS

4.1 Background to Convertible Securities Facilities

As announced on 28 November 2019 and 31 December 2019, the Company has and may continue to enter into convertible securities agreements with professional and sophisticated investors to enable the Company to raise up to \$8,200,000 (**Convertible Securities Agreements**), comprising of:

- (a) 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 Convertible Note Facility**); and
- (b) an additional convertible security facility to enable the Company to raise up to a further \$2,700,000 (**Tranche 2 Convertible Note Facility**).

As at the date of this Prospectus, the Company has drawn down an aggregate of \$3,967,500, comprising of \$3.45 million under the Tranche 1 Convertible Note Facility and \$517,500 under the Tranche 2 Convertible Note Facility.

A summary of the securities issued, issuable and fees paid to the Tranche 1 Investors (including L1 Capital) in respect of the funds drawn down under the Tranche 1 Convertible Note Facility and L1 Capital in respect of the funds drawn down under the Tranche 2 Convertible Note Facility under the Convertible Securities Agreements is set out below:

	Tranche 1 Convertible Note Facility ¹		Tranche 2 Convertible Note Facility ¹	
	Issued/Paid	Issuable	Issued/Paid	Issuable
Cash	\$153,333	-	-	-
Debt Notes¹	3,611,112	-	575,000	-
Convertible Notes¹	-	3,611,112	-	575,000
Collateral Shares	4,333,333	3,333,334	-	-
Fee Shares	340,314	261,780	-	139,394
Options	-	6,272,725	-	575,000

Notes:

1. As set out in Section 4.2 below, pursuant to this Prospectus, the Company intends to offer 3,611,112 Tranche 1 Convertible Notes in replacement of the Debt Notes held by L1 Capital Global Opportunities Master Fund (**L1 Capital**), Suburban Holdings Pty Limited (ACN 106 824 471) (**Suburban Holdings**), Chifley Portfolios Pty Limited (ACN 001 303 939) (**Chifley**) (together, the **Tranche 1 Noteholders**), and 575,000 Tranche 2 Convertible Notes in replacement of the 575,000 Debt Notes held by L1 Capital, as the investor under the Tranche 2 Convertible Note Facility.

Further details in respect of the Tranche 1 Convertible Note Facility and the Tranche 2 Convertible Note Facility and related fees are set out in the notice of meeting released on 23 December 2019 and the addendum to the notice of meeting released on 13 January 2020 (together, the **Notice of Meeting**). The Company confirms that there was previously an additional Tranche 1 Noteholder, being Mozaik Asset Management Pty Ltd (ACN 136 347 101) (**Mozaik**) who held 222,222 Debt Notes. As announced on 5 February 2020, the Company and Mozaik reached an agreement to settle all existing rights and obligations in respect of Mozaik's 222,222 Debt Notes, accordingly the Debt Notes were extinguished and Mozaik is not entitled to receive any Tranche 1 Convertible Notes.

In addition, the Company has entered into a new convertible securities agreement with L1 Capital to enable the Company to access up to an additional \$17,482,500 (**New Convertible Securities Facility**). As at the date of this Prospectus, the Company has drawn down \$875,000 under the New Convertible Securities Facility as an initial advance and will draw down a further \$875,000 as a further advance following lodgement of this Prospectus. Under the terms of the New Convertible Securities Agreement, following the lodgement of this Prospectus the further advance must be paid by L1 Capital on or before 11 February 2020.

Further details in respect of the New Convertible Securities Facility (including details of the fees payable to EverBlu Capital Pty Ltd (ACN 612 793 683) (AFSL 499601) (**EverBlu Capital**), the lead manager to the New Convertible Securities Facility) are set out in the ASX announcement released on 5 February 2020.

4.2 Shareholder Approvals

In accordance with Shareholder approval obtained at the general meeting held on 28 January 2020 (**General Meeting**), the Company is intending to:

- (a) issue 3,611,112 Tranche 1 Convertible Notes to the Tranche 1 Noteholders in replacement of 3,611,112 Debt Notes held by the Tranche 1 Noteholders;
- (b) issue 575,000 Tranche 2 Convertible Notes to L1 Capital in replacement of 575,000 Additional Debt Notes held by L1 Capital;
- (c) issue an aggregate of 6,847,725 Options exercisable at \$0.40 each on or before the date that is three years from the date of issue (**Convertible Note Options**) to the Tranche 1 Noteholders and Mozaik (the **Tranche 1 Investors**) and L1 Capital (in respect of its subscription under the Tranche 2 Convertible Note Facility);
- (d) issue 2,128,387 Options exercisable at \$0.35 each on or before the date that is three years from the date of issue (**Adviser Options**) to EverBlu Capital in part consideration for its services in respect of the Tranche 1 Convertible Note Facility, the Tranche 2 Convertible Note Facility and the Placement (together, the **Capital Raising**); and
- (e) issue an aggregate of up to 13,987,895 Shares (**Approved Share Issues**), comprising of the issue of:
 - (i) 3,333,334 Collateral Shares and 261,780 Tranche 1 Fee Shares to Suburban Holdings Pty Ltd, a Tranche 1 Investor;
 - (ii) 139,394 Tranche 2 Fee Shares to L1 Capital (in respect of its subscription under the Tranche 2 Convertible Note Facility);
 - (iii) 2,128,387 Shares to EverBlu Capital in part consideration for its services in respect of the Capital Raising (**Adviser Shares**); and
 - (iv) up to 8,125,000 Shares to a number of sophisticated and professional investors in settlement of a dispute arising in relation to a loan trust deed (**Subsequent Settlement Shares**),

(together the **Proposed Security Issues**).

Further details in respect of the Proposed Security Issues are set out in the Notice of Meeting.

The Tranche 1 Convertible Notes, the Tranche 2 Convertible Notes, the Convertible Note Options and the Adviser Options are being offered pursuant to this Prospectus. Further details in respect of the Tranche 1 Convertible Note Offer, the Tranche 2 Convertible Note Offer, the Convertible Note Options Offer and the Adviser Options Offer are set out in Sections 5.1 to 5.4.

The Company intends to issue the Shares the subject of the Proposed Security Issues prior to the Closing Date of the Cleansing Offer.

4.3 Lead Manager Fees

There is no lead manager for the Offers under this Prospectus. However, as announced on 28 November 2019, EverBlu Capital was appointed as lead manager to the Capital Raising.

A summary of the cash fees that have been paid to EverBlu Capital and the securities that the Company has agreed to issue EverBlu Capital in respect of the funds that have been raised under the Capital Raising as at the date of this Prospectus are set out below:

	Placement	Tranche 1 Convertible Note Facility	Tranche 2 Convertible Note Facility	Total
Capital Raise Fee and Management Fee	\$95,110	\$207,000	\$81,000	\$383,110
Adviser Shares	528,387	1,150,000	450,000	2,128,387
Adviser Options	528,387	1,150,000	450,000	2,128,387

Notes:

1. The fees set out in the table above are based on the funds that have been raised under the Capital Raising as at the date of this Prospectus. As set out in the Notice of Meeting, the Company may be required to make further cash payments and issue additional Securities to EverBlu Capital if further funds are drawn down under the Tranche 1 Convertible Note Facility or the Tranche 2 Convertible Note Facility.

The Adviser Options set out in the table above are being offered pursuant to this Prospectus. Further details in respect of the Adviser Options Offer are set out in Section 7.5. The Company intends to issue the Adviser Shares set out in the table above to EverBlu Capital prior to the Closing Date of the Cleansing Offer.

EverBlu Capital also acted as lead manager to the New Convertible Securities Facility. Further details of the fees payable to EverBlu Capital in respect of the New Convertible Securities Facility are set out in the ASX announcement released by the Company on 5 February 2020.

4.4 Funds available to the Company

Following the entry into the New Convertible Securities Facility and the receipt of the advances of \$1,750,000, 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 to:

- (a) in accordance with the terms of the Convertible Securities Agreements, 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; and
- (b) in accordance with the terms of the New Convertible Securities Agreement, access up to a further \$15,732,500.

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, the Tranche 2 Convertible Notes, and, any convertible notes issued under the New 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.

5. DETAILS OF THE OFFERS

5.1 The Tranche 1 Convertible Note Offer

The Tranche 1 Convertible Note Offer is an offer of up to 3,611,112 Tranche 1 Convertible Notes each with a face value of \$1.00.

The Tranche 1 Convertible Notes will be issued in replacement of Debt Notes currently held by the Tranche 1 Noteholders. Accordingly, the Tranche 1 Convertible Note Offer will only be extended to the Tranche 1 Noteholders. Tranche 1 Application Forms will only be provided by the Company to these parties.

The key terms and conditions of the Tranche 1 Convertible Notes 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 4.2, Shareholder approval for the issue of the Tranche 1 Convertible Notes was obtained at the General Meeting. Further information in respect of the Tranche 1 Convertible Note Facility and the Convertible Securities Agreements is set out in the Notice of Meeting.

The Tranche 1 Convertible Notes will be issued to the Tranche 1 Noteholders as soon as practicable after the Closing Date of the Tranche 1 Convertible Note Offer.

5.2 The Tranche 2 Convertible Note Offer

The Tranche 2 Convertible Note Offer is an offer of up to 575,000 Tranche 2 Convertible Notes each with a face value of \$1.00.

The Tranche 2 Convertible Notes will be issued in replacement of Additional Debt Notes currently held by L1 Capital. Accordingly, the Tranche 2 Convertible Note Offer will only be extended to L1 Capital and the Tranche 2 Application Forms will only be provided by the Company to L1 Capital.

The key terms and conditions of the Tranche 2 Convertible Notes are set out in Section 7.3. 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 4.2, Shareholder approval for the issue of the Tranche 2 Convertible Notes was obtained at the General Meeting. Further information in respect of the Tranche 2 Convertible Note Facility and the Convertible Securities Agreements is set out in the Notice of Meeting.

The Tranche 2 Convertible Notes will be issued to L1 Capital as soon as practicable after the Closing Date of the Tranche 2 Convertible Note Offer.

5.3 Convertible Note Option Offer

The Convertible Note Option Offer is an offer of up to 6,847,725 Options for nil consideration in accordance with the Convertible Securities Agreements.

The Options will be issued to the Tranche 1 Investors and L1 Capital (as the investor under the Tranche 2 Convertible Note Facility) (together, the **Convertible Note Investors**). Convertible Note Options Application Forms will only be provided by the Company to the Convertible Note Investors.

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

As set out in Section 4.2, Shareholder approval for the issue of the Convertible Note Options was obtained at the General Meeting. Further information in respect of the issue of the Convertible Note Options and the Convertible Securities Agreements 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 7.4.

The Convertible Note Options will be issued to the Convertible Note Investors as soon as practicable after the Closing Date of the Convertible Note Option Offer.

5.4 Adviser Offer

The Adviser Offer is an offer of 2,128,387 Options for nil cash consideration to EverBlu Capital (or its nominee) in part consideration for services provided to the Company by EverBlu Capital in connection with the Capital Raising.

No funds will be raised from the issue of Options pursuant to the Adviser Offer as the Options are being issued in part consideration for services provided by EverBlu Capital (or its nominee) in connection with the Capital Raising.

As set out in Section 4.2, Shareholder approval for the issue of the Adviser Options was obtained at the General Meeting. Further information in respect of the issue of the Adviser Options is set out in the Notice of Meeting.

The Options offered pursuant to the Adviser Offer will be issued on the terms and conditions set out in Section 7.5.

The Adviser Options will be issued to EverBlu Capital as soon as practicable after the Closing Date of the Adviser Option Offer.

5.5 Purpose of the Convertible Note Offers and the Options Offers

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

5.6 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 7.1.

5.7 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 the Shares issued under the Proposed Security Issues, which are intended to 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.

5.8 Opening and Closing Date of the Offers

The Opening Date of the Offers will be 7 February 2020, the Closing Date for the Convertible Note Offers and the Option Offers will be on 10 February 2020 and the Closing Date for the Cleansing Offer will be 4:00 pm WST on 11 February 2020.

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

5.9 Minimum Subscription

There is no minimum subscription for the Offers.

The Company reserves the right to withdraw any of 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.

5.10 Not underwritten

The Offers are not underwritten.

5.11 Lead Manager

There is no lead manager for the Offers under this Prospectus. However, as announced, EverBlu Capital was appointed as lead manager to the Capital Raising. Further details (including details of the fees payable to EverBlu Capital) are set out in Section 4.3 and the ASX announcement released on 28 November 2019.

5.12 Applications for Securities

Securities	Application Process
Tranche 1 Convertible Notes	Applications for Tranche 1 Convertible Notes must be made by the Tranche 1 Noteholders and must be made using the relevant Tranche 1 Convertible Note Application Form accompanying this Prospectus.
Tranche 2 Convertible Notes	Applications for Tranche 2 Convertible Notes must be made L1 Capital and must be made using the relevant Tranche 2 Convertible Note Application Form accompanying this Prospectus.
Convertible Note Options	Applications for Convertible Note Options must be made by the Convertible Note Investors and must be made using the Convertible Note Option Application Form accompanying this Prospectus.
Adviser Options	Applications for Adviser Options must be made by EverBlu Capital (or its nominee) and must be made using the Adviser Option Application Form accompanying this Prospectus.
Shares	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.

By completing the 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 Application Form together with a complete and unaltered copy of the Prospectus.

5.13 ASX Listing

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

The Company will not apply for Official Quotation of the Convertible Note Options or the Adviser Options offered under this Prospectus as these 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.

5.14 Issue of Securities under the Offers

Issue of Convertible Notes under the Convertible Note Offers

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

The Directors will determine the recipients of all the Convertible Notes. The Directors reserve the right to reject any application or to allocate any applicant fewer Convertible Notes than the number applied for. Where the number of Convertible Notes 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 Offers.

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

Holding statements for Convertible Notes issued under this Prospectus will be mailed to the Convertible Note Investors.

Issue of Options under the Option Offers

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

The Directors will determine the recipients of all the Options. The Directors reserve the right to reject any application or to allocate any applicant fewer Options than the number applied for. Where the number of 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 Option Offers.

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

Holding statements for Options issued under this Prospectus will be mailed to the Convertible Note Investors and EverBlu Capital (or its nominee).

Issue of Shares under the Cleansing Offer

As noted in Section 5.5, 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.

5.15 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.

5.16 Enquiries

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

6. PURPOSE AND EFFECT OF THE OFFERS

6.1 Effect of the Offers

As set out in Sections 5.5 and 5.7, 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 that may have attached to Shares issued on exercise of the Convertible Notes and Options issued under this Prospectus. Accordingly, no funds will be raised under the Offers (assuming that no Shares are issued under the Cleansing Offer).

As previously announced, \$3,967,500 has been raised under the Convertible Note Facilities as at the date of this Prospectus, which has been applied towards repayment of the PharmaCielo Loan, expenses and fees associated with the Convertible Note Facilities and operating and working capital. Further details are set out in the ASX announcements released on 28 November 2019 and 31 December 2019.

The Company intends that any further funds drawn down under the Convertible Note Facilities will be used for operational and working capital purposes. In addition, the Company anticipates that it will continue to generate further working capital through its revenue streams.

6.2 Effect of the Offers

The principal effect of the Offers (assuming that the maximum number of Securities are issued under the Proposed Security Issues and no other Securities are issued or exercised or converted) will be to:

- (a) increase the number of Shares on issue from 184,117,250 Shares as at the date of this Prospectus to 198,105,145 Shares following completion of the Offers, the Proposed Security Issues;
- (b) increase the number of Options on issue from 77,632,661 Options as at the date of this Prospectus to 86,608,773 Options following completion of the Offers;
- (c) replace the existing debt notes issued to the Convertible Note Investors with Tranche 1 Convertible Notes and/or Tranche 2 Convertible Notes (as applicable), which will result in an increase to the number of Convertible Notes on issue from zero as at the date of this Prospectus to 4,186,112 Convertible Notes following completion of the Offers; and
- (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).

6.3 Pro-forma balance sheet

The unaudited 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\$000's	UNAUDITED 31 DECEMBER 2019	UNAUDITED PRO-FORMA ADJUSTMENT	UNAUDITED PRO-FORMA 31 DECEMBER 2019
Assets			
Current Assets			
Cash and Cash Equivalents	2,800	1,353	4,154
Trade and Other Receivables	1,698		1,698
Inventory	1,346		1,346
Prepayment of borrowing cost	-		-
Other assets	-		-
Total Current Assets	5,845	1,353	7,198
Non Current Assets			
Property, plant and equipment	11,267		11,267
Other non-current assets	-		-
Intangible assets	922		922
Intangible asset created on acquisition	3,601		5,101
Net investment in associate	-		-
Total Non Current Assets	15,791	-	17,291
Total Assets	21,635	1,353	22,989
Liabilities			
Current Liabilities			
Trade and Other Payables	2,065	40	2,105
Provisions	-		-
Borrowings	51	1,750	1,801
Convertible notes	4,439		4,439
Total Current Liabilities	6,555	1,790	8,345
Non-Current Liabilities			
Borrowings	-		-
Total Non-Current Liabilities	-		-
Total Liabilities	6,555	1,790	8,345
Net Assets	15,080	(437)	14,643
Equity			

A\$000's	UNAUDITED 31 DECEMBER 2019	UNAUDITED PRO-FORMA ADJUSTMENT	UNAUDITED PRO-FORMA 31 DECEMBER 2019
Contributed Equity	46,602		46,602
Reserves	22,081		22,081
Accumulated Losses	(53,603)	(437)	(54,039)
Total Equity	15,080	(437)	14,643

Notes:

The above Pro-forma Balance Sheet has been prepared including the assumptions below:

1. the Company has received \$1,750,000 under the advances made under the New Convertible Securities Facility, less the cash draw down fees and expenses payable to L1 Capital in accordance with the New Convertible Securities Agreement, being \$80,000;
2. payment of the cash fee to EverBlu Capital in respect of the New Convertible Securities Facility, being \$316,667;
3. expenses of this Prospectus, being \$40,128. Refer to Section 9.7 for further details;
4. the licences held by Kunna SAS, a wholly owned subsidiary of Creso Pharma Ltd, have been conservatively written down to a value of \$nil pending conclusion of the 2019 year-end audit. The final value of these licences may ultimately be amended to between \$nil and the previous carrying value of approximately \$2.9 million. This will only be determined after finalisation of the 2019 year end audit; and
5. the proforma balance sheet includes a conservative valuation of inventory in Creso's wholly-owned subsidiary Mernova Medicinal Inc. That valuation is still incomplete and subject to audit but is not expected to reduce.

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 Dates and including the respective expenses of the Offers and further EverBlu Capital cash fees.

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.

6.4 Effect on the capital structure

The effect of the Offers and the Proposed Security Issues on the capital structure of the Company is set out below.

Shares

	Number
Shares currently on issue	184,117,250
Shares offered pursuant to the Offers ¹	-
Shares to be issued for the Proposed Security Issues ² Being:	
• 3,333,334 Collateral Shares	
• 261,780 Tranche 1 Fee Shares	
• 139,394 Tranche 2 Fee Shares	
• 2,128,387 Adviser Shares; and	13,987,895

	Number
• up to 8,125,000 Subsequent Settlement Shares.	
Total Shares on issue after completion of the Offers	198,105,145

Notes:

1. Assumes no Shares are issued under the Cleansing Offer.
2. As set out in Section 4.2, these Shares are intended to be issued prior to the Closing Date of the Cleansing Offer.
3. At the General Meeting, the Company obtained Shareholder approval to 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 Tranche 1 Fee Shares). In addition, the Company obtained Shareholder approval to 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 Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number). These Securities may be issued within three months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). Further details are set out in the Notice of Meeting.
4. The Tranche 1 Noteholders may elect to convert the Tranche 1 Convertible Notes into Shares at the at the Fixed Conversion Price (being \$0.35) 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 Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
5. L1 Capital may elect to convert the Tranche 2 Convertible Notes into Shares at the 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 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. In accordance with the terms of the Convertible Securities Agreement, 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, 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. The issue of any Shares upon receipt of a Top-Up Notice will be subject to the Company obtaining Shareholder approval.
7. As announced on 5 February 2020, the Company has agreed, subject to obtaining Shareholder approval, to issue up to 7,885,000 Shares to EverBlu Capital for advisory services in connection with the New Convertible Securities Facility, comprising of 4,000,000 Shares which will be issued upfront and up to 3,885,000 Shares which will be issued on the basis of 1 share for every \$5 of the face value of the funds actually drawn down under the New Convertible Securities Facility.
8. As announced on 21 January 2020, in accordance with the terms of the new corporate advisory mandate between the Company and EverBlu Capital and subject to the Company obtaining Shareholder approval, the Company has agreed to issue 2,000,000 Shares to EverBlu Capital for every six-month period that EverBlu Capital is engaged to provide services to the Company (up to a maximum of 6,000,000 Shares).
9. As announced on 5 February 2020, the Company has entered into the New Convertible Securities Agreement to access up to an additional \$17,482,500 (including the advances). In accordance with the terms of the New Convertible Securities Agreement, the Company may be required, subject to obtaining Shareholder approval, to issue up to 19,425,000 convertible notes to L1 Capital (**New Convertible Notes**). If the New Convertible Notes are issued, L1 Capital may elect to convert the New Convertible Notes into Shares at the at the Variable Conversion 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 Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.

10. If the Company elects to draw down under the New Convertible Security 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.
11. The Company has issued L1 Capital 9,000,000 Shares as collateral shares under the New Convertible Securities Facility (**Collateral Shareholding Number**). If at any time the Collateral Shareholding Number is less than the 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 Collateral Shareholding Number will be at least the Threshold Amount (**Top-Up Notice**). The issue of any Shares upon receipt of a Top-Up Notice in excess of 11,000,000 Additional Collateral Shares (in the aggregate) will be subject to the Company obtaining Shareholder approval.
12. If the Company requests to draw down under the New 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 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 Threshold Amount.
13. The Company anticipates a further issue of up to 750,000 Shares to consultants in lieu of cash fees for services provided and 100,000 Shares to advisers for services to be provided to the Company, subject to agreement with the relevant parties.
14. Additionally, the Company intends to issue 532,000 Shares on conversion of 532,000 vested Performance Rights 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) ¹	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) ²	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) ³	400,000
Options offered pursuant to the Offers	8,976,112
Options offered for other purposes	-
Total Options on issue after completion of the Offers	86,608,773^{5,6}

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. 75,000 CPHOPT14 Options have vested. Vesting and exercise of the remaining 75,000 CPHOPT14 Options is subject to the holder's continuous service as a consultant of the Company until 1 April 2020.
3. 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.
4. At the General Meeting, the Company obtained Shareholder approval to 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 Tranche 1 Options). In addition, the Company obtained Shareholder approval to 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 Tranche 2 Options). These Securities may be issued within three months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). The Tranche 1 Options and the Tranche 2 Options will be exercisable at \$0.40 each on or before the date that is three years from the date of issue. Further details are set out in the Notice of Meeting.
5. As announced on 5 February 2020, the Company has agreed, subject to obtaining Shareholder approval, to issue 4,000,000 Options to EverBlu Capital for advisory services in connection with the New Convertible Securities Facility. The Options will be exercisable at \$0.25 each on or before the date that is three years from the date of issue.
6. As announced on 21 January 2020, the Company has agreed, subject to obtaining Shareholder approval, to issue 8,000,000 Options to EverBlu Capital as an additional sign on bonus under the new corporate advisory mandate between the Company and EverBlu Capital. The Options will be exercisable at \$0.20 each on or before the date that is three years from the date of issue.
7. As announced on 5 February 2020, the Company has entered into the New Convertible Securities Agreement to access up to an additional \$17,482,500 (including the advances). In accordance with the terms of the New 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.

Debt Notes

	Number
Debt Notes on issue at date of Prospectus	4, 186,112
Debt Notes offered pursuant to the Offers	-
Debt Notes offered for other purposes	-
Total Debt Notes on issue after completion of the Offers	-

Notes:

1. As set out in Section 4.2, pursuant to this Prospectus, the Company intends to offer 3,611,112 Tranche 1 Convertible Notes in replacement of the Debt Notes held the Tranche 1 Noteholders and 575,000 Tranche 2 Convertible Notes in replacement of the 575,000 Debt Notes held by L1 Capital, as the investor under the Tranche 2 Convertible Note Facility.

Convertible Notes

	Number
Convertible Notes on issue at date of Prospectus	-
Convertible Notes offered pursuant to the Offers	4,186,112
Convertible Notes offered for other purposes	-
Convertible Notes on issue after completion of the Offers	4,186,112¹

Notes:

1. Comprising of 3,611,112 Tranche 1 Convertible Notes and 575,000 Tranche 2 Convertible Notes.
2. The Tranche 1 Noteholders may elect to convert the Tranche 1 Convertible Notes into Shares at the at the Fixed Conversion Price (being \$0.35) 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 Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.
3. L1 Capital may elect to convert the Tranche 2 Convertible Notes into Shares at the 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 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. At the General Meeting, the Company obtained Shareholder approval to raise a further \$2.05 million through the issue of up to a further 2,277,777 Tranche 1 Convertible Notes. In addition, the Company obtained Shareholder approval to raise a further \$2.1825 million through the issue of up to a further 2,425,000 Tranche 2 Convertible Notes. These Securities may be issued within three months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). 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 Notice of Meeting and Sections 7.2 and 7.3 of this Prospectus.
5. As announced on 5 February 2020, the Company has entered into the New Convertible Securities Agreement to access up to an additional \$17,482,500 (including the advances). In accordance with the terms of the New Convertible Securities Agreement, the Company may be required, subject to obtaining Shareholder approval, to issue up to 19,425,000 convertible notes to L1 Capital (**New Convertible Notes**). If the New Convertible Notes are issued, L1 Capital may elect to convert the New Convertible Notes into Shares at the at the Variable Conversion 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 Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising.

Performance Rights

Performance Rights	Number
Performance Rights currently on issue	3,496,000 ¹
Performance Rights offered pursuant to the Offers	-
Performance Rights offered for other purposes	-
Total Performance Rights on issue after completion of the Offers	3,496,000

Notes:

1. Comprising 1,264,000 Performance Rights which have vested and 2,232,000 Performance Rights, which will vest upon satisfaction of the following vesting conditions:
 - (a) 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);
 - (b) 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);
 - (c) 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);
 - (d) 132,000 CPHPERR24 Performance Rights: Vest upon Mernova achieving gross sales revenue of C\$1,500,000;
 - (e) 300,000 CPHPERR29 Performance Rights: Vest upon the completion of three years of continuous service with the Company, commencing from 21 November 2017; and
 - (f) 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.
2. The Board is currently considering the issue of up to an additional 32,000,000 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.
3. As at the date of this Prospectus, the Company has received conversion notices in respect of 532,000 vested Performance Rights. Accordingly, the Company intends to issue 532,000 Shares on conversion of these Performance Rights prior to the Closing Date of the Cleansing Offer.

Performance Shares

Performance Shares	Number
Performance Shares currently on issue	1,212,120 ¹
Performance Shares offered pursuant to the Offers	-
Performance Shares offered for other purposes	-
Total Performance Shares on issue after completion of the Offers	1,212,120

Notes:

1. 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).

Exchangeable Shares

Exchangeable Shares	Number
Exchangeable Shares currently on issue	8,300,000 ¹
Exchangeable Shares offered pursuant to the Offers	-
Exchangeable Shares offered for other purposes	-
Total Exchangeable Shares on issue after completion of the Offers	8,300,000

Notes:

1. Comprising of 4,150,000 Milestone 1 Exchangeable Shares and 4,150,000 Milestone 2 Exchangeable Shares, which are exchangeable into Shares in accordance with the agreed ratio and for the Milestone 2 Exchangeable Shares subject to confirmation of the Milestone 2.

6.5 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> ¹	15,825,520	8.60%
Miriam Halperin Wernli ²	12,800,000	6.95%

Notes:

1. At the General Meeting, the Company obtained Shareholder approval to issue Jamber Investments Pty Ltd <The Amber Schwarz Fam A/C> up to 6,310,688 Subsequent Settlement Shares. The Company intends to issue the Subsequent Settlement Shares prior to the Closing Date of the Cleansing Offer.
2. Includes 300,000 Shares held by Jorge Wernli, who is the spouse of Miriam Halperin Wernli.

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 Tranche 1 Convertible Notes

A summary of the material terms and conditions of the Tranche 1 Convertible Notes is set out below.

Face Value	\$1.00 per Debt Note
Subscription Price	\$0.90 per Debt Note
Maturity Date	12 months from the date of issue of the Debt Notes.
Purchase Date	On or around 27 November 2019
Interest Rate	4% per annum, with the first interest payment payable on the date which is 180 days after the Purchase Date and every 90 days thereafter.
Conversion of Debt Notes	The Company must seek Shareholder approval for the conversion of the Debt Notes into Tranche 1 Convertible Notes and the issue of the Tranche 1 Options by the Meeting Deadline. If Shareholder approval is not obtained, an event of default will have occurred.
Conversion Rights	Subject to the Company obtaining Shareholder approval for the conversion of the Debt Notes into the Tranche 1 Convertible Notes, the Tranche 1 Noteholders may elect to convert one or more of the Tranche 1 Convertible Notes into Shares at the at the Fixed Conversion Price (defined below) at any time prior to the Maturity Date.
Conversion Price	The Tranche 1 Convertible Notes will be convertible at \$0.35 each (Fixed Conversion Price). However, 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. 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.
Periodic Redemptions	The Company must redeem the Tranche 1 Convertible Notes by making a cash payment to the Tranche 1 Noteholders on the dates which are 180 days after the Purchase Date and 270 days after the Purchase Date. These payments must be equal to 102% of the lesser of: <ul style="list-style-type: none"> the balance of the aggregate total of the Face Value of the outstanding Tranche 1 Convertible Notes, accrued interest and all other amounts payable by the Company in relation to the Tranche 1 Convertible Notes (Amount Outstanding); and the sum of 25% of the aggregate Face Value of the Tranche 1 Convertible Notes and all interest then accrued.

Redemption on Capital Raising	If the Company conducts a capital raising, the Tranche 1 Noteholders will have the right to request up to 20% of the proceeds of the capital raising in partial redemption of the Tranche 1 Convertible Notes.
Early Redemption by the Company	<p>At its sole discretion, the Company will have the right to redeem all of the outstanding Tranche 1 Convertible Notes by giving notice to the Tranche 1 Noteholders specifying that it intends to do so (an Early Redemption Notice).</p> <p>After the Company gives an Early Redemption Notice but before the Tranche 1 Convertible Notes the subject of the Early Redemption Notice are redeemed, a Tranche 1 Investor may give the Company a conversion notice for up to 50% of the Tranche 1 Convertible Notes the subject of the Early Redemption Notice.</p> <p>On or before the day which is 5 Business Days after the date on which the Company gives the Early Redemption Notice, the Company must pay to the Tranche 1 Investor 105% of the Amount Outstanding.</p>
Mandatory Redemption	If the Tranche 1 Convertible Notes have not been converted prior to the Maturity Date, the Company must repay 102% of the Amount Outstanding on the Maturity Date.
Ranking on Conversion	Shares issued on conversion of the Tranche 1 Convertible Notes will rank equally with existing Shares on issue.
Security Documents	<p>The Notes will be secured by:</p> <ul style="list-style-type: none"> • a general security agreement by the Company in favour of the Collateral Agent, on terms acceptable to L1 Capital; • 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; • a collateral agency agreement between the Investor, each Tranche 1 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; • a guarantee and indemnity in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital; • a guarantee and indemnity in favour of the Collateral Agent granted by Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital; and • from each of Creso Canada Limited and 3321739 Nova Scotia Limited: <ul style="list-style-type: none"> ○ a guarantee and indemnity in favour of the Collateral Agent granted by the relevant entity. on terms acceptable to L1 Capital; and ○ 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 L1 Capital). <p>(together, the Security Documents).</p> <p>The security granted under the Security Documents will be held by the Collateral Agent on its own behalf and on behalf of the other Tranche 1 Noteholders.</p>
Tranche 1 Options	<p>Subject to obtaining Shareholder approval, the Company will issue the Tranche 1 Options to the Tranche 1 Investors.</p> <p>Where, for any reason, the Company does not or is not able to issue the Tranche 1 Options to the Tranche 1 Investors, then in lieu of the issue of the Tranche 1 Options, on the relevant date the Company must instead pay the Tranche 1 Investors the amount calculated in accordance with the following formula:</p> $PA = O \times V$ <p>Where:</p>

	<p>PA = the required payment amount;</p> <p>O = the number of Tranche 1 Options required to be issued on the relevant date</p> <p>V = the value of the Tranche 1 Options, determined using the Black & Scholes being \$0.0553.</p>
Collateral Shares	<p>Contemporaneously with the issue of the Tranche 1 Convertible Notes, the Company will issue Collateral Shares to the Tranche 1 Noteholders. The Collateral Shares will not be subject to restrictions on disposal.</p> <p>The number of Collateral Shares issued to a Tranche 1 Noteholder (as increased or reduced from time to time in accordance with the terms summarised below) is referred to as the Collateral Shareholding Number.</p> <p>If at any time the market value of the Collateral Shareholding Number of Shares held by a Tranche 1 Investor is less than 20% of the Amount Outstanding in respect of that Tranche 1 Investor, the Tranche 1 Investor may give the Company written notice requesting that the Company issue additional Shares to the Tranche 1 Investor as Collateral Shares, so that following the issue, the market value of the Collateral Shareholding Number of Shares (as increased by the issued 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.</p> <p>Where at any time the Company is required to issue Shares to a Tranche 1 Noteholder under the Convertible Securities Agreement, the Tranche 1 Noteholder may, by written notice to the Company, elect to partially or wholly satisfy the Company's obligation to issue the relevant Shares to the Tranche 1 Noteholder from the Collateral Shares.</p> <p>If a Tranche 1 Noteholder does so, then:</p> <ul style="list-style-type: none"> the Collateral Shareholding Number will be reduced by the number specified in the notice; <p>the Company's obligation to issue Shares to the Tranche 1 Noteholder will be satisfied to the same extent. If an event of default occurs, a Tranche 1 Noteholder may at any time afterward by written notice to the Company elect to purchase a number of Collateral Shares.</p> <p>If:</p> <ul style="list-style-type: none"> the Convertible Securities Agreement terminates or expires; there is no Amount Outstanding; and the Collateral Shareholding Number is greater than zero, <p>then the Tranche 1 Noteholder must, in the time period stipulated by the Company and on the Company's strict instructions, sell the Collateral Shareholding Number of Shares on-market (subject to the Shares being able to be traded on-market at the relevant time) and pay 95% of the net sale proceeds to the Company. For clarity, where at the relevant time the Tranche 1 Noteholder does not hold at least the Collateral Holding Number of Shares the Tranche 1 Noteholder must first acquire them (at the Tranche 1 Noteholder's cost).</p>
Tranche 1 Drawdown Fee	<p>The Company has agreed to pay a drawdown fee of 7% of the aggregate Face Value of the Tranche 1 Convertible Notes to the Tranche 1 Investors (Tranche 1 Drawdown Fee).</p> <p>The Tranche 1 Drawdown Fee will be payable:</p> <ul style="list-style-type: none"> 4/7 in cash on the Purchase Date; and 3/7 in Shares on the Purchase Date, with the number of Shares to be issued determined by dividing the relevant amount of the Tranche 1 Drawdown Fee by \$0.191 per Share.
Reconstruction of capital	<p>If at any time the Company undertakes a consolidation, subdivision or pro-rata cancellation of its issued capital, pays a dividend in Shares or undertakes a distribution of Shares, the Fixed Conversion Price will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled.</p>

Related Party Participation	All issues of securities to Suburban Holdings will be deferred and only issued when and if Shareholder approval for their issue is obtained in accordance with Listing Rule 10.11.
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7.3 Terms and Conditions of Tranche 2 Convertible Notes

A summary of the material terms and conditions of the Tranche 2 Convertible Notes is set out below.

Face Value	\$1.00 per Tranche 2 Convertible Note
Subscription Price	\$0.90 per Tranche 2 Convertible Note
Maturity Date	12 months from date of issue of the relevant Tranche 2 Convertible Notes.
Additional Debt Notes	<p>The Company may not give notice to L1 Capital, indicating that it intends to issue the Tranche 2 Debt Notes to L1 Capital (Purchase Request):</p> <ul style="list-style-type: none"> • if an event of default has occurred; • if after the date of execution of the Convertible Securities Agreement, the VWAP calculated over a five Trading Day period is less than \$0.16 (unless waived by L1 Capital); and • unless the average volume of Shares traded on ASX (as reported by Bloomberg LP) over the 5 Trading Day period immediately prior to the date of the Purchase Request is at least \$50,000.
Purchase Date	<p>If the Company elects to issue the Additional Debt Notes, the Purchase Date must occur by the Meeting Deadline.</p> <p>The issue of the Tranche 2 Convertible Notes (other than those that replace any Additional Debt Notes) must be at least 120 days after the issue of the Debt Notes and at least 45 days after issue of the previous tranche of Tranche 2 Convertible Notes (unless otherwise agreed).</p>
Interest Rate	4% per annum, with the first interest payment payable on the date which is 180 days after the Purchase Date of the Tranche 1 Convertible Notes and every 90 days thereafter.
Conversion Rights	Subject to obtaining Shareholder approval, L1 Capital may elect to convert one or more of the Tranche 2 Convertible Notes into Shares at the Tranche 2 Conversion Price (defined below) at any time prior to the respective Maturity Date.
Tranche 2 Conversion Price	<p><i>The Tranche 2 Convertible Notes may be converted at the lesser of:</i></p> <ul style="list-style-type: none"> • 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. <p><i>However, if the Company undertakes one or more capital raisings and raises of at least \$2,500,000 in aggregate (excluding any funds raised under the Placement) 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. 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.</i></p>
Mandatory Redemption	If the Tranche 2 Convertible Notes have not been converted prior to the Maturity Date, the Company must repay 102% of the Amount Outstanding on the Maturity Date.
Ranking on Conversion	Shares issued on conversion of the Tranche 2 Convertible Notes will rank equally with existing Shares on issue.
Security Documents	The Tranche 2 Convertible Notes will be secured by the Security Documents.

<p>Tranche 2 Options</p>	<p>If the Company draws down on the Tranche 2 Convertible Note Facility, the Company has agreed to issue L1 Capital that number of Tranche 2 Options which is equal to the Face Value of the Tranche 2 Convertible Notes (or the Additional Debt Notes) issued at the relevant time. The issue of the Tranche 2 Options will be subject to the Company obtaining Shareholder approval.</p> <p>The Company must issue the applicable Tranche 2 Options:</p> <ul style="list-style-type: none"> • in respect of any Additional Debt Notes that are issued, after obtaining Shareholder approval for the issue of the Tranche 2 Options which must be sought by the Meeting Deadline; • in respect of the Tranche 2 Convertible Notes (other than the Additional Debt Notes), on or before the date of issue of the relevant tranche of Tranche 2 Convertible Notes. <p>Where, for any reason, the Company does not or is not able to issue the Tranche 2 Options to L1 Capital, then in lieu of the issue of the Tranche 2 Options, on the relevant date the Company must instead pay L1 Capital the amount calculated in accordance with the following formula:</p> $PA = O \times V$ <p>Where:</p> <p>PA = the required payment amount;</p> <p>O = the number of Tranche 2 Options required to be issued on the relevant date</p> <p>V = the value of the Tranche 2 Options, determined using the Black & Scholes being \$0.0553.</p>
<p>Tranche 2 Drawdown Fee</p>	<p>The Company has agreed to pay a drawdown fee of 4% of the aggregate Face Value of the Tranche 2 Convertible Notes issued under the Tranche 2 Convertible Note Facility (Tranche 2 Drawdown Fee). For the avoidance of doubt the Tranche 2 Drawdown Fee will only be payable in respect of actual funds drawn down and corresponding Tranche 2 Convertible Notes issued.</p> <p>Subject to Shareholder approval, the applicable Tranche 2 Drawdown Fee will be payable, in Shares, with the number of Shares to be issued determined by dividing the relevant amount of the Tranche 2 Drawdown Fee by the 10 day VWAP for the 10 Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number (Tranche 2 Fee Shares).</p> <p>The Company must issue the applicable Tranche 2 Fee Shares:</p> <ul style="list-style-type: none"> • if the Company elects to issue the Additional Debt Notes, on the later to occur of: <ul style="list-style-type: none"> ○ the date that the Company obtains Shareholder approval for the issue of the Tranche 2 Fee Shares; and ○ the date on which L1 Capital advances the Company the <i>subscription</i> price for the Additional Debt Notes; and • in respect of the Tranche 2 Convertible Notes (other than the Additional Debt Notes), on the date of issue of the relevant tranche of Tranche 2 Convertible Notes.
<p>Reconstruction of capital</p>	<p>If at any time the Company undertakes a consolidation, subdivision or pro-rata cancellation of its issued capital, pays a dividend in Shares or undertakes a distribution of Shares, the Fixed Conversion Price will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled.</p>

7.4 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**

Each Option will grant the holder of that Option the right but not the obligation to be issued by the Company one Share at the Options Exercise Price.

Each Option will be exercisable by the Option holder complying with its obligations under this Schedule, at any time after the time of its grant and prior to the date that is three years from the date of issue (**Options Expiration Date**), after which time it will lapse.

(b) **Exercise of Options**

Without limiting the generality of, and subject to, the other provisions of the Agreement, an Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:

- (i) 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);
- (ii) a copy, whether facsimile or otherwise, of any exercise form required by the share registrar; and
- (iii) 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).

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 of the exercise price, being \$0.40 per Option (**Options Exercise Price**), the Company must cause its securities registrar to:

- (i) issue and deliver the Shares in respect of which the Options are so exercised by the Option holder; and
- (ii) 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 the Listing Rules 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 this Agreement, the Company must give notice of the adjustment to all the Option holders, 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.

7.5 Terms and Conditions of Adviser Options

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

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.35 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is three years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in

accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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 associated with the Offers

(a) Default risk – Convertible Securities Agreements

The Company has and may continue to enter into the Convertible Securities Agreements, under which it will have obligations to make periodic interest payments to the Tranche 1 Noteholders, L1 Capital and/or other investors (as applicable) 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 Convertible Notes or make interest payments in respect of the amounts advanced under the Convertible Notes using the proceeds from future debt or equity raisings, cash flows from operations or proceeds from the sale of assets. However, as set out in Section 8.3(a), 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, the Company has entered into the New Convertible Securities Agreement, under which it will have obligations to make periodic interest payments to L1 Capital 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.

Should the Company default on its obligations under any of the Convertible Securities Agreements or the New 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 and/or L1 Capital (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.

(b) **Going Concern**

As announced on 26 August 2019, the Company's auditor reviewed financial report for the half year ended 30 June 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 half year 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.

At the time of the preparation of the financial reports, the Directors believed that even in the event that the PharmaCielo Scheme was not implemented 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 following factors:

- (i) in the past the Company has mainly relied on the issue of Shares and other securities to raise funds. With the completion of the Mernova facility and the recent generation of revenues from it, the Company also has the option to borrow against the facility and the Company is planning to do so;
- (ii) 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;
- (iii) revenues from Switzerland and Mernova are growing and are expected to grow strongly with increases in products, markets and production. Mernova is expected to be both profitable and cash flow positive in the foreseeable future;
- (iv) the Company plans to issue additional Shares in the next 12 months. This has previously proven to be successful; and
- (v) the Company plans 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. Specifically, the Directors believe that the Company will have sufficient funds to adequately meet the Company's short-term commitments as a result of the funds raised under the Placement, the Tranche 1 Convertible Note Facility, the advances under the New Convertible Securities Agreement and the funds generated through the Company's revenue streams and if required and subject to Shareholder approval the Tranche 2 Convertible Note Facility or the New Convertible Securities Agreement.

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 8.3(a).

8.3 Risks relating to the Company

(a) 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 on the satisfaction on Mernova Milestone 2 (if it occurs). The Company confirms that, to assist with cashflow management, the Mernova Vendors have agreed to receive the payment over 9 months following the satisfaction of the Mernova Milestone 2. Additionally, under the terms of the Convertible Securities Agreements, the Company is also required to redeem up to 25% of the outstanding amount under Tranche 1 Convertible Notes on the day that is 180 days after the Purchase Date and again on the day that is 270 days after the Purchase Date.

The Company further notes its ability to:

- (i) in accordance with the terms of the Convertible Securities Agreements, 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 Convertible Securities Agreement, access up to a further \$15,732,500.

Any additional equity financing (including the conversion of the Tranche 1 Convertible Notes and the Tranche 2 Convertible Notes) 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.

(b) **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**). The parties are currently in negotiations with respect to clarifying the scope of the Cohen Group's responsibilities and entitlements under the Israeli JV Agreements and the potential sale of its interest in the Israeli JV. While the Israeli JV is still in its nascent stages and substantive business operations have not yet taken place, if the parties cannot reach a resolution with respect to such matters, the business of the Israeli JV may not proceed or either party may pursue litigating the matter in Israeli courts. The occurrence of such events could materially adversely affect Creso Switzerland's business operations in Israel and its financial condition.

(c) **Recent 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 has recently has 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.

(d) **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.

(e) **Protection of proprietary technology**

Part of 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.

(f) **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.

(g) **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, 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.

8.4 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 including TerrAscend Canada, a wholly-owned subsidiary of TerrAscend Corp. (**TerrAscend**). 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. The Company has recently received correspondence that one delivery made did not fully meet the customer's specifications following customer testing on the delivered product. The Company is currently investigating the discrepancy in the laboratory testing and results and intends to appoint independent and experienced personnel to review and seek determination. Accordingly, there is a risk that the Company may need to repay all or part of the deposit paid by the

customer. The Company plans to take all measures to mitigate this risk and reach an agreement with the customer.

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. Specifically, TerrAscend has not met all the minimum quantities as per its supply agreement, and whilst there are penalty fees payable for such circumstances the penalty fees are less than the revenue that would have been obtained by Creso had the minimum quantities been ordered. There is a risk that TerrAscend will continue to order less than the minimum quantities which in addition to impacting the Company's revenues may lead to termination of the supply agreement. There are a number of other risks associated with contracts entered into by the Company or Mernova, including the risk that those contracts may contain unfavourable provisions, or be terminated, lost or impaired, or renewed on less favourable terms. The Company is well aware of these risks and is currently in discussions with a number of additional potential partners both in Canada and in Germany regarding potential supply agreements. The EU-GMP certification work for Mernova and its products are in advanced stages and once accredited, the discussions surrounding supply agreements with European companies can be further advanced.

(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.

8.5 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.

8.6 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.

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
06/02/20	Technological Breakthrough for Human Health Products
05/02/2020	Proposed issue of Securities – CPH
05/02/2020	Appendix 2A
05/02/2020	Creso Pharma Secures Further Funding
30/01/2020	New Constitution
28/01/2020	Results of Meeting
28/01/2020	Creso exceeds milestone of 2.5m cannaQIX lozenges sold
23/01/2020	Change in substantial holding
21/01/2020	Re-engagement of Corporate Advisor
21/01/2020	Creso exceeds milestone of 3m anibidiol doses sold in Europe
17/01/2020	Quarterly Update and Appendix 4C
13/01/2020	Addendum to Notice of General Meeting
08/01/2020	Release of Securities From Voluntary Escrow
08/01/2020	Response to ASX Price Query
31/12/2019	Convertible Note Facility Drawdown
23/12/2019	Notice of General Meeting/Proxy Form
19/12/2019	Change in substantial holding
12/12/2019	Release of Securities From Voluntary Escrow
09/12/2019	Creso enters the African continent with cannaQIX products
05/12/2019	Commencement of sales of cannaQIX 50 in Australia with BHC
03/12/2019	Corporate Presentation - December 2019
02/12/2019	Appendix 3B
02/12/2019	Placement under ASX Listing Rule 7.1A
02/12/2019	Appendix 3B
02/12/2019	Reinstatement to Official Quotation
02/12/2019	Update on Strategy and Plans to Accelerate Global Operations
28/11/2019	Appendix 3B
28/11/2019	Waiver from ASX Listing Rule 10.1

Date	Description of Announcement
28/11/2019	Disclosure Document - Debt Note Offer & Cleansing Offer
12/11/2019	Termination of Scheme Implementation Agreement
11/11/2019	Adjournment of Scheme Meetings
08/11/2019	Update on Voluntary Suspension
05/11/2019	Suspension from Official Quotation
01/11/2019	Pause in Trade
01/11/2019	Trading Halt
17/10/2019	First Shipment of 10% Medicinal CBD Oil in New Zealand
14/10/2019	Quarterly Update & Appendix 4C
04/10/2019	Reinstatement to Official Quotation
04/10/2019	Scheme Booklet
04/10/2019	Scheme Booklet (Replacement)
03/10/2019	Update on Proposed Acquisition by PharmaCielo
27/09/2019	Update on Proposed Acquisition by PharmaCielo
18/09/2019	Voluntary Suspension
16/09/2019	Creso Granted Processing Licence for its Mernova Facility
16/09/2019	Pause in Trading
16/09/2019	Trading Halt
04/09/2019	Release of Securities From Voluntary Escrow
26/08/2019	Half Yearly Report and Accounts
22/08/2019	Creso Signs with Pharma Dynamics for cQIX in South Africa
20/08/2019	Creso Receives PCLO's First Commercial CBD Export into EU
08/08/2019	Additional Information on Medleaf Distribution Agreement
06/08/2019	Distribution Agreement with Medleaf NZ for CBD Products
02/08/2019	Change of Director's Interest Notice
01/08/2019	First Order of cannaQIX50 from Burleigh Heads Cannabis
31/07/2019	Cleansing Statement and Appendix 3B
24/07/2019	Quarterly Update & Appendix 4C
15/07/2019	Change in substantial holding
15/07/2019	Change in substantial holding
12/07/2019	Cleansing Statement and Appendix 3B
10/07/2019	Becoming a substantial holder
08/07/2019	Appendix 3Y x 4
03/07/2019	Creso Repays Debt in Preparation for Acquisition & App 3B
02/07/2019	Creso Begins Revenue Generation from Canadian Cannabis Sales
07/06/2019	Creso Pharma To Be Acquired
04/06/2019	Release of Securities From Voluntary Escrow
31/05/2019	Results of Meeting
23/05/2019	Creso Harvests First Cannabis Crop in Canada
30/04/2019	BHC Distribution Agreement & Australian Import Permit
29/04/2019	Notice of Annual General Meeting/Proxy Form

Date	Description of Announcement
29/04/2019	Quarterly Update & Appendix 4C
23/04/2019	Brazil Import Licence - Additional Information
18/04/2019	Brazil Import Licence Granted For cannaQIX
15/04/2019	Creso Pharma Canadian Cultivation Update
11/04/2019	Creso to Raise AUD5.35m via Secured Loans
11/04/2019	Additional Information on Secured Loans
09/04/2019	Trading Halt
05/04/2019	Response to ASX Aware Query
02/04/2019	Commercial Progress Across Premium Product Categories
27/03/2019	Appendix 4G & Corporate Governance Statement
25/03/2019	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.

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	\$0.21	21 January 2020
Lowest	\$0.10	23 December 2019
Last	\$0.16	7 February 2020

Notes

- The Company Shares were suspended from trading on 5 November 2019 and reinstated to trading on 2 December 2019.

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:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion or
 - 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	Performance Rights
Boaz Wachtel ¹	8,300,000	3,000,000	1,600,000
Dr. Miriam Halperin Wernli ²	12,800,000	4,147,950	-
Adam Blumenthal ^{3,4}	6,250,001	2,750,000	-
Dr James Ellingford	1,450,000	550,000	-

Notes:

1. Comprising 800,000 CPHPERR6 Performance Rights and 800,000 CPHPERR7 Performance Rights. These Performance Rights vest upon satisfaction of the following vesting conditions:
 - (a) 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
 - (b) 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).
2. Includes 300,000 Shares and 75,000 Quoted Options held by Jorge Wernli, who is the spouse of Dr. Miriam Halperin Wernli.
3. Director Adam Blumenthal is a director and shareholder of EverBlu Capital, the lead manager to the Capital Raising. As set out in Section 4.3, the Company has agreed to pay EverBlu Capital a fee of up to \$383,100 in for services provided in relation to the Capital Raising and will be issued 2,128,387 Shares and 2,128,387 Adviser Options for services provided in relation to the Capital Raising . EverBlu Capital will also be entitled to receive a fee of up to \$1,365,500 and, subject to Shareholder approval, will be issued up to 7,885,000 Shares and 4,000,000 Options for services provided in relation to the New Convertible Securities Facility .Further information in respect of the fees payable to EverBlu Capital is set out in Section 4.3 and in the ASX announcement released on 5 February 2020. As set out in the Notice, the Company may be required to make further cash payments and issue additional Securities to EverBlu Capital if further funds are drawn down under the Tranche 1 Convertible Note Facility or the Tranche 2 Convertible Note Facility.
4. The Company notes that Suburban Holdings (an entity controlled by Alvin Blumenthal, the father of Director Adam Blumenthal) has participated in the Tranche 1 Convertible Note Facility by subscribing for up to 1,666,667 Debt Notes. The Company will offer Suburban Holdings 1,666,667 Tranche 1 Convertible Notes (in replacement of the 1,666,667 Debt Notes) and 2,727,272 Convertible Note Options under this Prospectus and issue Suburban Holdings 3,333,334 Collateral Shares and 261,780 Tranche 1 Fee Shares prior to the Closing Date of the Cleansing Offer.
5. The Board is currently considering the issue of up to an additional 32,000,000 Performance Rights, of which 29,000,000 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.

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 \$300,000 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	Remuneration for financial year ended 31 December 2019	Remuneration for financial year ended 31 December 2018
Mr Boaz Wachtel	\$30,000 ¹	\$240,282 ⁵	\$727,000 ⁹
Dr Miriam Halperin Wernli	\$625,000 ²	\$799,391 ⁶	\$2,068,075 ¹⁰
Mr Adam Blumenthal	\$270,203 ³	\$247,788 ⁷	\$870,620 ¹¹
Dr James Ellingford	\$171,983 ⁴	\$163,569 ⁸	\$202,180 ¹²

Notes:

1. Comprising a cash payment of \$30,000 in executive remuneration. Share-based payments were fully expensed in prior years.
2. Comprising cash payments of \$412,000 in executive remuneration and \$213,000 in director's remuneration. Share-based payments were fully expensed in prior years.
3. Comprising a cash payment of \$200,000 and a superannuation payment of \$15,453. 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 ending 31 December 2019, will be paid in the financial year ending 31 December 2020. It is intended that at least \$70,000 of this amount payable will not become payable and will be paid in the financial year ending 31 December 2021.
4. Comprising a cash payment of \$134,000, a superannuation payment of \$10,608. Share-based payments were fully expensed in prior years. In addition, the amount of \$27,375, comprising \$25,000 remuneration and associated superannuation payment of \$2,375, accrued in the financial year ending 31 December 2019, will be paid in the financial year ending 31 December 2020. It is intended that at least \$72,000 of this amount payable will not become payable and will be paid in the financial year ending 31 December 2021.
5. Comprising a cash payment of \$105,000 in executive remuneration and a share-based payment of \$135,282.
6. Comprising cash payments of \$392,653 in executive remuneration, \$248,909 in director's remuneration and a share-based payment of \$157,829.
7. Comprising a cash payment of \$162,667 a superannuation payment of \$17,480 and a share-based payment of \$67,641. In addition, the amount of \$54,750, comprising \$50,000

in remuneration and associated superannuation of \$4,750, will be accrued in respect of the financial year ending 31 December 2019 and paid in respect of the financial year ending 31 December 2020.

8. Comprising a cash payment of \$111,667, a superannuation payment of \$12,730 and a share-based payment of \$39,172. In addition, the amount of \$27,375, comprising \$25,000 remuneration and associated superannuation payment of \$2,375, will be accrued in respect of the financial year ending 31 December 2019 and paid in respect of the financial year ending 31 December 2020.
9. Comprising a cash payment of \$120,000 and a share-based payment of \$607,000.
10. Comprising a cash payment of \$470,677, a bonus of \$203,648 and a share-based payment of \$1,393,750.
11. Comprising a cash payment of \$121,000, a superannuation payment of \$11,495 and a share-based payment of \$738,125.
12. Comprising a cash payment of \$119,000, a superannuation payment of \$8,930 and a share-based payment of \$74,250.

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.

There is no lead manager for the Offers under this Prospectus. However, as announced, EverBlu Capital was appointed as lead manager to the Capital Raising and the New Convertible Securities Facility. Details of fees payable to EverBlu Capital are set out in Sections 4.3 and 9.4.

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 \$30,000 (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.

There is no lead manager for the Offers under this Prospectus. However, as announced, EverBlu Capital was appointed as lead manager to the Capital Raising. EverBlu Capital has given its written consent to being named as corporate adviser to the Company in this Prospectus. EverBlu Capital has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

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.

9.7 Expenses of Offers

The expenses of the Offers are estimated to be up to approximately \$40,128 (excluding GST) and are expected to be applied towards the items set out in the table below:

	Minimum Subscription (\$)
ASIC fees	3,206
ASX fees	1,922
Legal fees	30,000
Printing, distribution and miscellaneous items	5,000
Total	\$40,128

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 Convertible

Note Application Form or the Placement Application Form (as applicable). 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.

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 ("CHESS") and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS 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 CHESS 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 Shareholder 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.

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.

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

11. DEFINITIONS

Additional Debt Notes has the meaning given in Section 7.3.

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

Adviser Option Offer means the offer of 2,128,387 Options which are exercisable at \$0.35 each on or before the date that is three years from the date of issue.

Application Form means a Debt Note Application Form, a Cleansing Offer Application Form or a Shortfall 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 CHESSE.

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

Cleansing Offer means the offer of 10,1000 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).

Collateral Agent means L1 Capital, acting on its own behalf and on behalf of the other Tranche 1 Noteholders.

Collateral Shares has the meaning given to that term in Section 7.2.

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 Offers means the Tranche 1 Convertible Note Offer and the Tranche 2 Convertible Note Offer.

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 6,847,725 Options which are exercisable at \$0.40 each on or before the date that is three years from the date of issue.

Corporations Act means the Corporations Act 2001 (Cth).

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

Debt Note Offer means the offer of up to 6,111,111 debt notes each with a face value of \$1.00.

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

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

Equity Security has the meaning includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

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

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.

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. Milestone 2 must be achieved within 12 months of Milestone 1 being satisfied (being on or before 18 February 2020).

Note means a Debt Note or a Tranche 1 Convertible Note (as applicable).

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.

Offers means the Tranche 1 Convertible Note Offer, the Tranche 2 Convertible Note Offer, the Convertible Note Option Offer, the Adviser Option Offer and/or the Cleansing Offer (as applicable).

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.

Option Offers means the Convertible Note Option Offer and the Adviser Option Offer.

Placement means the issue of 8,299,271 Shares to sophisticated and professional investors at an issue price of \$0.191 per Share to raise \$1,585,161 (as announced on 28 November 2019).

Prospectus means this prospectus.

Section means a section of this Prospectus.

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

Security Documents has the meaning given to that term in Section 7.2.

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.

Shareholder Meeting has the meaning given to that term in Section 5.1.

Subsequent Settlement Shares means up to 8,125,000 Shares which the Company has agreed, subject to obtaining Shareholder approval to issue to former secured lenders in settlement of disputes. The Company may elect to make a cash payment to the former secured lenders in lieu of issuing the Subsequent Settlement Shares.

Suburban Holdings has the meaning given to that term in Section 4.2.

Threshold Amount means the greater of:

(a) 9,000,000; and

(b) 20% of the aggregate of the Amount Outstanding and the "Amount Outstanding" under the Existing Facility Document 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.

Tranche 1 Convertible Note Application Form means an application form in respect of the Tranche 1 Convertible Note Offer either attached to or accompanying this Prospectus.

Tranche 1 Convertible Note Facility has the meaning given to that term in Section 4.1.

Tranche 1 Convertible Notes means convertible notes issued on the terms and conditions set out in Section 7.2.

Tranche 1 Fee Shares means up to 959,860 Shares to be issued to the Tranche 1 Investors for nil cash consideration to be issued as part of the drawdown fee.

Tranche 1 Investor has the meaning given to that term in Section 4.2.

Tranche 1 Noteholder has the meaning given to that term in Section 4.1.

Tranche 1 Options means Options issued on the terms and conditions set out in Section 7.4

Tranche 2 Convertible Note Application Form means an application form in respect of the Tranche 2 Convertible Note Offer either attached to or accompanying this Prospectus.

Tranche 2 Convertible Note Facility has the meaning given to that term in Section 4.1.

Tranche 2 Convertible Notes means convertible notes issued on the terms and conditions set out in Section 7.3

Tranche 2 Options means Options issued on the terms and conditions set out in Section 7.4

VWAP means volume weighted average price.

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