



ASX Announcement

11 April 2019

Creso to Raise AUD5.35m via Secured Loans

Highlights

- Creso has received firm commitments to raise AUD5.35m from strategic and sophisticated investors
- The raise has been managed by Everblu Capital Pty Ltd
- The funds raised will be used to support the sales and marketing of Creso's products and accelerate its global cannabis cultivation and production operations

Creso Pharma Limited (ASX: "CPH", the "Company" or "Creso") is pleased to announce that it received firm commitments to raise AUD5.35m via a series of secured loans (**Loans**) from sophisticated and professional investors (**Debtholders**).

The Loans will be secured by a general security granted over the Cannabis Cultivation Facility located in Nova Scotia, Canada, which is owned by Mernova Medical Inc, a wholly owned subsidiary of the Company (**Mernova**) and a property mortgage over land held by Mernova (**Security**). Interest payable on the Loans is 15% per annum, payable quarterly in arrears.

At the Annual General Meeting to be held in May 2019, the Company intends to seek shareholder approval to repay the principal of the Loans through the issue of up to 107 secured convertible notes (**Convertible Notes**) to the Debtholders on the following key terms and conditions:

- (a) (**Face Value**): Each Convertible Note will have a face value of \$50,000.
- (b) (**Interest**): 15% per annum, payable quarterly in arrears.
- (c) (**Maturity Date**): 12 months from date of issue, being the date of the Company's 2019 Annual General Meeting.
- (d) (**Conversion**): The face value of each Convertible Note is convertible into Shares at the Conversion Price of \$0.50, together with three free attaching Listed CPHO Options for every two Shares issued. Conversion may occur at any time from the date of issue until the Maturity Date, at the election of the Investor.
- (e) (**Redemption**): If the Investor has not elected to convert the Convertible Notes on or before the Maturity Date, the Company must repay the face value



of the Convertible Notes together with any accrued interest on the Maturity Date.

- (f) **(Security):** The Convertible Notes will be secured by the same Security as the Loans. The Security will be extinguished if and when the Convertible Notes are converted or otherwise repaid in full. A trustee will hold the Security on behalf of Noteholders.

In the event that Shareholders do not approve the issue of Convertible Notes to repay the Loans on or before 31 August 2019, the Loans will become automatically repayable on 31 August 2019.

Everblu Capital Pty Ltd (**EverBlu**) has acted as Lead Manager for the capital raising and will receive a fee of 6% of the total funds raised. None at EverBlu or Creso, or their associates or related parties participated in the raising.

Use of funds

The funds raised will be used to support the sales and marketing of Creso's human and animal health CBD based products in Europe and Canada, to accelerate Creso's cannabis cultivation and production build at the Mernova facility, to repay approximately AUD1m of remaining debt, and to provide working capital.

Creso has been granted a cultivation license for its 24,000 square foot GMP built and fully owned Mernova facility and is expecting it to generate its first revenues in Q2 CY19. The Company has also received five licenses to cultivate, process and export medicinal cannabis for its fully owned Colombia medical company Kunna Colombia.

The Company's commercialised product portfolio is progressing well, with two human health and two animal health products already launched in Europe. A further four new cannabidiol based products, which were developed to Swiss GMP standards, are ready for launch [ASX Announcement: April 2, 2019].

Dr Miri Halperin Wernli Creso's CEO and Co-Founder said: "We are pleased to announce this successful capital raising which was strongly supported by strategic and sophisticated investors. The Company wishes to take this opportunity to thank investors for their ongoing support."

About Creso Pharma Ltd

Creso brings the best of cannabis to better the lives of people and animals. It brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. It develops cannabis and hemp derived therapeutic, nutraceutical, and life style products with wide patient and consumer reach for human and animal health. Creso uses GMP development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. It has



worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids.

To learn more, please visit: www.cresopharma.com

Forward Looking statements

This announcement contains forward-looking statements with respect to Creso and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Creso could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation. The cautionary statements qualify all forward-looking statements attributable to Creso and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso has no obligation to update such statements, except to the extent required by applicable laws.

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