



26 July 2018

Dear Optionholder

Creso Pharma Limited – pro-rata non-renounceable rights issue

As announced on 23 July 2018 Creso Pharma Limited (ACN 609 406 911) (**CPH**) is undertaking a non-renounceable rights issue of up to 56,537,772 unquoted options (**New Options**) to acquire fully paid ordinary shares in the capital of the Company (**Shares**), on the basis of one (1) New Option for every two (2) Shares held by eligible shareholders at the record date, at an issue price of \$0.05 per New Option (**Issue Price**) to raise up to approximately \$2,826,889 before costs (the **Offer**).

The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 25 July 2018.

The funds raised from the Offer are intended to be used to fast track the construction of the cannabis growing facility and corresponding product development at the Mernova Medicinal Inc. site in Nova Scotia, Canada, for working capital and expenses of the offer.

The Offer is being made to all shareholders of the Company (**Eligible Shareholders**) named on its register of members at 5:00pm (AEST) on 31 July 2018, whose registered address is in Australia, New Zealand, Switzerland, Israel or Singapore.

Following completion of the Offer, the Company will have issued up to approximately 56,537,772 New Options, which would result in a total of approximately 63,814,022 options being on issue.

A copy of the Prospectus is available on ASX's and CPH's website. Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 3 August 2018. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

For the purposes of calculating each Eligible Shareholders' entitlement, fractions of entitlements have been rounded up to the nearest whole number of New Options.

Optionholders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue unless you exercise your options in time for new shares to be allotted and to be entered on the Company's register of members on or before 5:00pm (AEST) on 31 July 2018 (**Record Date**).

To exercise your options and thereby participate in the Rights Issue, you will need to deliver the following to the Company at Suite 2, Level 1, 1 Altona Street, West Perth WA 6005:

- (a) A notice of exercise of options (attached to this letter);
- (b) An option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and
- (c) Payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "Creso Pharma Limited".

To ensure that your new shares are allotted prior to the Record Date, the above must be received by CPH **no later than 30 July 2018**. If received after this date, allotment of new shares prior to the Record Date cannot be assured.

Before deciding whether to exercise any or all of your options, you should read the Prospectus in its entirety.

If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for New Options, please contact your financial adviser or the Company's share registry on 1300 288 664 (within Australia) +61 (0)2 9698 5414 (outside Australia), email hello@automic.com.au.

Yours sincerely



Boaz Wachtel
Non-executive Chairman