



ASX Announcement

20 April 2020

## Settlement of dispute in relation to Israeli Joint Venture

**Creso Pharma Limited (ASX:CPH)** ('Creso Pharma' or 'the Company') advises that it has entered into a settlement agreement with Asaf Cohen (**Cohen**) Cohen Propagation Nurseries Ltd (**Cohen Nurseries**) and various other parties (**Settlement Parties**) to agree a final, absolute, and complete settlement in connection with all of the claims and counterclaims related to the Israeli joint venture agreements (**Israeli JV Agreements**) between the Company's wholly owned subsidiary, Creso Pharma Switzerland GmbH (**Creso GmbH**) and Cohen Nurseries and Cohen (**Cohen Group, Settlement Agreement**).

The Israeli JV Agreements, entered into in 2018 and subsequently amended, governed the establishment of a joint venture between Creso GmbH and the Cohen Group through Creso Grow Ltd., an Israeli corporation jointly owned by Creso Switzerland and Cohen (the **Israeli JV Entity**), to facilitate the growing of medicinal cannabis (**Venture**).

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

Whilst Creso Pharma denies the allegation, in order to procure the settlement of the dispute in a timely manner, Creso Pharma agreed to enter into the Settlement Agreement.

Pursuant to the Settlement Agreement, Creso Pharma, Creso GmbH and the Settlement Parties have agreed to the final, complete, absolute, and irrevocable settlement of all of the claims of the parties, against each other, including in relation to the Israeli JV, on the terms set out below.

<b>Settlement Sum</b>	<p>Creso Pharma will pay the Settlement Parties an amount of USD 260,000 (<b>Settlement Amount</b>), which will be payable as follows:</p> <ul style="list-style-type: none"> <li>i) USD 60,000 within seven days from the date on which the Settlement Agreement is given the force of a judgment (<b>Initial Payment</b>);</li> <li>ii) USD 60,000 within 30 days of the Initial Payment; and</li> <li>iii) and the balance in the amount of USD 140,000, in five equal monthly payments of USD 28,000 each, the first of which within 30 days of the Subsequent Payment, and thereafter upon the lapse of 30 days from the previous payment.</li> </ul>
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<b>Settlement Shares</b>	<p>Subject to obtaining Shareholder approval, Creso Pharma will issue an aggregate of 5,310,954 Shares to a nominee of the Settlement Parties (<b>Settlement Shares</b>).</p> <p>Creso Pharma intends to seek shareholder approval for the issue of the Settlement Shares at its upcoming annual general meeting. If Shareholder approval for the issue of the Settlement Shares is not obtained, Creso Pharma must pay the Settlement Parties a further US\$200,000 in cash, within 90 days of the meeting (<b>Additional Payment</b>).</p>
<b>Creso Israel</b>	<p>Creso GmbH agrees to transfer the shares that it holds in the Israeli JV Entity to Cohen within 30 days from the date on which the Settlement Agreement is given the force of a judgment (<b>Share Transfer</b>).</p>
<b>Liquidated Damages</b>	<p>If the obligations of the Company and Creso Switzerland to pay the Settlement Sum, issue the Settlement Shares and complete the Share Transfer are not upheld, in full and on time, and the breach is not remedied within thirty days, the amount of USD\$150,000 will be available for immediate payment as liquidated damages for the breach.</p> <p>However, if the Company does not obtain Shareholder approval for the issue of the Settlement Shares, neither the failure to issue the Settlement Shares nor an alleged failure to make the Additional Payment will trigger the liquidated damages.</p>

## Ends

## Authority and Contact Details

This announcement has been authorised for release by the Board of Creso Pharma Limited.

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