



ASX Announcement

7 October 2020

Creso Pharma receives commitments totaling A\$8.992m

Creso Pharma Limited (ASX:CPH, FRA:1X8) ('Creso Pharma' or 'the Company') is pleased to advise it has secured firm commitments from institutional, professional and sophisticated investors to raise up to A\$8.992 million (before costs) through the issue of approximately 309,021,675 fully paid ordinary shares ("Shares") at an issue price of \$0.0291 per Share ("the Placement").

\$7.992m has been committed from institutional, professional and sophisticated investors and \$1m has been committed from Creso Pharma Chairman Adam Blumenthal (which will be subject to shareholder approval).

The issue price represents a 25% discount to the closing price of \$0.0388 on 30 September 2020.

The Company will issue Shares to participants in the Placement on the following basis:

- a) 61,626,676 Shares issued pursuant to the Company's available placement capacity under Listing Rule 7.1;
- b) 41,209,433 Shares pursuant to the Company's available placement capacity under Listing Rule 7.1A;
- c) 171,821,305 Shares pursuant to shareholder approval which was obtained on 2 October 2020; and
- d) 34,364,261 Shares to Chairman, Adam Blumenthal, subject to obtaining prior shareholder approval.

The Company also intends to seek shareholder approval to issue the participants in the Placement one option for every four Shares issued. The options will be exercisable at \$0.05 each on or before the date that is 24 months after their date of issue. The Company will, subject to meeting minimum spread and other requirements, seek to have the options listed.

Funds raised under the Placement will be deployed towards repayment of debt and amounts owed to secured lenders to redeem outstanding convertible notes (further terms are set out below), development of the Company's business units in Canada and Switzerland, operational expenses, accelerate growth across the Company's existing human and animal health CBD product lines and costs associated with the Placement.

Lead Manager

EverBlu Capital Pty Ltd ('EverBlu') acted as lead manager and corporate advisor for the Placement. EverBlu will receive a fee of 6% of the total funds raised and, subject to shareholder approval, be issued one Share for every \$1 raised under the Placement and seven options for every \$1 raised, which options will be issued on the same terms as options issued to participants in the Placement.

The Company confirms that the fees payable to EverBlu were negotiated on an arm's length basis and are on commercial terms.



Short-Term Loan

Director, Adam Blumenthal has agreed to extend a short-term loan facility to Creso Pharma, whereby, subject to mutual agreement, Creso Pharma may draw down up to \$3,000,000 on an unsecured, interest free basis. If any funds are drawn down, Mr Blumenthal may elect, subject to Creso Pharma obtaining shareholder approval, to convert these funds into Shares and options on the same terms as the Placement. The Company confirms that any issues of Shares and options will occur within 1 month of the relevant shareholder approval (if obtained).

The directors of the Company satisfied themselves that the loan facility with Adam Blumenthal has been negotiated on arm's length terms and is fair and reasonable from the perspective of the holders of the Company's ordinary securities.

Redemption and cancellation of outstanding convertible notes

As noted above, a portion of the funds raised under the Placement will be applied to the redemption and cancellation of outstanding convertible notes held by L1 Capital Global Opportunities Master Fund ('L1 Capital'), Lind Global Macro Fund, LP ('Lind'), and Chifley Portfolios Pty Limited ('Chifley').

Each of the secured lenders noted above have agreed to the early redemption and cancellation of their convertible securities, which will be achieved through the repayment of a portion of the outstanding convertible notes in cash from funds raised under the Placement and the secured lenders agreeing to purchase a reduction in the number of collateral shares that they hold.

A summary of the early redemption and cancellation arrangements is set out below:

- **L1 Capital:** The convertible notes held by L1 Capital will be redeemed by the Company making a cash payment of \$1,802,653 and the collateralisation of 29,169,010 collateral shares held by L1 Capital.
- **Lind:** The convertible security held by Lind will be redeemed by the Company making a cash payment of \$222,926.50 and the collateralisation of 21,000,000 collateral shares held by Lind.
- **Chifley:** The convertible notes held by Chifley will be redeemed by the Company making a cash payment of \$325,000 and the collateralisation of 2,555,555 collateral shares held by Chifley.

Following the completion of the cash payments noted above, the secured lenders will release Creso Pharma from their ongoing obligations in respect of the convertible notes, the convertible securities agreements and the corresponding securities granted over the Company's assets with immediate effect.

In addition, Suburban Holdings Pty Limited ('Suburban Holdings') has agreed to the early redemption and cancellation of its convertible securities, which will be achieved through the payment of \$250,000 in cash from the proceeds of the Placement, Suburban Holdings agreeing to purchase a reduction in the number of collateral shares that they hold (being 18,333,334 collateral shares) and the grant of the right for Suburban Holdings to elect to either be repaid the outstanding amount owed to Suburban Holdings (being a payment of \$1,250,000) from funds raised from a future capital raising or, subject to shareholder approval being obtained, to convert some or all of this amount into Shares and options (on the same basis as participants in the Placement). Suburban Holdings has agreed to not make that election until the earlier of 3 months from today and the day that is 10 days following Creso Pharma's next shareholder meeting.



The directors of the Company satisfied themselves that the terms of settlement and agreement with Suburban Holdings as per the above is being entered into on arm's length terms and is fair and reasonable from the perspective of the holders of the Company's ordinary securities. However, as Suburban Holdings is a related party, the Company will seek shareholder approval of the terms of the early redemption. Suburban Holdings has agreed to release the securities granted over the Company's assets with immediate effect and release Creso Pharma from its ongoing obligations in respect of the convertible notes it holds and the convertible securities agreement with Suburban Holdings with effect from the completion of the issue of securities or payment of cash (as described above).

Following completion of the above, the Company will be released and will no longer have any outstanding obligations under the convertible securities agreements. As a result the various security agreements (including general security, guarantees and mortgages over the Company and property of Mernova Medicinal Inc), which have been granted in favour of L1 Capital Global Opportunities Master Fund as 'Collateral Agent' for each of the lenders, will be discharged.

Creso Pharma thanks L1 Capital, Lind, Chifley and Suburban Holdings for their ongoing support of Creso Pharma and its operations.

Effect of the Collateralisation of the Collateral Shares

For context regarding the collateralisation noted above, the Company confirms that the lenders were each issued a number of shares as collateral under the terms of the convertible securities agreements, being collateral shares. The ability to collateralise the collateral shares held by the lenders is an existing term of the convertible securities agreements, whereby the lenders have the right to purchase a reduction in the number of collateral shares held in consideration for reducing the outstanding amount owed in respect of the convertible notes (by an amount equal to 98% of the variable conversion price). The effect of the collateralisations agreed to by the secured lenders is that the outstanding amount in respect of the convertible notes is reduced and there will no longer be any shares held by the secured lenders as collateral.

Management Commentary

Non-Executive Chairman, Mr Adam Blumenthal, said: "We are delighted with the strong level of demand among from investors in this Placement, and this support is very pleasing.

Importantly, we will emerge from this Placement with a much stronger balance sheet. This provides the Company with significant financial flexibility to exercise many of its key short-term strategic initiatives.

With the recently announced proposed regulatory changes in Australia regarding the status of cannabidiol products, Creso Pharma is well-placed to accelerate growth in the near-term, and we look forward to providing further updates in due course.

We are also looking into other cutting-edge pharmaceutical initiatives that can be complementary to Creso Pharma's IP and, again, will provide any further updates to the market when appropriate."

-Ends-

**Authority and Contact Details**

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

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About Creso Pharma

Creso Pharma Limited (ASX:CPH) 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 Pharma uses GMP (Good Manufacturing Practice) 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 Pharma 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 Pharma 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 Pharma and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso Pharma has no obligation to up-date such statements, except to the extent required by applicable laws.