



29 November 2017

Dear Shareholder,

Share Purchase Plan

On Tuesday, 28 November 2017, Creso Pharma Limited (ACN 609 406 911) (**Creso** or **the Company**) announced its intention to undertake an institutional placement of approximately 14,090,909 fully paid ordinary shares in Creso (**Shares** or **Creso Shares**) at a price of \$1.10 per Share to sophisticated and professional investors, raising approximately \$15,500,000 (**Placement**). The Placement will be completed in one tranche with approximately 8,835,135 Shares to be issued under the Company's capacity pursuant to Listing Rule 7.1A and 5,255,774 Shares to be issued under the Company's capacity pursuant to Listing Rule 7.1 as soon as is practicable.

In order to provide all eligible Creso Shareholders with the ability to participate in this capital raising, Creso is pleased to provide details of its underwritten Share Purchase Plan (**Plan**). Under the Plan, Creso is giving Eligible Shareholders the opportunity to purchase up to \$15,000 worth of Shares at the same price as the Placement, irrespective of the size of their shareholding, without incurring brokerage or transaction costs. The application limit of \$15,000 is an aggregate pursuant to this Plan and the Company's heavily oversubscribed Share Purchase Plan that was announced on 27 March 2017 (**Previous Plan**).

The offer under the Plan (**Offer**) will raise a minimum of \$2,000,000 on the terms and conditions (**Terms and Conditions**) contained in this letter (**Announcement**). In conjunction with the Placement, this will provide the Company with additional funds of approximately \$17,500,000.

As the Company undertook the Previous Plan within the past 12 months the ASX Listing Rule 7.1 Exception 15 does not apply and the Company must comply with ASX Listing Rule 7.1 in relation to the issue of Shares under the Plan.

The Offer will result in a minimum of 1,818,182 Shares being issued pursuant to the Plan which exceeds the Company's remaining capacity pursuant to ASX Listing Rules 7.1 and 7.1A, being 1,324,592 Shares (assuming the Placement is fully subscribed). The Company anticipates that Shareholders will ratify the issue of 4,354,154 Securities (comprising of 3,094,154 Shares and 1,260,000 Options) at the upcoming general meeting to be held on 11 December 2017 (**General Meeting**). This will result in the Company having the capacity to issue 5,678,746 Shares pursuant the Plan under the Company's ASX Listing Rule 7.1 and 7.1A capacities.

In the event Shareholders do not ratify all or a portion of the Securities at the General Meeting, the issue of Shares pursuant to the Plan will be subject to the Company obtaining, to the extent necessary, either a waiver from the ASX in respect of ASX Listing Rule 7.1 or shareholder approval.



Shareholders Eligible to Participate in the Plan

Participation under the Plan is optional and is available exclusively to shareholders who are registered as holders of Shares at 5:00pm EST on the Record Date of 22 November 2017 and whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

Share Purchase Plan

The Plan entitles Eligible Shareholders, irrespective of the size of their shareholding, to purchase up to \$15,000 (when aggregated with the total amount subscribed for and allocated to each Eligible Shareholder pursuant to the Previous Plan) worth of Shares priced at \$1.10 (**Price**).

This Price is the same price as Shares were offered to sophisticated and professional investors under the Placement.

Under the ASX Listing Rules, the offer under the SPP must be not less than a discount of 20% to the volume weighted average market price (**VWAP**) for the Shares over the last 5 days on which sales in the Shares were recorded before the day on which the issue was announced.

The VWAP of Shares traded on the ASX during the 5 trading days immediately prior to the announcement date of the Offer was \$1.18. Accordingly, the Price of \$1.10 is a discount of 6.78% to the applicable VWAP. The Price is also a 18.22% discount to the last traded price on 22 November 2017 being \$1.345 and a 33.33% discount to the highest price of trade on 22 November 2017 of \$1.65.

Whilst Creso intends to raise at least \$2,000,000, Creso may accept additional applications subject to shareholder demand. However, the maximum number of Shares to be issued is limited by the Australian Securities Exchange (**ASX**) Listing Rules, being 30% of Creso's share capital at the Record Date.

Subject to shareholder demand and oversubscriptions, Creso may, in its absolute discretion, undertake a scaleback under the Plan on an equitable basis. Scaleback decisions are made by the Board and are final.

The directors of Creso who are eligible shareholders do not intend to participate under the Share Purchase Plan.

An outline of the Plan is set out in this letter and the enclosed Terms and Conditions. An application form for the Plan (**Application Form**) and reply paid envelope are included in this package.

Current Activities and Use of Funds

Details of Creso's current activities are set out in the announcements made by Creso to the ASX and are available from the ASX, or Creso's website at www.cresopharma.com.

The funds raised under the Plan (and the Placement) will be used:



- a) to fund the construction of a cannabis growing facility in Canada;
- b) for potential investment opportunities;
- c) for general working capital; and
- d) sales and marketing activities.

How much can you invest?

Eligible Shareholders may each apply for a maximum of \$15,000 worth of Shares under the Plan (when aggregated with the total amount subscribed for and allocated to each Eligible Shareholder pursuant to the Previous Plan).

For the avoidance of doubt, an example setting out the maximum applications of Eligible Shareholders under various scenarios is provided below:

- (a) if an Eligible Shareholder subscribed for and was allocated \$15,000 under the Previous Plan, that shareholder will not be entitled to participate in the Plan;
- (b) if an Eligible Shareholder subscribed for and was allocated \$8,000 under the Previous Plan, that shareholder will be entitled to participate in the Plan up to a maximum of \$7,000 (6,364 Shares); or
- (c) if an Eligible Shareholder did not subscribe for any Shares or had their subscription scaled back to \$0, that shareholder will be entitled to participate in the Plan up to a maximum of \$15,000 (13,636 Shares).

Subscription and Application Procedure

If you are an Eligible Shareholder who would like to participate in the Offer, you can either:

- complete the enclosed Application Form and send it together with your payment by cheque made payable to "Creso" and drawn in Australian currency for the correct amount, to Creso's share registry, by mail to Automic Registry Services at PO Box 2226, Strawberry Hills, NSW 2012, or by hand delivery to Automic at Level 3, 50 Holt Street, Surry Hills, NSW 2010 to be received by the share registry no later than 5:00pm WST on the **Closing Date**. No late applications will be accepted; or
- make a BPAY^{®1} payment from your cheque or savings account by using the Biller Code and Reference Number shown on your Application Form which is required to identify your holding. If you have multiple holdings you will have multiple BPAY Reference Numbers. To ensure you receive your Shares under the Offer in respect of that holding you must use the specific Biller Code and Reference Number shown on each personalised Application Form when paying for any Shares that you may wish to apply for in respect of that holding. If you inadvertently use the same Reference Number for more than one of your applications, you will be deemed to have applied only for that application to which that Reference Number applies

¹ ® Registered to BPAY Pty Ltd, ABN 69 079 137 518



and any excess amount will be refunded. **If you make your payment using BPAY® you do not need to return your Application Form.** New Zealand holders will not be able to make a payment using BPAY®. Payments made by BPAY® received after **5:00 pm WST on the Closing Date** will not be accepted. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit. Applicants should not forward cash and direct bank transfers are not permitted.

Please note that you can also access your Application Form electronically by registering on the Automic website <https://investor.automic.com.au/#/home>. Once you have registered, click on the "Documents & Statements" option, then click "download" to access your form.

The Closing Date of the Offer is at the discretion of the Board and indicative dates are set out in the table below. Currently the **Closing Date is scheduled for 19 December 2017**, however Creso may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Application Forms as early as possible.

Eligible Shareholders may participate by selecting only one of the following offers to purchase Shares under the Plan:

	Total amount payable	Number of Shares which may be purchased
Offer A	\$15,000	13,636
Offer B	\$10,000	9,091
Offer C	\$5,000	4,545
Offer D	\$2,500	2,723
Offer E	\$1,000	909

Once an application has been made it cannot be revoked. All valid applications shall be deemed accepted if received before the **Closing Date**. If the exact amount of money is not tendered with your application, Creso reserves the right to either:

- (a) return your Application Form and/or payment and not allot any Shares to you; or
- (b) allot to you the number of Shares that would have been allotted had you applied for the highest designated amount that is less than the amount of your payment and refund the excess application money to you by cheque as soon as possible, without interest.

The maximum investment any shareholder may apply for will remain \$15,000 (when aggregated with the total amount subscribed for and allocated to each Eligible



Shareholder pursuant to the Previous Plan) even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account).

It is the responsibility of the applicant to ensure that the aggregate of the application price paid for the Shares the subject of the application and any other shares and interests in the class applied for by you under the Plan or any similar arrangement in the 12 months prior to the date of submission does not exceed \$15,000.

Custodians and Nominees

Eligible Shareholders who hold Shares as Custodian or Nominee (**Custodian**) for one or more persons on the Record Date (**Beneficiary**) may apply for up to a maximum amount of A\$15,000 (when aggregated with the total amount subscribed for and allocated to each Eligible Shareholder pursuant to the Previous Plan) worth of Shares in respect of each Beneficiary who is resident in Australia or New Zealand, subject to providing a Custodian Certificate to Creso, as described in the Terms and Conditions enclosed with this letter. Please refer to the Terms and Conditions for more details.

Acceptance of Risk Factors

On the last trading day immediately prior to the announcement date of the Offer, the closing price of the Shares traded on ASX was \$1.345. The market price of Shares in Creso may rise and fall between the date of the Offer and the date that any Shares are issued to you as a result of your application under this Offer.

By making an application under this Offer and applying for Shares under the Plan, each Eligible Shareholder will be acknowledging that although the purchase Price is at a discount, Shares are a speculative investment and the price of Shares on ASX may change between the date of Creso announcing its intention to make an Offer and the date of issue of Shares under that Offer and that the value of the Shares received under the Plan may rise or fall accordingly.

The Board recommends that you obtain your own financial advice in relation to the Offer and consider price movements of Shares in Creso prior to making an application under this Offer.

Additional Information

The offer of Shares under the Plan is made in accordance with ASIC Class Order 09/425 and therefore does not require a prospectus for the purposes of Chapter 6D of the Corporations Act (2001) (Cth).

The Offer cannot be transferred and the Directors of Creso reserve the right in their absolute discretion to reject, or scale back, on an equitable basis, any application. Shares issued under the Plan will be issued no later than 10 business days after the Closing Date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.



The minimum amount proposed to be raised under the Offer is \$2,000,000. Creso, however, reserves absolute discretion regarding the final amount raised under the Plan, subject to the ASX Listing Rules.

In the event of oversubscription by the Closing Date the Directors may, in their absolute discretion, scale-back applications on an equitable basis. Scale-back for Shares held by Custodians will be applied at the level of the underlying Beneficiary. Directors may also, in their absolute discretion, decide to increase acceptances in the event of oversubscriptions.

If Creso rejects or scales-back an application or purported application, Creso will promptly return to the shareholder the relevant application monies, without interest.

Foreign offer restrictions

This document may not be released or distributed in any country other than Australia and New Zealand. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any other country. In particular, any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

New Zealand Shareholders

The Shares offered under the Plan are not being offered or sold to the public within New Zealand other than to existing shareholders of Creso with registered addresses in New Zealand and to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Shortfall Placement and Underwriting

The Company has entered into an underwriting agreement with Energy Capital Partners Pty Ltd (ACN 159 444 318) (**ECP**) to underwrite \$2,000,000 of the Offer. In the event that less than \$2,000,000 is applied for, ECP has agreed to apply for the shortfall Shares at the Price, subject to compliance with the necessary legal requirements. The Company confirms that any issue of shortfall will be placed subject to the Company's placement capacity under Listing Rule 7.1 and 7.1A at the time of issue. Accordingly, in the event shareholders do not ratify all or a portion of the Securities at the General Meeting and to the extent necessary, the shortfall issue will be subject to the Company obtaining either a waiver from the ASX under ASX Listing Rule 7.1 or shareholder approval. The Company has agreed to pay ECP a fee of \$10,000 (being 0.5% of the \$2,000,000) and an additional 3% fee on any shortfall



Shares subscribed for or placed by ECP. ECP is not a related party nor is it a shareholder in the Company as at the date of the Offer.

Indicative Timetable

Record Date for Share Purchase Plan	Wednesday, 22 November 2017
Announce Share Purchase Plan	Tuesday, 28 November 2017
Section 708A "Cleansing Notice" lodged with ASX	Tuesday, 28 November 2017
Dispatch Share Purchase Plan booklet to shareholders and release terms on the ASX	Wednesday, 29 November 2017
Share Purchase Plan Opens	Wednesday, 29 November 2017
Closing date for Share Purchase Plan	Tuesday, 19 December 2017
Lodge Appendix 3B, Issue of new shares under the Share Purchase Plan	Thursday, 21 December 2017
Quotation on ASX of new shares under the Share Purchase Plan	Friday, 22 December 2017

These dates are indicative only. Creso may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Application Forms as early as possible.

Should you wish to discuss any information contained in this letter further, do not hesitate to contact the Company's share registry on 1300 288 664 (within Australia) +61 (0)2 9698 5414 (outside Australia), email hello@automic.com.au.

Yours faithfully

Sarah Smith
Company Secretary
Creso Pharma Limited



Creso Pharma Limited

ACN 609 406 911

Shareholder Share Purchase Plan - Terms and Conditions

Purpose

Creso Pharma Limited (ASX:CPH) (**Creso** or **Company**) has announced its intention to conduct a share purchase plan (**SPP** or **Plan**) to raise a minimum of \$2,000,000.

Under the SPP, the Company is offering Eligible Shareholders the opportunity to purchase up to \$15,000 (when aggregated with the total amount subscribed for and allocated to each Eligible Shareholder pursuant to the Previous Plan) worth of fully paid ordinary shares in the Company (**Shares** or **Creso Shares**) at an issue price of \$1.10 per Share (**Price**), irrespective of the size of their shareholding, without incurring brokerage or transaction costs, subject to scale back (**Offer**).

Under the ASX Listing Rules, the offer under the SPP must be not less than a discount of 20% to the volume weighted average market price (**VWAP**) for the Shares over the last 5 days on which sales in the Shares were recorded before the day on which the issue was announced.

The VWAP of Shares traded on the ASX during this period was \$1.18 per Share. Accordingly, the Price of \$1.10 is a discount of 6.78% to the applicable VWAP.

Creso Shares will be issued without the need to pay brokerage costs and without the need for Creso to issue a Prospectus. The Plan is governed upon such terms and conditions as the board of directors of Creso, in its absolute discretion, sees fit.

Shareholders Eligible to Participate

Holders of Creso's Shares that are registered with an Australian or New Zealand address at the relevant record date are eligible shareholders (**Eligible Shareholders**) and may participate in the Plan, unless such registered shareholder holds shares on behalf of another person who resides outside Australia or New Zealand. Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these Terms and Conditions. Offers made under the Plan are non-renounceable (i.e. Eligible Shareholders may not transfer their rights to any Creso Shares offered under the Plan). Eligible Shareholders who wish to take up Creso Shares issued under the Plan agree to be bound by Creso's constitution in respect of Creso Shares issued under the Plan.

The maximum amount which any shareholder may subscribe for in any consecutive 12 month period under any arrangement similar to the Plan is \$15,000. As such, Eligible Shareholders by completing an Application Form are certifying to the Company that the total price subscribed for pursuant to the Plan and the Previous plan does not exceed \$15,000 in aggregate.



The directors of Creso (**Directors**) may also determine in their discretion the minimum amount for participation, the multiple of Company Shares to be offered under the Plan and the period the offer is available to Eligible Shareholders.

Custodians, trustees and nominees

If you are an Eligible Shareholder and hold Creso Shares as a custodian (as defined in ASIC Class Order [CO 09/425] (refer below) (**Custodian**) or in any more specific ASIC relief granted to Creso in relation to the Plan), you may apply for up to the maximum of new Shares for each beneficiary for whom you act as custodian provided you annexe to your Application Form a certificate to Creso (**Custodian Certificate**) with the following information:

- that you held Creso Shares on behalf of one or more other persons who are resident in Australia or New Zealand (each a **Participating Beneficiary**) at 24 March 2017 who have subsequently instructed you to apply for Shares under the Plan on their behalf;
- the number of Participating Beneficiaries and their names and addresses;
- the number of Shares that you hold on behalf of each Participating Beneficiary;
- the dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through another custodian, to apply for on their behalf;
- that the application price for Shares applied under the Offer for each Participating Beneficiary for whom you act plus the application price for any other Creso Shares issued to you as custodian for that Participating Beneficiary under any arrangement similar to the Plan in the prior 12 months does not exceed \$15,000;
- that a copy of the written offer document was given to each beneficiary; and
- where you hold shares on behalf of a beneficiary indirectly, through one or more interposed custodians, the name and address of each interposed custodian.

For the purposes of ASIC Class Order [CO 09/425] you are a 'custodian' if you are a registered holder that:

- holds an Australian financial services licence that allows you to perform custodian or depositary services or operate IDPS accounts;
- is exempt under:
 - (i) paragraph 7.6.01(1)(k) of the *Corporations Regulations 2001* (the **Regulations**); or
 - (ii) paragraph 7.6.01(1)(na) of the Regulations; or
 - (iii) ASIC Class Order CO 14/1000 or ASIC Class Order CO 14/1001; or
 - (iv) ASIC Class Orders CO 03/1099, CO 03/1100, CO 03/1101, CO 03/1102, CO 04/829 or CO 04/1313; or



(v) an individual instrument of relief granted by ASIC to the person in terms similar to one of the class orders referred to in subparagraph (iii) or (iv); or

(vi) paragraph 911A(2)(h) of the Act;

from the requirement to hold an Australian financial services licence for the provision of a custodial or depositary service; or

- is a trustee of a self managed superannuation fund;
- is a trustee of superannuation master trusts;
- is a responsible entity of IDPS like schemes; or
- is noted on Creso's register of members as holding the shares on account of another person.

If you hold Creso Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Custodians should request a Custodian Certificate when making an application on behalf of Participating Beneficiaries. To request a Custodian Certificate and if you would like further information on how to apply, you should contact Automic Share Registry at any time from 8.30am to 5.00pm (WST) Monday to Friday during the Offer period.

Creso reserves the right to reject any application for Creso Shares to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements. Creso reserves the right to reject applications in accordance with these Terms and Conditions.

Price of Creso Shares

The price of Creso Shares to be issued under the Plan will be at a discount of 6.78% of the VWAP for the Shares over the last 5 days on which sales in the shares were recorded before the day on which the issue was announced (being a VWAP of \$1.18).

Applications and Notices

At the discretion of the Directors, Creso will send Eligible Shareholders a letter of offer and acceptance procedures, inviting them to subscribe for Creso Shares under the Plan, and accompanied by these Terms and Conditions of the Plan and an Application Form. Applications will not be accepted after the Closing Date of the offer. Over subscriptions to an offer may be refunded without interest.

Please note that Eligible Shareholders can also access an Application Form electronically by registering on the Automic website <https://investor.automic.com.au/#/home>. Once you have registered, click on the "Documents & Statements" option, then click "download" to access their specific Application Form.



Notices and statements made by Creso to participants may be given in any manner prescribed by its Constitution.

Placement of Shortfall and Underwriter

The Company has entered into an underwriting agreement with Energy Capital Partners Pty Ltd (ACN 159 444 318) (**ECP**) to underwrite \$2,000,000 of the Offer. In the event that less than \$2,000,000 is applied for, ECP has agreed to apply for the shortfall Shares at the Price, subject to compliance with the necessary legal requirements. The Company confirms that any issue of shortfall will be placed subject to the Company's placement capacity under Listing Rule 7.1 and 7.1A at the time of issue. Accordingly, in the event shareholders do not ratify all or a portion of the Securities at the General Meeting and to the extent necessary, the shortfall issue will be subject to the Company obtaining either a waiver from the ASX under ASX Listing Rule 7.1 or shareholder approval. The Company has agreed to pay ECP a fee of \$10,000 (being 0.5% of the \$2,000,000) and an additional 3% fee on any shortfall Shares subscribed for or placed by ECP. ECP is not a related party nor is it a shareholder in the Company as at the date of the Offer.

Issue of Creso Shares

Creso Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of Creso in the relevant offer.

Creso Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in Creso from the date of issue.

Shareholding statements or CHES notification will be issued in respect of all Creso Shares issued under the Plan. Creso will, promptly after the issue of Creso Shares under the Plan, make application for those Creso Shares to be listed for quotation on the official list of ASX.

Modification and Termination of the Plan

Creso may modify or terminate the Plan at any time. Creso will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, Creso may issue to any person fewer Creso Shares than the person applied for under the Plan if the issue of Creso Shares applied for would contravene any applicable law or the Listing Rules of ASX.

Raising Amount and Scale back

Creso seeks to raise a minimum of \$2,000,000. Creso, however, reserves absolute discretion regarding the final amount raised under the Plan, subject to the ASX Listing Rules.

In the event of an oversubscription by the closing date the Directors may, in their absolute discretion, scale-back all applications on an equitable basis. If Creso rejects or scales-



back an application or purported application, Creso will promptly return to the shareholder the relevant application monies, without interest.

Dispute Resolution

Creso may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or Creso Shares. The decision of Creso in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

Creso reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of Creso under these conditions may be exercised by the directors of Creso or any delegate of the directors of Creso.

Questions and Contact Details

Should you wish to discuss any information contained in this letter further, do not hesitate to contact the Company's share registry on 1300 288 664 (within Australia) +61 (0)2 9698 5414 (outside Australia), email hello@automic.com.au.