ABN: 89 609 406 911

ASX Announcement

10 November, 2016

Creso Pharma Limited (ASX: CPH, the "Company") advises that in response to queries from investors, the Company attaches the following in relation to its Initial Public Offer and admission to the official list of ASX on 20 October 2016:

- Replacement Prospectus dated 8 August 2016
- Supplementary Prospectus dated 16 September 2016

The Company notes that these are released for information purposes only.

For and on behalf of the Board

Sarah Smith
Company Secretary

945 Wellington Street, West Perth WA 6005
Phone: (08) 9322 7600 Fax: (08) 9322 7602

CRESO PHARMA LIMITED
ACN 609 406 911

REPLACEMENT PROSPECTUS

For an offer of up to 25,000,000 Shares at an issue price of $0.20 per Share to raise up to $5,000,000.

Lead Manager: EverBlu Capital Pty Ltd

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

CORPORATE DIRECTORY

Directors

Boaz Wachtel
Executive Chairman

Miriam Halperin Wernli
Managing Director

Adam Blumenthal
Non-Executive Director

James Ellingford
Non-Executive Director

Simon Buckingham
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Company Secretary

Sarah Smith

Proposed ASX Code

CPH

Solicitors

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Lead Manager

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This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

1. IMPORTANT NOTICE

This Prospectus is dated 8 August 2016 and was lodged with the ASIC on that date. This Prospectus replaces the prospectus dated 25 July 2016 relating to the shares of Creso Pharma Limited (**Original Prospectus**). The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

1.1 Replacement Prospectus

The differences between this Prospectus and the Original Prospectus are:

(a) Disclosure in respect of the Company's products and the initial geographical markets for the products;

(b) Disclosure in respect of the registration process for the Company's products;

(c) Clarification in respect of ownership of the IP to be access by the Company;

(d) Disclosure in respect of Hemp Industries and its operations; and

(e) Disclosure in respect of the benefits of medical cannabis and its properties included in Section 5.

1.2 Key Offer Information

KEY DATES - Indicative timetable*

Lodgement of Original Prospectus with the ASIC	22 July 2016
Lodgement of Prospectus with the ASIC	8 August 2016
Opening Date	9 August 2016
Closing Date	5 September 2016
Issue of Shares	31 September 2016
Despatch of holding statements	5 October 2016
Expected date for quotation on ASX	12 October 2016

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** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with the Offer at any time before the issue of Shares to Applicants.*

KEY OFFER DETAILS

Offer Price per Share	$0.20
Maximum Shares to be issued under Offer	25,000,000
Maximum number of Shares on issue following the Offer	57,725,001
Maximum Proceeds of the Offer	$5,000,000

1.3 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at http://cresopharma.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

1.4 Website

No document or information included on our website is incorporated by reference into this Prospectus.

1.5 Forwarding-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained

in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Sections 2.7 and 7 of this Prospectus.

1.6 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

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2. INVESTMENT OVERVIEW

This section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

2.1 The Company

Creso Pharma was incorporated on 20 November 2015 as a public unlisted company with a vision to contribute to substantial improvement in health outcomes through innovative cannabis and hemp based medicines and nutraceuticals addressing unmet medical needs in human and animal health.

2.2 Vision and strategy

Creso Pharma's strategy is to develop, register, and commercialise pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments, to the highest GMP quality standards.

The global cannabis market and the nutraceutical market have experienced rapid growth in the past few years.

Key catalysts in the growth of these industries have been use of non-psychoactive and non-synthetic botanic full-plant derived therapeutics for a growing and aging human and pet population.

These catalysts are key influencers in Creso Pharma's entrance into these markets.

Creso Pharma's therapeutic products are intended to be developed to target an unmet need for cannabis and hemp-based nutraceutical products which are standardised and delivered by effective controlled dosages – applied for use by both the human and animal fields.

Accordingly, Creso Pharma intends to leverage science and research to develop, register and commercialise high grade cannabis and hemp based therapeutic products that will be standardised in formulation and dose, and administered by proprietary delivery technologies which will fulfil the necessary requirements for efficacy, safety, highest quality and consistency.

Additionally, Creso Pharma is focused on growing hemp and developing and producing CBD extracts for use in its own products as well as other third party owned products.

2.3 Business Model and Objectives

The Company intends to offer seamless integration from plant cultivation to product manufacturing, developing the business of manufacturing and marketing medical-grade cannabis and hemp based products for use across a broad spectrum of consumer, industry and research applications. Our approach is global in scope, with an initial focus on Europe and Canada.

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In order to achieve this, Creso Pharma's business model will be based on the combination of the following business segments:

- **Developing high grade CBD therapeutic products** - This is intended to consist of a multiple stage process including sourcing and licensing innovative and proven delivery platforms in the areas of specially formulated pills and mainly buccal and sublingual formulations to increase bioavailability and absorption on the human health side, and to create special animal health formulations and delivery platforms specifically adapted to the veterinary market. The Company has entered into a number of contracts to develop formulations as set out at Sections 2.4, 6.5 and 11.3. Other stages in this development will be conducting small well-designed clinical studies to generate high quality supportive evidence for our products, creation of the Company's intellectual property ownership portfolio and later, possible manufacturing and sales of the developed products. For further details on the development of therapeutic products please refer to Section 6.5 of the Prospectus.

- **Operating a hemp grow operation** - The Company has entered into an agreement to conditionally acquire a company based in Slovakia, Hemp-Industries, that owns an existing hemp growing operation, out sourced CBD extraction and CBD product sales activities.

  The Hemp-Industries grow operation has been in existence for 3 years and is run by a professional team. Following the settlement of the acquisition, Creso Pharma will, through Hemp-Industries, be able to generate early revenues with a view to supporting, in part, the business creation and funding of the Company's therapeutic products business unit. The hemp grow operation and CBD extraction capability may also allow the Company to source the key ingredients for its therapeutic products.

The Company may also, in the future, look to capitalise on other opportunities in the medical cannabis sector including, without limitation, acquisition or investment in other producers, distributors and import and export facilitation of various cannabinoid based products across borders.

2.4 Our key contractual arrangements

The Company's current key contractual arrangements are focussed on the following:

1. **Developing products with specific delivery methods using CBD and THC and/or other cannabis or hemp derived ingredients** - The Company has entered into isolated agreements with INNutriGEL, Glatt and BioLingus whereby the relevant parties will look at testing and developing respective established and proven technologies to create products containing cannabis ingredients that provide therapeutic solutions which have high scientific validity, high reliability, and high consistency. The strategy has multiple rationales, including;

   (a) to assure that at least one or more delivery technologies will be commercialised;

   (b) to provide multiple offerings to consumers; and

   (c) to offer distributors more than one product.

Following the development phase, Creso Pharma will look at manufacturing and commercialising the feasible products (most likely with third party partners).

For further specifics in relation to these agreements see Sections 6.5 and 11.3 of this Prospectus.

2. **Acquisition of Hemp-Industries** – Settlement of the acquisition of Hemp-Industries and its Slovakian based grow operations.

For a summary of the Hemp-Industries Agreement and the outstanding conditions see Section 11.1 of this Prospectus.

2.5 Investment Highlights

(a) The Company has secured key relationships with owners of intellectual property in established delivery systems. The Company intends to leverage off these relationships and access to these technologies to fast track the Company's progress in product development.

(b) The global medical cannabis market and the nutraceutical market have experienced rapid growth in the past few years. Nutraceutical cannabinoids are an untapped segment with relatively lower regulatory barriers compared to prescription and over-the-counter pharmaceutical products and therefore represents an opportunity for growth.

(c) The current industry is reasonably fragmented so there are many opportunities for consolidation and scale advantages through the different market segments. Creso Pharma has positioned itself to act in multiple business segments and product quality levels intended to distinguish itself from other competitors in the market.

(d) Due to the lower regulatory threshold of the nutraceutical market, nutraceutical products do not require extensive clinical data in order to file for registration and be commercialised. Accordingly, the Company will not be exposed to large, expensive and time consuming clinical trials and therefore will be equipped to get its proposed products to market faster than typical prescription drug companies. However, well designed small studies will be conducted to provide supportive evidence to aid the uptake of our products in the market.

(e) The Company's skilled and experienced board and management team, supported by a qualified scientific advisory committee have the necessary experience and capabilities to drive the Company to achieve its goals.

2.6 Financial Information

The Company was only recently incorporated (November 2015) and has no material operating history and limited historical financial performance.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Independent Assurance Report set out in Section 9 of this Prospectus.

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2.7 Key Risks

The business, assets and operations of our Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of our Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

Risks related to our business - products

Some of our proposed products will contain controlled substances, the use of which may generate public controversy

Our proposed products are to contain controlled substances and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, our products. These pressures could also limit or restrict the introduction and marketing of our products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by our products. The nature of our business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, our reputation may be harmed.

Our access to active ingredients

Our products will contain active cannabis or hemp derived ingredients from full plant extracts. Apart from Hemp-Industries, Creso Pharma is yet to enter into agreements with other suppliers of active cannabis or hemp derived ingredients. The Company is in discussions with a number of parties (located in Germany, Canada and Switzerland), however, does not intend to enter into final firm commitments until after initial technology testing on the delivery technologies has been completed following Admission. There is a risk that once Creso Pharma decides on preferred suppliers the Company may have protracted negotiations on commercial terms and this may result in delays in the development of the Company's products and/or increase in the Company's costs of development and production.

We expect to face intense competition, often from companies with greater resources and possible more experience than we have

The nutraceutical industry is highly competitive and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than we have. Some of these competitors and potential competitors have similar or more experience than we have in the development of pharmaceutical products, including validation procedures and regulatory matters. In addition, our proposed

products will, if successfully developed, compete with, product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than we or our future collaboration partners may have. If we are unable to compete successfully, we may be unable to generate, grow and sustain our revenue.

We may acquire other companies which could divert our management's attention, result in additional dilution to our shareholders and otherwise disrupt our operations and harm our operating results

We may in the future seek to acquire businesses, products or technologies that we believe could complement or expand our product offerings, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

(a) incurrence of acquisition-related costs;

(b) diversion of management's attention from other business concerns;

(c) unanticipated costs or liabilities associated with the acquisition;

(d) harm to our existing business relationships with collaboration partners as a result of the acquisition;

(e) harm to our brand and reputation;

(f) the potential loss of key employees;

(g) use of resources that are needed in other parts of our business; and

(h) use of substantial portions of our available cash to consummate the acquisition.

In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results arising from the impairment assessment process. Acquisitions may also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our business, results of operations and financial condition may be adversely affected.

Changes to regulatory thresholds for nutraceutical and therapeutic products

Due to the lower regulatory threshold of the nutraceutical market, nutraceutical products do not currently require clinical data in order to file for registration. Accordingly, the Company will not be exposed to expensive and time consuming clinical trials. However, in the very unlikely situation where changes would occur in applicable regulatory policies and regulations, the Company may be exposed to increased compliance costs, including need to carry out some limited clinical

trials. Designing and implementing large clinical trials is expensive and time consuming.

Further, the Hemp-Industries products are currently in the process of obtaining the required certificates based on Czech Republic legislation. Hemp-Industries is in the stage of finalising certified laboratory tests required for product registration for sales on the Czech Republic market. Although a lot less is involved in these laboratory tests as opposed to clinical trials there are still risks.

Regulatory authorities or the Company may suspend, delay or terminate trials, laboratory tests or development programs at any time for various reasons, including:

(a) discovery of serious or unexpected toxicities or side effects experienced by trial participants or other safety issues;

(b) failure by us, our employees, other contractors or their employees to comply with all applicable regulatory requirements relating to the conduct of trials or the handling, storage, security and recordkeeping of pharmacological active substances; or

(c) regulatory concerns with cannabinoid products generally and the potential for abuse.

Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Serious adverse events or other safety risks could require us to abandon development and preclude, delay or limit approval of our product candidates, or limit the scope of any approved label or market acceptance

If any of our proposed products, prior to or after any approval for commercial sale, cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, a number of potentially significant negative consequences could result, including:

(a) regulatory authorities may deny regulatory approval of our product candidates;

(b) regulatory authorities may require certain labelling statements, such as warnings or contraindications or limitations on the indications for use, and/or impose restrictions on distribution;

(c) we may be required to change the way the product is administered;

(d) our relationships with our collaboration partners may suffer;

(e) we could be sued and held liable for harm caused to patients; or

(f) our reputation may suffer.

We may voluntarily suspend or terminate our development if at any time we believe that they present an unacceptable risk to participants or if preliminary data demonstrate that our product candidates are unlikely to receive regulatory approval or unlikely to be successfully commercialised.

Our industry is experiencing rapid growth and consolidation that may cause us to lose key relationships and intensify competition.

The medical cannabis and global hemp industries are undergoing rapid growth and substantial change, which has recently resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm us in a number of ways, including:

(a) we could lose strategic relationships if third parties with whom we have arrangements with, are acquired by or enter into contractual relationships with competitors (which could cause us to lose access to distribution, content, technology or other resources);

(b) the relationship between us and such third parties may deteriorate and cause an adverse effect on our business; and

(c) our current competitors could become stronger, or new competitors could form, as a result of future consolidations.

Any of these events could put us at a competitive disadvantage, which could cause us to lose research facilities or access to technology. Consolidation could also force us to use greater resources to meet new or additional competitive threats, which could also harm our results.

As a manufacturer and distributor of products designed to be ingested by humans our Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation.

These risks will arise if our Company's medical cannabis and hemp sourced products are alleged to have caused significant loss or injury. In addition, the manufacture of medical cannabis or hemp involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reaction resulting from human consumption of medical cannabis/and or hemp alone or in combination with other medication or substances could occur. The Company may be subject to various product liability claims, including among others that the Company's products caused injury or illness, inadequate instructions for use or warnings concerning possible side effects. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally and could have a material adverse effect on our results of operations and financial conditions.

Risks related to our business – growing facilities

Following the Acquisition of Hemp-Industries Creso Pharma will operate a growing facility accordingly, the Company's business will involve the growing of hemp and be exposed to the following risks:

The growing operations will be subject to agricultural risks

The Company's business will involve the growing of medical cannabis and/or hemp, which are agricultural products. As such the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, invasive plant species, storm, fire, frost, flood, drought, water availability, water salinity,

pests, bird damage and force majeure events. Although the Hemp-Industries facility has been in operation for 3 years and is and will continue to be operated by trained personnel to carefully monitor the growing conditions there can be no assurance that natural elements will not have a material adverse effect on the production of the growing operations.

Our ability to grow medical cannabis and/or hemp will be dependent on a number of key inputs and their related costs.

The key inputs include raw material and supplies related to growing operation as well as electricity, water and other local utilities. Any significant interruptions or negative changes in the availability of economics of the supply chain for the inputs could materially impact the business, financial condition and operating results of our Company. Due to the nature of the product some of these inputs may only be available from single suppliers or a limited group of suppliers. Any restrictions on the ability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact of the business, financial condition and operating results of the Company.

Risks related to our reliance upon third parties

Third party maintenance of patent rights and compliance with license terms

In addition to the intellectual property risks identified below, access to the intellectual property rights in relation to various technologies, specifically the BioLingus, Glatt and INNutriGEL technologies, have been granted to us (and will continue to be granted to us) through licences from third parties. As these are well established and historically stable companies, we are relying on those third parties to have in place the relevant protection and rights to the relevant technologies as well as the authority to enter into the arrangements that have been entered with Creso Pharma in respect of the relevant intellectual property rights. A failure of any one of these parties to comply with the license terms without an appropriate countermeasure could cause a significant disruption to the Company's business model, specifically, development and sale of its products. The Company is continually assessing the risk and opportunities associated with its business model and its licenses to use and develop intellectual property.

Third party consents to allow Creso Pharma to sub-license

The Company's strategy is likely to involve further sub-licensing of its rights to its technologies in order for the technologies and products to be developed in consultation with other parties. Under the terms of the relevant license agreements the original licensor's consent will likely be required. The failure to receive or delay in receiving such third party consents for the Creso Pharma's choice of sub-licensees may cause the Company to have to use other parties or cause significant delays in the development of the Company's therapeutic products. However, to minimise such delays, the Company will be complying with all relevant terms of its licenses and keeping the third party licensor's fully informed of its operations and development in accordance with those terms. Under our existing agreements with BioLingus, Glatt and INNutriGEL, Creso has the right to sublicense its technologies to third parties.

Our ability to research, develop and commercialise our products is dependent on our ability to maintain licenses relating to the cultivation, possession and supply of controlled substances

Our research facilities are likely to be located in various jurisdictions.

In order to carry out research on hemp and medical cannabis, licenses are generally required to handle the product the relevant authorities in each country.

Additionally, any proposed grow operations that are developed will be subject to the licenses required and other applicable legislation and regulations enforced in those countries. Accordingly, the amount of hemp and medical cannabis our Company is able to produce may be capped and ultimately this will restrict the amount we can sell, at least whilst no further legislation is in operation.

We will rely on the continued reliable operation of third parties' systems and networks and, if these systems and networks fail to operate or operate poorly, our business and operating results will be harmed.

Our operations are in part dependent upon the continued reliable operation of the operating systems and networks of third parties. If these third parties do not provide reliable operation, our ability to research and develop our product candidates and our operating results could be harmed.

Risks related to development and regulatory approval of our product candidates

Controlled substance legislation differs between countries and legislation in certain countries may restrict or limit our ability to sell our proposed products

Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to our obtaining marketing approval for our proposed products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit our proposed products to be marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time.

Changes in laws and regulations

The Company's operations are subject to a variety of laws, regulations and guidelines. The hemp and medical cannabis industry is evolving worldwide, including Australia and has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that many governments worldwide, including the state and federal Australian governments, will continue to explore the benefits, risks, regulations and operations of Company's involved in hemp and medical cannabis. While to the knowledge of management, the Company is currently in compliance with all current laws, changes to laws and regulations due to matters beyond the control of the Company may cause adverse effects to its operations.

The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual

obligations, could impact adversely on the assets, operations and, ultimately, the financial position and financial performance of the Company and its Shares.

For example, changes to the maximum permitted THC levels for food supplements and other hemp products. Recently, some European countries have lowered the maximum THC threshold levels for such products. The Company's proposed products, specifically the products produced by Hemp-Industries, are compliant with current laws and THC specifications, however, if these laws are amended the Company will have to further purify the THC out its products and this will increase the cost to the Company.

In addition there is a risk that legal action may be taken against the Company in relation to commercial, legal, regulatory or other matters.

Risks related to our intellectual property

We may be forced to litigate to enforce or defend our rights to intellectual property, and/or the intellectual property rights of our licensors

We may be forced to litigate to enforce or defend our current rights in respect of intellectual property against infringement and unauthorised use by competitors, and to protect our trade secrets. In so doing, we may place our rights to access intellectual property at risk of being invalidated, unenforceable, or limited or narrowed in scope. Further, an adverse result in any litigation or defence proceedings may place pending applications at risk of non-issuance. In addition, if any licensor fails to enforce or defend their intellectual property rights, this may adversely affect our ability to develop and commercialise our product candidates and prevent competitors from making, using, and selling competing products. Any such litigation could be very costly and could distract our management from focusing on operating our business. The existence and/or outcome of any such litigation could harm our business, results of operations and financial condition. Further, following the creation of intellectual property rights owned by us, the content will concern cannabis and other activities that are not legal in some jurisdictions, accordingly we may face additional difficulties in defending these future intellectual property rights.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the confidential and proprietary information could be compromised by disclosure. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Shares.

We may not be able to protect our proprietary technology in the marketplace

Our success will depend, in part, on our ability to obtain patents, protect our trade secrets and operate without infringing on the proprietary rights of others. We will rely upon a combination of patents, trade secret protection (i.e., know how), and confidentiality agreements to protect the intellectual property of our proposed products. The strengths of patents in the nutraceutical and pharmaceutical fields involves complex legal and scientific questions and can be uncertain. Where appropriate, we seek patent protection for certain aspects of our products and technology. Filing, prosecuting and defending patents throughout the world would be prohibitively expensive, so our policy is to patent commercially potential

technology in jurisdictions with significant commercial opportunities. However, patent protection may not be available for some of the products or technology we are developing. If we must spend significant time and money protecting or enforcing our patents, designing around patents held by others or licensing, potentially for large fees, patents or other proprietary rights held by others, our business, results of operations and financial condition may be harmed. We may not develop additional proprietary products that are patentable.

The patent positions of pharmaceutical products are complex and uncertain. The scope and extent of patent protection for our proposed products are particularly uncertain.

Furthermore, others may independently develop similar products, may duplicate our products, or may design around our patent rights. In addition, any of our issued patents may be declared invalid. If we fail to adequately protect our future intellectual property, we may face competition from companies who attempt to create a generic product to compete with our proposed products. We may also face competition from companies who develop a substantially similar product to one of our proposed products that is not covered by any of our patents.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property rights, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information

We rely on trade secrets to protect our proprietary know-how and technological advances, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. Failure to obtain or maintain trade secret protection, or failure to adequately protect our future intellectual property could enable competitors to develop generic products or use our proprietary information to develop other products that compete with our products or cause additional, material adverse effects upon our business, results of operations and financial condition.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by our Company and you should refer to the additional risk factors in Section 7 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

2.8 The Offer

The Company invites applications for up to 25,000,000 Shares at an issue price of $0.20 per Share to raise up to $5,000,000. The key information relating to the Offer and references to further details are set out below.

2.9 Purpose of the Offer

The purpose of the Offer is to facilitate an application by the Company for admission of the Company to the official list of ASX and position the Company to seek to achieve the objectives set out above in Section 2.3.

2.10 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following admission of the Company to the official list of ASX as follows:

Funds available	Full subscription ($)	Percentage of Funds
Existing cash reserves	119,500	2%
Funds raised from the Offer	5,000,000	98%
Total	**5,119,950**	**100%**
Allocation of funds	**($)**	**Percentage of Funds**
Expenses of the Offer[5]	454,820	9%
Technology and Product Development[1]	2,604,000	50%
License Fees[2]	147,000	3%
Administration Costs[3]	1,634,130	32%
Working Capital[4]	280,000	5%
TOTAL	**5,119,950**	**100%**

Notes:

1. Please refer below for a more detailed breakdown:

Item	($)
Regulatory strategy, dossier preparation and filing	518,000
Drug Formulation/CMC Consulting	434,000
Development of Scientific Supporting Material	112,000
Product Development with Cannabis ingredients and BioLingus technology	280,000
Product Development with cannabis ingredients and INNUtriGEL technology	350,000
Veterinary Product Development with cannabis ingredients and Friulchem technology	350,000

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

Product Development with cannabis ingredients and Glatt technology	140,000
Marketing and market access preparation/documentation	420,000
TOTAL	**2,604,000**

2. These amounts are payable to Glatt, INNutriGEL and BioLingus under the license agreements referred to in Section 11.3 of the Prospectus. An exchange rate of 1.4 (CHF/AUD) has been used.

3. Administration includes salaries, rent and general administration costs.

4. Working Capital is unallocated funds that are intended to be applied towards new business ventures and unanticipated expenses.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

It should be noted that the Company may not be self-funding through its own operational cash flow over the short to medium term referred to above. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 2.7).

The Board believes that on completion of the Offer the Company will have sufficient working capital at anticipated expenditure levels to achieve its stated objectives as set out in this Prospectus.

2.11 Capital Structure

The capital structure of the Company following completion of the Offer (assuming full subscription) and completion of the Hemp-Industries Acquisition is summarised below[1]:

Shares[2]

	Number
Shares currently on issue[3]	31,725,001
Shares to be issued pursuant to the Offer	25,000,000
Shares to be issued[4]	1,000,000
Total Shares on completion of the Offer	**57,725,001**

Options

	Number
Options currently on issue[5]	650,000
Options to be issued[6]	

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

Broker Options	2,500,000
BioLingus Options*	2,886,250
Total Options on completion of the Offer	**6,036,250***

***Note:** As per consideration for the BioLingus Agreement, the Company will, prior to admission to the Official List, issue to BioLingus that number of BioLingus Options equal to 5% of the number of Shares on issue. The BioLingus Options are exercisable at $0.20 on or before 24 months from the date the Company is admitted to Official List of the ASX. Assuming the full subscription of the Offer is raised up to 2,886,250 BioLingus Options will be issued to BioLingus. The full terms of these BioLingus Options are summarised at Section 12.3 of the Prospectus.

Performance Rights

	Number
Performance Rights currently on issue[7]	20,400,000
Performance Rights to be issued pursuant to the Offer	Nil
Total Performance Rights on completion of the Offer[6]	**20,400,000**

Performance Shares

	Number
Performance Shares currently on issue	Nil
Performance Shares to be issued[8]	1,000,000
Total Performance Shares on completion of the Offer[7]	**1,000,000**

Notes:

1 Refer to the Independent Assurance Report set out in Section 9 of this Prospectus for further details.

2 The rights attaching to the Shares are summarised in Section 12.2 of this Prospectus.

3 8,000,000 of the existing Shares on issue were issued to the founders or their nominees (Boaz Wachtel, Miriam Halperin Wernli and Adam Blumenthal) for nominal consideration. 6,750,000 Shares were issued on 19 January 2016 and 6,000,000 Shares were issued on 22 February 2016 at an issue price of $0.01 each and 7,237,500 Shares were issued on 13 April 2016, 2,325,000 Shares were issued on 21 June 2016, 1,187,500 Shares were issued on 14 July 2016 and 225,000 Shares were issued on 18 July 2016 at an issue price of $0.08 each to seed capital investors to fund acquisition costs, the listing costs and initial working capital requirements of the Company. These Shares were issued at a discount to the issue price of the Shares offered pursuant to the Offer to reflect the increased risk associated with an investment in the Company at the time of issue of the seed capital.

4 Shares are proposed to be issued to the HI Shareholders as consideration for the Acquisition of Hemp-Industries. For further details of the Acquisition refer to the Summary of the HI Agreement at Section 11.1.

5 Being 250,000 SB Options on the terms and conditions set out in Section 12.3 of this Prospectus and 400,000 Scientific Committee Options on the terms and conditions set out in Section 12.4 of this Prospectus.

6 Being Broker Options which are unquoted and is exercisable at $0.20 cents on or before three years from their date of issue. The Broker Options are proposed to be issued to EverBlu Capital Pty Ltd, provided at least $2 million is raised under the Offer from investors introduced by EverBlu Capital Pty Ltd. The terms and conditions of the Broker Options are summarised in Section 12.3 of this Prospectus.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

[7] The Company has issued 5,000,000 Tranche 1 Performance Rights, 5,000,000 Tranche 2 Performance Rights, 5,200,000 Tranche 3 Performance Rights and 5,200,000 Tranche 4 Performance Rights. The terms and conditions attaching to the Performance Rights are summarised in Section 12.5 of this Prospectus.

[8] The Performance Shares are proposed to be issued to the HI Shareholders as consideration for the Acquisition of Hemp-Industries. For full terms of the Performance Shares refer to Section 12.6 of this Prospectus. For further details of the Acquisition refer to the Summary of the HI Agreement at Section 11.1.

2.12 Existing Shareholders

The Company has approximately 35 existing Shareholders, who are largely seed investors in the Company (with $1,005,500 in seed funding having been raised prior to the date of this Prospectus).

These seed raising rounds were competed as follows:

(a) 6,750,000 Shares were issued on 19 January 2016 at an issue price of $0.01 each;

(b) 6,000,000 Shares were issued on 22 February 2016 at an issue price of $0.01 each;

(c) 7,237,500 Shares were issued on 13 April 2016 at an issue price of $0.08 each;

(d) 2,325,000 Shares were issued on 21 June 2016 at an issue price of $0.08 each;

(e) 1,187,500 Shares were issued on 14 July 2016 at an issue price of $0.08 each; and

(f) 225,000 Shares were issued on 18 July 2016 at an issue price of $0.08 each.

These Shares were issued at a discount to the issue price of the Shares under this Prospectus to reflect the different level of risk taken on by the seed investors.

It is not anticipated that any of the existing Shareholders will hold more than 5% the Shares at the time the Company lists on ASX.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

2.13 Restricted Securities

Subject to the Company being admitted to the Official List, certain Shares and Performance Rights on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

It is estimated that 26,697,500 Shares will be subject to escrow as follows:

(a) 12,112,500 Shares for 12 months from relevant issue dates set out in Section 2.12(a) and (b) and 6,585,000 Shares from corresponding issue dates set out in Section 2.12(c), (d), (e) and (d) (primarily seed shareholders); and

(b) 8,000,000 Shares for 24 months from the date of official quotation (primarily held by directors or their related entities).

All of the Performance Rights, Performance Shares and Options on issue are likely to be escrowed for 24 months from the date of official quotation.

The Company will announce to the ASX full details (quantity and duration) of the Shares, Performance Rights, Performance Shares and Options required to be held in escrow prior to the Shares commencing trading on ASX.

2.14 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

2.15 Dividend Policy

We anticipate that significant expenditure will be incurred in the evaluation and development of our Company's projects. These activities, together with the possible acquisition of interests in other projects, are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

2.16 Directors and Key Personnel

Directors

Boaz Wachtel | Executive Chairman & Co-Founder

Boaz Wachtel is a certified clinical research manager and holds an MA in Management and Marketing from the University of Maryland. Co-Founder and former Managing Director of MMJ-Phytotech Ltd, Australia's first publically traded Medical Cannabis Company. Co-founder of IMCPC – International Medical Cannabis Patient Coalition. He is an Israeli medical cannabis pioneer/activist, who formulated and assisted the Ministry of Health with the implementation of the

National Medical Cannabis Program – one of only four national programs in the world. He is a frequent lecturer and adviser to governments, national committees, business and NGO's on medical cannabis program formulation, grow operations, international laws and UN drug convention compliance, as well as the founder and former chairman of the Green Leaf Party – a political party for cannabis legalisation/medicalisation, human rights and ecology.

Dr. Miri Halperin Wernli | Managing Director & Co-Founder, PhD, MBA

Dr. Halperin Wernli is a senior pharmaceutical and biomedical executive with over 25 years of strategic and operational leadership in the biopharmaceutical industry and a deep understanding of drug and product development.

Dr. Halperin Wernli has held worldwide senior leadership positions in product development, R&D and Strategic Marketing throughout Switzerland and in the US (Merck, Sharp and Dohme, Roche and Actelion pharmaceuticals).

Her extensive pharmaceutical industry and biomed research and development experience covers the full spectrum of areas and activities from Preclinical to Clinical Development and Strategy, to Drug Registration and Launch, across several Therapeutic Areas.

Dr. Halperin Wernli is an experienced Pharmaceutical leader with skills and broad expertise in Drug Development, Regulatory Affairs, Project & Portfolio Management, Development Finance & Controlling, and Corporate Strategy and Governance.

Miri's depth of experience in Pharma drug development as well as her leadership roles in complex highly regulated health environments in Europe and the US make her ideally qualified to lead Creso Pharma through this critical initial period of multiple product developments and rapid growth.

Adam Blumenthal | Non-Executive Director & Co-Founder

Adam Blumenthal has 10 years' experience in Investment Banking and Corporate Finance. He has deep exposure to Australian and International markets, having provided capital raising and financing solutions to an extensive number of unlisted and listed companies. Adam has played a lead role in advising and supporting multiple organisations across a broad spectrum of industries, using his experience and extensive network of international contacts to provide corporate advisory and capital markets input. He has successfully brought to market several Medical Marijuana companies spanning Israel, Canada, Switzerland and Australia. He has also been actively involved in Mining, Cyber Security, Health Care and IT sectors.

Outside of his formal business activities, Adam has lectured at a leading Sydney University covering corporate governance, corporate social responsibility and ASX listings - both at an undergraduate and postgraduate level.

Adam holds a Bachelor of Commerce, Master of International Relations (MIR) and Master of Business Administration (MBA) degrees.

Adam is a strong supporter of Israeli innovation and has previously lived in Israel, Adam is a member of the Israel Business Club Sydney (IBCS).

Adam is also a consultant with EverBlu Capital Pty Ltd, the Lead Manager to the Offer.

James Ellingford | Non-Executive Director

Dr Ellingford's professional life culminated in being President of an international publicly listed billion dollar business with its headquarters in Geneva, Switzerland and New York, USA. He has vast experience in the international arena and has successfully developed close ties with both financial institutions as well as governments throughout the world.

Dr Ellingford holds a Post Graduate in Corporate Management, a Masters in Business Administration as well as a Doctorate in Management. Dr Ellingford also lecturers MBA students in Corporate Governance at a leading Sydney University and has a keen interest in ethics and governance.

Simon Buckingham | Non-Executive Director

Dr Buckingham has over 25 years' experience in the global pharmaceutical industry across a range of functions and a variety of therapeutic areas. Now based in Sydney, he is currently a Senior Global Advisor / Consultant to Actelion, one of the world's leading biopharmaceutical companies, and is a Director of Actelion Australia.

Dr Buckingham was President, Global Corporate and Business Development at Actelion from 2005-2011, a position which spanned licensing, M&A, alliance management and corporate strategic planning. He served as President, North America and Asia-Pacific at Actelion from 2000-2005, with responsibility for all commercial operations in the region. He was the founding President of Actelion Pharmaceuticals US. From 1998-2000 he worked in sales and marketing for Parke-Davis (now part of Pfizer) in the US and prior to that served in roles in sales, marketing and development at Roche, both in Switzerland and Australia, for 9 years.

Dr Buckingham is currently a non-executive director of Pharmaxis, an ASX listed pharmaceutical R&D company focused on inflammation and fibrosis; Vaxxilon, a European based start-up dedicated to the discovery, development and commercialisation of innovative synthetic carbohydrate vaccines; and Can Too Foundation, a non-profit organisation raising funds for cancer research and promoting fitness, health and well-being.

He holds a Bachelor of Veterinary Science degree from the University of Sydney (1984), a PhD from the University of Melbourne (1988), a Graduate Management Qualification from the AGSM, University of NSW (1990) and is a Graduate of the Australian Institute of Company Directors.

Additional Key Personnel

Messrs Masek and Strechaj are currently 50% shareholders and the co-managing directors of Hemp-Industries. Following settlement of the Company's acquisition of Hemp-Industries (refer to the summary of the HI Agreement Section 11.1), Messrs Masek and Strechaj will continue in their roles as co-managing directors of Hemp-Industries. As set out in Section 11.1, following the acquisition by the Company the Board of Hemp-Industries will constitute of Messrs Masek and Strechaj and two representatives of the Company.

Michal Masek

Mr Masek has significant experience in strategic and operational planning, company management and financial planning and together with his role as co-managing director of Hemp-Industries is currently the director of business development at a geothermal development company.

Mr Masek holds a Bachelor's Degree and Master's Degree in Knowledge Management and a Master of Business Administration in Global Management.

Following the Company's acquisition of Hemp-Industries, Mr Masek or his nominee will hold 500,000 Performance Shares and 500,000 Shares in the Company. These securities will be subject to a 24 months restriction period from the date of issue. For further details relating to these securities, please refer to Sections 11.1(a), 12.2 and 12.6.

Roman Strechaj

With close to a decade of experience in the industrial hemp industry, Mr Strechaj's expertise extends to policy, science, alternative medical practice and health and nutrition.

Mr Strechaj holds an international Management Degree in Hospitality, Hotel Management and Health Nutrition and is a member of the European Industrial Hemp Association.

Following the Company's acquisition of Hemp-Industries, Mr Strechaj or his nominee will hold 500,000 Performance Shares and 500,000 Shares in the Company. These securities will be subject to a 24 months restriction period from the date of issue. For further details relating to these securities, please refer to Sections 11.1(a), 12.2 and 12.6.

A summary of Messrs Masek and Strechaj co-managing directors agreements are set out at Section 11.4 of the Prospectus.

2.17 Scientific Advisory Committee and other Advisers

Scientific Advisory Committee

The Company has established a scientific medical advisory committee (**Scientific Advisory Committee**) of highly qualified medical industry professionals with well-balanced commercial and research expertise in the field of therapeutic products as well as cannabis uses.

The members of the Scientific Advisory Committee are as follows:

Dr Isaac Kobrin, MD**

Dr. Isaac Kobrin is an internist with 15 years' experience in the academic medicine both in Israel and the USA. He has over 22 years of experience in the Pharma Industry in Roche and Actelion. He has been responsible for the worldwide development of key compounds and has held numerous leadership positions in medical organisations.

Based on this experience in the Pharma Industry, the Board considers he has sufficient experience to provide clinical and regulatory support, advice and supervision.

Raquel Peyraube**

Dr. Raquel Peyraube, is a specialist in the Drug field with 28 years of experience. Throughout her career she has been involved in training, prevention, treatment and harm reduction, developing innovative approaches emphasizing ethical issues, which earned her regional and international recognition. She was an ad hoc advisor of the National Drug Board preparing the Uruguayan cannabis-regulating bill, and currently an adviser to the Institute of Regulation and Control of Cannabis in Uruguay. Currently, she is mainly dedicated to the development of clinical trials with cannabinoids, medical cannabis education, and advocacy work and consulting on Drug Policy Reform in different countries of Latin America.

Each member of the Scientific Advisory Committee or their respective nominees have been issued 200,000 Scientific Committee Options, the terms of the SB Options are set out in Section 12.3 of this Prospectus.

Additional Advisers

Dr Stephane Redey**

In addition to the Board and the Scientific Advisory Committee, the Company has entered into an agreement with Mr Stephane Redey, who will act as a consultant to the Company effective from Official Quotation.

Dr Redey has 18+ years' experience leading teams in the technical development of innovative drugs and strategic outsourcing. He's held senior positions with global responsibilities in pharmaceutical companies in both Switzerland and in Australia, and has led successful international collaborations with companies on four continents.

Jorge Wernli**

The Company also has the support of Jorge Wernli who will act as a senior adviser to the Board.

Mr Wernli is an expert in Market Access, Pricing Reimbursement & Government Affairs with over 30 years of experience in Big Pharmaceutical companies and, start-ups. He has previously dealt with and built relationships with Ministries of Health in Europe, South America and selected Asian countries.

Accordingly, Mr Wernli has an extensive network including ministries of health and opinion leaders. He has worked on dozens of reimbursement and market access dossiers and will advise the Board and provide important introductions with regulators as the Company progresses towards the launch and commercialisation of its products.

** The parties set out above have not been involved in the preparation of this Prospectus however have individually consented to be named in the Prospectus and to the inclusion of their respective individual profiles.

2.18 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 10.3 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 10.4 of this Prospectus.

In addition, the Company's full Corporate Governance Plan is available from the Company's website http://cresopharma.com/.

2.19 Disclosure of Interests

For each of the Directors, the proposed annual remuneration for the financial year following the Company being admitted to the Official List together with the relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Remuneration (p.a.)	Shares	Performance Rights[7]	Other Securities
Boaz Wachtel[1]	$120,000[2]	2,300,000	6,000,000 (being 1,500,000 of each tranche 1, 2, 3 and 4)	Nil
Dr. Miri Halperin Wernli[3]	US$250,000[4]	3,000,000	7,000,000(being 1,750,000 of each tranche 1, 2, 3 and 4)	Nil
Adam Blumenthal[5]	$48,000[6]	1,750,000	3,000,000 (being 750,000 of each tranche 1, 2, 3 and 4)	Nil
James Ellingford	$48,000	250,000	1,000,000(being 250,000 of each tranche 1, 2, 3 and 4)	Nil
Simon Buckingham	$48,000	Nil	400,000 (being 200,000 of each tranche 3 and 4)	250,000 Options[8]

Notes:

1. The Shares and Performance Rights are held by International Water and Energy Savers Ltd, an entity associated with Mr Wachtel.
2. Mr Wachtel also entitled to a cash bonus if certain millstones are met. Refer to Section 2.20.1of this Prospectus for further details.
3. The Shares and Performance Rights are held by WHP Management Consulting GmbH, an entity associated with Dr Halperin Wernli.
4. Dr Halperin Wernli also entitled to a cash bonus if certain millstones are met. Refer to Section 2.20.2 of this Prospectus for further details.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

5. The Shares and Performance Rights are held by Alpha Brova Holdings Pty Ltd <Alpha Bravo A/C> an entity controlled by Mr Blumenthal.
6. Adam Blumenthal (a non-executive director of the Company) is a consultant to EverBlu and may receive a portion of the fees that are paid to EverBlu by the Company.
7. For full terms of the Performance Rights, please refer to Section 12.5.
8. The Options are exercisable at $0.40 on or before the date which is 2 years from the date the Company is admitted to the official list of the ASX. For full terms of the Options, please refer to Section 12.3.

2.20 Agreements with Directors or Related Parties

Our Company's policy in respect of related party arrangements is:

(a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

(b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

2.20.1 Consultancy Agreement – Mr Boaz Wachtel

The Company has entered into a consultancy agreement with Executive Chairman, Mr Wachtel, and his nominee corporate entity (**Consultant**) on the following material terms and conditions:

(a) **Consultancy Fees:** the Company shall pay the Consultant a fee equal to $10,000 per month (plus VAT), which will be reviewed annually by the Company. Mr Wachtel is entitled to an annual performance based cash bonus of up to 50% of his base salary if he achieves the following performance criteria set by the Board;

  (i) 25%, upon securing a strategic collaboration with an international cannabis venture group;

  (ii) 25%, upon securing at least one new cannabinoid related research project located in Israel;

  (iii) 25%, upon securing a veterinary nutraceutical collaboration with a manufacturer and a distributor; and

  (iv) 25%, upon securing rights as a supplier to a preferred party.

(b) **Term:** the term of the consultancy agreement is three years with possible extensions, unless terminated in accordance with its termination provisions;

(c) **Termination by the Consultant**: the Consultant may terminate the consultancy agreement without cause upon three months' notice to the Company; and

(d) **Termination by the Company**: the Company may terminate a consultancy agreement:

(i) without cause upon three months' notice to the Consultant together with the payment of twelve months' consultancy fees; and

(ii) summarily without notice if at any time the Consultant commits any serious breach of the consultancy agreement which is not remedied within 14 days, fails to satisfactorily perform his duties under the consultancy agreement or commits any gross misconduct or goes into liquidation, or makes a compromise or arrangement with creditors, is convicted with any major criminal offence or seriously breaches a communications or confidentiality policy of the Company.

2.20.2 Consultancy Agreement – Dr. Miri Halperin Wernli

The Company has entered into a consultancy agreement with CEO/Managing Director, Dr. Miri Halperin Wernli, and her nominee corporate entity (**Consultant**) on the following material terms and conditions:

(a) **Consultancy Fees:** the Company shall pay the Consultant a fee equal to US$20,833.33 per month (plus VAT), which will be reviewed annually by the Company. Dr. Halperin Wernli is entitled to an annual performance based cash bonus of up to 50% of her base salary if she achieves the following performance criteria set by the Board;

(i) 10%, upon the Company entering a definitive development and licencing agreement with iNNutriGEL in relation to iNNutriGEL's delivery technology (refer to Sections 6.5 and 11.3.2 for further details);

(ii) 30%, upon the establishment and operation of Creso Switzerland to enable the Company to develop and commercialise its products in the region;

(iii) 10%, upon the Company entering a binding agreement with the provider of the extract suitable for use in the development of the Company's products for humans;

(iv) 20%, upon the Company initiating the development of the iNNutriGEL delivery technology (refer to Sections 6.5 and 11.3.2) in collaboration with iNNutriGEL and progressing the relevant development plan to achieving registration;

(v) 10%, upon the Company initiating the development of the BioLingus Technology (refer to Sections 6.5 and 11.3.1) in collaboration with BioLingus and progressing the relevant development plan to achieving registration;

(vi) 10%, upon the Company entering into a licence, development and production agreement with a proprietary veterinary formulation company in order to initiate the development of veterinary products; and

(vii) 10%, upon developing a strategic alliance with a medical cannabis company in Canada and/or the United States of America with the aim of sublicensing the Company's technologies to partners in these regions.

(b) **Term:** the term of the consultancy agreement is three years with possible extensions, unless terminated in accordance with its termination provisions;

(c) **Termination by the Consultant**: the Consultant may terminate the consultancy agreement without cause upon three months' notice to the Company; and

(d) **Termination by the Company**: the Company may terminate a consultancy agreement:

(i) without cause upon twelve months' notice to the Consultant together with the payment of twelve months' consultancy fees; and

(ii) summarily without notice if at any time the Consultant commits any serious breach of the consultancy agreement which is not remedied within 14 days, fails to satisfactorily perform her duties under the consultancy agreement or commits any gross misconduct or goes into liquidation, or makes a compromise or arrangement with creditors, is convicted with any major criminal offence or seriously breaches a communications or confidentiality policy of the Company.

2.20.3 Lead Manager Mandate with EverBlu Capital Pty Ltd

The Company has entered into a mandate letter with EverBlu Capital Pty Ltd (**EverBlu**) pursuant to which EverBlu has agreed to provide corporate advisory services to the Company and to act as the lead manager to the Offer (**Lead Manager Mandate**).

Adam Blumenthal (a non-executive director of the Company) is a consultant to EverBlu and may receive a portion of the fees that are paid to EverBlu by the Company.

EverBlu Capital is an Australian Financial Services Authorised Representative (No 001 243 237) of Mejority Securities Pty Ltd (ABN 61 608 667 778) which is the holder of Australian Financial Services Licence (AFSL 485760).

EverBlu was incorporated on the 3 June 2016 and is an Australian boutique investment bank focused on providing clients with capital markets and corporate advisory services. The EverBlu team includes members with over a decade's experience at Macquarie Bank as well as other investments banks including ABN AMRO. EverBlu was formed to utilise the global bulge-bracket investment banking experience of its principals to assist emerging growth companies on the ASX.

It should be noted, that EverBlu, as an individual entity, has limited operating history, having only been incorporated on 3 June 2016, however its team has over a decade of investment banking and relevant transaction experience.

The Company has agreed to pay EverBlu:

(a) a corporate advisory retainer of $10,000 per month plus GST until the completion of the Offer and listing of the Company on ASX which will be incurred monthly in arrears;

(b) a management fee of 2% of the total funds raised under the Offer;

(c) a capital raising fee of 4% of the total funds raised under the Offer (which EverBlu Capital Pty Ltd will pass on to other brokers who assist in raising any funds under the Offer);

(d) the Company will issue EverBlu (or its nominee) 2,500,000 Broker Options as a capital raising success fee (full terms of the Broker Options are contained in Section 12.3 of the Prospectus); and

(e) subject to the Company being admitted to the Official Quotation, the Company will pay EverBlu an ongoing fee of $10,000 per month for a minimum of 6 months post Offer for the provision of corporate advisory services by EverBlu.

Additionally, the Company will also pay EverBlu for any reasonable expenses and disbursements incurred by EverBlu under the Offer.

The fees payable to EverBlu Capital were negotiated on an arm's length basis, and the Company is satisfied that the terms of the Lead Manager Mandate are the best the Company was able to negotiate with EverBlu Capital at the time.

Some or all of the above fees (cash, Shares and Adviser Options) will be passed on by Everblu Capital to other brokers and advisers that assist with raising funds under the Offer.

The Broker Options will be restricted for 24 months from the date of admission of the Company to the Official List.

The Broker Options are unlisted options exercisable at $0.20 each on or before 3 years from the date of issue. These Broker Options have been valued for accounting purposes only (under the applicable accounting standards) by the Investigating Accountant at a value of $0.125 each using the standard binomial pricing model based on the fair value of Shares and this value has been incorporated into the pro forma Statement of Financial Position included in the Independent Assurance Report in Section 9.

All other terms of the Lead Manager Mandate are considered standard for an agreement of this nature.

2.20.4 Agreements with Non-Executive directors

The Company has entered into non-executive letters of appointment with Messrs Blumenthal, Ellingford and Buckingham, (**Non-Executive Agreements** or **Non-Executive Agreement** as the context requires) pursuant to which, each of the above mentioned parties are appointed as non-executive directors of the Company and from then on in accordance with the Company's Constitution relating to retirement by rotation and re-election of directors.

Messrs Blumenthal, Ellingford and Buckingham, will each be remunerated $48,000 per annum (exclusive of superannuation). Each director is also entitled to additional payments for devoting special attention to business outside the scope or ordinary duties and is entitled to reasonable expenses properly incurred whilst undertaking their respective duties.

Messrs Ellingford and Buckingham are considered to be independent Directors of the Company. Mr Blumenthal is not considered to be an independent Director due to his interest in the securities of the Company and also his interest in the Lead Manager to the Offer.

2.20.5 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

3. CHAIRMAN'S LETTER

Dear Investor

Creso Pharma's strategy is to develop, register, and commercialise pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments, to the highest GMP quality standards.

Even though the global cannabis market and the nutraceutical market have experienced rapid growth in the past few years, they have, in my opinion, been lacking professional forces of the scope encompassed under Creso Pharma.

We have been fortunate enough to secure the services of a first class CEO in Dr Miri Halperin Wernli, an executive with significant big pharma experience.

Under Dr Halperin Wernli's guidance, with the assistance of our Non-Executive Directors and my oversight, I am confident that Creso Pharma is poised to capture significant market share of the global cannabinoid based nutraceutical products for the human and animal sectors.

Creso Pharma will raise $5 million under this Offer which will be used predominantly for the integration of cannabinoids with advanced delivery technologies and the commercialisation of end products.

An investment in Creso Pharma involves a number of risks and I encourage you to read the risk factors detailed in this Prospectus carefully.

On behalf of the board of Directors, I commend this Offer to you and recommend that you read this Prospectus in full. I look forward to welcoming you as a shareholder.

Yours Sincerely,

Boaz Wachtel
Executive Chairman
Creso PHARMA LIMITED

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

4. DETAILS OF THE OFFER

4.1 The Offer

Pursuant to this Prospectus, the Company invites applications for up to 25,000,000 Shares at an issue price of $0.20 per Share to raise up to $5,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

4.2 Minimum subscription

The minimum subscription for the Offer is the full subscription of $5,000,000.

If the minimum subscription has not been raised within 3 months after the date of the Original Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

4.3 Applications

Applications for Shares under the Offer must be made using the Application Form.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares and payment for the Shares must be made in full at the issue price of $0.20 per Share.

Completed Application Forms and accompanying cheques, made payable to "**CRESO PHARMA LIMITED**" and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form by no later than the Closing Date.

The Company reserves the right to close the Offer early.

4.4 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus was made within 7 days after the date of the Original Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of the Original Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.5 Issue

Subject to the minimum subscription to the Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List, issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors, in consultation with the Lead Manager, will determine the recipients of the issued Shares in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

4.6 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

4.7 Oversubscriptions

No oversubscriptions are intended to be accepted by the Company.

4.8 Lead Manager

Pursuant to a mandate EverBlu has been appointed as the lead manager to the Offer.

Adam Blumenthal (a non-executive director of the Company) is a consultant to EverBlu and may receive a portion of the fees that are paid to EverBlu by the Company. For further details please refer to the summary of the mandate as set out in Section 2.20 of this Prospectus.

4.9 Commissions payable

The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed

securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

5. MEDICAL CANNABIS INDUSTRY AND OVERVIEW

5.1 Medical Cannabis – General Overview

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as tetrahydrocannabinol (**THC**) and cannabidiol (**CBD**), as medical therapy to treat disease or alleviate symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

Cannabis contains more than 460 compounds. At least 80 of these are cannabinoids – active chemical compounds that have been found to interact with cannabinoid receptors in the brain.

The most psychoactive cannabinoid found in the cannabis plant is tetrahydrocannabinol (or delta-9-tetrahydrocannabinol, commonly known as THC). Other cannabinoids include delta-8-tetrahydrocannabinol, cannabidiol (**CBD**), cannabinol (**CBN**), cannabicyclol (**CBL**), cannabichromene (**CBC**) and cannabigerol (**CBG**); they have less psychotropic effects than THC, but may play a role in the overall effect of cannabis. The most studied are THC, CBD and CBN.

One of the most important discoveries about the chemical makeup of cannabis is CBD which is non psychoactive but clearly a therapeutic active phytocannabinoid, accounting for more than 50% of currently studied therapeutic applications. CBD interacts with many non-endocannabinoid signaling systems such as ion channels and enzymes.

CBD is a major constituent of medical cannabis; it is a non-psychotropic and it's not entirely known how it works on brain receptors. Initial research and studies have shown that CBD is capable of engaging with a number of major organ system in the body via the endocannabinoid system, affecting various processes to help restore normal balance and physiological homeostasis.

Creso Pharma considers this demonstrates the therapeutic potential and wide scope of medical applications of cannabis with appealing treatment options for patients seeking anti-inflammatory, anxiolytic, analgesic, anti-epileptic, anti-nausea, neuroprotective, and anti-oxidant effects without psychoactive interference.

Preclinical data and preliminary studies have indicated the potential therapeutic benefits of CBD for various medical conditions, including relief of convulsions, anti-inflammatory effects, anti-anxiety effect and reduction of nausea. **Source:** ***Victorian Law Reform Commission (2015) "Medicinal Cannabis Report August 2015" Victoria Law Reform Commission, 2015;*** **see also:** ***Izzo, A. A., Borrelli, F., Capasso, R., Di Marzo, V., & Mechoulam, R. (2009). Nonpsychotropic plant cannabinoids: new therapeutic opportunities for an ancient herb. Trends Pharmacol Sci 30, 515−52.***

5.2 Medical Cannabis is a Rapidly Growing Market

The medical cannabis market has grown rapidly over the recent years. Specifically:

U.S.: The legal cannabis market grew by 24% to US $5.7 billion in 2015.

Canada: Market estimated to have been US $144 million in 2014. The Canadian marijuana market is expected to grow fast leaving room for significant growth and potential new entrants (assuming their facilities can be financed).

Australia: The Australian Parliament passed a measure this year legalising medical marijuana. The amendments allow cannabis to be legally grown for medical and scientific purposes for the first time in Australia.

Potential Benefits

Preclinical data and preliminary studies on medical cannabis and CBD extracted from Hemp have shown potential in treating or alleviating the following symptoms: **Source:** ***Victorian Law Reform Commission (2015) "Medicinal Cannabis Report August 2015" Victoria Law Reform Commission, 2015***; **see also:** ***Izzo, A. A., Borrelli, F., Capasso, R., Di Marzo, V., & Mechoulam, R. (2009). Nonpsychotropic plant cannabinoids: new therapeutic opportunities for an ancient herb. Trends Pharmacol Sci 30, 515−52.***

Medical Condition	Potential Benefit
Cancer patient undergoing chemotherapy treatment	Aids in pain management and enhanced appetite
Epileptic seizures	Potentially controls seizures by binding to the brain cells responsible for controlling excitability and regulating relaxation
Alzheimer's disease	Slows the formulation of amyloid plaques by blocking the enzyme in the brain that makes them
Painful symptoms of multiple sclerosis	Binds to receptors in the nerves and muscles to relieve pain and reduce spasticity
Treatment for Hepatitis C infection (Negative side effects)	Helps lessen treatment side effects such as nausea, muscle aches, loss of appetite and depression
Inflammatory bowel diseases such as Crohn's disease	Anti inflammatory effects - Interacts with cells in the body that play an important role in gut function and immune responses
Parkinson's disease	Reduces pain and tremors and improves sleep
Concussion or other traumatic injury	Lessens the bruising of the brain and helps with healing mechanisms after a traumatic injury
Chronic pain	Provides pain relief, especially where other treatments fail

Creso Pharma acknowledge that the evidence base for the clinical efficacy of medicinal cannabis remains, at best, moderate quality for most conditions in respect of which claims of efficacy are made. There are several reasons for this. Many of the studies which are commonly cited in support of its efficacy are low in the evidentiary 'hierarchy' because they:

(a) rely on case reports;

(b) make claims arising from small patient cohorts; or

(c) lack controls and methodological rigour.

Comparatively few research trials have been undertaken under close medical supervision, using medicinal cannabis of known constituency, for instance using

cannabis oil of identified strength, with double-blind techniques or with effective placebo-controls.

In principle, on the basis of anecdote and some trials, there is reason for optimism in relation to the efficacy of medicinal cannabis. The orthodox research-derived position is that medicinal cannabis shows promise but it is too soon to state definitively that it is therapeutically efficacious for any medical condition. It seems likely that these deficits will be addressed in current or future research. When these results become available, scientific discussion about the efficacy of medicinal cannabis will be significantly more informed than it is now.

5.3 Market Potential

Although the medical cannabis industry is still in early stages, the general momentum of the cannabis sector is positive as the reality of its growth potential becomes more and more apparent. Whilst there has been a general lack of executive experience in the industry to date, the Company consider that there will be a demand for companies to demonstrate top-tier management and sustainable business models.

In the U.S, legal cannabis sales jumped 24%, to US$5.7 billion, in 2015 and with the changing legal landscape the growth is expected to continue.

Biotechnology companies have been looking to capitalise on the anticipated growth of the cannabis-derived pharmaceutical market by leveraging the mounting data on the therapeutic effect of cannabis.

The diverse pharmacology of cannabinoids provides significant potential for therapeutics across many indications and disease areas that form the core of specialty pharmaceutical drugs.

The Viridian Cannabis Stocks Index, widely regarded as the 'benchmark index' for the Cannabis industry, declined 32.4% for 2015, underperforming the Dow Jones (down 2.2%), S&P 500 (down 0.7%), NASDAQ (up 5.7%), and Russell 2000 (down 5.7%). This decline followed a strong 2014 performance when the Index gained 38.4%, and a strong start to 2015, when it gained 23.6% for the first quarter.

Despite the "return to fundamentals" exhibited by Cannabis stocks in 2015, the underpinnings of the cannabis industry continue to remain strong. As the industry matures, more professional and institutional capital will flow into public cannabis companies, reflecting the sector's growth prospects, but some individual companies will falter as investors and regulators demand performance. Specifically in the US, cannabis is one of the fastest growing US industries.

The sector is continuing to perform well. Bloomberg Intelligence has identified 55 public companies whose business is based largely or completely on legal cannabis. Some produce medical cannabis, others are investing in the development of hemp- or cannabis-based drugs to treat pain and fibrotic diseases.

5.4 Industry and registration challenges

Many patients suffering from highly debilitating chronic diseases are gradually moving to try novel therapeutic approaches amongst which cannabis derivatives represent an option.

Meanwhile, although some countries have moved to reduce or remove the regulatory and legislative barriers with respect to the use and medicalisation of cannabis, many governments and political parties still remain on the fence or in opposition.

Therefore, the legality of cannabis for general or recreational use varies from country to country. The current regulatory state of affairs in some of the larger potential marketplaces and marketplaces where Creso Pharma is anticipating on operating is summarised below:

(a) **U.S**: The use of medical cannabis is permitted in 24 states and the District of Colombia. CBD is currently permitted in 13 US states and four states have legalised cannabis altogether. Cannabis remains illegal at the federal level.

(b) **Israel:** Strong positive patient feedback followed by regulatory maturity are helping to sow the seeds for a cannabis acceptance as a meaningful therapeutic alternative. The Israeli Ministry of Health is one of very few national bodies in the world that has publicly recognised and accepted the medical benefits of cannabis. In fact, Israel has already approved a vast number of medical conditions for treatment with cannabis, including cancer, epilepsy, neurological conditions, and multiple sclerosis. Currently, 25,000 patients are taking part in the national medical cannabis program, served by 8 growers.

(c) **Canada:** In November 2015, newly-elected Prime Minister Justin Trudeau announced that possession of cannabis for adult use would be legalised. A full legalisation program is currently under development. Canada also have a national medical Cannabis program, fully commercialised and regulated encompassing almost 40,000 patients served by 33 commercial growing companies.

(d) **Spain:** Private consumption and cultivation is legal in many parts of Spain; however, any sale or transport of cannabis remains illegal.

(e) **Switzerland:** In 2008 Swiss voters rejected an initiative to decriminalise cannabis and approved a new federal law permitting the controlled and limited use of cannabis for medicinal purposes in addition to allowing use for research purposes.

With exceptional permissions, THC, cannabis tincture and cannabis oil mixing CBD and THC can be administered individually, on prescription by licensed physicians, as "customised medication" for defined severe indications (i.e. as part of a named patient program).

Following a proposal from its Health Committee in May 2006, the Swiss Government has enacted laws relaxing the prohibition on the medicinal use of natural cannabis products. The decision allows the Swiss Health Ministry to issue case by case exemptions for the medicinal use of cannabis and the approval of cannabis-based medicines.

With respect to food products, Switzerland issued maximum levels for Δ9-THC of 20 mg/kg in hemp seed oil, 10 mg/kg for hemp seeds, 5 mg/kg for spirits (based on pure alcohol), 2 mg/kg for bakery and long-life bakery products & pasta, 1 mg/kg for food of plant origin, and 0.2 mg/kg for

alcoholic beverages (except spirits), alcohol-free beverages, and herbal and fruit tea. Food containing hemp oil, leaves or seeds (or preparations thereof) with these defined levels of THC are considered safe and are legal to produce in Switzerland.

(f) **Czech Republic:** In 1998 the Czech government passed laws that made the cultivation and use of industrial hemp legal, with some administrative obligations placed on farmers growing more than 100 hectares.

Act No. 362/2004 Coll., which replaced Act No. 167/1998 Coll. on Psychoactive Substances contains the following stipulations with respect to the cultivation and production of cannabis and hemp in the Czech Republic:

- Section 5 – permission is not required for obtaining, storing and processing hemp (fibre and seed) for industrial, research and entrepreneurial activities.
- Section 15, Paragraph E – it is prohibited to obtain hemp resin and THC substances from cannabis.
- Section 15, Paragraph F – it is prohibited to concentrate any THC substances > 0.3%.
- Section 24, Paragraph A – it is prohibited to cultivate any species or varieties of hemp Cannabis that contain more than 0.3% of any THC substances.

Cannabis sativae oleum (i.e. cannabis oil) was included on the list of official pharmaceutical substances on 1 September 2010 under Directive 98/34/ES, No. CZ: 0582/200939. Hemp oil, which is made of the seed of cannabis sativa, has no THC and has been used in bodycare products for a number of years in the Czech Republic and abroad. As of its inclusion on the list, this substance has been officially recognised for its medicinal properties.

(g) **Austria:** Any product containing THC, for example Dronabinol (synthetic THC) or Sativex (containing both THC and CBD), can be administered individually, on prescription by licensed physicians, as "customised medication" for defined severe indications (i.e. as part of a named patient program).

With respect to food products, hemp varieties with low THC concentrations (1 microg THC/kg body weight) are considered safe and legal to produce.

(h) **Slovakia:** Under Slovak law, it is legal to grow and process crops of cannabis sativa which are included in the *Common Catalogue of Varieties of Agricultural Plant Species* issued under the Commission Regulation No. 796/2004 (as amended) (the **Common Catalogue**).

Further, it is necessary to seek permission from the Ministry of Health of the Slovak Republic (**Permission**) to operate a hemp grow operation unless the respective varieties of hemp grown are included on the Slovak

Republic Ministry of Agriculture's list of permitted varieties (**Permitted List**), published on the Slovak Republic Ministry of Agriculture's official website.

Under the Slovak Republic's regime of direct payments, the producer/farmer who grows hemp is obliged to file an application for direct payments (**Application**) with the Agricultural Paying Agency (**APA**).

With respect to the hemp grow operations conducted by Hemp-Industries (as further summarised at Section 6.1 of this Prosepctus, the variety of hemp grown by Hemp-Industries is included in the Common Catalogue and the Permitted List, and as such, it is not required to seek Permission. Further, as Hemp-Industries itself is only responsible for processing the hemp (contracting out the responsibility for farming/production) it is not required to file an Application in connection therewith.

(i) **Mexico:** While cannabis is decriminalised in Mexico the Supreme Court upheld the legality of a small group to use medicinal cannabis. President Enrique Peña Nieto has publicly opposed regulatory changes that would lead to a legal cannabis market.

(j) **Australia:** In February 2016, the Commonwealth Government passed legislation to allow domestic cultivation and manufacture of medicinal cannabis products. There are currently no businesses licensed by the Commonwealth Government to cultivate or manufacture medicinal cannabis products within Queensland or elsewhere in Australia. Therefore in order to legally access medicinal cannabis products they need to be imported into Australia. Legally imported medicinal cannabis requires approval from the Commonwealth Government's Therapeutic Goods Administration.. On 27 July 2016, the State of Queensland announced the state's first medicinal cannabis clinical trial to take place at the Lady Cilento Childrens' Hospital.

(k) **Uruguay:** The South American country became the first country ever to legalise the sale of cannabis in May 2014; however, the slow pace of market activation has meant that regulatory bodies, police, and pharmacies have yet to catch up with home growers and their steady clientele.

(l) **Germany:** The possession of cannabis is illegal in Germany but consumption itself is legal on the basis of it being considered self-harm, which is not considered a crime. The possession of small amounts is prosecuted but charges are almost always dropped. The definition of this "small amount" varies depending on the federal state.

It is also possible to receive a special permission by the "Federal Institute for Drugs and Medical Devices" to obtain, possess and consume cannabis as a part of medically supervised and accompanied self-therapy. Furthermore, cannabis cultivation and possession can be permitted to scientific institutions or administrative bodies. Pharmacies can obtain a special permission to sell cannabis or cannabis-based medication to patients with government permission. The German Federal government issued a license to one company to manufacture, import and distribute high THC Medical grade cannabis.

The increased legalisation in some countries and US states, has led to bullish market development and the build-up of new cannabis related companies. However, many of those companies recently introduced into the cannabis and hemp fields still lack critical components such as:

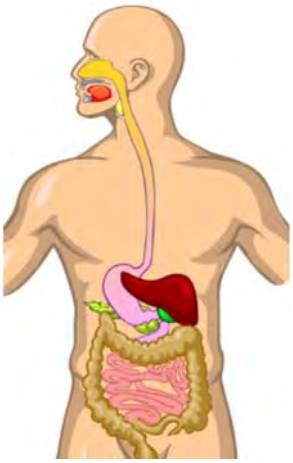
(a) GMP certified production to produce standardised high grade plant extracts;

(b) delivery systems, which ensure sufficiently high bioavailability (absorption);

(c) supportive clinical data from well-designed controlled clinical studies;

(d) efficient distributors networks; and

(e) seasoned & experienced pharmaceutical executives.



Very few are trying to encompass both the medical cannabis and the Nutraceutical routes.

The legal development of the cannabis business in the US contains a number of companies focusing on the recreational component, thus not yet applying rigorous pharmaceutical standards. The Board considers that the various regulators across Europe, specifically Switzerland will soon ask for pharmaceutical standards to become mandatory.

Because of this evolution there are still key challenges in this industry. However, there is a core and sustainable investment rationale for operators and investors, including:

(a) positive US federal initiatives in 2014/15:

(i) US Attorney General, Loretta Lynch, publically supporting States' rights to regulate their own cannabis laws; and

(ii) US Congress bans government from interfering with state medical marijuana laws; and

(b) M&A activity increases among existing companies and through the emergence of strategic acquirers, in a chase for early market share/brand leadership, propping up valuations.

5.5 CBD Potential

One of the important discoveries about the chemical make-up of cannabis is cannabidiol (**CBD**), a "non-psychoactive" but clearly therapeutically active phyto-cannabinoid of the cannabis plant. CBD is the second most prominent compound found in the Cannabis sativa plant, while THC is the first.

CBD is the primary cannabinoid of fiber or industrial hemp. In fiber hemp CBD is present in concentrations of 0.5 to 2% but there are also CBD rich strains with 5% CBD or more.

CBD is the non-psychoactive component of cannabis which accounts for more than 50% of the known therapeutic applications. It does not have psychotropic effects that produce a "high" similar to that of THC.

From preclinical, in vitro data, and preliminary initial human studies it appears that CBD interacts with many non-endocannabinoid signaling systems, for example, with various ion channels and enzymes.

This would explain its potential analgesic, anti-epileptic, anti-inflammatory, anti-nausea, anxiolytic, anti-psychotic, neuroprotective, and anti-oxidant properties.

Studies have shown that non-psychoactive cannabinoids, such as cannabinoid are particularly advantageous because they are devoid of the toxicity that is encountered with psychoactive cannabinoids at high doses.

5.6 Bioavailability of Cannabinoids: an unmet need and necessary step to consistent cost-effective dosing

Bioavailability of a drug refers to the rate and extent of absorption. Essentially it is the fraction of an administrated dose that reaches the systemic circulation.

Bioavailability is one of the essential tools in pharmacokinetics, as bioavailability must be considered when calculating dosages for non-intravenous routes of administration.

Pharmacokinetics is the study of the movement of drugs in our bodies, including how they are absorbed, how they are distributed and transformed into the various tissues in our bodies.

CBD is hydrophobic, poorly water-soluble, and therefore it is taken up badly by the human body.

The absorption of CBD is dependent on the route of administration. CBD has been delivered orally in an oil-based capsule in some human trials. Because of low water solubility, absorption from the gastrointestinal system is very poor. Bioavailability from oral delivery is very low and has been estimated at 6% due to significant first-pass metabolism in the liver.

Because of the very low bioavailability of CBD delivered orally in an oil-based capsule, there have been multiple attempts to improve the amount of the drug that reaches the systemic circulation. CBD has been formulated as sprays or lozenges for oral-mucosal in an attempt to improve absorption in experiments on animals and humans.

Pharmacokinetics are an important consideration for the development of any medication and those for CBD suggest that a formulation and/or delivery route other than an oil-based product for oral delivery will be required to achieve high and consistent bioavailability.

Any formulation that can diffuse into the blood through tissues of the oral cavity would result in superior absorption than drugs ingested through the gastrointestinal route. The buccal mucosa offers a near ideal non-invasive portal through which natural products can enter directly into the blood stream. Its large surface area provides direct access to a rich network of blood vessels, offering the potential for rapid absorption of medications into the circulatory system.

Using this route of delivery method avoids the gastrointestinal and respiratory systems.

Given the hydrophobic nature of the extracted chemical compounds from cannabis and hemp, their low molecular weight as well as their long half-lives, this predisposes buccal and sublingual delivery technologies as an ideal mode of delivery of cannabis- and hemp-derived therapeutics into the human and animal bodies in measured and controlled doses.

5.7 CBD Market Segments

The current companies operating in CBD markets consist of companies that grow, process or distribute CBD based medical, nutraceutical, cosmetic, anti-aging and recreational products. Most companies are privately owned, few are publicly traded and quality of their products varies.

These are the market segments:

(a) **Medical & Nutraceuticals –** CBD has been used to treat a variety of ailments and medical conditions as referred to in Section 5.2.

(b) **Cosmetics –** The Cosmetics industry has identified CBD Hemp Oil extracts as being used for varieties of products, such as skin rejuvenation and acne and psoriasis treatments.

(c) **Pets & Animals Health –** As knowledge of the importance of CBD and other elements of medical cannabis spreads, companies in the medical pet industry have started to design and develop new CBD based products for home pets care.

5.8 Nutraceuticals Industry Overview

Nutraceuticals are nutritional or "functional foods" that are demonstrated to have a physiological benefit or provide relief from chronic diseases and ailments. Nutraceuticals range from isolated nutrients, dietary supplements and herbal products, to specific diets and processed foods and beverages. They are extremely attractive to food and beverage companies due to comparatively high margins and minimal regulatory requirements.

Natural therapeutic drugs span the spectrum from highly regulated and costly drugs for sick people to lightly regulated foods for both well and sick people. Indeed, foods may be considered high-volume, low-concentration therapeutics while drugs may be considered low-volume, high-concentration foods.

In between these two extremes of concentration, quantity, regulation and cost lies quality of life medicines (QOL) that are dietary supplements for health maintenance and wellness.

Alternative medicines are used by 38% of American adults and nearly 12% of children. (Source: a national survey that was released in Dec. 2008 by the National Center for Complementary and Alternative Medicine (NCCAM), National Institutes of Health).

Natural products were the most popular alternative treatment used, accounting for 18% of the alternative medicines marketplace in 2007.

In recent years, one of the fastest growing market segment for therapeutic products has been the nutraceutical and supplement categories. These products are nutritional supplements that promise medical or health benefits, and can be packaged as isolated nutrients, dietary supplements, herbal products, or specific diets and processed food and beverages.

In the nutritional market, single products can become major sellers (e.g. fish-oil extracts, omega 3). The Company considers that cannabinoid-based products will become the next high growth product in the nutraceuticals market as hemp derived cannabinoids can easily integrate with existing or new nutraceutical product lines, enhancing these with the health benefits of cannabis extracts.

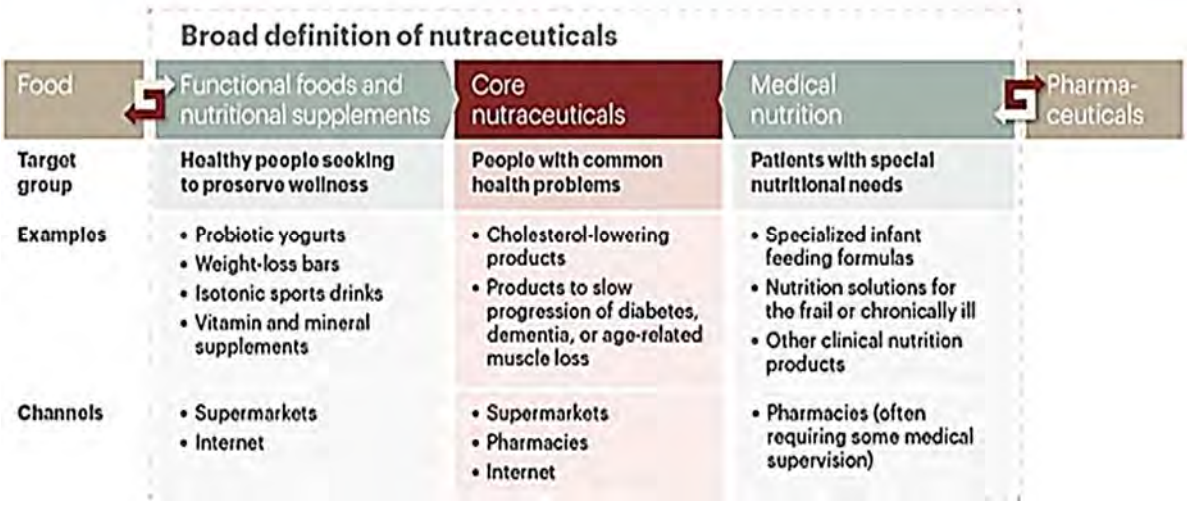
Promising cannabinoid research data and beneficial patient experience have caused demand for hemp- and CBD-based therapeutic products to rise sharply. This trend is anticipated to continue to grow in coming years, as researchers look further into the medicinal potential of cannabinoids.

5.9 Nutraceuticals Market Segments

The nutraceuticals market is segmented into functional food, functional beverages, dietary supplements, animal nutrition, and personal care.

The dietary supplements segment is the most preferred application of nutraceuticals.

The market is further segmented on the basis of types such as prebiotics, probiotics, omega 3, APP, minerals, vitamins, phytochemicals, specialty carbohydrates, and carotenoids, among others.



5.10 Nutraceutical Market Potential

The total global nutraceuticals market reached US$142.1 billion in 2011 and is growing at a compound annual growth rate of 6.3%, spurred primarily by dietary supplements.

The overall US nutrition market was estimated to US$137.4 billion in 2012, with supplements accounting for US$32.4 billion. Rising health concerns, the growth of key demographics and growing consumer desire to lead a healthy life and avoid dependence on synthetic drugs are identified trends that show no sign of slowing down. High growth rates and attractive margins have fueled interest from "Big Pharma/Food" companies, eager to enter the market through strategic acquisition. In Europe, Germany, Switzerland, Netherlands and Sweden have emerged as the key nutraceutical innovation hubs.

The **nutraceutical ingredient** market is an emerging market sector with a range of stakeholders including raw material suppliers, processors, product manufacturers and end-use consumers.

Medical grade cannabinoid extracts are a potential nutraceutical and/or food supplement ingredients. The Company considers that new CBD rich products containing medical grade CBD extracts could provide a host of positive health and wellness benefits that are highly appealing to the current consumer market.

Veterinary Nutraceuticals - Animal Health Sector: According to a State of the American Pet Survey, one of the greatest challenges of pet ownership is maintaining pets' health. 41% of pet owners have considered or tried various alternative therapies, including nutritional supplements (29%), herbal remedies (7%) and homeopathy (4%).

The recession-resistant animal health products industry is projected to continue showing rapid growth. According to the American Pet Products Association, the U.S pet supplies market, including over the counter medicine, totaled US$14 billion in 2015.

Many chronic conditions in pets remain poorly treated by current therapies. Animal studies and a lot of in vitro research suggest cannabinoids may have anti-tumor effects, anti-inflammatory effects, stimulate and regulate appetite, and modulate pain, without psychoactive effect.

One of the main targets are sick and aging companion animals with the main focus on Inflammation and Chronic Pain relief. The main conditions targeted for animals are:

- pain relief, chronic pain;
- inflammation, arthritis, allergic skin diseases;
- behaviour based disorders (anxiety, noise phobias);
- seizures, epilepsy; and
- diabetes.

Nutraceuticals sector

The vast Nutraceuticals sector presents a fast, cost effective path to market, with significantly lower R&D and regulatory burdens compared to prescription and over-the-counter pharmaceutical products. Accordingly, Creso Pharma's Cannabinoid based product offerings are intended to integrate into this fast-growing, high-margin, low-barrier market segment of the nutraceuticals. The Board considers there is a potential first-mover opportunity for the Company to become a consolidated player and trusted brand in this important new market. The Company will bring together world-class business, scientific, financial and technical expertise to leverage this opportunity in rapidly expanding, undervalued and underdeveloped markets.

The Company intends to offer seamless integration from plant cultivation to product manufacturing, developing the business of manufacturing and marketing registered, GMP standards hemp- based therapeutic products for use across a broad spectrum of consumer, industry and research applications.

The Board considers that new CBD rich therapeutic products containing standardised GMP CBD extracts could provide a host of positive health and wellness benefits that are highly appealing to the current consumer market.

5.11 Market Segments & Competition

Creso Pharma is a biopharmaceutical company with a comprehensive positioning as it is focused on therapies adapted to the four main business segments, being medical cannabis/hemp and CBD Nutraceuticals for both human and animal health markets.

Most of the competitors are active in one or two business segments only.

From a geographical footprint most of these companies have so far been only active on the North American continent whether in the USA or Canada, and some in Israel. Some of these American companies were reprimanded by the FDA due to inferior product offerings or un-approved claims. Very few companies are currently active in Europe which is Creso Pharma's intended focus.

Creso Pharma has identified the current and potential competition into the therapeutically uses of cannabis and cannabinoids. Some have developed their activities in multiple business segments, while most are restricting themselves to one only. As stated above, Creso Pharma will distinguish itself through actively operating in various business segments.

6. COMPANY AND BUSINESS OVERVIEW

6.1 The Company

Creso Pharma was incorporated on 20 November 2015 as a public unlisted company with a vision to contribute to substantial improvement in health outcomes through innovative cannabis and hemp based medicines and nutraceuticals addressing unmet medical needs in human and animal health.

6.2 Vision and strategy

Creso Pharma's strategy is to develop, register, and commercialise pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments, to the highest GMP quality standards.

The global cannabis market and the nutraceutical market have experienced rapid growth in the past few years.

Key catalysts in the growth of these industries have been use of non-psychoactive and non-synthetic botanic full-plant derived therapeutics for a growing and aging human and pet population.

These catalysts are key influencers in Creso Pharma's entrance into these markets.

Creso Pharma's therapeutic products are intended to be developed to target an unmet need for cannabis and hemp-based nutraceutical products which are standardised and delivered by effective controlled dosages – applied for use by both the human and animal fields.

Accordingly, Creso Pharma intends to leverage science and research to develop, register and commercialise high grade cannabis and hemp based therapeutic products that will be unique in composition, standardised in formulation and dose, and administered by proprietary delivery technologies which will fulfil the necessary requirements for efficacy, safety, highest quality, and consistency.

6.3 Business Model and Objectives

Creso Pharma's business model will be based on the combination of the following business segments:

(a) **Developing high grade CBD therapeutic products**: This is intended to consist of a multiple stage process as follows:

(i) Sourcing and licensing innovative and proven delivery platforms - The Company has successfully entered into agreements with INNurtriGEL, Glatt Pharmaceuticals and BioLingus whereby the Company has gained access to the intellectual property rights of established delivery platforms.

(ii) Testing and developing products using established delivery platforms with cannabis/hemp ingredients – This involves testing cannabis ingredients in established delivery platforms in order to produce therapeutic products that have successful absorption and bioavailability of medical cannabis in humans and/or animals, with the aim of providing innovative therapeutic

solutions with high scientific validity, high reliability, and high consistency.

(iii) Research and Marketing Studies - The products will be tested in small prospective and properly controlled scientific clinical studies in both humans and animals with or without potential co-sponsors. These results will be used to find optimal methods of delivery of cannabis ingredients to achieve benefits to humans and animals and will support the Company's marketing efforts with solid controlled scientific data.

(iv) Intellectual Property – Through the developing and testing phases, the Company will look to creating the Company's own intellectual property portfolio by filing various patent applications (primarily utility patents) in relevant jurisdictions on the combination of the formulations and delivery methods of cannabinoids for priority therapeutic areas related to the following three elements: specific formulations, propriety delivery systems and therapeutic uses and a combination thereof.

(v) Manufacturing and Sales – The Company intends to manufacture and commercialise the developed therapeutic cannabis products either with its own resources or by entering additional agreements with third party manufacturers or distributers. The final products will have a nutraceutical approach and will be aimed at both the human market as well as being adapted for application to the veterinary market, each with specific targeted formulations.

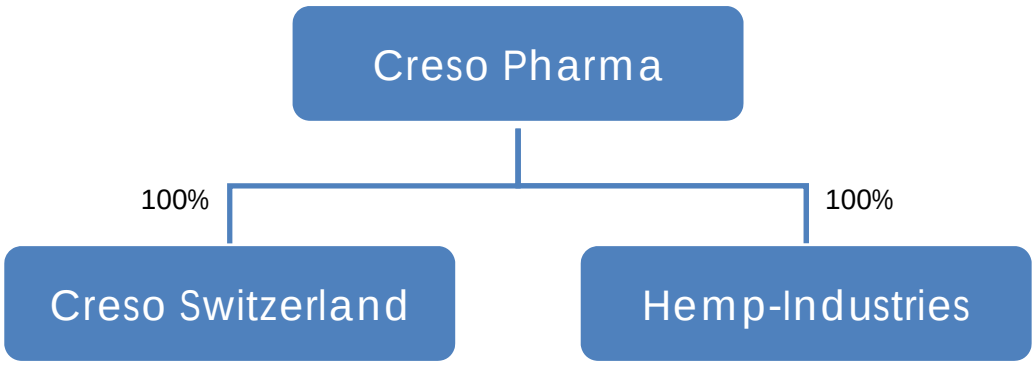
(b) **Operating hemp grow operations** - The Company has entered into an agreement to conditionally acquire a company based in Slovakia, Hemp-Industries, that owns an existing hemp growing operation, out sources CBD extraction and CBD product sales activities.

The Hemp-Industries grow operation has been in existence for 3 years and is run by a professional team. Following the settlement of this acquisition, Creso Pharma will, through Hemp-Industries, be able to generate early revenues with a view to supporting, in part, the business creation and funding of the Company's therapeutic products business unit. The hemp grow operation and CBD extraction capability may also allow the Company to source the key ingredients for its therapeutic products.

The Company may also, in the future, look to capitalise on other opportunities in the medical cannabis and hemp sectors including, without limitation, acquisition, investment or contractual arrangements with other medical grade grow and/or distribution operations, extraction facilities, and/or various value added suppliers, producers and retailers.

6.4 Creso Pharma Group Structure

Following settlement of the acquisition of Hemp-Industries the group structure of Creso Pharma will be as follows:



Creso Pharma Switzerland GmbH with a registered office in Zug ZG (**Creso Switzerland**) has been incorporated as a Switzerland based wholly owned subsidiary. Creso Switzerland will be used as the legal entity to organise the Company's operations and activities, specifically those situated in Europe being the development and commercialization of its therapeutic products. This structure will allow the Company access to the favourable tax and legal framework relevant to Swiss companies incorporated specifically in the Canton of Zug.

6.5 Therapeutic Products

Creso Pharma is focused on producing medical-grade cannabis and hemp based novel therapeutic products that are:

- standardised in composition, formulation and dose;
- administered by means of appropriate and efficient delivery systems;
- high scientific validity, high reliability, and high consistency;
- with increased bioavailability and absorption; and
- tested in small well-designed controlled clinical studies.

This involves exploring and developing various formulations that contain active compounds from the cannabis plant, including (but not exclusive to) CBD and THC, in order to identify potential therapeutic applications of the synergetic effect of these active compounds.

The Company's products will be based on extracts rich in CBD and very low THC. The extracts (which will constitute the Company's active pharmaceutical ingredient) will have various CBD percentages and THC will be below 0.2%.

The Company's aim is to provide patients with products that have standardized dosing with a fixed CBD mg per product. This will allow the patient to have consistency in its choice of therapeutic products, which the market is currently lacking.

Products with consistent and standard doses will have the advantage of providing a better choice and better transparency to patients in respect to what they are consuming.

Initially, the Company will be undertaking the development of the BioLingus, INNutriGEL and Glatt delivery technologies and formulations in order to develop innovative therapeutic products that will aim to deliver safe, standardised, effective, and measured doses of medical cannabis and CBD-rich medical grade nutraceutical products to patients.

Due to the lower regulatory requirements of the nutraceutical and Dietary Supplements markets, **our therapeutic products will not require clinical data in order to file for registration and get market authorisation to commercialise**.

Accordingly the Company will not be exposed to expensive and time consuming clinical trials before commercialisation, and therefore will be equipped to get its proposed therapeutic products to market considerably faster than typical prescription pharmaceutical drugs.

The Endocannabinoid System

The endocannabinoid system (**ECS**) is a key regulatory homeostatic mechanism in human physiology and throughout the animal kingdom.

This system is responsible for maintaining homeostasis and regulating almost every aspect of our well-being, including our normal day-to-day functions, and many physiological processes such as pain modulation and sensation, mood, memory, and appetite, among others.

The ECS is made up of cannabinoid receptors (or messengers) within many organs in the brain, bones, skin, spinal cord, nerves, gut, and other locations in the body.

The body naturally makes endocannabinoids – the same kind of cannabinoids found in the cannabis plant – that feed the system and keep it functioning.

If our endocannabinoid system is out of regulation, our body's immune system and overall functioning is at risk.

The aim of Creso Pharma's therapeutic products will be to supplement deficient and unbalanced naturally occurring endocannabinoids with the phyto-cannabinoids from the hemp and cannabis plants to help the body's ECS system restore homeostasis and synergise naturally with the body's endocannabinoid system creating ideal overall health.

Optimising and restoring normal endocannabinoid function and re-establishing internal balance to reduce inflammation, anxiety, pain, depression, and nausea is the cornerstone to this science.

Therefore by using full-plant high grade CBD extracts in its proposed nutraceutical therapeutic products, Creso Pharma will be working towards delivering effective and safe therapeutic options for various diseases and ailments for both humans and animals.

These products will target the fast growing market segments of human and animal nutraceutical and food supplements. Based on this, the Board considers that new

CBD rich products containing standardised GMP medical- grade CBD extracts could provide a host of positive health and wellness benefits that are highly appealing to the current consumer market.

The Company is well positioned to capture a large market share with scientifically and clinically proven products to capitalise on the rapidly growing CBD market.

The Company will continuously review the market for new innovations and technologies to identify the appropriate technologies and potential partners to meet the market needs in this area.

The Company's access to cannabis and hemp derived ingredients

In addition to the production by Hemp-Industries, the Company will look to accessing cannabis and hemp derived ingredients from other suppliers.

The Company is in initial discussions with German, Swiss and Canadian based companies that will supply Creso Pharma with GMP full plant CBD rich extracts for use in the development of its products.

Extracts are natural active ingredients from plants. The molecules are obtained by gentle drying of plant parts such as flowers, leaves, or roots. In the extraction the resulting liquid will contain the desired molecules.

Creso Pharma intends to wait until following Admission and the results of initial technical feasibility testing prior to securing and entering firm commitments with its preferred suppliers.

The extracts from Creso Pharma's suppliers will be produced with the highest quality and in full compliance with all requirements of Good Manufacturing Practice (GMP). All plants will be cultivated and collected according to the guidelines of Good Agricultural And Collection Practice (GACP), all plants come from controlled cultivation and are continuously analysed and classified on their drug content, with the extraction conducted through a fully GMP multi-staged process.

Due to the relationship that the Creso management team has with these parties, the Company is confident that commercial and secure terms will be easily reached.

The Company will also consider the legal framework in determining which suppliers it will ultimately pick and confirms that the Company is focused on complying with all legal requirements.

The Company's current access to delivery technologies

Creso Pharma is committed to deliver its CBD therapeutic products – applying innovative and proprietary scientific delivery technologies – that will allow for standardisation of formulation and doses and increase of absorption and bioavailability.

The Company will adhere to the pharmaceutical GMP standards to ensure that its products meet the highest quality standards for safety and manufacturing.

Creso Pharma will begin developing its therapeutic products through applying cannabis ingredients into existing delivery platforms in order to produce products that fulfil the requirements of efficacy, safety, highest quality, and consistency. The Company has secured access to the following delivery platforms and the corresponding technologies. These technologies and Creso Pharma's contractual relationships are set out below.

BioLingus Technology

The Company has entered into a collaboration and licence agreement with BioLingus IP GmbH (**BioLingus**), a Swiss biotech company which is spearheading the development of oral (sublingual) delivery of bio-active molecules such as peptides and proteins for chronic diseases and immune-therapies.

Importantly, BioLingus has recently been selected as the winner of the 2016 award in the category "Most Innovative Biotech Company" by the European CEO magazine. This award is decided by both panel and reader votes and BioLingus was one of only two companies shortlisted for the award.

BioLingus has developed and owns patented protected technology for mucosal and sublingual delivery of hydrophobic and small molecules and biologicals, which provides a solution for oral formulations of bio-active molecules which include peptides, small molecules, novel protein scaffolds, nucleotides, domain antibodies, vaccines and immunotherapies (**BioLingus Technology**). The BioLingus Technology is the result of more than a decade of research and development on different types of molecules which have resulted in optimised and stable formulation, robust process, and innovative custom built equipment engineering of the granular design.

At the basis of the BioLingus Technology is a micro-encapsulation process which uses the proprietary technology to create microcapsules, which can be formulated in different formulations, such as sublingual tablets. The Micro-Encapsulation process has been modified and optimised for sublingual delivery of bioactive molecules proteins and is protected by propriety patents.

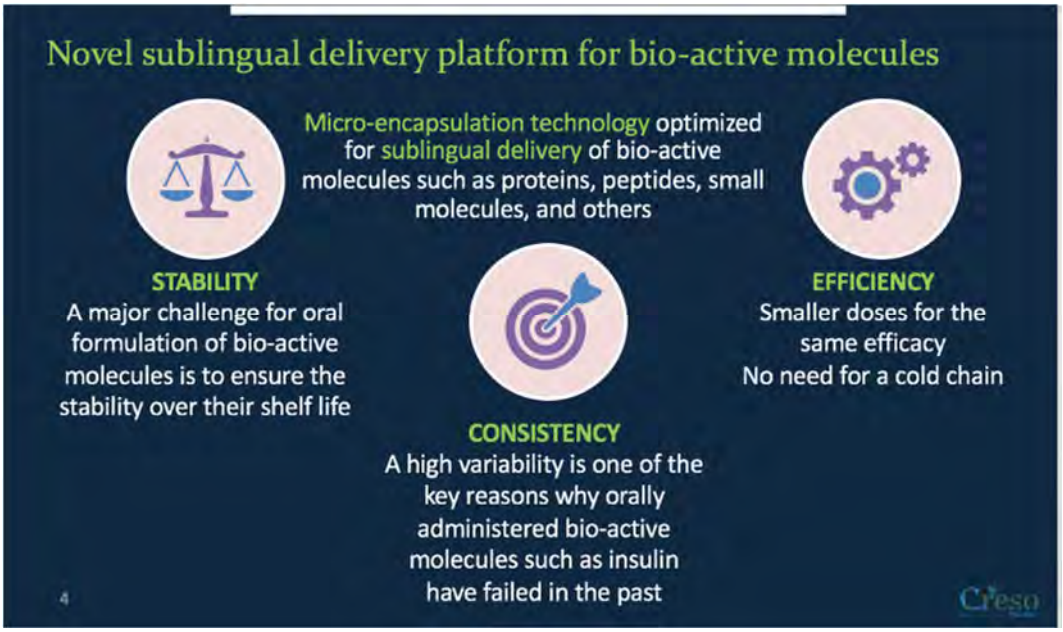
The advantages of the BioLingus Technology are:

(a) the sublingual delivery otherwise known as "under the tounge" means that the drugs diffuse into the blood through tissues under the tongue, through the oral cavity (not via the GI (gastrointestinal) tract), resulting in superior absorption and bioavailability. The buccal mucosa offers a near ideal non-invasive portal through which natural products can enter directly into the blood stream. Its large surface area provides direct access to a rich network of blood vessels, offering the potential for rapid absorption of medications into the circulatory system. Using this route the delivery method avoids the gastrointestinal and the respiratory systems;

(b) uses chronically safe / GRAS ("Generally Recognised As Safe under sections 201(s) and 409 of the Federal Food, Drug, and Cosmetic Act) inactive substances; and

(c) is a relatively low cost product with long shelf like and a scalable process.

The BioLingus Technology is considered an optimised and stable formulation that provides a robust and scalable process that has proven to match subcutaneous injections both in terms of efficacy and low variability.



Under the terms of the BioLingus Agreement, BioLingus and the Company have agreed to collaborate in order to develop and commercialise products combining the proprietary BioLingus Technology with cannabis ingredients (primarily THC and CBD) to produce highly innovative therapeutic solutions with high bioavailability and absorption. Subject to the Company continuing to achieve certain manufacturing milestones Creso Pharma has worldwide exclusivity to use the BioLingus technology with all phytocannabinoids combinations.

For further details of the BioLingus Agreement please refer to Section 11.3.1 of this Prospectus.

INNutriGEL -Soft Gums®

The Company has entered into a Letter of Intent with INNutriGEL, a Swiss incorporated company which has developed a technology using a novel process low temperature mogul technology (**LTM**) which provides the ability to produce center filled and unfilled Soft Gums™ from starch (SuperStarch®) for the sweet, nutraceutical and pharma industry (**Soft Gums**).

The production of Soft Gums through the LTM is patent protected and includes the following patent applications:

(a) IP: WO 2007/128150 Low temperature mogul process; and

(b) IP: WO 2010/072847 Low temperature mogul process and also the confectionary articles producible by this process.

The advantages of the Soft Gums are:

(a) easy to ingest (approximately 40% of the population that need to take capsules have swallowing problems, for example the paediatric and geriatric populations);

(b) 60% cheaper than gelatine capsules;

(c) available in different flavours;

(d) are vegetarian, vegan, halal and kosher;

(e) are gluten free and lactose free;

(f) have a non-sticky texture compared to other vegetarian products;

(g) are heat resistant which means that heat sensitive fillers can be used; and

(h) are well suited for both geriatric and paediatric use.

The SoftGum delivery technology will offer the same buccal delivery advantages as described for the BioLingus technology above.

Under the terms of the Letter of Intent, INNutriGEL and Creso Pharma will begin feasibility and technical development testing to determine the optimal Soft Gum formulation which can be produced using cannabis and hemp ingredients as the filler, Soft Gum products. The Company will have 6 months following Quotation to confirm the intent to manufacture and commercialise the Soft Gum products at which point INNutriGEL and Creso Pharma will enter into a more formal licensing agreement, which will give Creso Pharma worldwide exclusivity to use the proprietary SoftGum delivery technology with all combinations of phytocannabinoids.

For further details of the Letter of Intent please refer to Section 11.3.2 of this Prospectus.

Both the SoftGum and BioLingus technologies have been specifically targeted and identified to take advantage of this oral buccal delivery which offers superior bioavailability and absorption as compared to the traditional GI track delivery technologies.

Given the hydrophobic nature of the extracted chemical compounds from cannabis and hemp, their low molecular weights as well as their long half-lives, this predisposes buccal delivery technologies, such as SoftGum and BioLingus acquired by the Company, as an ideal mode for the delivery of cannabis- and hemp- derived therapeutics into the human and animal bodies in measured and controlled doses.

Glatt Pharmaceuticals – enteric-coated tablet formulation

The Company has also entered into a pharmaceutical development agreement (**Glatt Agreement**) with GLATT GmbH, located in Germany, (**Glatt**). Glatt will provide the Company with pharmaceutical product services including, product formulation, process development, product testing and clinical supply manufacturing services with access to process technology machines and equipment together with operating personnel.

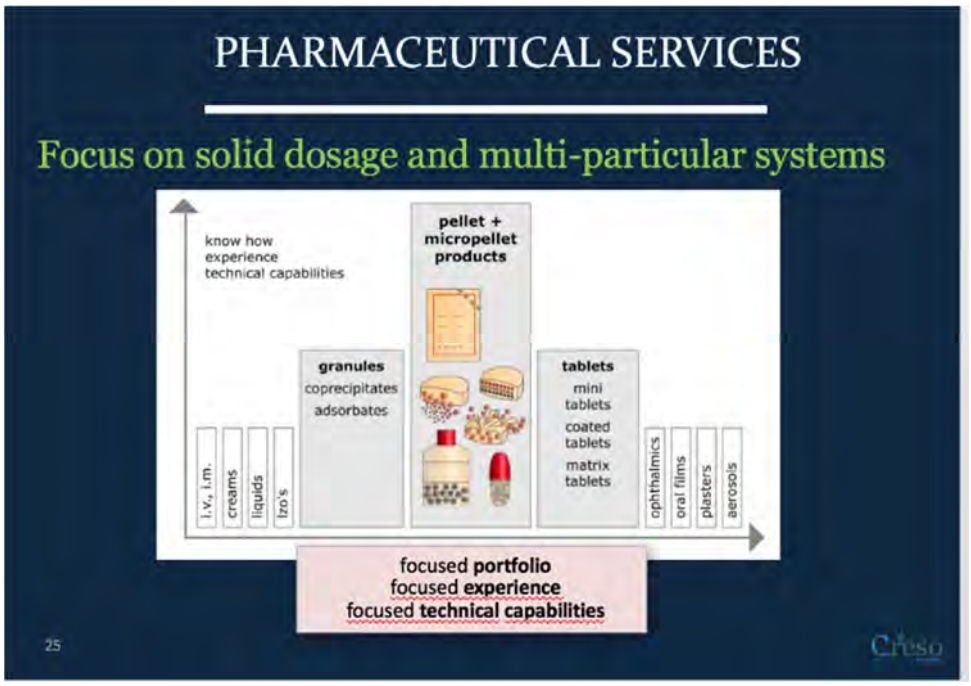
Glatt is a market leader in life science systems for the refinement and processing of powders. With 14 branches and subsidiaries worldwide, Glatt supports customers in pharmaceuticals, food and feed processing and fine chemicals through our innovative process solutions.

Through its relationship with Glatt, Creso Pharma is aiming to create a highly bioavailable, enteric-coated tablet formulation using Creso Pharma's cannabis and hemp ingredients, specifically high grade CBD oily extracts.

Glatt is approved to handle controlled substances in the EU and US and is well experienced in tablet formulation with access to a wide range of formulation technologies.

Glatt's pharmaceutical services brings together fundamentals, experience and innovative technology expertise which will support Creso Pharma from product idea to market launch. Its access to technologies and know-how means they are experienced in improving stability, bioavailability and taste masking.

Glatt also has the necessary technical capabilities to facilitate a seamless scale-up from the lab to commercial production scale, for which Glatt conducts all requisite analytical studies and stability tests.



The specific technology which will be applied for developing a Creso/Glatt product is the Syloid® XDP Silica - which has been specifically engineered to be an optimised carrier for oily liquids that are difficult to handle. The increased

density ensures the loaded powder delivers large amounts of liquid in the final tablet or capsule dosage form. Syloid® XDP Silica can be effectively utilised to easily create tablets from viscous natural ingredients.

Using Glatt's technology platform, Creso Pharma will develop the innovative formulation by mixing the high grade full plant CBD rich oily extract with Syloid® XDP Silica to create free flowing powder. The free flowing powder will then be placed in tablets – after full optimisation of bioavailability and absorption.

Although, the Glatt Syloid XDP Silica technology is not oral buccal delivery technology it is focused on developing a very highly bioavailable and enteric-coated small tablet which goes through the oral route. Although not buccal, the technology will be fully optimized to increase bioavailability and absorption by adding a "coat" to the tablet ("enteric-coated") to protect the active ingredients from acids in the stomach in order to increase the absorption into the blood stream.

Additionally, the Syloid Silica technology is particularly suitable for natural ingredients like Creso Pharma's active phyto cannabinoids since it has the ability to convert sticky and wet extracts into free flowing powders. The technology has been specifically engineered to act as an optimized carrier for oily liquids that are difficult to handle such as the Company's cannabinoid extract therefore making it a technology that is worth testing and developing.

Glatt is also EU-GMP certified and FDA registered with extensive analytical services developed over many years and has been used for many years by the pharmaceutical companies to develop their formulations and to optimize formulation and process development.

Glatt are fully GMP and accordingly, following successful testing and development, the production of these tablets will be fully GMP including formulation, analytics and stability testing. This will assist in the registration of the products for sale (specifically in Switzerland), the process of which is further set out below.

Accordingly, Creso Pharma believes that Glatt is well positioned to assist Creso Pharma in achieving its goals of developing and registering a highly sophisticated therapeutic product which will have high bioavailability and which will be very well absorbed.

Accordingly, Creso Pharma believes that Glatt is well positioned to assist Creso Pharma in developing a highly sophisticated therapeutic formulation which will have high bioavailability and which will be very well absorbed and in addition enteric coated to protect it from the acidity in the stomach - thus achieving the goal of registeration as one of Creso Pharma's various Products.

For a summary of the Glatt Agreement please refer to Section 11.3.3 of this Prospectus.

Veterinary products

As noted by the American Holistic Veterinary Medical Association (AHVMA), there is a growing body of veterinary evidence that cannabis can reduce pain and nausea in chronically ill or suffering animals, often without the dulling or damaging effects of narcotics and steroids. The cannabis and hemp herbs may be able to improve the quality of life for many animals, even in the face of life-threatening illnesses.

Creso is in advanced stages of negotiation with an EU based company that has identified a chewable delivery technology suitable for animals. The technology (for which a patent has been submitted) has the following advantages below:

(a) allows the manufacture of products with higher fat and palatable material content, which leads to perfect appetency (total ingestion by animals even on a repeat basis); and

(b) provides full control over the weight of the chewable cube and hence over the quantity of active ingredients contained in each unit of the finished product, thereby guarantees compliance with therapeutic treatment.

Subject to entering into an agreement, Creso will plan to use the technology to develop and commercialise animal products containing cannabis and hemp derived ingredients.

Other Products

The Company may also seek to develop other delivery systems or products to pair with the formulations set out above. The Company's aim is to develop products which will provide physicians with the ability to control and administrate optimal dosage, and to replace the common usage of medical cannabis and hemp products today, which is often not acceptable or recommended by scientists and physicians, such as smoking, edibles and oil extracts with no real dosage control or standardisation**.**

The Company and Prairie Plant Systems Inc (**PPS**) recently signed a binding letter of intent to exclusively negotiate the terms of an exclusive commercial collaboration with regards to the development, production, supply and sale of medical cannabis products in Canada.

A summary of the letter of intent is included at Section 11.3.4 of this Prospectus.

PPS is a leading plant biotechnology company, located in Canada specialising in biopharmaceutical and agricultural products which currently grows and produces pharmaceutical-grade cannabis based products and extracts under the Marihuana for Medical Purposes Regulations (**MMPR**) governed by Health Canada (**PPS Ingredients**).

CanniMed Ltd. (**CanniMed**) was established by PPS in 2013 to provide Canadian patients with access to a standardised and trusted supply of pharmaceutical-grade cannabis under the MMPR. CanniMed's state-of-the-art medical cannabis

facility currently serves more than 4,000 patients, with a total capacity to grow cannabis for 25,000 Canadians.

PPS and the Company intend to develop and sell medical cannabis products in Canada using PPS Ingredients and Creso Pharma's proprietary delivery platform technologies.

The Company will be actively looking to establish additional collaborations with non-related third parties that are already operating in the medical cannabis and hemp industries, including suppliers and distributors. This will assist the Company is achieving its goal to make relevant medical cannabis and hemp products available to customers worldwide.

Proposed Development for Therapeutic Products

In accordance with the relevant agreements in respect of the delivery technologies, the development and testing of the delivery technologies will begin following the Company's admission to the Official List.

Based on the experience of the executive management team of the Company, the Company will aim to develop the products as quickly as possible however the timing of successful development of the products will be contingent on the availability of staff and equipment, collaborate developers and success of technical feasibility testing and development activities, as well as the delivery technologies performing as anticipated by Creso Pharma.

Subject to Section 6.7 of the Prospectus, the Company believes that the funds raised through the Offer (together with the existing cash reserves of the Company) will be sufficient to achieve these intentions.

As at the date of this Prospectus, Creso Pharma is in discussions with various CBD extracts suppliers to use for the testing and development activities in addition to the ingredients produced by Hemp-Industries. The timing of first sale of products will also be subject to entering into these supply agreements as well as other intervening events (including development and feasibility testing success or failure) and new circumstances.

Sale of Therapeutic products

Target Consumers

The Company will target its products at both the human and animal markets.

Human Market

The Company's therapeutic products will essentially target areas of large market populations with unmet medical needs for illnesses that respond to active ingredients sourced from the cannabis plant. Specifically, the therapeutic areas Creso Pharma aims at targeting are anxiety/stress, type 2 diabetes/metabolic diseases, and bone diseases.

Animal market

One of the biggest challenges for pet owners is the health of their pets and the associated costs.

As stated in Section 5.10 of the Prospectus, many chronic conditions in pets remain poorly treated by current therapies.

Animal studies and extensive in vitro research demonstrated that CBD may have anti-inflammatory effects, may stimulate and regulate appetite and may modulate anxiety and pain, without psychoactive effects.

Although Creso Pharma does not currently have any products in the development or testing phases for animals, the Company is currently actively evaluating the companion animal as well as the equine market opportunities.

Creso Pharma seeks to develop and commercialise nutraceutical products containing hemp ingredients (primarily CBD) with formulations and innovative delivery mechanisms which are specifically adapted to the Veterinary segment.

The main conditions Creso Pharma will seek to target in the veterinary segment are:

- Behavioural-based disorders (alleviate anxiety, aggression, noise phobias)
- Pain relief (acute and chronic)
- Inflammation, arthritis, allergic skin reactions
- Metabolic conditions such as diabetes

Geographic Focus

The Company's primary focus for sale of its therapeutic products will be Switzerland which in order to comply with current regulations, requires registration of the products and registration as Nutraceuticals/Food Supplements with the Swiss Health Authorities.

In order to achieve registration the Company has to fully characterise the extract contained in its products which involves describing all components and providing the lab analyses to support its description and confirmation of THC levels that must be below the permitted levels (as set out in further detail in Section 5.4 of this Prospectus). Additionally, the production and manufacturing process must be found to be fully GMP compliant. Creso Pharma will take all possible action to ensure its products meet these requirements.

The Company will follow the Swiss Food Act (Regulation of Food and Commodities) and go through the BAG (the Federal Office of Public Health) and the BLV (the Federal Food Safety and Vet Office). There is no requirement to provide clinical data for registration in the Nutraceutical/Food Supplement category.

The Company will apply for Federal Commercialization Authorization Approval as well as for Federal Labelling Authorization Approval in order to have CBD in its labelling.

Subject to meeting these requirements and successful sales in Switzerland, the Company hopes to then move to additional markets in Europe with attractive regulatory requirements, such as Austria. The requirements for Austria is also based on THC levels of products which are required to be below 0.2%. If the content is any higher then marketing authorisation cannot be obtained. The Company will ensure that it complies with all local regulations in the countries that it operates in

and sells products in and this will determine the additional regions that Creso Pharma will sell its products in.

Currently the CBD percentage for products is not regulated in the countries where Creso Pharma intends to operate.

Creso Pharma will select the best partners to activate each business segment, leveraging its assets and prospective products.

Creso Switzerland will be used as the legal entity to organise the Company's operations and activities, specifically those situated in Europe, specifically, being the development and commercialisation of its therapeutic products.

As stated above, the Company is continually looking at additional various medical cannabis growing companies in Canada and the EU, with a view to supplying the local Canadian and the EU markets and possibly for exports to third countries.

Canada and PPS

Subject to entering into a definitive agreement with PPS In Canada, the Company in collaboration with PPS will use its access to delivery technologies to develop products with various CBD and THC percentages - which are allowed and regulated by the Canadian Medical Cannabis regulations.

As of June 2013, the government, through Health Canada has introduced a new regulatory framework called **Marihuana for Medical Purposes Regulation – MMPR.**

The Company will be working with **Prairie Plant Systems**, specifically their subsidiary company **CanniMed** which was established in 2013.

CanniMed was the first producer to be licensed under the new regulations and is leading the industry as a result of the company's deep history as the sole supplier to Health Canada under the previous MMAR program. PPS and CanniMed will be solely responsible for ensuring that the operations of the collaboration are and fully remain compliant with regulatory provisions in Canada.

CanniMed will work with Creso to register the new products within the Canadian Medical Cannabis MMPR regulation scheme (Marijuana for Medical Purposes Regulation) before the products are made available to patients.

6.6 Grow operations - Slovakia and elsewhere

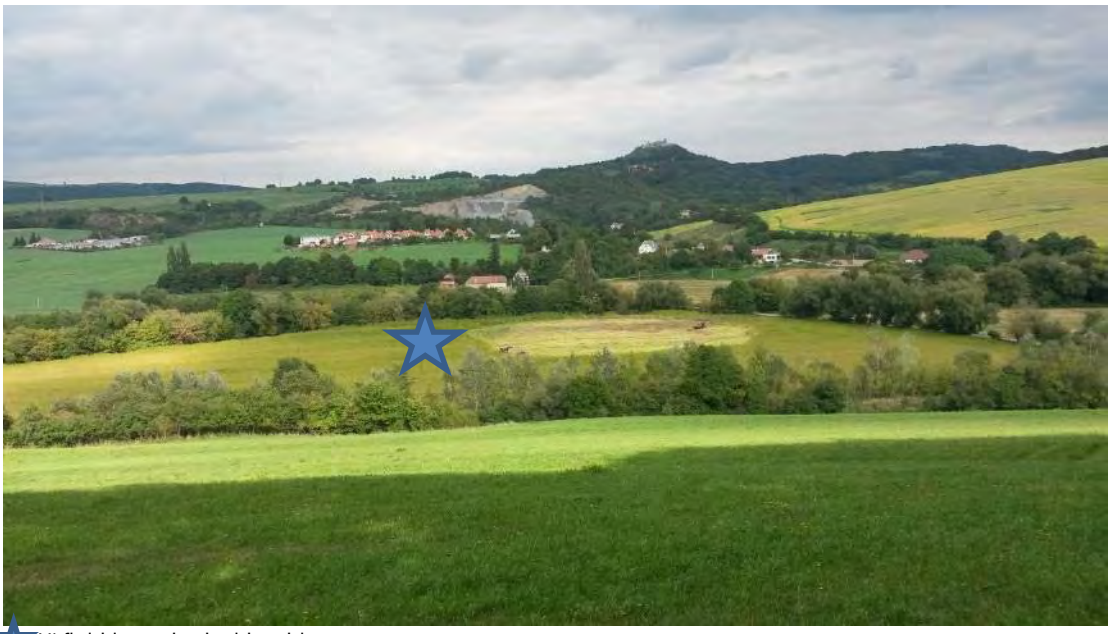
The Company has entered into an agreement to conditionally acquire a company based in Slovakia, Hemp-Industries, that owns and runs a hemp grow operation (refer to Section 11.1 of this Prospectus for a summary of the agreement).

This grow operation has been in existence for 3 years and is run by a professional team. Under Slovakian laws, hemp growing is allowed but CBD extraction is illegal in the country. As a result, Hemp-Industries ships the cut and dried hemp flowers to a neighbouring country (currently Austria) for extraction and then bottling of the CBD extract. Accordingly, Hemp-Industries does not have any CBD products, it only sells the hemp flowers to the Austrian entity.

It is important for potential investors to note that Hemp-Industries is growing industrial hemp in Slovakia. There is a critical difference between industrial hemp and cannabis. Industrial hemp has lower levels of the active compounds, or cannabinoids, found in medical or recreational grade cannabis and very low levels of THC (typically less than 0.3%). Industrial hemp can be legally grown nearly anywhere in the world and is usually cultivated for fibres or seeds for hemp oil production.

A summary of the Hemp-Industries production is set out below:

1. Cultivation: Hemp-Industries grows its hemp in Slovakia, under the Carpathian Mountains, in the region of Senica.



HI field is marked with a blue star

Hemp-Industries' fields and the fields in a large surrounding area have never experienced the use of any chemical substances, and have a long history of clean and organic agricultural procedures. The actual fields are certified organic, and after the harvest and the related tests, an organic certificate will be provided for the hemp flowers grown by Hemp-Industries.

2. Harvest and Drying: Last year, Hemp-Industries, started with harvest automation by using agricultural machinery, to increase the harvest efficiency and contribute to a more stable standard of the potency of flowers.

Harvest and preparation for transportation to the drying hall

After the flowers are stripped from the stems, they are put on drying beds to start the drying process.


HI drying hall and drying beds

After the flowers are dried, they are vacuum packaged in smaller bags for the transport to Germany, where they will be extracted and processed to the final oil product.

3. Extraction and Final Product: The flowers are transferred to Hemp M&S OG, a partnership which is owned and operated by the HI Shareholders due to the strict Slovak legislation on CBD, and then to the German extraction facility. After the flowers arrive to the German extraction facility, they are separated from the remaining seeds, milled into a fine, almost dust like form, and are extracted with the use of Supercritical CO2 fluid extraction, so that the organic quality and the natural taste of hemp remain in the product.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

The extract, in its most natural form with a wide variety of cannabinoids, flavonoids, terpenes, chlorophyll etc., is than mixed with organic quality food oil to decrease its viscosity and to make it more pleasant in taste. The final mixture is sealed in high quality food containers for further storing and processing.

4. Testing and Bottling: The final product is then tested for potency and food quality, and after received the required certificates, it is bottled, labelled and ready for sales in a direct marketing form or through distributors.

Hemp M&S OG's products are currently as follows:

- CBDium drops - 5% CBD > 0.19%THC
- CBDium drops – 3.1% and 1.9%CBDa > 0.19%THC

Food quality containers with final HI product

5. Promotion and Sales: Hemp M&S OG, by being socially active, has established and is growing its direct sales channels, and collects feedback from its customers to create a database of beneficial effects on health.

   A distribution contract has been negotiated with a significant Czech (CZ) and Slovak (SK) distributor for distribution and sales of Hemp M&S OG's products primarily on the CZ market. The contract will be signed and will come into effect as soon as Hemp M&S OG products receive the required certificates based on CZ legislation. Hemp M&S OG is in the stage of finalising certified laboratory tests required for product registration for sales on the CZ market.

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A parallel process is being managed to bottle and label the remaining 30,000 x 10ml bottles with the remaining final product, for an immediate sale to the distributor, together with online and direct sales activities.

It is a condition of the HI Agreement that Hemp-Industries enters into an agreement with Hemp M&S OG, in respect of the commercial operations of Hemp M&S OG to the sole satisfaction of the Company to enable Hemp-Industries and therefore the Company access to Hemp M&S OG's profits.

Following acquisition of Hemp Industries, the Company intends to assist in expanding self-production (possibly backed by additional suppliers if needed) and the extraction capacity in respect of Hemp-Industries flowers and will aim to sell the CBD extracts through Hemp M&S OG or other legal CBD extractors to major food supplement distributors in countries with regulated medical cannabis laws. The Company also aims to remove all THC from the relevant extracts through engagement of a certified laboratory located in CZ.In addition, the Company is continually looking at various medical cannabis growing companies in other jurisdictions (such as Canada and across Europe), with a view to supplying local markets and possibly for export.

6.7 Future Funding Requirements

Following initial testing and development of the Company's products, the Company may require additional funds in order to commercialise and market the products. In the event that further funds are required, it is intended that the Company will raise funds through either:

(a) additional equity offerings to the public or to private investors; or

(b) through strategic partners who have an interest in the development of the Products, by joint venture or similar arrangement.

The Company may also consider extending its investor base to the Canadian, American and European markets (potentially through a dual-listing on a foreign securities exchange).

6.8 Sales & Marketing of Therapeutic Products

As the Company's products development progresses, the Company plans to approach additional companies in the cannabis and therapeutic product industries. The end goal is to collaborate with third parties (both current and new relationships) in the continued commercialisation of the Company's products, in order to generate revenues.

The Company will also aim to generate revenue through licensing or sub-licensing its existing rights to the delivery technologies to operating legal medical cannabis growers (initially in Canada and Europe) for the development of therapeutic products that combine the Company's delivery technology portfolio with various phyto-cannabinoid extracts and therefore generating royalty revenues.

The Company will also look at distributing and selling its products via traditional distribution channels and independently online and therefore obtaining 100% of the sale revenue generated.

6.9 Intellectual Property

Intellectual property (**IP**) is key for any pharma and biotech company in order to maximise value creation. Accordingly, the Board is aware that Creso Pharma's success will depend on the Company's ability to protect the proprietary nature of its prospective products, technologies used and know-how created, to operate without infringing on the proprietary rights of other holders, and to defend from challenges, oppositions and infringement of our proprietary rights.

Creso Pharma is working with its patent attorneys to ensure that the Company's operations conform to international expectations of regulators in the bio-pharmaceutical sector.

The Company's current IP interests are through the licenses Creso Pharma has been granted by Glatt, BioLIngus and INNutriGEL in order to access and develop the respective technologies. Therefore all its IP interests are related to its access to existing delivery platforms and formulations of cannabis/hemp ingredients, as well as know-how and trade secrets. For the avoidance of doubt, Creso Pharma does not currently hold IP ownership in any of the delivery platform technologies.

Through completing successful testing and developing of the delivery platforms the Company intends to acquire individual ownership in IP by assessing and filing utility patents applications for both EU and US/Canada on the combination of the formulations and delivery methods of cannabinoids for priority therapeutic areas related to the following three elements: specific formulations, propriety delivery systems and therapeutic uses and combinations thereof.

The Company has developed a long term IP strategy that incorporates global industry-wide reviews helping to identify areas of interest and opportunity for the Company to focus on which may require the entry into further licensing agreements, royalty arrangements and other IP agreements.

For further information in respect of Creso Pharma's current rights to access intellectual property, refer to the Intellectual Property Report at Section 8 of this Prospectus.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in our Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

The Company specific risk factors are set out in Section 2.7 of this Prospectus.

7.3 Industry specific

(a) **Licensing and marketing risk**

The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its objectives in this Prospectus. However, funds raised under this Prospectus may not be sufficient to enable the Company to fully commercialise its delivery system technologies.

The Company's strategy is likely to be licensing/sub-licensing its innovative therapeutic products after the technology development of the formulations to licensees that are able to support the commercialisation. The Company may seek to raise additional capital in the future if suitable licensees cannot be identified and the Company seeks to commercialise the therapies without licensees.

(b) **Product liability and uninsured risks**

Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavors to work to rigorous standards there is still the potential for the products to contain defects which may result in

system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and damage to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

(c) **Research and development**

The Company can make no representation that any of its research into or development of its delivery system technologies will be successful, that the development milestones will be achieved, or that the delivery system technologies will be developed into products that are commercially exploitable.

There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(d) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(e) **Management of growth**

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the group may affect the Company's financial performance.

7.4 General risks

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development programmes, as well as on its ability to fund those programmes.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development and research programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel including the members of the Scientific Advisory Committee. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(e) **Currently No Market**

There is currently no public market for the Company's Shares, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer.

The price at which the Company's Shares trade on ASX after listing may be higher or lower than the Offer Price and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in mineral prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.

There can be no guarantee that an active market in the Company's Shares will develop or that the price of the Shares will increase.

There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid.

(f) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. The manufacture and global distribution of products and services is important to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

(g) **Funding risk**

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of development or research. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company may

contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

The Company is exposed to risks associated with its financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations; the risk that the Company will not be able to meet its financial obligations as they fall due; and the risk that market prices may vary which will affect the Company's income.

(h) **Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

7.5 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. INTELLECTUAL PROPERTY REPORT

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

WRAYS

Contact: Gary Cox

20 July 2016

Directors
Creso Pharma Limited
945 Wellington Street
WEST PERTH WA 6005

Dear Sirs

Patent Attorney's Report
Our ref: 263860

This report has been prepared for inclusion in the Prospectus of Creso Pharma Limited (hereinafter 'Creso').

Background

Wrays Pty Ltd is an intellectual property organisation specialising in the law and practice relating to patents, trade marks, designs, trade secrets, and other ancillary IP rights. The organisation was established in 1920. Wrays has a long history in servicing the intellectual property needs of both Australian and overseas clients.

Each of our principals is a Fellow of the Institute of Patent and Trade Mark Attorneys of Australia. Our professional staff are divided into departments by technology areas, each department being overseen by a Principal of the firm. The firm's structure presently contains departments dedicated to the chemical/pharmaceutical, biotechnology, computer/electronic, mechanical engineering and the physics/general mechanical technology areas. Each of our professional staff members holds a tertiary qualification in the technology field in which they practice.

Intellectual property may be regarded as a collective term for a group of rights that provide varying degrees of exclusivity in relation to products, processes, names, designs and drawings in industry, engineering (electronic & mechanical), science or commerce.

Executive Summary

Section 2.0 provides general comments on patent protection, patent procedures, and requirements for patentability.

Section 3.0 provides general comments regarding potential limitations of patent protection.

Section 4.0 describes the patent applications/registrations in which Creso has an interest.

Section 5.0 describes the limitations of this report.

Section 6.0 provides a statement of independence regarding preparation of this Report.

2.0 General Comments on Patent Protection

Patent rights constitute an important component of intellectual property, and provide protection for new, non-obvious and useful inventions for a limited period. Patents may be granted in respect of new or improved products, compositions and processes in almost all areas of current scientific, commercial and industrial activities.

Patent rights are essentially national rights rather than trans-national rights. A patent must be obtained in each country where protection of an invention is required.

2.1 Patent Validity

A fundamental requirement of the patent system is that all patents are assessed for their validity. This happens during a process of examination of a patent application, a precursor to a granted patent. Validity of a patent application is assessed by a range of criteria.

Relevantly, all inventions must be 'new' at the time of lodging a patent application. Newness is judged in relation to what was publicly known or used at the date of the application.

In addition, all inventions must display or possess a distinct inventive advance over what was previously known. This means that valid patent protection cannot be obtained for trivial or obvious developments.

A further requirement is that an invention must present suitable subject matter for the grant of a patent. For example, patent protection for gene technology, computer implemented technology and so called "business method" inventions may be difficult to obtain.

2.2 Patent Process

Pursuant to the Paris Convention, the filing of an initial patent application in, for example, Australia establishes a priority date for the invention in Australia and all other countries that are a party to this Convention, including countries such as the United States, Canada, New Zealand, Europe and Japan. The usual steps towards obtaining a patent in Australia and other countries in respect of an invention begin by filing a provisional application. The filing of a provisional application establishes the priority date in respect of the invention disclosed in the provisional specification.

Within twelve months from the date of the filing of the provisional application, a complete application must be lodged otherwise the provisional application, which remains pending for only one year, ceases to exist, along with the priority date set thereby. Thus, if no application is filed within one year of the provisional application, the priority date is no longer valid. Within the one year pendency of the provisional application, in order to obtain protection in other countries, the applicant may file separate national patent applications in each of the countries in which protection is required. Alternatively, the applicant may file a single international application under the provisions of the Patent Cooperation Treaty (generally referred to as a 'PCT' application or an 'International' application) in which it is possible to designate countries or regions in which protection is required. The International application itself does not mature into a worldwide patent, but at the end of the international phase, steps must be taken to file the application into all of the national countries or regions designated in the original International application that are of interest to the applicant.

Regional patent applications, such as a European regional application, may also be filed. A European application may designate any or all countries that are a party to the European Patent Convention. The European patent application is processed centrally and in a single language and, if ultimately successful, can mature into a granted European patent, which must then be validated in each country in which protection is sought, some of which require translation into that country's native language. The term 'European patent' thus actually constitutes a bundle of national patent rights, each of which can be enforced separately through national Courts.

All national and regional applications undergo a process of patent examination. It is during this process when the patent application is assessed for its validity. If during examination the validity of a patent application is challenged by a particular patent office, the applicant can file a response to that office either amending the claims or rebutting a patent office's views of the application. Assuming that the patent applicant is able to overcome or address the questions concerning the validity of the application, the application will proceed to grant.

In some countries, like Australia, once the application is accepted it is opened up for third party opposition. Assuming the application is not challenged by a third party or it survives a third party challenge, the application proceeds to becoming a granted patent.

In Australia and most other countries, patent rights may be kept in force for a period of 20 years from the date of filing of the complete application on which the patent is granted, and while the patent is in force the owner has the exclusive right to exploit the invention.

3.0 Potential Limitations of Patent Protection

As noted above, in most countries, a patent application is subjected to examination for novelty and obviousness (and other grounds) before a patent is granted. There can be no assurance that each of the patent applications set out in Section 4.0 will result in the grant of a patent, or that the scope of protection provided by any granted patent will be identical to the scope of the application as originally filed or that the granted patent will effectively block competition. Furthermore, the scope of protection provided by a granted patent in one jurisdiction may differ from that provided by a granted patent in another jurisdiction, due to differences in examination between countries and regions and scope of available protection.

It should be noted that the grant of a patent does not guarantee validity of that patent since it may be revoked by a court on the grounds of invalidity at any time during its life. If none of the claims of a granted patent are valid, then the patent is unenforceable. For example, relevant prior disclosures may be discovered that were not raised during examination, which may limit the scope of patent protection sought, perhaps to a very narrow field. In the preparation of this report, we have not assessed the validity of the granted patents or the likelihood that the pending applications will grant with commercially effective patent claims.

Further, it should also be noted that the granting of a patent does not guarantee that the patentee has freedom to operate the invention claimed in the patent. It may be that working of a patented invention is prevented by the existence of another patent. In the preparation of this report, we have not assessed whether or not the commercialisation of the technology embodied by the patent applications listed in Section 4.0 will infringe third party patent rights.

4.0 Patents in which Creso has rights

For the purposes of the present prospectus, Creso has requested that Wrays summarise the status of patents and patent applications in which it has indicated that it has acquired an interest. Those patents and patent applications are set out in Section 4.1.

We are instructed that in preparing this Report, we have only been asked to confirm the status of the identified patents and patent applications. We have not looked into matters of (a) ownership, (b) validity, (c) infringement or (d) Creso's right to the Intellectual Property Rights created by these patents and patent applications.

The status summary of patents and patent applications provided in this Report is correct to the best of our knowledge after conducting reasonable due diligence and research, at the date of this Report. Those applications for which we obtained information from third parties regarding the status of the applications are marked accordingly (*). The patents and patent

applications set out in this Section are currently in force, although they are subject to the payment of periodic (mainly annual) fees in order to maintain them in force.

4.1 Summary of Patents

Patent Family 1:

Process for preparing products comprising stabilised actives and compositions comprising same

PCT Number: PCT/AU2011/000173

Applicant: Biolingus IP LLC

International Filing Date: 18 February 2011

Expiry date: 18 February 2031

Inventors: KO, Sai Ying

Outline of Technology

This family of patents relates to a process of stabilising biological materials such as proteins, peptides, nucleic acids, live cells or microorganisms, based on spray-drying-using heat and microencapsulation technology. In particular, this family of patents relates to the coating of micro particles comprising of water-soluble gel forming compounds with coating liquid comprising an active that needs to be stabilised.

This technology has application in sustained release delivery applications such as mucosal and sublingual delivery of therapeutically active components. It also allows the successful preparation of dosage forms where the amount of active ingredient required is very small, and would otherwise be difficult to properly distribute in solid oral dosage forms.

The international search report in respect of the international application in this family found that the invention was novel and inventive in light of the prior art, but that the international application does not comply with the requirements of unity of invention. The report concluded that claims 1 to 33 of the international application related to a process for preparing a product comprising an active component, whereas claims 34 to 36 were directed to an apparatus for preparing a product comprising an active component, and therefore there were two inventions claimed in the patent. We consider that this objection, if raised by any national office, can be overcome with a suitable amendment to the claims or the filing of a second patent application respect of the second aspect of the technology.

Patents & Applications in Family 1

Official Number	Country	Status
2011323059	Australia	Granted
1120130208414*	Brazil	Examination Requested
2827432	Canada	Examination Requested
201180002271.5*	China	Granted
201610034638.6*	China	Pending
11858923.3	Europe	Under Examination
2539/KOLNP/2013	India	Examination Requested
W00201303716*	Indonesia	Pending
5793578*	Japan	Granted
2015-156567*	Japan	Under Examination
PI 2013701430	Malaysia	Examination Requested
MX/a/2013/009531*	Mexico	Under Examination
10-2013-7021975	Republic of Korea	Examination Requested
2563685*	Russia	Granted
2015133977*	Russia	Pending
1301004567*	Thailand	Filed (examination not yet requested)
8951566	United States	Granted
14/586548	United States	Pending

Patent Family 2:

Anti-Inflammatory Compositions

PCT Number: PCT/AU2011/001446

Applicant: Biolingus IP LLC

International Filing Date: 9 November 2011

Expiry date: 9 November 2031

Inventors: KO, Sai Ying

Outline of Technology

This patent family relates to a method of treating abnormal inflammation or inflammatory conditions comprising mucosally administering an effective amount of interleukin or a fragment thereof (usually IL-2).

The mucosal administration of IL-2 (for example through sublingual administration) is advantageous because it avoids the need to administer high doses of IL-2 that have been associated with significant side-effects to patients (as would be required if the IL-2 is administered intravenously or subcutaneously).

The international search report issued in respect of the international application cites 4 documents relevant to the novelty and inventiveness of the invention, as listed below:

(a) WO 1999/08992 A1 (Pharma Pacific Pty Ltd) (**D1**);

(b) WO 2008/109953 A1 (KO, S. Y.) (**D2**);

(c) Slavin A.J. et al, International Immunology, vol 13 No 6, page 825-833 (**D3**); and

(d) Sur, S et al The Journal of Immunology, vol 157, page 4173-4180 (**D4**).

In particular, the report states that D1 discloses the use of certain cytokines, (which include interleukins) administered via the oromucosal route, and that claims 1-10, 12-17 and 19 of the international application are therefore not novel in light of the disclosure in D1.

Further, the report states that D2 discloses compositions comprising interleukins which are mucosally administered buccally, nasally or sublingually as a gel, capsule or as a tablet. The report therefore concludes that claim 17 is not novel in light of the disclosure in D2.

The report also provides that claim 18 refers to the description in the specification, and is therefore unclear (and that on that basis, the novelty/inventiveness of claim 18 has not been assessed).

In our view, these objections, if raised by any national office, can be overcome by a suitable amendment to the claims (for example, limiting the claims to sublingual administration of interleukin-2).

Patents & Applications in Family 2

Official Number	Country	Status
2011331901	Australia	Granted
2817996	Canada	Pending
201010551433.8*	China	Accepted, but will be granted upon payment of registration fee
11840904.4*	Europe	Under Examination
40531*	Indonesia	Granted
2013-539093*	Japan	Under Examination
PI 2013700815	Malaysia	Examination Requested
MX/a/2013/005641*	Mexico	Under Examination
10-2013-7015896	Republic of Korea	Pending
2013127793*	Russia	Examination Requested
9289493	United States	Granted

Patent Family 3:

Method for Treating Cancer via the Mucosal Administration of Interleukin

PCT Number: PCT/AU2008/000350

Applicant: BioLingus IP LLC

International Filing Date: 13 March 2008

Expiry date: 13 March 2028

Inventors: KO, Sai Ying

Outline of Technology

This family relates to a method of treating cancer in a subject by mucosally administering an effective amount of interleukin or a fragment thereof.

Mucosal administration of interleukin (as opposed or subcutaneous or intravenous dosing) allows much lower dosages to be administered, thereby achieving a therapeutic outcome without being constrained by the generation of side effects and toxicity.

The international search report issued in respect of the international application cites 4 documents relevant to the novelty and inventiveness of the invention, as listed below:

(a) WO 1999/018992 (**D1**);

(b) Tovey, M. G. et al (**D2**);

(c) US 5679679647 (**D3**); and

(d) CN 1533807-A (**D4**).

The report provides that D1 and D2 each disclose a method of treating cancer whereby the subject is administered with recombinant interleukin-2 oromucosally. The report further provides that D4 discloses a buccal lozenge comprising recombinant human α-interferon, interleukin-2 and a polyose extracted from Chinese medicament materials for the treatment of tumours and viral infections. Accordingly, the report concludes that claims 1 to 7 and 9 to 18 are not novel in light of the disclosures in D1, D2 and D4.

The report further concludes that all claims lack an inventive step when the teachings of D1 are combined with D3.

These objections, when raised by a national office, were overcome by a suitable amendment to the claims (for example, limiting the claims to sublingual administration of interleukin).

Patents & Applications in Family 3

Official Number	Country	Status
2008226337	Australia	Granted

Patent Family 4:

Modulation of Blood Glucose Levels

PCT Number: PCT/IB2015/053360

Applicant: Biolingus IP LLC

International Filing Date: 8 May 2015

Expiry date: 8 May 2035

Inventors: KO, Sai Ying

Outline of Technology

This patent family relates to methods and compositions of regulating or modulating blood glucose levels, and methods and compositions for use in the treatment of diabetes (in particular type-2 diabetes). In particular, the invention relates to methods and compositions for the oromucosal (typically sublingual) administration of an incretic mimetic (typically a GLP-1 mimetic, for example, exenatide) for the treatment of diabetes and other metabolic syndromes.

This method of administration offers advantages over current options for treatment using incretin mimetics before they typically require administration by injection. Sublingual administration not only avoids the fluctuations in blood glucose levels typically observed following injections, but also offers reduced side-effects when compared with the injections.

The international search report issued in respect of the international application cites 3 documents relevant to the novelty and inventiveness of the invention, as listed below:

(a) WO 2012/109694 (**D1**);

(b) WO 2009/080032 (**D2**); and

(c) EP 2389945 A1 (**D3**).

The report provides that D1 discloses microparticles produced by the process described in claim 12 comprising incretin/GLP-1 mimetic exenatide which are administered sublingually to diabetic patients. D2 teaches the oromucosal delivery of exenatide for treating diabetes. On that basis, the report concludes that claims 1-7, 10-12, 15-32 and 35 are not novel in light of the disclosures in D1 and D2.

The report also states that the remaining claims are not inventive in light of D1 and D3 because the differences between the claims and the prior art (i.e. the use of exenatide analogues instead of exenatide) have not been shown to offer any advantage over exenatide.

Patents (National Phase Deadline has not yet expired)

The deadline for filing national applications based on this international application has not yet passed. Applications in all jurisdictions may still be filed.

Patent Family 5:

Low-Temperature Mogul Procedure

PCT Number:	PCT/CH2007/000213
Applicant:	Innogel AG, Muller, Rolf, Innerebner, Federico
International Filing Date:	2 May 2007
Expiry date:	2 May 2027
Inventors:	Muller, Rolf and Innerebner, Federico

Outline of Technology

This family relates to a method of manufacturing cast rubber-like confectionery articles based on starch. In particular, the technology relates to the use of long-chained starches which provide improved texture when compared with short chain starches, but have previously been difficult to use because of the resultant increased viscosity of the recipe. The process disclosed in this family of patents alters the standard “Mogul Process” used in the making of confectionery to allow for the use of long-chained starches.

The international search report issued in respect of this application cites 1 document relevant to the novelty and inventive step of the application:

(a) US-A-687690 (Moore Carl O) (**D1**).

The citation is based on the argument that D1 refers to a process for making cast confectionary items wherein a hydrocolloid is added only when the confectionary item is in the cast state. However, upon contrasting that the invention the subject of the application differs from this known process because the hydrocolloid is completely dissolved or swollen in the case substance, the report concludes that claims 1 – 9 of the application are novel and inventive in light of the disclosure in D1. The report however concludes that claim 10 of the application, which relates to confectionary articles produced by the claimed process, are not novel or inventive.

The report also considers that claim 1 does not include an essential element of the invention (namely the particulate starch), and therefore is not fairly based on the specification.

This objection has been addressed during examination of the individual members of this family, as is reflected by grant of the patent in the following jurisdictions.

Patents & Applications in Family 5

Official Number	Country	Status
2007247757	Australia	Granted
2651342	Canada	Granted
101489405*	China	Granted
195130	Israel	Granted
9262/DELNP/2008	India	Under Examination
9107432	United States	Granted
EP 2015642	Switzerland	EP Patent – Validated – in force
DE102006021280	Germany	EP Patent -- Validated – in force
EP 2015642	France	EP Patent -- Validated – in force

Official Number	Country	Status
EP 2015642	United Kingdom	EP Patent -- Validated – in force
2015-GE-483885	Turkey	EP Patent -- Validated – in force
ES2556624T	Spain	EP Patent -- Validated – in force
EP 2015642	Italy	EP Patent -- Validated – in force
EP 2015642	Poland	EP Patent -- Validated – in force
EP 2015642	Austria	EP Patent -- Validated – in force
EP 2015642	Ireland	EP Patent -- Validated – in force
EP 2015642	Belgium	EP Patent -- Validated – in force
EP 2015642	Luxembourg	EP Patent -- Validated – in force

Patent Family 6:

Low-Temperature Mogul Procedure and also the confectionary articles producible by this process

PCT Number: PCT/EP2010/054018

Applicant: Innogel AG, Muller, Rolf, Innerebner, Federico

International Filing Date: 26 March 2010

Expiry date: 26 March 2030

Inventors: Muller, Rolf and Innerebner, Federico

Outline of Technology

The invention relates to an optimized and efficient low-temperature-Mogul method with controlled residence time for castables containing swellable or soluble starch particles, which swell substantially only after casting or come loose. Furthermore, the invention relates to using this method to produce filled confectionery products, especially with rubber elastic texture that is very similar to that of gelatin.

Specifically the invention is directed to a low-temperature casting method for producing confectionery articles on a Mogul unit with controlled residence time spectrum, wherein swellable or soluble starch particles are mixed in a liquid phase and this mass is then cast, wherein the starch particles will substantially swell or dissolve only after casting, and wherein the starch particles comprise at least one starch that has a degree of polymerization in excess of 300,characterized in that, after mixing the solid phase with the liquid phase, the residence time of the casting compound is adjusted in such a way that the maximum tM of the residence time spectrum W1(t) is < 10 min immediately after mixing the solid phase with the liquid phase and the half width tH of this residence time spectrum is < 10 min.

Granted Patents

Official Number	Country	Status
02410865	Switzerland	EP Patent – Validated – in force
502010003359	Germany	EP Patent -- Validated – in force
EP 2410865	France	EP Patent -- Validated – in force
EP 2410865	United Kingdom	EP Patent -- Validated – in force
2013-G-264453	Turkey	EP Patent -- Validated – in force

5.0 Limitations of This Report

This Report is not to be construed as a legal opinion as to the registrability of patent applications. It should also be appreciated that the Report is not a patent validity opinion.

No conclusions on the validity of the Creso patent portfolio should be made from this Report. Moreover, the Report does not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of earlier patents.

The searches conducted for this Report and the results of which are in part relied upon in this Report, have been substantially computer based and as such, would have been limited in terms of the time periods and the geographical areas covered. In addition, all information regarding the status of foreign patent applications and foreign patent grants (outside of Australia) which form part of the Creso Patent Family summary (Section 4.1), has been obtained from our searches of international patent databases and foreign patent attorney

firms. All searches are subject to the accuracy and scope of the records searched as well as to the indexing and classification of those records. Moreover, any search strategy will inevitably involve some compromise between scope and cost.

It should be noted that our search results are largely dependent upon the accuracy with which the patent office databases have been established and maintained. Note that this search cannot be taken as an indication as to whether the invention(s) infringe any patents or patent applications in force in Australia or in any other country. An infringement search in respect of Australia would require an exhaustive search of Australian Patent Office records, and an infringement search for any other country would require a similar search of that country's patent records.

Examination Reports in One Country Not Binding In Other Countries

In most countries, patent applications undergo an independent search and examination by the local Patent Office, the results of which are not binding in other jurisdictions. Similarly, international PCT search and examination reports are not binding on national patent applications during subsequent examination in the national phase. Such reports should therefore be regarded as indicative only and not determinative of patentability. It should also be appreciated that the grant of a patent in one country provides no guarantee that patents will grant in other jurisdictions.

Scope of Claims May Vary during Examination

It is often necessary during the examination of a patent application to define the invention more specifically by amendment of the claims, so as to distinguish relevant prior art. As a result of this process, there may be variations in the claims between countries, reflecting in part the different examination procedures and threshold requirements for patentability, according to national laws. Whilst this is a relatively standard procedure, in certain circumstances, such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

6.0 Statement of Independence

Wrays, established in 1920, is an Australian patent and trade mark attorney practice, proudly representing a significant number of Australian and international businesses. Neither Wrays nor any of its Directors and Principals has any entitlement to any securities in Creso, or has any other interest in the promotion of Creso. Furthermore, the payment of fees to Wrays for the preparation of this Report, is not contingent upon the outcome of the Prospectus.

We have given and, at the date of this Report have not revoked, our consent to the issue of the Prospectus by Creso with this Report appearing therein in the form which it now appears.

Yours sincerely
WRAYS

Gary Cox
Principal

9. INDEPENDENT ASSURANCE REPORT

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

RSM Corporate Australia Pty Ltd

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22 July 2016

The Directors
Creso Pharma Ltd
C:\ SteinepreisPaganin
Level 4, the Read Buildings
16 Milligan Street
PERTH WA 6000

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Independent Limited Assurance Report ("Report") on Creso Pharma Ltd historical and pro forma historical financial information

Introduction

We have been engaged by Creso Pharma Ltd ("Creso" or the "Company") to report on the historical financial statement of Creso and Hemp-Industries s.r.o ("Hemp-Industries" or "HI") for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and pro forma financial information of the Company as at 31 December 2015 for inclusion in the prospectus ("Prospectus") of Creso dated on or about 22 July 2016 in connection with the acquisition of Hemp-Industries and proposed capital raising, pursuant to which the Company is offering 25,000,000 ordinary Creso Shares at an issue price of $0.20 per Share to raise up to $5 million before costs (the "Offer").

Expressions and terms defined in the Prospectus have the same meaning in this Report.

This report does not address the risks associates with the investment.

Background

Creso was incorporated in Australia on 20 November 2015 as a public unlisted company with an objective of contributing to the substantial improvement in health outcomes through innovative cannabis and hemp based medicines and nutraceuticals, addressing unmet medical needs in human and animal health.

The Company has entered into a heads of agreement to acquire 100% of the share capital of Hemp-Industries, a company based in Slovakia, and has begun the process of undertaking an Initial Public Offering ("IPO") to list on the ASX. As consideration Creso will pay to Hemp-Industries Shareholders a total of:

- €30,000 cash;

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- 1,000,000 ordinary Creso Shares; and
- 1,000,000 performance Shares (together the "Consideration").

Scope

Historical financial information

You have requested RSM Corporate Australia Pty Ltd ("RSM") to review the following historical financial statements of the Company and Hemp-Industries included in the Prospectus at the Appendix to this Report:

- The statements of financial performance of Hemp-Industries for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 and of the Company for the period from incorporation to 31 December 2015; and
- The statement of financial position as at 31 December 2015 for the Company and Hemp-Industries (together the "Historical Financial Information").

The Historical Financial Statements have been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of the International Financial Reporting Standards and the Company's and Hemp-Industries' adopted accounting policies. The Historical Financial Information has been extracted from:

- The financial statements of HI for the three years ended 31 December 2015, which were audited by Borzik & Partners in accordance with International Auditing Standards. All audit reports issued for the three years ended 31 December 2015 were unqualified opinions; and
- The financial statements for the Company for the period from incorporation to 31 December 2015, which were audited by RSM Australia Partners, in accordance with the Australian Auditing Standards.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro forma historical financial information

You have requested RSM to review the pro forma historical consolidated statement of financial position as at 31 December 2015 referred to as "the Pro Forma Historical Financial Information".

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company and Hemp-Industries after adjusting for the effects of the subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report. The stated basis of preparation is the recognition and measurement principles of the International Financial Reporting Standards applied to the Historical Financial Information and the events or transactions to which the subsequent events and pro forma adjustments relate, as described in Note 1 of the Appendix to this Report, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or statement of comprehensive income, and/or cash flows.

Directors' responsibility

The Directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making such enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our procedures included:

- a consistency check of the application of the stated basis of preparation, to the Historical and Pro Forma Historical Financial Information;
- a review of the Company's, Hemp-Industries and their auditors' work papers, accounting records and other documents;
- enquiry of directors, management personnel and advisors;
- consideration of subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report; and
- performance of analytical procedures applied to the pro forma historical financial information.

A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendix to this Report, and comprising:

- the Statement of Comprehensive Income of Hemp-Industries for each of the three years ended 31 December 2015; and
- the Statement of Financial Position as at 31 December 2015 of the Company and Hemp Industries,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix to this Report.

The Company did not trade in the period from Incorporation to 31 December 2015 and as such no financial performance was recorded.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in the Appendix to this Report, and comprising the Consolidated Statements of Financial Position as at 31 December 2015 of both the Company and Hemp-Industries are not presented fairly in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix of this Report.

Restriction on Use

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Responsibility

RSM has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM has not authorised the issue of the Prospectus. Accordingly, RSM makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Disclosure of Interest

RSM does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. RSM will receive a professional fee for the preparation of this Report.

Yours faithfully

Andrew Gilmour

A J GILMOUR
Director

HEMP-INDUSTRIES S.R.O
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENEDED 31 DECEMBER 2015, 31 DECEMBER 2014 AND 31 DECEMBER 2013

	Audited 31-Dec-15 A$	**Audited 31-Dec-14 A$**	**Audited 31-Dec-13 A$**
Revenue and other income	122,416	20,925	-
Cost of goods sold	(140,170)	(29,376)	(249)
Depreciation expense	(4,029)	(93)	-
Finance costs	(146)	(28)	-
General administrative expenses	(3,246)	(675)	-
Loss before income tax	**(25,077)**	**(9,246)**	**(249)**
Income tax expense	(709)	(707)	-
Net loss for the year	**(25,785)**	**(9,953)**	**(249)**
Foreign currency translation	4	-	-
Total comprehensive loss for the period	**(25,781)**	**(9,953)**	**(249)**

Investors should note that past results are not a guarantee of future performance.

The Euro denominated results of Hemp-Industries have been translated to Australian Dollars using average exchange rates in respect of each financial year ended.

CRESO PHARMA LTD
CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Creso Audited 31-Dec-15 $	Hemp-Industries Audited 31-Dec-15 $	Subsequent events Reviewed 31-Dec-15 $	Pro forma Adjustments Reviewed 31-Dec-15 $	Pro Forma Consolidated Reviewed 31-Dec-15 $
CURRENT ASSETS						
Cash and cash equivalents	**4**	1	73,171	1,005,500	4,501,680	5,580,352
Trade and other receivables		800	9,521	-	-	10,321
Inventory		-	72,654	-	-	72,654
TOTAL CURRENT ASSETS		**801**	**155,346**	**1,005,500**	**4,545,180**	**5,663,327**
NON-CURRENT ASSETS						
Plant and equipment		-	11,512	-	-	11,512
Intangible assets	**5**	-	-	-	336,300	336,300
TOTAL NON-CURRENT ASSETS		-	**11,512**	-	**336,300**	**347,812**
TOTAL ASSETS		-	**166,858**	**1,005,500**	**4,837,980**	**6,011,139**
CURRENT LIABILITIES						
Trade and other payables		-	16,844	-	-	16,844
Tax liabilities		-	954	-	-	954
Other current liabilities		-	65,698	-	-	65,698
Provisions		-	148	-	-	148
Borrowings		-	51,004	-	-	51,004
TOTAL CURRENT LIABILITIES		-	**134,648**	**-**	**-**	**134,648**
NET ASSETS		**801**	**32,210**	**1,005,500**	**4,837,980**	**5,876,491**
EQUITY						
Issued capital	**6**	801	7,385	959,136	4,244,309	5,211,631
Reserves	**7**	-	60,852	128,722	557,644	747,218
Accumulated Losses	**8**	-	(36,027)	(82,358)	36,027	(82,358)
TOTAL EQUITY		**801**	**32,210**	**1,005,500**	**4,837,980**	**5,876,491**

The audit reviewed ("Reviewed") consolidated pro forma statement of financial position represents the audited statement of financial position of the Company and Hemp-Industries as at 31 December 2015 adjusted for the subsequent events and pro forma transactions outlined in Note 1 of this Appendix. It should be read in conjunction with the notes to the historical and pro forma financial information.

The Euro denominated results of Hemp-Industries have been translated to Australian Dollars using a closing rate of 1.477:1 as at 31 December 2015.

1. Introduction

The financial information set out in this Appendix consists of the statement of financial position as at 31 December 2015 and the statement of comprehensive income for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 ("Historical Financial Information") together with a pro forma consolidated statement of financial position reflecting the Directors' pro forma adjustments ("Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information has been compiled by adjusting the consolidated statements of financial position of the Company and Hemp-Industries for the impact of the following subsequent events and pro forma adjustments.

Adjustments adopted in compiling the Pro Forma Historical Financial Information

The Pro Forma Historical Consolidated Information has been prepared by adjusting the historical financial information to reflect the financial effects of the following subsequent events which have occurred in the period since 31 December 2015 and the date of this Report:

(i) The issue of 6,750,000 Shares on 19 January 2016 and 6,000,000 Shares on 22 February 2016 at $0.01 each as seed capital;
(ii) The issue of 7,237,500 Shares on 13 April 2016, 2,325,000 Shares on 21 June 2016, 1,187,500 Shares on 14 July 2016 and 225,000 Shares on 18 July 2016 at $0.08 each as seed capital;
(iii) The issue of 250,000 options on 13 June 2016 exercisable at $0.40 each with a 2 year expiry ("SB Options");
(iv) The issue of 400,000 options on 21 June 2016 exercisable at $0.40 each with a 4 year expiry ("Scientific Committee Options");
(v) The issue of 400,000 performance rights prior to the Offer in accordance with the Company's Performance Rights Plan (20,000,000 Performance Rights were on issue at 31 December 2015);

and the following pro forma transactions which are yet to occur, but are proposed to occur following completion of the Offer and the Acquisition:

(vi) The issue of 25,000,000 ordinary Creso Shares at $0.20 each to raise $5,000,000 pursuant to the Offer;
(vii) The payment of cash costs related to the Offer estimated to be $454,820;
(viii) The issue of 2,500,000 broker options in relation to the offer, exercisable at $0.20 each with a 3 year expiry ("Broker Options");
(ix) The issue of up to 2,886,250 options (assuming full subscription) to Biolingus in relation to the offer ("Biolingus Options");
(x) The issue of 1,000,000 ordinary Shares and 1,000,000 performance Shares in the capital of Creso that convert on a one for one basis and the payment of €30,000 cash (which has been paid) as consideration for the Acquisition of 100% of the issued capital of Hemp-Industries.

The Pro Forma Consolidated Financial Information has been presented in abbreviated form and does not contain all the disclosures usually provided in an Annual Report prepared in accordance with the *Corporations Act 2001.*

2. Statement of significant accounting policies

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board and the Corporations Act 2001.

The significant accounting policies that have been adopted in the preparation and presentation of the historical and the Pro forma Historical Financial Information are:

(b) Basis of measurement

The historical and pro forma financial information has been prepared on the historical cost basis except for financial instruments classified at *fair value through profit or loss*, which are measured at fair value.

(c) Functional and presentation currency

These historical and pro forma financial information has been presented in Australian dollars which is the Group's functional currency. The historical and pro forma financial information of Hemp-Industries have been translated from Euros to Australian Dollars in accordance with international financial reporting standards.

(d) Principals of consolidation

The historical and pro forma financial information incorporates the assets, liabilities and result of entities controlled by the Company at the end of the reporting period. A controlled entity is an entity over which the Company has the ability or right to govern the financial and operating policies so as to obtain benefits from the entity's activities. In preparing the historical and pro forma financial information, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. Where controlled entities have entered or left the consolidated entity during the year, the

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(f) Going concern

The historical and pro forma financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

(g) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

(g) Business combinations (continued)

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit and loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

(h) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(j) Trade and Other Receivables

All trade debtors are recognised initially at the transaction price (i.e. cost) less any provision for impairment and allowance for any uncollectable amounts. Receivable terms for the group are due for settlement within 4-30 days from the date of the invoice. Collectability of trade debtors is reviewed on an ongoing basis.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other assets are classified as non-current assets.

At the end of each reporting period, the carrying amount of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

When identified, debts which are known to be uncollectible are written off.

(k) Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes all costs of acquisition, construction and development, and capitalised borrowing costs.

(l) Plant and equipment

All plant and equipment are carried at cost less accumulated depreciation.

Plant and equipment is measured on the cost basis and are therefore carried at cost less accumulated depreciation and any impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the bases of the expected net cash flows that will be received from the assets employed and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

The cost of constructed plant and equipment includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(m) Depreciation

Depreciation on plant and equipment is calculated on a straight line balance basis over their useful lives. Depreciation commences from the time the asset is held ready for use. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater that it's estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. The gains or losses are included in the statement of profit or loss and other comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(n) Intangible Assets

Intangible assets acquired, either individually or with a group of assets, are initially recognised and measured at cost. Intangible assets with finite lives are amortised over their estimated useful lives using the straight-line method based on the determined useful life of the asset.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously-recognised impairment loss, is recognised immediately in profit or loss.

(o) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Share-based payment transactions

The Company provides benefits to employees and other parties in the form of share based payments, whereby the employees and parties provide services in exchange for shares and other securities in the Company. The cost of the equity settled share based payment transactions is determined by reference to the fair value of the equity instruments granted.

The fair value of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance/ and or service conditions are fulfilled ("vesting period").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) The grant date fair value;

(ii) The extent to which the vesting period has expired; and

(iii) The number of equity instruments that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for equity instruments that do not ultimately vest, except for equity instruments where vesting is conditional upon a market condition.

(q) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Tax consolidation

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

3. Business Combinations

	Note	Hemp-Industries Audited 31-Dec-15	Pro Forma Adjustments 31-Dec-15	Pro Forma Reviewed 31-Dec-15
Assets				
Cash and cash equivalents[1]		73,171	-	73,171
Trade and other receivables		9,521	-	9,521
Inventory		72,654	-	72,654
Property, plant and equipment		11,512	-	11,512
Intangible assets		-	336,300	336,300
Total assets		166,858	336,300	503,158
Liabilities				
Trade and other payables		16,844	-	16,844
Tax liabilities		954	-	954
Other current liabilities		65,698	-	65,698
Provisions		148	-	148
Borrowings		51,004	-	51,004
Total liabilities		134,648	-	134,648
Net assets of Hemp-Industries Acquired				**368,510**
Fair value of Shares issued on Acquisition	(x)			200,000
Pro forma fair value of Performance Shares Issued on Acquisition	(x)			125,010
Cash consideration on Acquisition [1]	(x)			43,500
Purchased Consideration Transferred				**368,510**

(1) The €30,000 cash consideration transferred to Hemp-Industries as part of the Acquisition has been converted to Australian Dollars at a rate of 1.45:1.

The Acquisition has been treated as a business combination. The assets and liabilities of the Acquisition (including intangible assets) have been recognised at estimated fair value. The fair value of intangible assets has been estimated on a provisional basis.

4. Cash and cash equivalents

	Note	Creso Audited 31-Dec-15	Pro Forma Reviewed 31-Dec-15
Cash and cash equivalents		1	5,580,352
Creso Cash and cash equivalents at 31 December 2015			1
Subsequent events summaries as follows:			
Proceeds from issue of 12,750,000 seed #1 shares	(i)		127,500
Proceeds from issue of 10,975,000 seed #2 shares	(ii)		878,000
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:			
HI cash and cash equivalents as at 31 December 2015			73,171
Proceeds from Offer pursuant to the Prospectus	(vi)		5,000,000
Capital raising costs	(vii)		(454,820)
Cash consideration transferred as part of Acquisition[(1)]	(x)		(43,500)
Pro Forma cash and cash equivalents			**5,580,352**

(1) The €30,000 cash consideration transferred to Hemp-Industries as part of the Acquisition has been converted to Australian Dollars at a rate of 1.45:1.

Convertible Loan Agreement

In connection with the Acquisition, the Company and Hemp-Industries entered into a convertible loan agreement pursuant to which the Company advanced to Hemp-Industries a loan of €130,000 which is deemed to eliminate upon consolidation in the pro forma accounts of Creso.

The terms of this loan are set out in Section 11.2 of the Prospectus.

5. Intangible assets

	Note	Creso Audited 31-Dec-15 $	Pro Forma Reviewed 31-Dec-15 $
Intangible assets		-	336,300
Creso Intangible assets at 31 December 2015			-
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:			
Intangibles Assets on Acquisition of Hemp-Industries			336,300
Pro Forma Intangible assets			**336,300**

6. Issued Capital

	Note	Number of Shares	$
Incorporation capital as at 31 December 2015		8,000,001	801
Subsequent events are summarised as follows:			
Shares issued as seed at $0.01 per Share	(i)	12,750,000	127,500
Shares issued as seed at $0.08 per Share	(ii)	10,975,000	878,000
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:			
Fully paid ordinary Shares issued at $0.20 pursuant to this Prospectus	(vi)	25,000,000	5,000,000
Cash costs associated with the Share issue pursuant to this Prospectus	(vii)	-	(454,820)
Broker Options to be issued in relation to the Offer	(viii)	-	(312,525)
Scientific Committee Options issued in relation to the Offer	(iv)	-	(46,364)
Biolingus Options to be issued in relation to the Offer	(ix)	-	(305,971)
Ordinary Shares issued as consideration for Acquisition	(x)	1,000,000	200,000
Performance Shares issued as consideration for Acquisition	(x)	-	125,010
Pro forma issued share capital		**57,725,001**	**5,211,631**

(a) Performance Shares

In addition to the 1,000,000 ordinary shares issued to the shareholders of Hemp-Industries at settlement of the Acquisition, the Company will issue 1,000,000 consideration by way of Performance Shares. The pro forma fair value of the Performance Shares is $125,010 based on management's best estimates which assumes the required performance milestone will be achieved.

For full terms of the Performance Shares refer to section 12.6 of the Prospectus.

7. Reserves

	Note	Creso Audited 31-Dec-15	Pro Forma Reviewed 31-Dec-15
Reserves		-	747,218
Creso reserves at 31 December 2015			-
Subsequent events are summarised as follows:			
Share based payments expense related to SB Options issued	(iii)		18,198
Share based payments expense related to Performance Rights issued	(v)		64,160
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:			
Broker Options to be issued in relation to the Offer	(viii)		312,525
Scientific Committee Options issued in relation to the Offer	(iv)		46,364
Biolingus Options to be issued in relation to the Offer	(ix)		305,971
Pro forma reserves			**747,218**

(a) Options

All Options have been valued using a standard binomial pricing model based on the fair value of a Creso Share at the grant date, assuming full subscription of the Offer and that all performance milestones will be achieved using the following assumptions:

Assumptions	SB Options	Scientific Options	Broker Options	Biolingus Options
Stock price	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Exercise price	$ 0.40	$ 0.40	$ 0.20	$ 0.20
Expiry period	2 years	4 years	3 years	4 years
Expected future volatility	100%	100%	100%	100%
Risk free rate	2%	2%	2%	2%
Dividend yield	0%	0%	0%	0%

The terms and conditions for each set of options are set out in sections 12.3 and 12.4 of the Prospectus.

(b) Performance Rights

On 15 December 2015, 20,000,000 Performance Rights were awarded across four tranches in accordance with the Company's adopted Performance Rights Plan. On 13 June 2016 the Company awarded a further 400,000 Performance Rights across two tranches in accordance with the Plan.

Using a standard binomial pricing model, the stock price for each tranche is based on the fair value of a Creso Share at the grant date, being $0.0001 for the 15 December 2015 Performance Rights and $0.20 for the 13 June 2016 Performance Rights, resulting in fair values for each set of rights of $nil and $64,160 respectively using the following assumptions:

Assumptions	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Target price	$ 0.30	$ 0.40	N/A(1)	N/A(1)
Expiry period	1 year	2 years	3 years	4 years
Expected future volatility	100%	100%	100%	100%
Risk free rate	2%	2%	2%	2%
Dividend yield	0%	0%	0%	0%

(1) The valuation assumes that the non-market performance targets required by Tranches 3 & 4 will be achieved.

The terms of the four tranches of Performance Rights are set out in section 12.5 of the Prospectus.

8. Accumulated Losses

	Note	Creso Audited 31-Dec-15	Pro Forma Reviewed 31-Dec-15
Accumulated Losses		-	(82,358)
Creso accumulated losses at 31 December 2015			-
Subsequent events are summarised as follows:			
Share based payments expense related to SB Options issued	(iii)		(18,198)
Share based payments expense related to Performance Rights issued	(v)		(64,160)
Pro forma accumulated losses			**(82,358)**

9. Related party disclosure

The pro forma Directors of Creso will be Boaz Wachtel, Dr. Miri Halperin Wernli, Adam Blumenthal, James Ellingford and Simon Buckingham. Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 2.19 of the Prospectus.

10. Commitments and Contingent liabilities

The Company and Hemp-Industries had no commitments or contingent liabilities as at 31 December 2015.

11. Controlled entities

Consolidated Entities	Country of Incorporation	Pro forma interest held
Creso Pharma Limited	Australia	Parent
Hemp-Industries s.r.o	Slovakia	100%
Creso Pharma Switzerland GmbH	Switzerland	100%

Creso Pharma Switzerland GmbH was incorporated in Switzerland on or around 11 April 2016 and had 200 fully paid quotas (shares) at incorporation.

10. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

10.1 Directors and key personnel

Boaz Wachtel
Executive Chairman

Refer to Section 2.16 of the Prospectus for biography.

Dr. Miri Halperin Wernli
Managing Director

Refer to Section 2.16 of the Prospectus for biography.

Adam Blumenthal
Non-Executive Director

Refer to Section 2.16 of the Prospectus for biography.

James Ellingford
Non-Executive Director

Refer to Section 2.16 of the Prospectus for biography.

Simon Buckingham
Non-Executive Director

Refer to Section 2.16 of the Prospectus for biography.

Management, Consultants and Advisers

The Company is aware of the need to have sufficient management to properly supervise its development and research programmes and the Board along with relevant advisers will continually monitor the management roles in the Company.

Currently, in addition to the Board, the Company has appointed two members to the Scientific Advisory Committee as well as the expertise and support of other advisers to assist in the achievement of the Company's goals, specifically in relation to the development and commercialisation of the Company's products.

For further information in respect of these advisers please refer to Section 2.17 of the Prospectus.

Additionally, Hemp-Industries has two co-managing directors Roman Strechaj and Michal Masek who will remain in their positions following the Company's acquisition of Hemp-Industries. Refer to Section 2.16 of the Prospectus for the biographies of Mr Strechaj and Mr Masek.

As the Company's projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.

10.2 Performance Rights Plan

The Company has adopted a Performance Rights Plan under which eligible participants may be awarded rights to acquire Shares subject to the achievement of certain performance targets or milestones, usually within a fixed time period. The eligible participants include full or part time employees or Directors (executive or non-executive).

As at the date of this Prospectus, 20,400,000 Performance Rights have been awarded. Further details of these Performance Rights on issue and the Performance Rights Plan are set out in sections 12.5 and 12.7 of the Prospectus.

10.3 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section on the Company's website www.cresopharma.com.

Board of directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

In accordance with the Constitution, the total maximum remuneration of non-executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $300,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (in the case of Directors), the Managing Director (in the case of the Chairman and other key management personnel) or Board (in all cases) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

10.4 Departures from Recommendations

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	YES	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, the requirements as to the Board's composition, the roles and responsibilities of the Chairman, Company Secretary and management, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is contained in its Corporate Governance Plan which is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	(a) The Company's Corporate Governance Plan requires the Board to undertake appropriate checks as to the character, experience, education, criminal record and bankruptcy history of the candidate before appointing a person, or putting forward to security holders a candidate for election, as a Director. (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in any notice of meeting pursuant to which the resolution to elect or re-elect such Director will be voted on.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. The respective engagement terms of each director and senior executive is summarised within this Prospectus.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Board Charter outlines the role, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the Chair, on all matters relating to the proper functioning of the Board.

Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	PARTIALLY	(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company's progress in achieving them. (b) The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company's website. (c) The Board does not presently intend to set measurable gender diversity objectives because: - it is the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; - if it becomes necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit; and - the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) for each financial year will be disclosed in the Company's Annual Report. The Company notes that it currently has a woman CEO as well as a female representative on the Scientific Advisory Committee.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its	YES	(a) The Board (in the absence of a Nominations Committee) is responsible for evaluating the performance of the Board and individual Directors on an

committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.		annual basis, with the aid of an independent advisor, if deemed required. The process for this can be found in Schedule 5 of the Company's Corporate Governance Plan. (b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(a) The Board (in the absence of a Remuneration Committee) is responsible for overseeing performance evaluations of senior executives on an annual basis. The process for this can be found in Schedule 4 of the Company's Corporate Governance Plan. (b) The Company's Corporate Governance Plan requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period and details of the performance evaluations conducted to be contained in the Company's annual reports.
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to	YES	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. Pursuant to clause 1(a) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee. The duties of the Nomination Committee are outlined in the Nomination Committee Charter contained in the Company's Corporate Governance Plan which is available on the Company's website. The Board devotes time on an annual basis to discuss Board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with Recommendation 2.2) to assess the appropriate balance

discharge its duties and responsibilities effectively.		of skills, experience, independence and knowledge of the entity.
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	PARTIALLY	Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, or if one has not yet been established, the Board) is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. The Board has not yet developed a specific skill matrix. The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. This role will be performed by the full Board (in the absence of a Nomination Committee). Once adopted, the Company will disclose the Board skill matrix in, or in conjunction with, its Annual Reports.
Recommendation 2.3 **A listed entity should disclose:** (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	YES	(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. The current independent Directors of the Company are: - James Ellingford (Non-Executive Director); and - Simon Buckingham (Non Executive Director). Miriam Halperin Wernli, Managing Director, is not considered to be independent due to her executive role as Managing Director of the Company. Boaz Wachtel, Chairman, is not considered to be independent due to his executive role in the Company. Adam Blumenthal, Non-Executive Director, is not considered to be independent due to his interest in the securities of the Company and his relationship with the Lead Manager to the Offer. The names of the Directors considered by the Board to be independent will be disclosed on the Company's website and in its Annual Reports.

		(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions, associations and relationships are provided in this Prospectus. (c) The Board Charter requires the disclosure of the length of service of each Director. The Directors in office at the date of this Prospectus have served continuously since their respective dates of appointment which are as follows: - Boaz Wachtel: appointed 20 November 2015; - Miriam Halperin Wernli: appointed 20 November 2015; - Adam Blumenthal: appointed 20 November 2015; and - James Ellingford: appointed 20 November 2015; and - Simon Buckingham appointed 24 May 2016.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	NO	The Board Charter requires that where practical the majority of the Board will be independent. As at the date of this Prospectus, the following two of the Company's five directors are considered to be independent: - Simon Buckingham (Non-Executive Director); and - James Ellingford (Non-Executive Director). Miriam Halperin Wernli, Managing Director, is not considered to be independent due to her executive role as Managing Director of the Company. Boaz Wachtel, Chairman, is not considered to be independent due to his executive role in the Company. Adam Blumenthal, Non-Executive Director, is not considered to be independent due to his interest in the securities of the Company and also his interest in the Lead Manager to the Offer. Details of each Director's independence are provided in this Prospectus.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	NO	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. The Chairman, Boaz Wachtel is an executive director and is therefore not considered independent. Mr Wachtel is not the same person as the Managing Director of the Company.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	In accordance with the Company's Board Charter, the Nominations Committee (or, in its absence, or if one has not yet been established, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development.
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	YES	(a) The Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is contained in its Corporate Governance Plan which is available on the Company's website.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	YES	(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company does not currently have an Audit and Risk Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are contained in the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board devotes time annually to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before the Board approves the entity's financial statements for a financial period, the CEO/MD and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	YES	(a) The Company has adopted a Continuous Disclosure Policy which is set out within the Company's Corporate Governance Plan and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Corporate Governance Plan is available on the Company's website.
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which is available on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to Shareholders. The Strategy is contained in the Company's Corporate Governance Plan which is available on the Company's website.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	As per the Company's Shareholder Communications Strategy, Shareholders will be encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries should be referred to the Company Secretary at first instance.

Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	YES	(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company currently does not have an Audit and Risk Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in the Audit and Risk Committee Charter contained in the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board devotes time annually to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	YES	(a) The Company's process for risk management and internal compliance includes a requirement on the Board to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. The Company has adopted a Risk Management Policy which is contained within the Company's Corporate Governance Plan and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) For each reporting period following the Company's admission to the Official List of the ASX, the Company will disclose in its annual report whether a review of the Company's risk management framework was undertaken in line with its *Risk Management Policy*.
Recommendation 7.3 A listed entity should disclose:	YES	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have an internal audit function.

(a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.		The Audit and Risk Committee Charter of the Company's Corporate Governance Plan provides for a future internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	The Company's Risk Management Policy details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures. To the extent the Company is exposed to economic, environmental and social sustainability risks, the Company has disclosed such risks in this Prospectus and the Company intends to disclose such information in future annual reports.
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	YES	(a) Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The role and responsibilities of the Remuneration Committee are outlined in the Remuneration Committee Charter which is contained within the Company's Corporate Governance Plan which is available on the Company's website. (b) The Board will devote time on an annual basis to fulfil the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior

		executives and ensuring that such remuneration is appropriate and not excessive.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed on the Company's website.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	YES	(a) The Company's Remuneration Committee Charter states that, in the absence of a Remuneration Committee, the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Remuneration Committee Charter also states that the Remuneration Committee must review and approve any equity based plans. (b) A copy of the Remuneration Committee Charter is contained in the Company's Corporate Governance Plan which is available on the Company's website.

11. MATERIAL CONTRACTS

All contracts which may be material in terms of the Offer or the operation of the business of the Company are summarised below.

11.1 HI Agreement - Agreement to Acquire Hemp-Industries

The Company and the shareholders of Hemp-Industries (**HI Shareholders**) entered into a heads of agreement, as subsequently varied, ((**HI Agreement**) pursuant to which the Company agreed to acquire 100% of the issued capital in HI from the HI Shareholders (**Acquisition**). The material terms of the HI Agreement are as follows:

(a) **Consideration**:

(i) in consideration for entering into the HI Agreement the Company have paid the HI Shareholders a total of €30,000; and

(ii) subject to satisfaction of the Conditions (set out below), in consideration for the Acquisition the Company will issue the HI Shareholders with:

(A) a total of 1,000,000 Shares; and

(B) a total of 1,000,000 Performance Shares (for a summary of the Performance Share terms refer to Section 12.6 of the Prospectus),

(together the **Consideration Securities**).

(b) **Conditions Precedent:** settlement of the Acquisition (**HI Settlement**) is conditional upon the satisfaction (or waiver) of the following outstanding conditions occurring prior to 9 September 2016 or as otherwise extended by the parties (**Conditions**):

(i) the Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the parties to lawfully complete the matters set out in the HI Agreement. This includes ASX granting the Company conditional approval to have its Shares listed on the Official List and the Company being satisfied in its absolute discretion that those conditions are capable of being satisfied;

(ii) Hemp-Industries entering into an agreement with Austrian partnership Hemp M&S OG, which is owned and operated by the HI Shareholders, in respect of the commercial operations of Hemp M&S OG to the sole satisfaction of the Company;

(iii) the Company raising no less than $3 million via an offer of Shares, which will be achieved through the completion of the Offer; and

(iv) each HI Shareholder entering into a restriction agreement agreeing to an escrow period of 24 months in respect of their Consideration Securities.

(c) **Budget:** until settlement occurs, HI will comply with a pre-agreed budget between the Company and HI (**Budget**).

(d) **Working Capital Loan:** The Company have provided to HI a convertible loan in the amount of €130,000 to cover the budgeted cost for processing the 2015/16 flowers according to the Budget. The terms of this loan are set out in Section 11.2 of this prospectus.

(e) **Board membership:** following the HI Settlement, the parties agree that the board of directors of HI shall be constituted by each of the HI Shareholders and two nominees of the Company.

The HI Agreement otherwise contains terms, conditions, representations, warranties and restrictions which are customary for an agreement of its nature.

11.2 HI Convertible Loan Agreement

In connection with the HI Agreement, the Company and Hemp-Industries entered into a convertible loan agreement pursuant to which the Company advanced to Hemp-Industries a loan of €130,000 (**Loan**), which Hemp-Industries must use to cover the budgeted cost for processing the 2015/2016 flowers according to the Budget (**Convertible Loan Agreement**). The material terms of the Convertible Loan Agreement are as follows:

(a) **Interest**: The Loan is interest free unless there is an event of default, in which case interest shall accrue at a rate of 10% per annum from the date of advance of the Loan.

(b) **Repayment or conversion**: On the earlier to occur of:

(i) in the event the HI Agreement is terminated, the date that is 12 months from the date of advance of the Loan; or

(ii) 5 Business days after the date Hemp-Industries receives a notice of default from the Company,

any outstanding amounts borrowed under the Convertible Loan Agreement (**Outstanding Monies**) are, at Hemp-Industries' election, to be repaid either:

(iii) in cash; or

(iv) by conversion into newly issued fully paid ordinary shares in the capital of Hemp-Industries (**HI Shares**) equal to the value of the Outstanding Monies, at an issue price per HI Share determined by an independent valuation expert registered with the Slovak court.

(c) **Security**: The Loan is unsecured.

(d) **Other terms**: The Convertible Loan Agreement contains representations, warranties, events of default and other terms considered standard for an agreement of this nature.

11.3 Agreements relating to development and commercialisation of products

11.3.1 BioLingus Agreement

The Company has entered into a development collaboration and licence agreement with BioLingus (**BioLingus Agreement**).

The key terms of the BioLingus Agreement are as follows:

(a) **Development Phase**: the Company and BioLingus will work together to develop formulations or other products for human or veterinary use that deliver Cannabinoid Extract using the existing BioLingus Technology and any results obtained through the development phase (**BioLingus Product**).

(b) **Joint Development Committee:** a joint development committee (**JDC**) will be formed to oversee the development phase (which will consist of two nominees of the Company and two nominees of BioLingus).

(c) **Finance:** The Company will finance the development activities approved by the JDC.

(d) **Manufacturing of BioLingus Products:** following the development phase the parties agree to enter into a manufacturing agreement which will set out the terms and conditions of the manufacturing for relevant BioLingus Products.

(e) **Licence:** BioLingus grants to the Company separate exclusive licences (or sub-licences, as applicable), in the field of human and veterinary applications of Cannabinoid Extracts:

(i) to practice under the BioLingus patent rights; and

(ii) to utilise the BioLingus know-how,

worldwide, and to Commercialise any BioLingus Products. The Company may sublicense such rights.

The Licence will become non-exclusive in certain countries if, after the date that is 3 years following the Company being admitted to the Official List of the ASX, there have been no BioLingus Products launched in those countries.

(f) **Term:** unless terminated or extended, the BioLingus Agreement continues until the later of the last patent affecting a BioLingus Product expires or 10 years from the first commercial sales to occur of any BioLingus Product.

(g) **Payment:** In consideration for the Licence, the Company:

(i) paid BioLingus 25,000 CHF;

(ii) will pay BioLingus:

(A) a royalty to BioLingus of the net sales of each BioLingus Product, the amount of this royalty will range depending on the revenue generated from sales and whether or

not there is a valid claim in relation to the relevant BioLingus Product;

(B) a success fee on the successful launch of each new type of BioLingus Product; and

(C) a royalty on any upfront cash payment received by the Company in consideration for a sublicense and certain other third party payments received by Creso Pharma not included in net sales; and

(iii) will issue to BioLingus (or its nominee) that number of Options equal to 5% of the number of Shares that will be on issue in the Company at the time of admission to Quotation on ASX (**BioLingus Options**). The full terms of the BioLingus Options are set out in Section 12.3 of this Prospectus.

(h) **Improvements:** all intellectual property rights in any improvement to the BioLingus Technology created or developed by or on behalf of BioLingus will remain the sole property of BioLingus. BioLingus grants to the Company a licence to Commercialise the intellectual property rights in any improvement owned by BioLingus for no additional consideration.

All intellectual property rights in the results from the development activities shall be owned by the Company. Excluded from this are any Micro-Encapsulation process or equipment design related intellectual property.

(i) **Termination:** the Collaboration and Licence Agreement may be terminated as follows:

(i) by either Collaboration Partner by written notice in the event of insolvency.

(ii) by BioLingus, within 75 days of giving written notice if:

(A) the Company fails to make a payment due; or

(B) there is a material breach or default by the Company.

Where BioLingus is permitted to terminate the agreement in accordance with 11.3.1(i)(i) or 11.3.1(i)(ii), it may, choose to convert the Licence to a non-exclusive licence by giving at least 75 days written notice to the Company.

On expiry or termination of the BioLingus Agreement in any other manner, the Company will have an irrevocable, paid up, royalty-free license or sublicense, as applicable (including the right to grant sublicenses), to Commercialise the licensed intellectual property worldwide.

The BioLingus Agreement otherwise contains terms, conditions and restrictions which are customary for an agreement of its nature.

11.3.2 Soft Gums - INNutri Agreement

On 11 April 2016, the Company and iNNutriGEL AG (**iNNutriGEL**) signed a letter of intent to agree formal terms upon which iNNutriGEL will, subject to feasibility and development testing, grant the Company an exclusive licence to Commercialise Soft Gums™ that include Cannabis Ingredients (**Soft Gums™ Products**) (**Soft Gums Licence**).

(a) **Technical feasibility and development testing**: The grant of the Soft Gums Licence is subject to Creso Pharma's election following a series of technical feasibility and development tests conducted by iNNutriGEL and a certified iNNutriGEL manufacturer with the aim of developing Soft Gums™ Products. The technical feasibility and development testing will be funded by Creso Pharma.

(b) **Licence Agreement**: The Company has 6 months following admission to the Official List of the ASX to confirm that it wishes to continue with the Soft Gums Licence, at which time the Company and iNNutriGEL will enter into a separate full form licence agreement (**Licence Agreement**).

(c) **Licence**: The Soft Gums Licence will permit the Company to:

(i) have manufactured Soft Gums™ Products by a certified iNNutriGEL manufacturer;

(ii) sell and distribute or have sold and distributed Soft Gums™ Products worldwide for the treatment and prevention of medical conditions or diseases in humans and animals; and

(iii) use the essential and identifiable knowledge, processes, raw materials, products thereof, constructions or technical and design concepts or information relating to iNNutriGEL's granted patents in connection with the Soft Gums™ Products.

It is intended that pursuant to the Licence Agreement, the Company will be permitted to sub-licence the rights conferred by the Soft Gums Licence to any of its affiliates.

(d) **Exclusivity:** The Licence will be exclusive for the first 3 years (**Initial Period**) and if Creso Pharma does not achieve the minimum sales volumes following the Initial Period iNNutriGEL will be free to grant further non-exclusive licences to third parties.

(e) **Consideration**: In consideration for the grant of the Soft Gums Licence, it is currently agreed that the Company shall pay to iNNutriGEL:

(i) an initial fee of CHR 50,000 on execution of the formal Licence Agreement;

(ii) an earned royalty on worldwide cumulative net sales of Soft Gums™ Products sold by Creso Pharma, its affiliates and any sublicenses and any non-royalty based sublicense income received by Creso Pharma that in isolation exceeds $25,000 at varying rates throughout the term;

(iii) a sublicense fee of any non-royalty based sublicense income received by Creso Pharma that, in isolation is below $25,000.

(f) **Termination**: If the parties do not enter into the formal Licence Agreement by 31 March 2017, the Letter of Intent will end with no further obligations to the parties, except with regards to confidentiality.

Creso Pharma confirms, that following Admission to the Official List, it will keep the market updated on the results of the technical feasibility and development testing and the Licence Agreement.

11.3.3 Glatt Pharmaceuticals Agreement

The Company has entered into a pharmaceutical development agreement (**Glatt Agreement**) with Glatt pursuant to which Glatt will provide the Company with process technology machines and equipment together with operating personnel and other pharmaceutical product services including, product formulation, process development, product testing and clinical supply manufacturing services (**Service**) in order to produce a product containing Cannabis Ingredients (**Glatt Product**).

(a) **Term**: Subject to termination, the Glatt Agreement will remain in force for a period of 5 years from the date of execution.

(b) **Work Orders**: The Glatt Agreement provides a general framework that allows the parties to contract in multiple steps through the issuance of multiple work orders (**Work Orders**), without having to negotiate the basic terms and conditions for each specific Service. In consideration for Glatt conducting the Service, the Company shall pay to Glatt the price for the Service as specified in each Work Order.

(c) **Intellectual Property Rights**: All intellectual property rights in results which are improvements or modifications to Glatt's existing intellectual property (**Glatt Results**) but which do not relate directly to a Glatt Product, shall be the property of Glatt. To the extent any Glatt Results are required for the manufacture, commercialisation, or other exploitation of a Glatt Product, Glatt grants to Creso Pharma a non-exclusive, worldwide, sub-licensable, perpetual, royalty-free license to use such Glatt Results. All intellectual property rights in results generated during the course of the Services which are not Glatt Results shall be the sole and exclusive property of the Company.

(d) **Termination**: The Glatt Agreement may be terminated by either party giving notice to the other party of at least 2 months. The Glatt Agreement and any Work Order may be terminated immediately by either party (with written notice to the other party), in the event of an unrectified material breach, if certain insolvency events occur or where a significant health, safety, environmental or other change results in an assessment by Glatt that its manufacturing plant is no longer eligible to provide the Service.

The Glatt Agreement is governed by the laws of Germany and otherwise contains terms, conditions and restrictions which are customary for an agreement of its nature.

11.3.4 Prairie Plant Systems Inc - Letter of intent

The Company and PPS signed a binding letter of intent, pursuant to which the parties agree, for a period of 90 days following the Company's admission to the Official List of the ASX (**Exclusivity Period**), to exclusively negotiate the terms of an exclusive commercial collaboration with regards to the development, production, supply and sale of medical cannabis products in Canada (**PPS LOI**).

The PPS LOI contemplates the parties entering into a definitive agreement whereby it is proposed that:

(a) The Company and PPS will enter into a partnership or other commercial arrangement (**Collaboration**) for both companies to develop and sell medical cannabis products in Canada.

(b) PPS will provide the Collaboration with the PPS Ingredients.

(c) Subject to the Company obtaining all necessary third party consents, the Company will provide the Collaboration with an exclusive sub-license of its proprietary delivery platform technology (**Delivery Technologies**) in the field of treatment and/or prevention of any medical condition or disease in humans in the territory of Canada.

(d) The Collaboration will conduct the necessary technical development to develop and commercialise new therapeutic products comprising of the Delivery Technologies together with the PPS Ingredients.

(e) All costs of the feasibility testing, technical development and manufacturing of the products by the Collaboration will be split evenly between the Company and PPS.

(f) PPS will sell the products to patients in Canada, with the final formula for the sharing of revenue to be defined in the definitive agreement once the cost of manufacturing and marketing can be determined.

(g) All rights, title and interest in the intellectual property in the results of activities carried out by the Collaboration or otherwise in accordance with the terms of the PPS LOI (or as replaced by the definitive agreement) shall be owned jointly by the Company and PPS, as appropriate.

As part consideration for entering into the PPS LOI, the Company will provide PPS with access to its high level expertise in drug/product development in the cannabis field, comprising access to the Company's:

(a) significant expertise and experience in drug development and clinical research both for trial design and implementation and trial analysis; and

(b) contacts at clinical medical centres for the purpose of running clinical trials.

11.4 Hemp-Industries Co-Manager Agreements – Michal Masek and Roman Strechaj

As a condition precedent to the Company's acquisition of Hemp-Industries, Hemp-Industries has entered into co-managing director agreements with both Michal Masek and Roman Strechaj (**HI Co-Managers**) (**Co-Manager Agreements**).

The material terms of the Co-Manager Agreements are as follows:

(a) **Remuneration:** Hemp-Industries shall pay each of the HI Co-Managers:

(i) a base salary, subject Hemp-Industries' approved budget for each financial year, which for the 2016 financial year will be €1,500, with the salary for the 2017 – 2019 financial years projected to be €2,000, €3,000 and €4,000 respectively;

(ii) an annual bonus equal to one per cent (1%) of the sales revenue of Hemp-Industries and its related distribution companies achieved in each final year; and

(iii) such additional bonuses as the general meeting of Hemp-Industries determines, in accordance with Hemp-Industries' budget for each financial year.

(b) **Termination:** Hemp-Industries and the HI Co-Managers acknowledge that, regardless of the opinion of the other party, the Co-Managing Director Agreement will terminate:

(i) by dismissal of the Co-Managing Director by the shareholders of Hemp-Industries;

(ii) by the resignation of the Co-Managing Director pursuant to the Commercial Code (Act No. 513/1991 Coll.); or

(iii) by the death of the Co-Managing Director.

If the Company decides to dismiss the HI Co-Manager, in accordance with (b)(i), without cause (not as a result of a breach of duties of the HI Co-Manager) within the first 3 years of the Co-Manager Agreement, the Managing Director shall receive compensation equal to six (6) average monthly remuneration payments, to which the HI Co-Manager was entitled prior to the dismissal.

11.5 Agreements with Directors and Related Parties

Refer to Section 2.20 for summary of agreements entered into with Directors and their related entities.

12. ADDITIONAL INFORMATION

12.1 Litigation

As at the date of this Prospectus, our Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

12.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare

a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

12.3 Terms and conditions of Broker Options, BioLingus Options and SB Options

A summary of the terms and conditions of the Broker Options to be issued to EverBlu or their nominees, the BioLingus Options to be issued to BioLingus or their nominee and the SB Options which have been issued to director Simon Buckingham are set out below:

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (k),

(i) the amount payable upon exercise of each Broker Option and BioLingus Option will be $0.20; and

(ii) the amount payable upon exercise of each SB Option will be $0.40,

(**Exercise Price**);

(c) **Expiry Date**

(i) Each Broker Option will expire at 5:00 pm (WST) on the date which is 3 years from their date of issue;

(ii) each BioLingus Option will expire at 5:00 pm (WST) on the date which is 4 years from the date of Admission; and

(iii) each SB Option will expire at 5:00 pm (WST) of the date that is 2 years from the date of Admission,

(**Expiry Date**).

An Option not exercised before their respective Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Condition**

The BioLingus Options will not vest and may not be exercised until each of the following steps has been completed to the satisfaction of the JDC (defined in Section 11.3.1(b)) in its sole discretion, in relation to at least one sublingual formulation developed using the BioLingus Technology (or otherwise):

(i) initial formulation development;

(ii) validation in pharmacodynamics study in an animal model;

(iii) analytical development;

(iv) stability testing complying with food supplement requirement;

(v) CMC regulatory dossier to characterise the formulation; and

(vi) Production of first registration batch form pharm/food level GMP.

(e) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(g) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

(i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(j) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(k) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(m) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(n) **Unquoted**

The Company:

(i) will not apply for quotation of the Broker Options or SB Options on ASX; and

(ii) may, in its absolute discretion, apply for the BioLingus Options to be listed for Official Quotation on the ASX in the future. In the event that the BioLingus Options are listed for Official Quotation on the ASX in the future, the Company is under no obligation to

maintain the listing and may take any action that may result in the delisting of the BioLingus Options by the ASX.

(o) **Transferability**

(i) The Broker Options and BioLingus Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

(ii) The SB Options are only transferable:

(A) with the consent of the board; or

(B) by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

12.4 Terms and conditions of the Scientific Committee Options

A summary of the terms and conditions of the Scientific Committee Options are set out below:

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph 12.3(k), the amount payable upon exercise of each Option will be $0.40 (**Exercise Price**).

(c) **Expiry Date**

Each Scientific Committee Option 5:00 pm (WST) on the date which is 4 years from their date of issue (**Expiry Date**).

An Option not exercised before their respective Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Conditions**

The Options will not vest and may not be exercised until the holder has completed three years of continuous service to the Company as a scientific committee member (**Vesting Condition**).

Unless otherwise agreed by the Company, all unvested Options will immediately lapse if, within three years from the date of issue of the Options, the holder ceases to be appointed as a scientific committee member of the Company for any reason whatsoever (including without limitation resignation or termination for cause).

(e) **Exercise Period**

The Options are exercisable at any time on and from the date upon which the Vesting Condition is satisfied until the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(g) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

(i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under 12.3(h)12.3(h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(j) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(k) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(m) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(n) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

The Scientific Committee Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

12.5 Terms and conditions of Performance Rights

A summary of the terms and conditions of the Performance Rights is set out below:

(a) (**Milestones**): The Performance Rights shall have the following milestones attached to them (**Milestones**):

(i) **Tranche 1 Performance Rights**: if the 20 consecutive trading day volume weighted average price of fully paid ordinary shares in the capital of the Company (**Shares**) on the ASX is $0.30 or higher;

(ii) **Tranche 2 Performance Rights**: if the 20 consecutive trading day volume weighted average price of Shares on the ASX is $0.40 or higher;

(iii) **Tranche 3 Performance Rights**: if the Company (or one of its controlled entities) successfully obtains registration of one of its own cannabis-derived product (a **Product**) as food supplement or nutraceutical with a relevant government body in Europe, the United States of America or Australia; and

(iv) **Tranche 4 Performance Rights**: if the Company (or one of its controlled entities) achieves gross sales revenue from one or more Products equal to or exceeding A $500,000.

(b) (**Notification to holder**): The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

(c) (**Vesting**): The relevant Performance Rights shall vest on the later to occur of:

(i) the date that the Milestone relating to that Performance Right has been satisfied; and

(ii) the date that the holder gives a notice to the Company confirming that the holder would like the Performance Rights to vest.

(d) (**Consideration**): The Performance Rights will be issued for $0.0001 each and no consideration will be payable upon the vesting of the Performance Rights.

(e) (**Conversion**): Upon satisfaction of the relevant Performance Rights vesting, each Performance Right will, at the election of the holder, vest and convert into one (1) Share.

(f) (**Lapse of a Performance Right**): If the Milestone attaching to a Performance Right has not been satisfied in the time periods set out below, it will automatically lapse:

(i) **Tranche 1 Performance Rights:** 1 years from the date the Company is admitted to the Official List of the ASX (**Admission Date**);

(ii) **Tranche 2 Performance Rights**: 2 years from the Admission Date;

(iii) **Tranche 3 Performance Rights**: 3 years from the Admission Date; and

(iv) **Tranche 4 Performance Rights**: 4 years from the Admission Date.

Otherwise, any Performance Right that has not been converted into a Share within 5 years of the Admission Date will automatically lapse.

(g) (**Lapsing Otherwise**): If the holder (**Relevant Holder**) is an employee or consultant of the Company (or one of its subsidiaries) at the date of issue of the Performance Rights:

(i) if the Relevant Holder's engagement with the Company (or one of its subsidiaries) is validly terminated with cause or the Relevant Holder resigns from his or her position, any unvested Performance Rights held by that Relevant Holder will automatically lapse ; or

(ii) if the Relevant Holder's engagement with the Company (or one of its subsidiaries) is validly terminated without cause, the Relevant Holder will retain all vested and unvested Performance Rights.

(h) (**Share ranking**): All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

(i) (**Listing of Shares on ASX**): The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.

(j) (**Transfer of Performance Rights**): A Performance Right is only transferable:

(i) with the consent of the board; or

(ii) by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

(k) (**Participation in new issues**): There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

(l) (**Adjustment for bonus issue**): If securities are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled, will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the bonus issue.

(m) (**Adjustment for reconstruction**): If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right (including the Vesting Conditions) are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(n) (**Dividend and Voting Rights**): A Performance Right does not confer upon the holder an entitlement to vote or receive dividends.

12.6 Terms and conditions of Performance Shares

A summary of the terms and conditions of the Performance Shares offered to the HI Shareholders as part of the consideration for the Acquisition is set out below:

(a) (**Performance Shares**): Each Performance Share is a share in the capital of Creso Pharma.

(b) (**General Meetings**): Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of Creso Pharma that are circulated to Shareholders. Holders have the right to attend general meetings of Shareholders.

(c) (**No Voting Rights**): Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Creso Pharma's shareholders, subject to any voting rights under the *Corporations Act 2001*

(Cth) (**Corporations Act**) or the ASX Listing Rules where such rights cannot be excluded by these terms.

(d) (**No Dividend Rights**): Performance Shares do not entitle the Holder to any dividends.

(e) (**No Return of Capital Rights**): Performance Shares do not entitle the Holder to any right to a return of capital, whether on a winding up, upon a capital reduction or otherwise.

(f) (**No Rights on Winding Up**): Upon winding up of Creso Pharma, Performance Shares may not participate in the surplus profits or assets of Creso Pharma.

(g) (**Transfer of Performance Shares**): Performance Shares are not transferable.

(h) (**Reorganisation of Capital**): In the event that the issued capital of Creso Pharma is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.

(i) (**Application to ASX**): Performance Shares will not be quoted on ASX. Upon conversion of Performance Shares into Shares in accordance with these terms, Creso Pharma must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of Shares arising from the conversion.

(j) (**Participation in Entitlements and Bonus Issues**): Subject always to the rights under item (h) (Reorganisation of Capital), Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(k) (**Amendments required by ASX**): The terms of Performance Shares may be amended as necessary by the board of directors of Creso Pharma in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.

(l) (**No Other Rights**): Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(m) (**Issue of Performance Shares**): Performance Shares will be issued on Settlement.

(n) (**Conversion**): Performance Shares will convert upon satisfaction of HI generating gross revenue in excess of $1,000,000 in aggregate over any rolling 12 month period (as determined by Creso Pharma's auditors) within three years from Settlement (**Satisfaction Deadline**) (**Milestone**).

(o) (**Redemption if Milestone not achieved**): If the Milestone is not achieved within the Satisfaction Deadline, the Performance Shares held will be automatically redeemed by the Company for the sum of $0.0000001.

(p) (**Change in Control**): Upon:

(i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of Creso Pharma;

(A) having received acceptances for not less than 50.1% of Creso Pharma's Shares on issue; and

(B) having been declared unconditional by the bidder; or

(ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of Creso Pharma or its amalgamation with any other company or companies,

then, to the extent Performance Shares have not converted into Shares due to satisfaction of a Milestone, Performance Shares automatically convert to that number of Shares which when issued together with all Shares issued under any other class of performance shares then on issue in Creso Pharma, is equal to the lesser of one Share per Performance Share and 10% of the total Shares on issue at that time. Performance Shares that are not converted into Shares will continue to be held by the holder on the same terms and conditions.

(q) (**After Conversion**): Shares issued on conversion of Performance Shares will, upon and from their issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by Creso Pharma to ASX for official quotation of Shares issued upon conversion (subject to complying with any restriction periods required by the ASX).

(r) (**Conversion Procedure**): Creso Pharma will issue the Holder with a new holding statement for Shares as soon as practicable following the conversion of Performance Shares into Shares.

(s) (**Ranking of Shares**): The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

12.7 Performance Rights Plan

The following is a summary of the key terms and conditions of the Performance Rights Plan that has been adopted by the Company:

(a) **Eligible Participants**: Participants eligible to participate in the Performance Rights Plan include directors, and full-time or part-time employees, casual employees or contractors of the Company, or any of its subsidiaries and any other related bodies corporate of the Company or any other person that ASIC declares is eligible to receive a grant of rights to acquire Shares (**Performance Rights**) under the Performance Rights Plan and who are declared by the Board as eligible to receive

grants of Performance Rights under the Performance Rights Plan (**Eligible Participants**).

(b) **Offer**: The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for up to a specified number of Performance Rights, upon the terms set out in the Performance Rights Plan and upon such additional terms and conditions as the Board determines (**Offer**).

(c) **No Consideration**: Performance Rights granted under the Performance Rights Plan will be issued for nil cash consideration.

(d) **Rights**: Each Performance Right issued under the Performance Rights Plan is a right to be issued with or transferred a Share, free of encumbrances.

(e) **Expiry Date**: Means the date on which a Performance Right lapses (if it has not already lapsed in accordance with the Performance Rights Plan) as specified in the offer made to the Eligible Participant.

(f) **Vesting Conditions**: The Board will determine the vesting conditions that must be satisfied by an Eligible Participant before the Performance Right vests in the holder (**Vesting Conditions**). Any Vesting Conditions will be specified in the written Offer made by the Board to the Eligible Participant and for the avoidance of doubt may include accelerated vesting where specified.

(g) **Vesting**: A Performance Right will vest where the Vesting Conditions are satisfied or waived by the Board.

(h) **Exercise of Performance Right**: A participant may exercise a Performance Right that is entitled to be exercised by lodging with the Company a notice of exercise of the Performance Right and the certificate for the Performance Right.

(i) **Waiver of Vesting Conditions**: The Board may resolve, in its absolute discretion, to waive any of the Vesting Conditions applying to Performance Rights, including where:

(i) a participant dies or has total and permanent disability;

(ii) a participant ceases to be employed by the Company, its subsidiaries or its related bodies corporate or act as a director;

(iii) a participant suffers severe financial hardship;

(iv) the participant or an immediate family member of the participant becomes terminally ill; or

(v) the Company passes a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

Vesting Conditions are deemed to be automatically waived where there is a change in control of the Company.

(j) **Lapse of Performance Rights**: A Performance Right will lapse upon the earlier to occur of:

(i) an unauthorised dealing in, or hedging of, the Performance Rights occurring;

(ii) a failure to meet the Vesting Conditions;

(iii) a participant fails to exercise a Performance Right within the required time;

(iv) the Expiry Date;

(v) the participant ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right;

(vi) the Company undergoes a change in control or a winding up resolution or order is made, and the Board does not exercise its discretion to vest the Performance Right; or

(vii) a determination of the Board that the Performance Right is to lapse due to fraud or dishonesty.

(k) **Restrictions on Dealings and Hedging:** A Performance Right granted under the Performance Rights Plan is only transferable, assignable or able to be otherwise disposed or encumbered with the consent of the Board, or by force of law upon death or bankruptcy of the Eligible Participant (or their nominee). An Eligible Participant must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure, to their Performance Rights. The Performance Rights will immediately lapse if the Eligible Participant breaches this rule.

(l) **Share Restriction Period**: The Board may, in its discretion, determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Performance Rights (**Restricted Shares**), up to a maximum of seven (7) years from the grant date of the Performance Rights. A Participant must not dispose of or otherwise deal with any Shares issued to them under the Performance Rights Plan while they are Restricted Shares.

(m) **Quotation**: The Company will not apply for quotation of the Performance Rights. If Shares of the same class as those issued under the Performance Rights Plan are listed on the ASX, the Company will apply to the ASX for those Shares to be listed within a reasonable time after they are issued and following the date any restriction period that applies to the Shares ends.

(n) **Participation Rights:** Other than adjustments for bonus issues and reorganisation of the issued capital of the Company, participants are not entitled to participate in any new issue of securities of the Company as a result of their holding Performance Rights during the currency of any Performance Rights and prior to vesting. In addition, participants are not entitled to vote nor receive dividends as a result of their holding Performance Rights.

12.8 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(a) as an inducement to become, or to qualify as, a Director; or

(b) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

12.9 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

(a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of the Company; or

(c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(a) the formation or promotion of the Company; or

(b) the Offer.

Wrays has acted as Patent Attorney and has prepared the Intellectual Property Report which is included in Section 8 of this Prospectus. The Company estimates it will pay Wrays a total of $2,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Wrays has been paid fees of approximately $5,000 (excluding GST) in relation to other services provided to the Company.

RSM Corporate Australia Pty Ltd has acted as Investigating Accountant and has prepared the Independent Assurance Report which is included in Section 9 of this Prospectus. The Company estimates it will pay RSM Corporate Australia Pty Ltd a total of $10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, RSM Corporate Australia Pty Ltd has not received any fees from the Company for any other services.

EverBlu Capital Pty Ltd has acted as lead manager in relation to the Offer. The Company estimates it will pay EverBlu Capital Pty Ltd the fees set out in Section 2.20 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, EverBlu Capital Pty Ltd has not received any fees from the Company for any other services.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin $70,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees of approximately $50,000(excluding GST) in relation to other services provided to the Company.

12.10 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus, Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and

(b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Wrays has given its written consent to being named as the Patent Attorney in this Prospectus, the inclusion of the Intellectual Property Report in Section 8 of this Prospectus in the form and context in which the report is included. Wrays has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

RSM Corporate Australia Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Independent Assurance Report in Section 9 of this Prospectus in the form and context in which the information and report is included. RSM Corporate Australia Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

EverBlu Capital Pty Ltd has given its written consent to being named as the lead manager to the Company in this Prospectus. EverBlu Capital Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

RSM Australia Partners has given its written consent to being named as the auditor in this Prospectus. RSM Australia Partners has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Automic Registry Services has given its written consent to being named as the share registry to the Company in this Prospectus. Automic Registry Services has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

12.11 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately $454,820 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	**Full Subscription ($)**
ASIC fees	2,350
ASX fees	52,000
Lead Manager Fee*	300,000
Legal Fees	80,000
Patent Attorney's Fees	2,500
Investigating Accountant's Fees	10,000
Printing and Distribution	3,000
Miscellaneous	4,970
TOTAL	**454,820**

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

* The Lead Manager may pass on some of these fees to brokers that assist with raising funds under the Offer. Broker commissions will only be paid on applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company (refer to Section 4.9 of this Prospectus for further information).

12.12 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

12.13 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at http://cresopharma.com

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.14 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

12.15 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification

Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

12.16 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

13. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Boaz Wachtel
Executive Chairman
For and on behalf of
CRESO PHARMA LIMITED

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

14. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

$ means an Australian dollar.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

BioLingus Agreement means the development collaboration and licence agreement between BioLingus and the Company as summarised at Section 11.3.1 of the Prospectus.

BioLingus Products means products developed in accordance with the BioLingus Agreement that contain Cannabis Ingredients.

BioLingus Technology means mucosal and sublingual delivery of hydrophobic and small molecules and biologicals (including all patent rights and know how) and, as applicable, improvements as set out in further detail at Section 6.5 of the Prospectus.

BioLingus Options means the Options to be issued to BioLingus as summarised at Section 12.3 of this Prospectus.

Board means the board of Directors as constituted from time to time.

Broker Options means the Options to be issued to EverBlu Capital as summarised at Section 12.3 of this Prospectus.

Cannabis Ingredients means CBD, THC or any other cannabis and/or hemp plant derived ingredients.

Closing Date means the closing date of the Offer as set out in the indicative timetable in the Important Notes in Section 1 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company, Creso or **Creso Pharma** means Creso Pharma Limited (ACN 609 406 911).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

EU means European Union.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

EverBlu or **EverBlu Capital** means EverBlu Capital Pty Limited (ACN 612 793 683) Authorised Representative (No 001 243 237) of Mejority Securities Pty Ltd (ABN 61 608 667 778) which is the holder of Australian Financial Services Licence (AFSL 485760).

FDA means the United States Food and Drug Administration.

Glatt means GLATT GmbH, a company registered in Germany.

Glatt Agreement means the pharmaceutical development agreement entered into between Glatt and the Company as summarised in Section 11.3.3 of the Prospectus.

Glatt Product means products developed in accordance with the Glatt Agreement that contain Cannabis Ingredients.

GMP means good manufacturing practise.

Hemp-Industries means Hemp-industries s.r.o a company registered in Slovakia.

MC means medical cannabis.

Micro-Encapsulation means the process of using the proprietary BioLingus Technology to create microcapsules, which can be formulated in different formulations, such as sublingual tablets.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 4 of this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Original Prospectus means the prospectus dated 25 July 2016 relating to shares of the Company.

Performance Right means a Tranche 1 Performances Right, Tranche 2 Performances Right, Tranche 3 Performances Right and/or Tranche 4 Performances Right as the context requires.

PPS means Plant Prairie Systems Inc., a medical grade cannabis growing company registered in Canada.

Prospectus means this prospectus.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Soft Gums has the meaning as summarised as Section 6.5 of the Prospectus.

Soft Gums Agreement means the letter of intent entered between INNutriGEL and the Company as summarised at Section 11.3.2 of the Prospectus.

This is a replacement prospectus dated 8 August 2016. It replaces a prospectus dated 25 July 2016 relating to shares of Creso Pharma Limited (ACN 609 406 911).

Soft Gum Products means products developed in accordance with the Soft Gums Agreement that contain Cannabis Ingredients.

Subsidiary means a subsidiary of the Company.

Tranche 1 Performance Right means Tranche 1 Performances Right on the terms and conditions as set out in Section 12.5.

Tranche 2 Performance Right means Tranche 2 Performances Right on the terms and conditions as set out in Section 12.5.

Tranche 3 Performance Right means Tranche 3 Performances Right on the terms and conditions as set out in Section 12.5.

Tranche 4 Performance Right means Tranche 4 Performances Right on the terms and conditions as set out in Section 12.5.

WST means Western Standard Time as observed in Perth, Western Australia.

CRESO PHARMA LIMITED
ACN 609 406 911

SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the Replacement Prospectus dated 8 August 2016 issued by Creso Pharma Limited (ACN 609 406 911) (**Company**) (**Prospectus**).

This Supplementary Prospectus is dated 16 September 2016 and was lodged with ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

CRESO PHARMA LIMITED
ACN 609 406 911
SUPPLEMENTARY PROSPECTUS

1. SLOVAKIAN AND AUSTRALIAN LEGAL OPINIONS

As part of the Company's application to the Official List of ASX, ASX requested that the Company obtain legal opinions in respect of the legality of Company's operations following the acquisition of Hemp-Industries.

Both Slovakian and Australian legal opinions were obtained and are attached as Annexures to this Supplementary Prospectus.

In order to ensure that this information is properly incorporated into the Prospectus, ASX have requested that these opinions are included by way of a supplementary prospectus.

2. CONSENTS

SKLEGAL has given its written consent to being named in this Supplementary Prospectus and to the inclusion of the Slovakian legal opinion included at Annexure A in the form and context in which the opinion is included. SKLEGAL has not caused or authorised the issue of this Supplementary Prospectus and has not withdrawn its consent prior to lodgement of this Supplementary Prospectus with ASIC.

Belinda Lonsdale has given her written consent to being named in this Supplementary Prospectus and to the inclusion of the Australian legal opinion included at Annexure B in the form and context in which the opinion is included. Belinda Lonsdale has not caused or authorised the issue of this Supplementary Prospectus and has not withdrawn her consent prior to lodgement of this Supplementary Prospectus with ASIC.

3. ACTION BY INVESTORS

This Supplementary Prospectus is simply a compliance exercise for the purposes of satisfying ASX's requirements.

Accordingly, as the content of this Supplementary Prospectus is not considered to be materially adverse to investors, no action is needed to be taken by investors.

4. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented in writing to the lodgement of this Supplementary Prospectus with the ASIC.

_____

BOAZ WATCHEL
EXECUTIVE CHAIRMAN
CRESO PHARMA LIMITED

Note: All other details in relation to the terms of the Offer and other matters under the Prospectus remain unchanged.

ANNEXURE A – SLOVAKIAN LEGAL OPINION

SKLEGAL

Mostová 2 (Carlton)
811 02 Bratislava
Slovakia

tel.:+421 2 59208 611
fax:+421 2 59208 633
www.sklegal.sk

Steinepreis Paganin
Attn. Peter Wall
Level 4, The Read Buildings, 16 Milligan Street
Perth WA 6000
Australia

Bratislava, 23.08.2016

Legal opinion regarding lawfulness of business activities of Hemp industries, s.r.o.

We have been working as legal advisors for the company **Hemp-industries s. r. o.** with its registered office at Podbranč 260, 906 05 Podbranč, Slovak Republic, Identification Number: 47 432 314, registered with the Commercial Register of the District Court Trnava, Section: Sro, File No. 34857/T (**Company**) since 2015. The main focus of our consulting was on contractual matters of the Company. We have not been advising the Company in corporate matters, in particular in their business with hemp.

It is our understanding that Creso Pharma Limited (**Creso**) is in the process of acquiring Hemp-industries s. r. o. as part of Creso's application for listing on the Australian Securities Exchange. As part of the conditions to listing, ASX have required a legal opinion on the legal standing of the Company's existing business.

Upon your request we have checked publicly available sources of information about the Company and we note the following:

1. The Company was incorporated as a dormant company in September 2013. The current shareholders acquired the Company in August 2014 and extended the registered activities mainly by activities with food and other agricultural products. Since December 2015 the Company has registered agriculture and forestry as its additional business activities. All the registered activities are the so-called "free trade" activities which do not require fulfillment of any specific requirements (such as professional qualification of directors or employees, or government permits/licenses) to carry out such business. A complete list of the Company's registered activities is enclosed as Annex 1.

2. We understand that within the above "free trade" activities the Company's existing business is in **processing and sale of hemp flowers (Item 3(b) below) .**

3. We have been informed by the Company's existing directors that the full production cycle of the hemp flowers to end product is as follows:

(a) Cultivation of hemp plants - the hemp is grown in Slovakia by an independent farmer from hemp seeds supplied by the Company..

(b) Processing of hemp flowers – processing of the flowers is conducted by the Company. This process includes drying and packaging of the flowers. The flowers are then transferred to Hemp M&S OG, an Austrian registered partnership which is owned and operated by the Hemp Industries shareholders (**Hemp M&S**).

(c) Extraction of hemp flowers (production of the raw extract) – once the flowers are transferred to Hemp M&S, Hemp M&S arrange for delivery to a German extraction facility. After the flowers arrive to the German extraction facility, they are separated from the remaining seeds, milled into a fine, almost dust like form, and are extracted with the use of Supercritical CO2 fluid extraction, so that the organic quality and the natural taste of hemp remain in the product.

(d) Reduction of THC and purification of extract –the extraction of CBD from hemp flowers namely results in higher amount of THC contained in the extract, which has to be reduced by authorized person to follow EU limits of < 0.2% THC permitted in hemp products and therefore, the raw extract is immediately mixed with food oil by German company to achieve potency of < 0.2% THC or alternately the extract will be sent for purification processing to other laboratories that are licensed to operate with narcotic substances to decrease the THC potency in the extract and thereby follow the EU limits.

(e) Sale of hemp oil – the sale of hemp oil is then made by Hemp M&S through the internet and independent distributors.

Other than the drying and packaging of hemp flowers and their subsequent sale to Hemp M&S all other phases of the production cycle do not form part of the Company's existing business. Accordingly, as Creso is only acquiring the Company the legality of the other aspects of the production cycle are not required to form part of this opinion.

4. Relevant legislation regarding cultivation of hemp plants, processing of hemp flowers and extraction of cannabinoids applicable in Slovakia is the following:

- Slovak Act No. 139/1998 Coll. on Law on Narcotics, Psychotropic Substances and Preparations as amended ("Act on Narcotics");
- Slovak Government regulation No. 342/2014 Coll. laying down rules for granting aid in agriculture for schemes of direct payments;
- Consolidated version of the Treaty on the functioning of the European Union;
- EU Regulation No. 1120/2009 laying down detailed rules for the implementation of the single payment scheme provided for in Title III of the Council Regulation (EC) No 73/2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers;

- EU Regulation No. 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy;
- EU No. 1308/2013 establishing a common organization of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007
- Common catalogue of varieties of agricultural plant species — Fifth supplement to the 32nd complete edition;
- the 1961 United Nations Single Convention on Narcotic Drugs, as amended by the 1972 Protocol, and the 1971 United Nations Convention on Psychotropic Substances ("UN Conventions").

5. Cultivation of hemp is generally prohibited by the Slovak Act on Narcotics. Processing of hemp is also prohibited. However, Article 15 of this Act stipulates that these bans do not apply to cultivation and processing of industrial hemp (Cannabis sativa). Nevertheless, according to the Slovak government regulation No**.** 314/2014 and EU Regulation No. 1307/2013, cultivation of industrial hemp may be carried out only if the field area of hemp plants is **at least 1 hectar** (in total by one farmer) and the farmer has **applied for agricultural subsidies**. In addition, the farmer has to endure inspection of hemp plants in order to verify quantity of tetrahydrocannabinol (THC) in these plants. This inspection is carried out by Slovak government bodies (Agricultural Paying Agency in cooperation with the Central Control and Testing Institute of Agriculture).

   The Company supplies hemp seeds, but cultivation of hemp plants is made by an independent farmer and the Company only receives hemp flowers for which it pays the agreed upon price.

6. Further operations with hemp plants, including transfer (sale) of dried hemp plants (flowers) are not subject to any additional conditions or requirements. Accordingly, the Company is not subject to any statutory restrictions or control when carrying out its business with hemp plants – drying of hemp flowers and their sale to Hemp M&S. Based on Article 26 section 2 of Treaty of the functioning of the European Union establishing one of basic principles of EU, principle of free movement of goods, and with regard to EU Regulation No. 1308/2013 establishing a common organization of the markets in agricultural products stipulates the conditions only for transfer of hemp plants from or to the third countries, please note that transfer (sale) of dried hemp flowers from Slovak to Hemp M&S is not an export while it is made within single customs territory of the European Union.

   It is also appropriate to point out that hemp flowers are further transferred to Germany or Czech Republic not by the Company, but by Hemp M&S and therefore is not an activity of the Company requiring a legal opinion in this context. However for completeness, such transfers by Hemp M&S to Germany and Czech Resuplic do not contravene any laws as is still within single customs territory of the European Union.]

7. Once the dried flowers are sold to Hemp M&S, the processing stage of **hemp plants** ends and the processing of **cannabinoids** begins. The Company is only involved in this first, processing stage. All other stages of hemp plant and hemp oil processing are conducted by third parties.

Conclusions

The Company carries out its business with hemp plants consisting of drying hemp flowers and their sale legally. The transfer of dried hemp flowers within EU (from the Slovak Republic to Austria and thereafter from Austria to Germany etc.) is not subject to any statutory requirements or control and it does not contravene any laws.

Should you have any further questions, please do not hesitate to contact us.

Yours sincerely,

JUDr. Milan Banas
Managing Director, Advocate

Annex 1

List of registered business activities of the company Hemp-industries s. r. o.

- purchase of goods for sale to final consumer (retail) or to other business operators (wholesale),
- intermediary activities in commerce,
- administrative services,
- advertising and marketing services,
- research of market and public opinion polling,
- production of vegetable and animal oils and fats,
- production of compound feeding stuff,
- packaging activities, handling of goods,
- providing of services in agriculture and horticulture
- non-hazardous waste disposal,
- road haulage services carried by vehicles with total weight of 3.5 tons including trailer,
- courier services,
- lease of movable property,
- production of seasonings and spices,
- processing and preserving of potatoes, fruits and vegetables - roasting and flavoring seeds,
- production of grain mill products,
- production of cocoa and cocoa products,
- production of paints, polishes and coatings,
- manufacture of soap, detergents and essential oils, cleaning, polishing, perfume and toilet preparations,
- production of non-metallic mineral products and products made of concrete, plaster and cement,
- production and processing of sugar,
- intermediary activities in services,
- intermediary activities in production,
- research and development in sciences and engineering,
- delivery services,
- computer services,
- construction of buildings and its changes,
- fast food services connected with direct consumption sale,
- organization of cultural and other events,
- factoring and forfeiting,
- cultivation of spices, essential, medicinal and pharmaceutical crops.

ANNEXURE B – AUSTRALIAN LEGAL OPINION

OPINION

Introduction

Creso Pharma Limited ("Creso") is a company having its registered office in Western Australia. It is seeking to be listed on the Australian Stock Exchange ("ASX").

Creso proposes the acquisition of Hemp Industries s.r.o ("Hemp Industries), a Slovakian-based company that produces hemp flowers and sells them for processing.

The ASX has asked Creso to provide legal opinions in Australia and Slovakia concerning the legality of the business activities of Hemp Industries. Specifically, I am asked to provide an opinion on the question of whether the relevant business activities would breach Australian criminal law.

Creso's solicitors have provided me with a copy of Creso's prospectus and the Slovakian Legal Opinion dated 23 August 2016 which describes the business of Hemp Industries as follows:

(a) *"**Cultivation of hemp plants** - the hemp is grown in Slovakia by an independent farmer from hemp seeds supplied by the Company.*

(b) ***Processing of hemp flowers** – processing of the flowers is conducted by the Company. This process includes drying and packaging of the flowers. The flowers are then transferred to Hemp M&S OC, an Austrian registered partnership which is owned and operated by the Hemp Industries shareholders (**Hemp M&S**).*

(c) ***Extraction of hemp flowers (production of the raw extract) –** once the flowers are transferred to Hemp M&S, Hemp M&S arrange for delivery to a German extraction facility. After the flowers arrive to the German extraction facility, they are separated from the remaining seeds, milled into a fine, almost dust like form, and are extracted with the use of Supercritical CO2 fluid extraction, so that the organic quality and the natural taste of hemp remain in the product.*

(d) ***Reduction of THC and purification of extract*** *–the extraction of CBD from hemp flowers namely results in higher amount of THC contained in the extract, which has to be reduced by authorized person to follow EU limits of < 0.2% THC permitted in hemp products and therefore, the raw extract is immediately mixed with food oil by German company to achieve potency of < 0.2% THC or alternately the extract will be sent for purification processing to other laboratories that are licensed to operate with narcotic substances to decrease the THC potency in the extract and thereby follow the EU limits.*

(e) ***Sale of hemp oil – the sale of hemp oil*** *is then made by Hemp M&S through the internet and independent distributors."*

I am instructed that Hemp M & S OG is a company which is not owned by Creso and there is no proposal for Creso to acquire an interest in it. Consequently, the only relevant part of the production cycle for the purposes of this opinion is the drying and packaging of hemp flowers and their subsequent sale to Hemp M & S.

The opinion from Slovakian legal advisers suggest that there is no legal impediment to the conduct of Hemp Industries' business activities.

Australian Drug Law

I have assumed that hemp grown by Hemp Industries is plant material which would fall either within the relevant definition under the *Misuse of Drugs Act 1981* (WA) ("the MDA"), the definition of a controlled plant under section 301.2 of the *Commonwealth Criminal Code* or a prohibited substance under Schedule 9 of the *Standard for the Uniform Scheduling of Medicines and Poisons* ("the SUSMP").

I am instructed that the activities currently being engaged in by Hemp Industries in Slovakia could be carried out legally in Australia, provided that the relevant approvals under Australian law were to be obtained.

I am further instructed that Hemp Industries would not presently intend to obtain these approvals as it does not propose conducting the activities in Australia.

Conduct in relation to the possession, cultivation, manufacture and sale and supply of cannabis may constitute offences under both Commonwealth and State criminal laws.[1]

Certain forms of cannabis may not strictly be the province of the criminal law but be subject to regulation, such as forms of cannabis listed in Schedule 9 to the SUSMP.[2]

I have assumed for the purpose of this opinion that the substances to be trialed fall within the definitions under the *Misuse of Drugs Act* (WA) or controlled plant within the meaning of section 300.5 of the *Criminal Code* (Cth).

Jurisdiction

The question of whether State or Commonwealth law would have application to conduct in a given set of circumstances amounting to an offence is a question of jurisdiction.

Generally, the criminal law is the responsibility of the States and Territories, as the Constitution does not contain a specific head of power relating to criminal law.[3]

In the present context the only potentially relevant State legislation is the MDA given that Creso has its registered office in Western Australia.

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[1] Commonwealth statutes which regulate inter alia the production, manufacture, import and export etc of cannabis and cannabis derived products include the *Criminal Code* (Cth) 1995, the *Narcotic Drugs Act* (Cth) 1967, *The Narcotic Drugs Amendment Act* (Cth) 2016, *The Customs Act* (Cth) 1901, *The Therapeutic Goods Act (Cth)* 1989 and *The Quarantine Act* (Cth) 1908. Various State and Territory laws provide penalties for the possessesion, use etc of cannabis.

[2] Schedule 9 includes cannabis "except when separately specified in [the Schedules to the Standard] or "processed hemp fibre containing 0.1 per cent or less of tetrahydrocannabinol and products manufactured from such fibre."

[3] See the discussion in Weldon, *Criminal Law of Western Australia* on section 12 of the Criminal Code (WA).

Section 12 of the *Criminal Code* (WA) purports to extend the jurisdiction of the Western Australian criminal law (which includes the MDA) beyond Western Australia's borders.

Although section 2(1) of the *Australia Act 1986* (Cth) provides that each State not only has power to enact laws for the "peace, order and good government" of the State, it also has the power to enact legislation with extra-territorial effect where there is some connection to the State in question.[4]

As the proposed activities of Hemp Industries are to be conducted outside Western Australia (and, indeed, outside Australia) any relevant conduct would lack sufficient connection with Western Australia to invoke its jurisdiction.[5]

In my opinion, no question of criminal responsibility arises under State law.

Commonwealth Jurisdiction over Drug Offences

Prior to the passing of the *Law and Justice Amendment (Serious Drug Offences and Other Measures) Act 2005* (Cth),[6] serious drug import and export offences were prosecuted under section 233B of the *Customs Act 1901* (Cth) in conjunction with the *Crimes (Traffic in Narcotic Drugs and Psychotropic Substances) Act 1990* (Cth) ("the TINDAPS Act"), both Acts giving effect to the *United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances*, signed at Vienna on 20 December 1988.[7]

Following the passing of the *Law and Justice Amendment Act*, the *Customs Act* provisions were repealed and Part 9.1 of the *Criminal Code* (Cth) came into effect, creating a new set of serious drug offences (such as trafficking,

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[4] See eg *Pearce v Florenca* (1976) 135 CLR 507 in which Western Australia was permitted to legislate against the taking of undersized fish in waters off the Western Australian coastline and *Commissioner of Stamp Duties of NSW v Millar* (1932) 48 CLR 618 in which laws taxing the shares of a resident of Victoria in a Victorian company was held to be invalid (even though that company carried on some business in New South Wales).

[5] Cf: eg *State of Western Australia v Marchesi and Maguire* [2005] WASCA 133 in which a conspiracy to import drugs to Western Australia formed in Victoria was held to have insufficient connection with Western Australia to invoke its jurisdiction.

[6] This Act was given Royal Assent on 8 November 2005 and came into effect on 6 December 2005.

[7] Note also that Australia is a signatory to the Single Convention on Narcotic Drugs (1961) and the Convention on Psychotropic Substances (1971).

cultivation, selling and commercial manufacture and possession).[8] These new offences were not limited to circumstances involving an importation or exportation as they had been in their previous form under the *Customs Act*.

Generally, conduct occurring within Australia is regarded as the province of State law unless there is a federal aspect to it (such as, for example, the importation of a quantity of illicit drugs into Australia).

As explained above, State law has no application in respect of conduct occurring outside State borders unless there is a clear connection to that jurisdiction. The *Criminal Code* (Cth) on the other hand contains extended geographical provisions expanding the application of the Code provisions beyond Australia's borders.

The Extended Geographical Jurisdiction Provisions of the Commonwealth Criminal Code

There is no question that the external affairs power contained in section 51 (xxix) of the *Constitution* provides the Commonwealth with the power to legislate beyond Australia's borders.[9] The extended geographical provisions of the *Criminal Code* (Cth), which deal with conduct physically external to Australia, are a clear manifestation of that power.[10]

Serious Drug Offences – Category B Offences

Section 300.3 of the *Criminal Code* (Cth) deems all serious drug offences (being the offences contained in Part 9 of the Code) to be "Category B" offences for the purpose of the extended geographical provisions of the Code.

Section 15.2 of *Criminal Code* (Cth) extends jurisdiction for category B offences outside Australia. It reads as follows:

> *"(1) if a law of the Commonwealth provides that this section applies to a particular offence, a person does not commit the offence unless:*

[8] Division 302, 303, 305, 308 of *Criminal Code* (Cth).
[9] Eg: Section 3A of the *Crimes Act* which states *"This Act applies throughout the whole of the Commonwealth and the Territories and also applies beyond the Commonwealth and the Territories"*. See *Polyukovich v The Commonwealth* (1991) 172 CLR 501.
[10] Part 2.7 of the Code.

....(c) the conduct constituting the alleged offence occurs wholly outside Australia and:

(i) at the time of the alleged offence, the person is an Australian citizen; or.....

(iii) at the time of the alleged offence, the person is a body corporate incorporated by or under a law of the Commonwealth or of a State or Territory"

On the face of it, section 15.2 would make a person who is an Australian citizen or a body corporate incorporated in Australia engaging in conduct amounting to the commission of a drug offence criminally responsible, even where that conduct occurred abroad (and indeed even where that conduct is legal in the place where the conduct was being committed).

The extended geographical provisions of the *Criminal Code* (Cth) as they relate to Category B offences link the jurisdiction of Australia to prosecute Australian citizens to their nationality. This is an exception to the principal of "international comity"[11] and means that Australian citizens engaging in conduct abroad which amounts to an offence against the *Criminal Code* (Cth) may still (technically) attract criminal responsibility.

Foreign Law Defence

Section 15.2 (2) of the *Criminal Code* (Cth) provides a defence to conduct, which would otherwise be caught by the Code provisions. It reads:

"If a law of the Commonwealth provides that this section applies to a particular offence, a person is not guilty of the offence if:

aa) the alleged offence is a primary offence; and

[11] The principal of "international comity" was expressed in the case of *R v Treacy* [1971] ACA 537 by Lord Diplock at p 561 in this way: "each sovereign state should refrain from punishing persons for their conduct within the territory of another sovereign state where conduct has no harmful consequences within the territory of the state which imposes the punishment". [11]

a) *the conduct constituting the alleged offences occurs wholly in a foreign country, but not on board an Australian aircraft or Australian ship; and*

b) *the person is neither:*

(i) *an Australian citizen; nor*

(ii) *a body corporate incorporated by or under a law of the Commonwealth or of a State or Territory; and*

c) *there is not in force in:*

(i) *the foreign country where the conduct constituting the alleged offence occurs…..a law of that foreign country or a law of that part of the foreign country, that creates an offence that corresponds to the first mentioned offence.*

The Foreign Law defence under this section of the Code provides a person (or a corporation) with a defence where the conduct is not illegal in the country in which the conduct is being engaged in, provided that the relevant person is not an Australian citizen or corporation.

Principles of Corporate Criminal Responsibility under the Criminal Code

A company is a "corporation" in the common law sense formed by registration under Part 2A.2 of the *Corporations Act 2001* (Cth). The registration of a company creates a new legal entity capable of having its own legal rights and obligations separate from those of its members.

As legal persons, corporations can be found to be criminally responsible for offences under Australian law for direct or indirect involvement in crimes committed in Australia or overseas.

Part 2.5, Division 12 of the *Criminal Code* (Cth) outlines the circumstances in which corporations can be held criminally responsible.[12]

[12] In instances where legislation does not specifically state either a corporation is liable for an offence, Section 22 of the *Acts Interpretation Act* 1901 (Cth) defines a "person" to include a body corporate.

Corporate criminal responsibility can be established where a corporation "expressly, tacitly or impliedly authorised or permitted the commission of the offence".[13]

Section 12.2 of the *Criminal Code* (Cth) extends criminal responsibility to include offences committed by an employee, agent or officer of a corporation acting within the actual or apparent scope of his or her employment.

Pursuant to Section 12.3, such authorisation or permission can be established in instances where:

a) The corporation's board of directors or high managerial agent intentionally, knowingly or recklessly carried out the relevant conduct, or expressly, tacitly or impliedly authorised or permitted the commission of the offence;

b) A corporate culture existed within the body corporate that directed, encouraged, tolerated or led to non-compliance with the relevant provision; or

c) A corporation failed to create and maintain a corporate culture that required compliance with the relevant provision.

In my opinion, given that the proposed business activities are to be carried out by foreign citizens as members of a foreign corporation, the Foreign Law Defence would apply. Those citizens would not therefore attract criminal responsibility under the *Criminal Code* (Cth).

In those circumstances the accessorial provisions of the *Criminal Code* (Cth) would have no application to Creso as no offence by the principal (i.e. Hemp Industries) would have been committed.

Prosecution Policy

There is no policy of prosecuting persons or corporations engaging in legitimate research into the medical uses of what are otherwise illicit drugs. In any event, the policy of the Australian legislature (as evidenced by the recent enactment of

[13] Section 12.3(1).

the *Narcotics Drugs Amendment Act 2016*) suggests that Parliament intended that there be defences enshrined in the legislation to recognize the many legitimate uses for controlled substances in the community.[14]

Defences to conduct within Australia

Clearly, the offences contained in Part 9 of the *Criminal Code* (Cth) are designed to target the illicit drug trade.

Section 10.5 of the *Criminal Code* (Cth) provides that a person is not criminally responsible for an offence against Part 9.1 if the person's conduct is justified or excused by or under another Commonwealth law (such as the *Narcotic Drugs Act 1967* (Cth)).

The *Narcotic Drugs Act 1967* (Cth) purports to establish a legislative basis for the licensing of manufacture of narcotic drugs. It sets out the circumstances in which the manufacture of narcotic drugs would be lawful, subject to the States enacting complimentary legislation. Until now, although there was in theory a legislative basis to obtain such a licence, the legislation was not adequate for that purpose and required amendment.

The *Narcotic Drugs Amendment Act 2016* (Cth) which commenced on 1 May 2016 makes provision for the application for a "medical cannabis licence" which is intended to meet Australia's strict international obligations for the production, manufacture and distribution for medicinal and scientific purposes.

The *Therapeutic Goods Act* continues to regulate the manufacture, registration and supply of medical cannabis products in the same way that it does for other therapeutic goods.[15] There are therefore mechanisms in place to enable access to medical cannabis products in Australia through that Act.

As Creso is not presently seeking licences to conduct such activities in Australia, it is not necessary to consider the application of the *Narcotic Drugs Act* or the *Narcotic Drugs Amendment Act* further.

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[14] *Law and Justice Legislation Amendment (Serious Drug and Other Measures) Bill 2005* explanatory memorandum at page 101.
[15] *Narcotic Drugs Amendment Bill* 2016, Explanatory Memorandum.

Conclusion

It is quite clear that the relevant extended geographical provisions of the *Criminal Code* (Cth) were not intended to assert jurisdiction over foreign citizens (including corporations) for conduct that would not constitute an offence in the place where such conduct was taking place. In any event, it would seem that Parliament was not intending to assert jurisdiction over conduct occurring abroad, which is not part of the illicit drug trade.[16]

In my opinion, in the circumstances described to me the activities of Hemp Industries would not breach Australian criminal law. In this regard, there is no legal impediment to the acquisition of Hemp Industries by Creso.

B. Lounsdale

COUNSEL

[16] See: CDPP Charging Guidelines for serious drug offences under Part 9.1 of the *Criminal Code* issued September 2014 which refers to the *Law and Justice Legislation Amendment (Serious Drug and Other Measures) Bill 2005* explanatory memorandum in which serious drug offences were said to be "principally targeted at organized illicit drug traders and commercially motivated crime".