

CRESO PHARMA LIMITED
ACN 609 406 911

CLEANSING PROSPECTUS

For the offer of up to 10,000 Shares at an issue price of \$0.029 per Share to raise up to \$290 (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If, after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your professional advisers without delay.

The Shares offered by this Prospectus should be considered as highly speculative.

IMPORTANT NOTICE

This Prospectus is dated 13 October 2020 and was lodged with the ASIC on that date. The ASIC, ASX and their respective 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 this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in this 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 investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares offered by this Prospectus should be considered as highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be made by an original Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus and is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Representations contained in this Prospectus are made taking into account that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters are publicly available information or may reasonably be expected to be known to investors and professional advisers whom prospective investors may consult.

No Investment Advice

The information contained in this Prospectus is not financial product advice or investment advice and does not take into account your financial or investment objectives,

financial situation or particular needs (including financial or taxation issues). You should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding to subscribe for Securities under this Prospectus to determine whether it meets your objectives, financial situation and needs.

Forward-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 the Company, the Directors and the Company's management.

The Company cannot and does 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.

The Company has 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 the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5.

Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not

be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia.

For further information on overseas Shareholders please refer to Section 2.10.

Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is 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 Securities.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the three months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Please refer to Section 6.2 for further details.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.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 by phone on +61 8 9389 3180 during office hours or by emailing the Joint Company Secretary at erlyn@azc.com.au.

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.

Company Website

No documents or other information available on the Company's website is incorporated into this Prospectus by reference.

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.

Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will apply to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES 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 CHES 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.

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.

Definitions and Time

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 8.

All references to time in this Prospectus are references to Australian Western Standard Time.

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.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offer please call the Company Secretary on +61 8 9389 3180.

CORPORATE DIRECTORY

Directors

Adam Blumenthal
Non-Executive Chairman

Dr James Ellingford
Executive Director

Dr Miriam Halperin Wernli
*Non-Executive Director and Head of
Technology, Innovation and Distribution*

Boaz Wachtel
Non-Executive Director

Joint Company Secretaries

Erlyn Dale and Winton Willesee

Registered Office

CPC
Suite 5, 145 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9389 3180

Email: info@cresopharma.com.au
Website: www.cresopharma.com

Auditor*

BDO Audit Pty Ltd
Level 11, 1 Margaret St
SYDNEY NSW 2000

Share Registry*

Automic Registry Services
Level 2
267 St Georges Terrace
PERTH WA 6000

Telephone:
1300 288 664 (within Australia)
+61 02 9698 5414 (International)

Legal Advisers

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Corporate Adviser

EverBlu Capital Pty Ltd
Level 39, Aurora Place
88 Phillip Street
SYDNEY NSW 2000

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

TABLE OF CONTENTS

1.	BACKGROUND TO THE OFFER	5
2.	DETAILS OF THE OFFER.....	6
3.	PURPOSE AND EFFECT OF THE OFFER.....	9
4.	RIGHTS AND LIABILITIES ATTACHING TO SHARES	16
5.	RISK FACTORS	19
6.	ADDITIONAL INFORMATION	30
7.	DIRECTORS' AUTHORISATION	39
8.	GLOSSARY	40

1. BACKGROUND TO THE OFFER

1.1 Timetable

Lodgement of Prospectus with the ASIC and ASX	13 October 2020
Opening Date of the Offer	13 October 2020
Closing Date of the Offer*	4:00pm (WST) on 13 October 2020

* The Directors reserve the right to extend or reduce the Closing Date of the Offer at any time after the Opening Date without notice.

1.2 Placement

On 7 October 2020, the Company announced a placement to new and existing sophisticated and professional investors to raise approximately \$8.992 million through the issue of 309,021,675 Shares at an issue price of \$0.0291 per Share (**Placement**).

The first tranche of the Placement, being 274,657,414 Shares, was completed on 12 October 2020, comprising:

- (a) 61,626,676 Shares issued pursuant to the Company's available placement capacity under ASX Listing Rule 7.1;
- (b) 41,209,433 Shares issued pursuant to the Company's available placement capacity under ASX Listing Rule 7.1A; and
- (c) 171,821,305 Shares issued pursuant to Shareholder approval which was obtained at the general meeting held on 2 October 2020.

The second tranche of the Placement, which will be completed subject to the Company obtaining Shareholder approval, comprises of the issue of 34,364,261 Shares to Chairman, Adam Blumenthal.

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

EverBlu Capital Pty Ltd (ACN 612 793 683) (AFSL 499 601) (**EverBlu Capital**) acted as lead manager and corporate adviser for the Placement. EverBlu Capital will receive a fee of 6% of the total funds raised (being up to \$539,552) and, subject to Shareholder approval, be issued up to 8,992,531 Shares and 62,947,717 Options (being one Share for every \$1 raised under the Placement and seven Options for every \$1 raised). This includes a cash fee of \$60,000 which is payable and 1,000,000 Shares and 7,000,000 Options which will be issued to EverBlu Capital in respect of Mr Blumenthal's participation in the Placement, subject to the necessary Shareholder approvals being obtained. The Options will be issued on the same terms as Options issued to participants in the Placement.

2. DETAILS OF THE OFFER

2.1 The Offer

The Offer is an offer of up to 10,000 Shares at an issue price of \$0.029 per Share, to raise up to \$290 (before expenses).

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties.

The Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 4 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 3.

2.2 Purpose of the Offer

The primary purpose of the Offer is to remove any trading restrictions that may have attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Offer (including prior to the date of this Prospectus). In particular, the Offer is intended to remove any on-sale restrictions that may affect the Shares issued under the first tranche of the Placement which was completed after the close of trading on ASX on 12 October 2020.

Accordingly, the Company is seeking to raise only a nominal amount of \$290 under the Offer as the purpose of the Offer is not to raise capital.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

2.3 Opening and Closing Date of the Offer

The Opening Date of the Offer will be 13 October 2020 and the Closing Date for the Offer will be 4:00 pm (WST) on 13 October 2020.

The Directors reserve the right to close the Offer early or extend the Closing Date, should it be considered necessary to do so.

2.4 Minimum subscription

There is no minimum subscription.

2.5 Not underwritten

The Offer is not underwritten.

2.6 Lead Manager

There is no lead manager for the Offer under this Prospectus. However, as announced, EverBlu Capital has acted as lead manager to the Placement, details of which are set out in Section 1.2.

2.7 Applications for Shares

Applications for Shares must be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus. Payment for the Shares subscribed for under the Offer must be made in full at the issue price of \$0.029 per Share. The Company does not currently intend to issue any Shares under the Offer. Accordingly, Application Forms should only be submitted if instructed to by the Directors.

By completing the Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have received personally the Application Form together with a complete and unaltered copy of the Prospectus.

2.8 ASX listing

The Company will apply for Official Quotation of the Shares offered under this Prospectus within 7 days after the date of this Prospectus. If ASX does not grant Official Quotation of the Shares offered under this Prospectus pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any such Shares under this Prospectus and will repay all application monies for the Shares offered under this Prospectus 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.

2.9 Issue of Shares

As noted in Section 2.2, the primary purpose of the Offer is to remove any trading restrictions that may have attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Offer (including prior to the date of this Prospectus).

If the Directors decide to issue Shares under the Offer, the issue of Shares will take place as soon as practicable after the Closing Date. 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. Any interest earned on the application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether any Shares are issued, and each applicant waives the right to claim any interest.

The Directors will determine the recipients of the Shares. 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 interest) to the applicant as soon as practicable after the Closing Date of the Offer.

The Company's decision on the number of Shares to be allocated to an applicant will be final.

Holding statements for Shares issued under this Prospectus will be mailed as soon as practicable after the issue of the Shares.

2.10 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 an 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.

3. PURPOSE AND EFFECT OF THE OFFER

3.1 Purpose of the Offer

As set out in Section 2.2, the primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

As previously announced, \$7.992 million has been raised under the Placement, which is intended to be applied towards repayment of debt and amounts owed to secured lenders to redeem outstanding convertible notes (further terms of which are set out below), development of the Company's business units in Canada and Switzerland, operational expenses, acceleration of growth across the Company's existing human and animal health CBD product lines and costs associated with the Placement. Further details are set out in the ASX announcement released on 7 October 2020.

Subject to Shareholder approval being obtained, the Company may raise a further \$1,000,000 (before costs) as a result of the participation by Chairman, Adam Blumenthal in the Placement.

3.2 Effect on capital structure

The effect of the Offer on the capital structure of the Company is set out below.

Shares

	Number
Shares currently on issue ^{1,2}	688,418,417
Shares offered pursuant to the Offer ³	-
Total Shares on issue after completion of the Offer	688,418,417

Notes:

1. This figure includes 274,657,414 Shares which were issued to participants in the Placement and 1,666,666 Shares which were issued to Directors, as approved by Shareholders pursuant to resolution 3 and resolution 4 of the notice of meeting dated 27 August 2020.
2. Including 18,333,334 collateral Shares held by Suburban Holdings. As announced on 7 October 2020, Suburban Holdings has agreed to the early redemption and cancellation of its convertible securities, which subject to Shareholder approval will be achieved through the payment of \$250,000 in cash from the proceeds of the Placement, Suburban Holdings agreeing to purchase a reduction in the number of collateral shares that they hold (being 18,333,334 collateral shares) and the grant of the right for Suburban Holdings to elect to either be repaid the outstanding amount owed to Suburban Holdings (being a payment of \$1,250,000) from funds raised from a future capital raising or, subject to Shareholder approval being obtained, to convert some or all of this amount into Shares and Options (on the same basis as participants in the Placement).
3. Assumes no Shares are issued under the Offer.
4. The Company has also agreed, subject to obtaining Shareholder approval, to issue:
 - (a) 2,000,000 Shares to EverBlu Capital for each of the six-month periods ending December 2020 and June 2021 subject to EverBlu Capital remaining engaged to provide services to the Company (up to a maximum of a further 4,000,000 Shares) in accordance with the terms of the new corporate advisory mandate announced on 21 January 2020;
 - (b) 833,333 Shares to EverBlu Capital in connection with entry into the Lind Convertible Securities Agreement (as announced on 20 April 2020);

- (c) up to 1,602,855 Shares to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the placement undertaken by the Company in June 2020 (**June Placement**) (being three Shares for every \$4 raised under the June Placement);
- (d) up to 8,992,531 Shares to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the Placement (being one Share for every \$1 raised under the Placement). This includes 1,000,000 Shares which will be issued in respect of Mr Blumenthal's participation in the Placement, subject to the necessary Shareholder approvals being obtained;
- (e) up to 34,364,261 Shares to Chairman, Adam Blumenthal in respect of his participation in the Placement;
- (f) up to 103,092,784 Shares to Adam Blumenthal, to be issued (at the sole election of Mr Blumenthal) if the Company elects to draw down any funds under the short-term loan facility granted by Mr Blumenthal (as announced on 7 October 2020) (**Short-Term Facility**). Any draw down under the Short-Term Facility will be subject to the mutual agreement of the parties;
- (g) up to 42,955,327 Shares to Suburban Holdings in accordance with the early termination arrangements announced on 7 October 2020. These Shares will only be issued if Suburban Holdings elects to convert the outstanding amount owed (being \$1,250,000) into Shares and Options on the same basis as participants in the Placement; and
- (h) the Company may consider undertaking a placement of up to \$6,000,000 worth of Shares. The issue price of the Shares will be no less than 75% of the 5-day VWAP calculated over the 5 trading days on which trades in Shares were recorded immediately before the date on which the issue price is agreed by the Company and the recipients of the relevant Shares.

Options

	Number
Options currently on issue	
CPHOPT3 (exercisable at \$0.20 on or before 13 October 2020) ¹	2,886,250
CPHOPT5 (exercisable at \$0.50 on or before 23 January 2021)	300,000
CPHOPT14 (exercisable at \$0.80 on or before 13 July 2021)	150,000
CPHOPT16 (exercisable at \$0.535 on or before 27 July 2021)	200,000
CPHOPT17 (exercisable at \$0.80 on or before 27 July 2022)	200,000
CPHOPT18 (exercisable at \$0.55 on or before 21 August 2021)	200,000
CPHOPT19 (exercisable at \$0.80 on or before 15 September 2022) ²	400,000
CPHOPT20 (exercisable at \$0.35 on or before 12 February 2023)	2,128,387
CPHOPT21 (exercisable at \$0.40 on or before 12 February 2023)	6,847,725
CPHOPT22 (exercisable at \$0.25 on or before 1 March 2023)	250,000
CPHOPT23 (exercisable at \$0.08 on or before 10 March 2024) ³	1,000,000
CPHOPT24 (exercisable at \$0.16 on or before 10 March 2024) ⁴	1,000,000
CPHOPT25 (exercisable at \$0.20 on or before 10 March 2024) ⁵	500,000
CPHOPT26 (exercisable at \$0.1386 on or before 25 June 2023)	10,752,688
CPHOPT28 (exercisable at \$0.17 on or before 2 June 2023) ⁶	36,764,706
CPHOPT29 (exercisable at \$0.25 on or before 2 June 2023)	4,000,000

	Number
CPHOPT31 (exercisable at \$0.20 on or before 2 June 2023) ⁷	8,000,000
Total Options on issue as at the date of this Prospectus	75,579,756
Options to be issued pursuant to the Offer	-
Total Options on issue after completion of the Offer	75,579,756

Notes:

1. The vesting conditions in relation to the CPHOPT3 Options relate to part of the business of the Company that has been abandoned and therefore the vesting conditions can never be satisfied.
2. 300,000 CPHOPT19 Options have vested. Vesting and exercise of the remaining 100,000 CPHOPT19 Options is subject to the holder's continuous service, on 31 August 2021.
3. These CPHOPT23 Options will vest in three equal tranches with 333,333 CPHOPT23 Options vesting on 10 March 2021, 333,333 CPHOPT23 Options vesting on 10 March 2022 and 333,334 CPHOPT23 Options vesting on 10 March 2023.
4. These CPHOPT24 Options will vest in three equal tranches with 333,333 CPHOPT24 Options vesting on 10 March 2021, 333,333 CPHOPT24 Options vesting on 10 March 2022 and 333,334 CPHOPT24 Options vesting on 10 March 2023.
5. These CPHOPT25 Options will vest in three equal tranches with 166,666 CPHOPT25 Options vesting on 10 March 2021, 166,667 CPHOPT25 Options vesting on 10 March 2022 and 166,667 CPHOPT25 Options vesting on 10 March 2023.
5. The Company has also agreed, subject to obtaining Shareholder approval to issue:
 - (a) 833,333 Options to EverBlu Capital in connection with entry into the Lind Convertible Securities Agreement (as announced on 20 April 2020). The Options will be exercisable at \$0.20 each on or before 3 years from the date of issue;
 - (b) up to 68,664,354 Options to investors who have been issued Shares under the Placement (being one Option for every four Shares issued). The Options will be exercisable at \$0.05 each on or before the date that is 24 months after the date of issue;
 - (c) up to 8,591,066 Options to Chairman, Adam Blumenthal in respect of his proposed participation in the Placement. The Options will be exercisable at \$0.05 each on or before the date that is 24 months after the date of issue;
 - (d) 62,947,717 Options to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the Placement (being seven Options for every \$1 raised under the Placement). This includes 7,000,000 Options which will be issued to EverBlu Capital in respect of Mr Blumenthal's participation in the Placement, subject to the necessary Shareholder approvals being obtained. The Options will be exercisable at \$0.05 each on or before that is 24 months after the date of issue;
 - (e) 30,000,000 Options to Mr Bruce Linton (or his nominee) as announced on 7 October 2020. The Options will be exercisable at \$0.039 each on or before that is 5 years after the date of issue;
 - (f) up to 25,773,196 Options to Adam Blumenthal, to be issued (at the sole election of Mr Blumenthal) if the Company elects to draw down any funds under the Short-Term Facility. The Options will be exercisable at \$0.05 each on or before that is 24 months after the date of issue; and
 - (g) up to 10,738,832 Options to Suburban Holdings in accordance with the early termination arrangements announced on 7 October 2020. These Options will only be issued if Suburban Holdings elects to convert the outstanding amount owed (being \$1,250,000) into Shares and Options on the same basis as participants in the Placement. The Options will be exercisable at \$0.05 each on or before that is 24 months after the date of issue.

Performance Rights

	Number
Performance Rights currently on issue	2,298,000 ¹
Performance Rights offered pursuant to the Offer	Nil
Total Performance Rights on issue after completion of the Offer	2,298,000

Notes:

- Comprising 66,000 Performance Rights which have vested and 2,232,000 Performance Rights, which will vest upon satisfaction of the following vesting conditions:
 - 800,000 CPHPERR6 Performance Rights: Vest upon the holder successfully identifying and concluding a collaboration or joint venture acquisition and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017);
 - 800,000 CPHPERR7 Performance Rights: Vest upon the holder successfully identifying and concluding a collaboration or joint venture acquisition in Israel and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017);
 - 100,000 CPHPERR16 Performance Rights: Vest upon the creation of local collaborations to the material benefit of the Company as determined by the CEO, and completion of 36 months of continued engagement with the Company from date of issue (being 27 July 2017);
 - 132,000 CPHPERR24 Performance Rights: Vest upon Mernova achieving gross sales revenue of C\$1,500,000;
 - 300,000 CPHPERR29 Performance Rights: Vest upon the completion of three years of continuous service with the Company, commencing from 21 November 2017; and
 - 100,000 CPHPERR32 Performance Rights: Vest upon the completion of the Annual Report & Appendix 4E for the financial year ended 2020, five days or more before the ASX reporting deadline.
- The Board is currently considering the issue of up to an additional 28,600,000 Performance Rights to Directors, executives and consultants. The contemplated issue of Performance Rights and the terms of conversion of the Performance Rights (including the vesting conditions) will be subject to Board, ASX and, where required, Shareholder approval.

Exchangeable Shares

	Number
Exchangeable Shares currently on issue	8,300,000 ¹
Exchangeable Shares offered pursuant to the Offer	-
Total Exchangeable Shares on issue after completion of the Offer	8,300,000¹

Notes:

- Comprising of 4,150,000 Milestone 1 Exchangeable Shares and 4,150,000 Milestone 2 Exchangeable Shares, which are exchangeable into up to a maximum of 16,600,000 Shares in accordance with the agreed ratio. Further details are set out in the notice of meeting released on 9 November 2017.

Convertible Notes

	Number
Convertible Notes on issue at date of Prospectus	1,666,667
Convertible Notes offered pursuant to the Offer	-
Convertible Notes on issue after completion of the Offers	1,666,667

Notes:

1. The terms of the Convertible Notes and the subsequent rights of conversion into Shares are set out in the notice of meeting lodged by the Company and released on the ASX on 23 December 2019 as supplemented by the addendum released on the ASX on 13 January 2020.
2. As announced on 7 October 2020, Suburban Holdings has agreed to the early redemption and cancellation of its convertible securities, which subject to Shareholder approval will be achieved through the payment of \$250,000 in cash from the proceeds of the Placement, Suburban Holdings agreeing to purchase a reduction in the number of collateral shares that they hold (being 18,333,334 collateral shares) and the grant of the right for Suburban Holdings to elect to either be repaid the outstanding amount owed to Suburban Holdings (being a payment of \$1,250,000) from funds raised from a future capital raising or, subject to Shareholder approval being obtained, to convert some or all of this amount into Shares and Options (on the same basis as participants in the Placement).

3.3 Details of Substantial Holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
L1 Capital Global Opportunities Master Fund	43,062,496	6.26%

3.4 Financial effect of the Offers

As noted in Section 2.2, the primary purpose of the Offer is to remove any trading restrictions that may have attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Offer (including prior to the date of this Prospectus). If the Directors decide to issue Shares under the Offer, the issue of Shares will take place as soon as practicable after the Closing Date.

The expenses of the Offer (of approximately \$20,000) are expected to exceed the amount raised under this Prospectus (if any). The excess will be met from the Company's available working capital.

3.5 Pro-forma balance sheet

The balance sheet as at 30 June 2020, which has been subject to review by the independent auditor (reviewed balance sheet), and the unaudited proforma balance sheet as at 30 June 2020 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets

and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The pro-forma balance sheet has been prepared assuming no additional Shares are issued, and no convertible securities are exercised or converted prior to the Closing Date and including the expenses of the Offer.

\$ (000s)	REVIEWED 30 JUNE 2020	UNAUDITED PRO-FORMA ADJUSTMENT	UNAUDITED PRO-FORMA 30 JUNE 2020
CURRENT ASSETS			
CURRENT ASSETS			
Cash and cash assets	3,282	2,475	5,757
Trade and other receivables	654	-	654
Inventories	1,250	-	1,249
Biological assets	363	-	363
TOTAL CURRENT ASSETS	5,549	2,475	8,024
NON-CURRENT ASSETS			
Plant and equipment	10,675	-	10,675
Intangible assets	664	-	664
TOTAL NON-CURRENT ASSETS	11,339	-	11,339
TOTAL ASSETS	16,888	2,475	19,364
CURRENT LIABILITIES			
Trade and other payables	2,924	(637)	2,287
Provisions	65	-	65
Borrowings	7,376	(2,351)	5,026
TOTAL CURRENT LIABILITIES	10,365	(2,988)	7,378
TOTAL LIABILITIES	10,365	(2,988)	7,378
NET ASSETS (LIABILITIES)	6,523	5,462	11,986
EQUITY			
Issued capital	50,930	7,993	58,922
Reserves	24,483	-	24,483
Accumulated losses	(68,890)	(2,530)	(71,420)
TOTAL EQUITY	6,523	5,462	11,986

Notes:

The above pro-forma balance sheet has been prepared including the assumptions below:

1. the Company has raised \$7,992,530 under the Placement and paid \$5.418 million from the funds raised to outstanding creditors and former convertible noteholders. This does not include \$1,000,000 that may be raised as a result of the participation by Adam Blumenthal in the Placement subject to Shareholder approval being obtained;
2. payment of the cash fee to EverBlu Capital in respect of the Placement, being \$479,552;
3. all convertible notes (other than those held by Suburban Holdings) being redeemed and cancelled; and
4. expenses of this Prospectus, being \$20,000. Refer to Section 6.7 for further details.

4. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to the Shares being offered pursuant to this Prospectus. 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 and liabilities 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 of the Company.

(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 each Share held, 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, 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, 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 issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company 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 and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under 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.

(i) **Alteration of Constitution**

In accordance with the Corporations Act, 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.

5. RISK FACTORS

5.1 Introduction

The Shares offered under this Prospectus should be considered as highly speculative and an investment in the Company is not risk free.

The Directors strongly recommend that prospective investors consider the risk factors set out in this Section 5, together with all other information contained in this Prospectus.

The future performance of the Company and the value of the Securities may be influenced by a range of factors, many of which are largely beyond the control of the Company and the Directors. The key risks associated with the Company's business, the industry in which it operates and general risks applicable to all investments in listed securities and financial markets generally are described below.

The risks factors set out in this Section 5, or other risk factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Shares. This Section 5 is not intended to provide an exhaustive list of the risk factors to which the Company is exposed.

Before determining whether to invest in the Company you should ensure that you have a sufficient understanding of the risks described in this Section 5 and all of the other information set out in this Prospectus and consider whether an investment in the Company is suitable for you, taking into account your objectives, financial situation and needs.

If you do not understand any matters contained in this Prospectus or have any queries about whether to invest in the Company, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

5.2 Company specific

(a) Going concern

The Company's audited financial report for the year ended 31 December 2019 (as announced on 28 February 2020) and the Company's financial report for the half year ended 30 June 2020 (as announced on 1 September 2020) included a statement that there was material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

The financial statements were still 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.

The ability of the Group to continue as a going concern is dependent on obtaining additional funding facilities scaling back corporate overheads and thereafter revenue growth in the operations in Canada and Switzerland and positive cash flows from operations during the financial year.

At the time of the preparation of the financial reports, the Directors believed that the consolidated entity would be able to continue as a

going concern and therefore it was appropriate to adopt the going concern basis in the preparation of the financial report.

Further the Board continues to consider the following additional factors in assessing whether the Company will be able to continue as a going concern:

- (i) as announced on 7 October 2020, each of the secured lenders has agreed to the early redemption and cancellation of their convertible notes. The agreement reached with Suburban Holdings in respect of the early redemption and cancellation of their convertible notes is subject to Shareholder approval. As a result of entering into these arrangements, the various security agreements (including general security, guarantees and mortgages over the Company and property of Mernova), which have been granted in favour of L1 Capital Global Opportunities Master Fund as 'Collateral Agent' for each of the lenders, will be discharged;
- (ii) the Company has raised \$7.992 million under the Placement (with a further \$1 million to be raised subject to the Company obtaining Shareholder approval for the participation of Director, Adam Blumenthal in the Placement);
- (iii) the Company continuously explores merger and acquisition opportunities with a view to strengthening its existing businesses or divesting operations which are no longer of strategic importance to it;
- (iv) the Company continuously explores further product offerings and available market opportunities in line with its business strategies and objectives which may enable the Company to access additional funding in the short term, at a time where market conditions are highly volatile and alternative financing may not be available, or, where available, may be highly dilutive to Shareholders;
- (v) the Company continues to expand its range of products, with a current portfolio of 13 products, of which eight products have been commercialised and five are pending commercialisation;
- (vi) revenues from the Company's Switzerland and Mernova operations are growing;
- (vii) the Company plans to raise equity through the issue additional Shares in the next 12 months. This has previously proven to be successful (including as demonstrated by the Placement); and
- (viii) the Company plans to continue to re-organise its operations during the next 12 months, including scaling back corporate overheads and other aspects of its cost base, in order to curtail expenditure, in the event that financial projections indicate that available cash will be insufficient to meet projected expenditure.

The Directors continue to believe that the consolidated entity will be able to continue as a going concern on the basis that the above factors still remain true.

However, it is highly likely that further funding will be required to meet the medium term working operating costs of the Company and in the event that the Company is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

Further information in respect of additional requirements for capital are set out in the risk in Section 5.2(b).

(b) Additional requirements for capital

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.

Depending on the Company's ability to generate income and revenue from its operations, the Company may require further financing in the future.

As announced on 7 October 2020, Suburban Holdings has agreed to the early redemption and cancellation of its convertible securities, which subject to Shareholder approval will be achieved through the payment of \$250,000 in cash from the proceeds of the Placement, Suburban Holdings agreeing to purchase a reduction in the number of collateral shares that they hold (being 18,333,334 collateral shares) and the grant of the right for Suburban Holdings to elect to either be repaid the outstanding amount owed to Suburban Holdings (being a payment of \$1,250,000) from funds raised from a future capital raising or, subject to Shareholder approval being obtained, to convert some or all of this amount into Shares and Options (on the same basis as participants in the Placement). Suburban Holdings has agreed to not make that election until the earlier of 7 January 2021 and the day that is 10 days following Creso Pharma's next Shareholder meeting.

Following the completion of the Placement and the entry into the short-term loan facility with Adam Blumenthal (as announced on 7 October 2020), the Board believes the Company will have sufficient working capital to adequately meet the Company's short-term creditor commitments as a result of the funds raised and funds generated through the Company's revenue streams.

As noted in Section 3.2, the Company may consider undertaking a placement of up to \$6,000,000 worth of Shares. The issue price of the Shares will be no less than 75% of the 5-day VWAP calculated over the 5 trading days on which trades in Shares were recorded immediately before the date on which the issue price is agreed by the Company and the recipients of the relevant Shares.

The Company is confident that it will be able to generate further funding as and when available. Additionally, the Company continuously explores merger and acquisition opportunities with a view to strengthening its existing businesses and/or divesting operations. Further, the Company continuously explores further product offerings and

available market opportunities in line with its business strategies and objectives which may enable the Company access additional funding.

Any additional equity financing (including the issue of Shares and Options to Suburban Holdings as part of the early redemption arrangements described above or to Adam Blumenthal pursuant to the short term loan facility) 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.

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.

(c) **Coronavirus (COVID – 19)**

In December 2019, a novel strain of coronavirus (**COVID-19**) was first identified in Wuhan, China. Less than four months later, on 11 March 2020, the World Health Organization declared COVID-19 a pandemic—the first pandemic caused by a coronavirus. The outbreak of COVID-19 has resulted in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans, intended to control the spread of the virus.

The COVID-19 pandemic may prevent the Company, its suppliers, customers, and other business partners from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. Such measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

As announced on 2 April 2020, the Company is implementing a wide range of strategies to mitigate the risks posed by the coronavirus pandemic including implementing remote working policies for the majority of its corporate staff based in Sydney and its R&D staff based in Switzerland, the suspension of overseas travel and the promotion of social distancing measures. Further, the Company has implemented a number of measures at its Mernova Facility including amending shift times to minimise contact between employees, appointing a Social Distance Coordinator, implementing remote working for all administration staff, and prohibiting non-essential contractors and other third parties from entering the Mernova Facility. These measures are aimed at minimising the risk of spreading the virus and protecting employees with minimal disruption to operations.

The outbreak of COVID-19 is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be

adversely affected in the short to medium term by the economic uncertainty caused by COVID-19.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market regarding the impact of COVID-19 on its revenue channels and any other material adverse impacts on the Company.

(d) **Regulatory Changes**

The European Commission is currently considering changes to regulations in respect of CBD. At this stage it is anticipated that changes will impact the use of CBD in certain products however, these changes have not yet been confirmed and it is unknown when a decision will be made and announced by the European Commission. In order to pre-empt any potential impact this may have on Creso Pharma's products and revenue, Creso Pharma has begun reformulating some of its products that may be affected. At this stage there has been no material impact on the current orders of the Company's products and any impact on future orders is unable to be determined without finalisation of the European Commission changes, however given the steps Creso Pharma have implemented, the Company considers the potential effect will be minimal.

(e) **Uncertainty in cannabis stocks**

In July 2019, one of Canada's largest cannabis producers, CannTrust Holdings Inc. (**CannTrust**) was found to be illegally growing marijuana in unlicensed areas in Canada. As a result, actions taken by Health Canada towards CannTrust, such as the revoking of CannTrust's cannabis sales licence, have dominated the Canadian news cycle and the cannabis industry over the last few months. This negative publicity which originated from CannTrust's actions detrimentally affected the cannabis industry as a whole and had a depreciating effect on the stock prices of cannabis companies. This general adverse market perception has created volatility in the cannabis market in general which may affect the market and demand for the Shares.

(f) **Intellectual property rights**

The Company may be forced to litigate to enforce or defend its intellectual property rights against infringement and unauthorised use by competitors, and to protect our trade secrets. In so doing, the Company's intellectual property may be put 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 the Company's ability to develop and commercialise the Company's current and future products (**Products**) and prevent competitors from making, using, and selling competing products. Any such litigation could be very costly and could distract management from focusing on operating the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state

jurisdictions, we may face additional difficulties in defending our intellectual property rights.

(g) **Protection of proprietary technology**

The Company's success will depend, in part, on the Company's ability to obtain patents, protect trade secrets and operate without infringing on the proprietary rights of others. If the Company fails to adequately protect its intellectual property, it may face competition from companies who attempt to create a generic product to compete with the Products. The Company may also face competition from companies who develop a substantially similar product to one of the Products that is not covered by any protection.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. Proceedings to enforce the Company's patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of its business.

(h) **Competition**

The pharmaceutical and nutraceutical industries are highly competitive and subject to rapid change. The industries continue 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 the Company. Some of these competitors and potential competitors have similar or more experience than the Company in the development of pharmaceutical products, including validation procedures and regulatory matters. In addition, the Products 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 the Company is unable to compete successfully, it may be unable to generate, grow and sustain its revenue.

(i) **Joint venture, partnerships or other strategic alliances**

The Company may enter into strategic partnerships or alliances with third parties in order to enhance its business. Additionally, the Company continuously explores merger and acquisition opportunities with a view to strengthening its existing business and/or divesting non-core business operations. Any entry into, or commitment to, such relationship or opportunity will bring additional risks specifically contractual risks. The Company would also be likely to incur transactional costs in evaluating and negotiating such relationships which will need to be incurred regardless of whether the proposed transactions complete or bring benefit to the Company. At the date of this Prospectus, unless otherwise disclosed, the Company is not aware of the occurrence or likely occurrence of any such risks which would have a material adverse effect on the Company or its subsidiaries.

5.3 Risks relating to Products

(a) Risk of generating public controversy

Some of the Products 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 the Products. These pressures could also limit or restrict the introduction and marketing of the 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 the Products and the operations of the Company. The nature of the Company's business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, our reputation may be harmed.

(b) Legal and regulatory changes

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining required regulatory approvals all over the world. The regulatory regimes applicable to the cannabis business in Canada, Australia, Colombia, Brazil, and the European Union are currently undergoing significant changes and the Company cannot predict the impact of the changes on its operations once the regulatory regimes are finalized.

Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations.

In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(c) Controlled substance legislation may restrict or limit ability to develop and commercialise the 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 the Products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit the Products to be marketed or achieving such amendments to the laws and regulations may take a prolonged period of time.

(d) **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. 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 or may fail to meet customer's agreed specification. These defects or problems could result in the loss of or delay in generating revenue, requirements to repay prepaid 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.

(e) **Customer and Contractual Risks**

Currently, the Mernova segment of the Company's business is still in its initial phase and therefore currently only derives its revenues from a limited number of customers and distributors. The loss of or significant decrease in business from any of those customers could harm Mernova's revenues and the Company's business until additional distribution/supply agreements are entered. This is not an unusual situation for businesses in the initial phases is closely monitored by the Board who is in discussions with potential third parties.

Further, although the Company has agreements in place with such customers, these agreements require Mernova and/or the Company to meet certain obligations (including specifications of products) as is the case for any licence producer which is selling cannabis grown flowers. There is no guarantee that such obligations will be met or that factors outside the Company's control (i.e. delivery mechanisms, customer testing techniques or circumstances) may impact the final products received by customers. Any failure to meet obligations may result in the need to replace products, loss of revenue or termination of existing agreements which may have a material adverse effect on the Company and its operations.

Like with any partnering or distribution agreement the Company is also subject to the risk that the parties to these agreements will not adequately or fully comply with their respective contractual rights and obligations including the obligations to order minimum quantities or that these contractual relationships may be terminated.

(f) **Access to active ingredients**

Some of the Products will/do contain active cannabis or hemp derived ingredients from full plant extracts. The Company needs access to these materials. An inability to access these raw materials with the required specifications or quality could mean that some of the Products are compromised or delayed.

The Company may, from time to time, enter into agreements with other suppliers of active cannabis or hemp derived ingredients. There is a risk that 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.

(g) **Cultivation Risks**

Part of the Company's business involves the cultivation and growing of medical cannabis and/or hemp, which are agricultural products. As such the business may 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. In addition, significant interruptions or negative changes in the availability of economics of the supply chain for the raw material and supplies related to growing operations as well as electricity, water and other local utilities inputs could materially impact the business, financial condition and operating results of the Company.

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

(h) **Climate Change**

There are a number of climate-related factors that may affect the operations and proposed activities of the Company. The climate change risks particularly attributable to the Company include:

- (i) the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and
- (ii) climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and

incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. These physical risks may have financial implications for the Company, such as indirect impacts from supply chain disruption and industry demand.

All these risks associated with climate change may significantly change the industry in which the Company operates.

5.4 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.

(b) Market conditions

Share market conditions may affect the value of the Company's 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 cannabis 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) 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. 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.

(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) **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.

(f) **Contractual risk**

The Company's ability to efficiently conduct its operations in a number of respects depends upon a number of contracts. As in any contractual relationship, the ability for the Company to ultimately receive the benefit of the contract is dependent upon the relevant third party complying with its contractual obligations. To the extent that such third parties default in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

5.5 Speculative investment

The risk factors described above, and other risks factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Shares.

Prospective investors should consider that an investment in the Company is highly speculative.

There is no guarantee that the Shares offered under this Prospectus will provide a return on capital, payment of dividends or increases in the market value of those Shares.

Before deciding whether to subscribe for Shares under this Prospectus you should read this Prospectus in its entirety and consider all factors, taking into account your objectives, financial situation and needs.

6. ADDITIONAL INFORMATION

6.1 Litigation

Other than as set out in this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company as at the date of this Prospectus.

6.2 Continuous disclosure obligations

As set out in the Important Notes Section of this Prospectus, the Company is a disclosing entity for the purposes of section 713 of the Corporations Act. Accordingly, information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
12/10/2020	Secured Debt Update
12/10/2020	Change of Directors' Interest Notice x 2
12/10/2020	Appendix 2A

Date	Description of Announcement
12/10/2020	Change in substantial holding
12/10/2020	Second Purchase Order from Pharma Dynamics, South Africa
9/10/2020	Second Retail PO from Nova Scotia Liquor Corporation
7/10/2020	Canopy Growth founder to join Creso
7/10/2020	Proposed issue of Securities - CPH
7/10/2020	Proposed issue of Securities - CPH
7/10/2020	Creso Pharma receives commitments totalling A\$8.992m
6/10/2020	Becoming a substantial holder
6/10/2020	Ceasing to be a substantial holder
5/10/2020	Appendix 2A
2/10/2020	Results of Meeting
1/10/2020	Trading Halt
30/09/2020	Appendix 2A
22/09/2020	Addendum to Notice of General Meeting
21/09/2020	Mernova Receives First Retail Purchase Order From NSLC
10/09/2020	Creso welcomes TGA reclassification of CBD
1/09/2020	Appendix 2A
1/09/2020	Half Yearly Report and Accounts
28/08/2020	Proposed issue of Securities - CPH
27/08/2020	Notice of General Meeting/Proxy Form
14/08/2020	Company Update
12/08/2020	Agreement with DHS Business for Entry into Iberic Markets
3/08/2020	Appendix 2A
3/08/2020	Quarterly Activities Report and Appendix 4C
15/07/2020	Ceasing to be a substantial holder
10/07/2020	Mernova Receives US\$625k Order for Shipment to Israel
3/07/2020	Redemption of Performance Shares
1/07/2020	Ceasing to be a substantial holder
30/06/2020	Ceasing to be a substantial holder
26/06/2020	Appendix 2A
26/06/2020	Becoming a substantial holder
26/06/2020	Proposed issue of Securities - CPH
26/06/2020	Mernova Milestone 2 Update
25/06/2020	Issue of Unlisted Securities

Date	Description of Announcement
25/06/2020	Prospectus Offer Period Extension
25/06/2020	Appendix 2A
24/06/2020	Prospectus Offer Period Extension
24/06/2020	Appendix 2A
24/06/2020	Mernova Operational Update
24/06/2020	Cleansing Prospectus
23/06/2020	Appendix 2A
23/06/2020	Proposed issue of Securities - CPH
16/06/2020	Results of Meeting
15/06/2020	Ceasing to be a substantial holder
11/06/2020	Change in substantial holding
11/06/2020	Israeli Cannabis Legislation Update
10/06/2020	Update on Mernova Sales License
9/06/2020	Change of Director's Interest Notice
9/06/2020	Becoming a substantial holder
9/06/2020	Successful launch of Creso's Cannamix in South Africa
4/06/2020	Appendix 2A
3/06/2020	Appendix 2A
3/06/2020	Agreement for Entry into Brazilian Retail Market
2/06/2020	Proposed issue of Securities - CPH
2/06/2020	Cleansing Prospectus
2/06/2020	Placement and Corporate Update
2/06/2020	Appendix 2A
1/06/2020	Creso Pharma Receives Firm Commitments to Raise A\$2.137M
1/06/2020	Appendix 2A
1/06/2020	Proposed issue of Securities - CPH
28/05/2020	Appendix 2A
28/05/2020	Proposed issue of Securities - CPH
28/05/2020	Appendix 2A
27/05/2020	Trading Halt
18/05/2020	Results of Meeting
13/05/2020	Update on Mernova Sales Licence
12/05/2020	Letter to Shareholders Regarding AGM
12/05/2020	Notice of Annual General Meeting/Proxy Form

Date	Description of Announcement
11/05/2020	Trading Halt
11/05/2020	Pause In Trade
11/05/2020	Mernova Receives Retail Sales License from Health Canada
30/04/2020	Quarterly Update and Appendix 4C (Replacement)
30/04/2020	Quarterly Update and Appendix 4C
20/04/2020	Appendix 2A
20/04/2020	Cleansing Prospectus
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Proposed issue of Securities - CPH
20/04/2020	Funding Update
20/04/2020	Israeli JV Update
15/04/2020	Notice of General Meeting/Proxy Form
14/04/2020	L1 Capital Collateral Purchase Notice & Top-Up Notice
14/04/2020	Pause in Trading
14/04/2020	Binding LOI to Expand Distribution into Pakistan
8/04/2020	ASX Listing Rule 3.13.1 Notice Regarding AGM
7/04/2020	Appendix 3G
7/04/2020	Creso Completes AUD 200,000 Order of anibidiol to Virbac
2/04/2020	Creso Pharma Outlines Response to COVID-19
2/04/2020	Pause in Trading
1/04/2020	Mernova Receives C\$775k Order for First Shipment to Israel
26/03/2020	First Shipment of cannaQIX to South Africa For Launch in Q2
24/03/2020	Creso Pharma to Launch CBD Hemp Tea
12/03/2020	Ceasing to be a substantial holder - Correction
11/03/2020	Ceasing to be a substantial holder
11/03/2020	Creso Strengthens Mernova Senior Management Team
10/03/2020	Trading Halt
10/03/2020	Pause in Trading
6/03/2020	Becoming a substantial holder
3/03/2020	Creso Signs Agreement to Market its Products in Scandinavia
2/03/2020	Termination of Israeli Joint Venture
28/02/2020	Appendix 4G & Corporate Governance Statement

Date	Description of Announcement
28/02/2020	Preliminary Report & Annual Report to shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website (www.cresopharma.com).

6.3 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

	(\$)	Date
Highest	\$0.048	14 August 2020
Lowest	\$0.028	16 July 2020
Last	\$0.034	12 October 2020

6.4 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:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (i) the Offer.

Security holdings

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	Shares	Options	Performance Rights ⁴
Adam Blumenthal ^{1,6}	9,041,721	14,128,387 ²	-
Dr. James Ellingford	1,450,000	-	-
Dr. Miri Halperin Wernli ^{3,6}	13,633,333	-	-
Boaz Wachtel	8,300,000	-	1,600,000 ⁵

Notes:

1. Director Adam Blumenthal is a director and shareholder of EverBlu Capital, the corporate advisor of the Company. Further details of the fees payable to EverBlu Capital in its role as corporate advisor of the Company are set out in the ASX announcement released on 21 January 2020. EverBlu Capital has also acted as lead manager to the Placement (details of the fees payable in respect of this appointment are set out in Section 1.2).
2. Comprising of:
 - (a) 2,128,387 Options exercisable at \$0.35 each on or before 12 February 2023;
 - (b) 4,000,000 Options exercisable at \$0.25 each on or before 2 June 2023; and
 - (c) 8,000,000 Options exercisable at \$0.20 each on or before 2 June 2023.
3. Includes 300,000 Shares held by Jorge Wernli, who is the spouse of Dr. Miriam Halperin Wernli.
4. The Board is currently considering the issue of up to an additional 28,600,000 Performance Rights, of which 25,600,000 Performance Rights are contemplated to be issued to Directors. The contemplated issue of Performance Rights will be subject to Board, ASX and, where required, Shareholder approval.
5. Comprising 800,000 CPHPERR6 Performance Rights and 800,000 CPHPERR7 Performance Rights. These Performance Rights vest upon satisfaction of the following vesting conditions:
 - (a) CPHPERR6 Performance Rights: Successfully identifying and concluding a collaboration or joint venture acquisition and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017); and
 - (b) CPHPERR7 Performance Rights: Successfully identifying and concluding a collaboration or joint venture acquisition in Israel and remaining as a Director for 12 months from date of issue of the Performance Rights (being 27 July 2017).

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution 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 \$500,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or

otherwise performs services outside the scope of the ordinary duties of a Director. In addition, 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 following table shows the total (and proposed) annual remuneration paid to both executive and non-executive Directors as disclosed in the Company's 2019 and 2018 Annual Reports.

Director	FY ending 31 December 2020	FY ended 31 December 2019	FY ended 31 December 2018
Adam Blumenthal	\$269,000 ¹	\$247,788 ⁵	\$854,723 ⁹
Dr. James Ellingford	\$187,610 ²	\$163,569 ⁶	\$187,831 ¹⁰
Dr. Miri Halperin Wernli	\$557,000 ³	\$799,302 ⁷	\$2,068,075 ¹¹
Boaz Wachtel	\$52,500 ⁴	\$245,282 ⁸	\$717,000 ¹²

Notes:

1. Comprising a cash payment of \$200,000 and a superannuation payment of \$19,000. Share-based payments were fully expensed in prior years. In addition, the amount of \$54,750, comprising \$50,000 in remuneration and associated superannuation of \$4,750, accrued from the financial year ended 31 December 2019, will be paid in the financial year ending 31 December 2020. It is intended that \$4,750 of superannuation payable will not become payable until 2021 and will therefore be paid in the financial year ending 31 December 2021.
2. Comprising a cash payment of \$141,000, a superannuation payment of \$13,395. In addition, the amount of \$36,682, comprising \$33,500 remuneration and associated superannuation payment of \$3,182, accrued in the financial year ended 31 December 2019, will be paid in the financial year ending 31 December 2020. It is intended that \$3,467 of superannuation payable will not become payable until 2021 and will therefore be paid in the financial year ending 31 December 2021.
3. Comprising cash payments of \$329,000 in executive remuneration and \$228,000 in director's remuneration. Share-based payments were fully expensed in prior years.
4. Comprising a cash payment of \$47,500 in executive remuneration. Share-based payments were fully expensed in prior years. In addition, the amount of \$5,000 in remuneration, accrued from the financial year ended 31 December 2019, will be paid in the financial year ending 31 December 2020.
5. Comprising a cash payment of \$200,000, a superannuation payment of \$19,000 and a share-based payment of \$67,641. Accrued amounts from the previous year were paid in full. In addition, the amount of \$54,750, comprising \$50,000 in remuneration and associated superannuation of \$4,750, was accrued and will be paid in the financial year ending 31 December 2020.
6. Comprising a cash payment of \$134,000, a superannuation payment of \$12,730 and a share-based payment of \$39,172. Accrued amounts from the previous year were paid in full. In addition, the amount of \$36,682, comprising \$33,500 remuneration and associated superannuation payment of \$3,182, was accrued and will be paid in the financial year ending 31 December 2020.
7. Comprising cash payments of \$392,563 in executive remuneration, \$248,910 in director's remuneration and a share-based payment of \$157,829.
8. Comprising of a cash payment of \$105,000 in executive remuneration and a share-based payment of \$135,282. Accrued amounts from the previous year were paid in full. In addition, the amount of \$5,000 in remuneration was accrued and will be paid in financial year ending 31 December 2020.
9. Comprising a cash payment of \$121,000, a superannuation payment of \$11,495 and a share-based payment of \$738,125. An amount of \$15,897, comprising \$12,667 in remuneration and associated superannuation of \$3,230, was accrued was paid in the

financial year ended 31 December 2019.

10. Comprising a cash payment of \$119,000, a superannuation payment of \$8,930 and a share-based payment of \$74,250. In addition, the amount of \$14,349, comprising \$11,167 in remuneration and associated superannuation of \$3,182, was accrued and was paid in the financial year ended 31 December 2019.
11. Comprising a cash payment of \$470,677, a bonus of \$203,648 and a share-based payment of \$1,393,750.
12. Comprising a cash payment of \$120,000 and a share-based payment of \$607,000. An amount of \$10,000 in remuneration was accrued and paid in the financial year ended 31 December 2019.
13. The Board is currently considering the issue of up to an additional 28,600,000 Performance Rights, of which 25,600,000 Performance Rights are contemplated to be issued to Directors. The contemplated issue of Performance Rights will be subject to Board, ASX and, where required, Shareholder approval. These Securities are not included in the above table.

6.5 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:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) 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 any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services.

6.6 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;
- (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 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; and
- (c) 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.

BDO Audit Pty Ltd has given its written consent to being named as the auditors to the Company in this Prospectus and to the inclusion of the reviewed balance sheet for the Company for the period ending 30 June 2020 in Section 3.5 of this Prospectus in the form and context in which it is included. BDO Audit Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

6.7 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$20,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
Legal fees	15,000
Printing, distribution and miscellaneous items	1,794
Total	20,000

7. 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.



Adam Blumenthal
Non-Executive Chairman
Creso Pharma Limited

8. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Application Form means an application form in respect of the Offer either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and 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 listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Closing Date means the date specified in the timetable set out at Section 1 (unless extended).

Company means Creso Pharma Limited (ACN 609 406 911).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Group means the Company and each of its subsidiaries.

Mernova means Mernova Medical Inc. a company registered in Canada.

Offer means the offer of up to 10,000 Shares at an issue price of \$0.029 per Share to raise up to \$290.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Section means a section of this Prospectus.

Securities means Shares, Options, Performance Rights, Performance Shares, Convertible Notes and/or Exchangeable Shares.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Suburban Holdings means Suburban Holdings Pty Limited (ACN 106 824 471).

WST means Western Standard Time as observed in Perth, Western Australia.