

CRESO PHARMA LIMITED

ACN 609 406 911

PROSPECTUS

For an offer of:

- (a) up to 190,460,834 Options exercisable at \$0.05 each on or before the date that is two years from the date of issue (**Options Offer**); and
- (b) the offer of up to 10,000 Shares at an issue price of \$0.23 per Share to raise up to \$2,300 (**Cleansing 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 Securities being offered under this Prospectus or any other matter, then you should consult your professional advisers without delay.

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

IMPORTANT NOTICE

This Prospectus is dated 20 January 2021 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 Securities 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 Securities offered by this Prospectus should be considered as highly speculative.

Applications for Securities 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

These Offers do not, and are not intended to, constitute offers 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. In particular this document may not be distributed to any person, and the Options may

not be offered or sold, in any country outside Australia except to the extent permitted in Section 2.11.

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 enquiries 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 Securities 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 Securities, the Company may not be able to accept or process your application.

Use of Trademarks

This Prospectus includes the Company's registered and unregistered trademarks.

All other trademarks, tradenames and service marks appearing in this Prospectus are the property of their respective owners.

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 Offers please call the Joint Company Secretary on +61 8 9389 3180.

CORPORATE DIRECTORY

Directors

Adam Blumenthal
Non-Executive Chairman

Dr James Ellingford
Executive Director

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

Boaz Wachtel
Non-Executive Director

Company Secretary

Eryn Dale and Winton Willesee

Registered Office

CPC
Suite 5
145 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9389 3180

Email: info@cresopharma.com
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.

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1. KEY OFFER INFORMATION

1.1 Timetable

Lodgement of Prospectus with the ASIC and the ASX	20 January 2021
Lodgement of Prospectus	20 January 2021
Opening Date of the Offers	20 January 2021
Closing Date of the Options Offer	21 January 2021
Issue of the Options and lodgement of Appendix 2A with ASX	22 January 2021
Closing Date of the Cleansing Offer	22 January 2021
Quotation of New Options**	On or around 27 January 2021

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

** Quotation of the New Options is subject to the Company being able to satisfy ASX of the quotation requirements set out in Chapter 2 of the Listing Rules.

1.2 Shareholder Approvals

At a Shareholder meeting held on 23 December 2020 (**General Meeting**), the Company obtained Shareholder approval to issue, amongst other things, 197,277,517 Shares and 191,294,204 Options as detailed below:

- (a) up to 68,664,354 Options exercisable at \$0.05 each on or before two years from the date of issue (**Placement Options**) to unrelated professional and sophisticated investors (**Placement Participants**) who participated in the placement undertaken by the Company in October 2020 (**October Placement**);
- (b) up to 137,457,045 Shares and 34,364,262 Options (**Director Options**) to Director, Mr Adam Blumenthal, comprising:
 - (i) 34,364,261 Shares and up to 8,591,066 Options exercisable at \$0.05 each on or before two years from the date of issue in respect of Mr Blumenthal's participation in the October Placement; and
 - (ii) up to 103,092,784 Shares and up to 25,773,196 Options exercisable at \$0.05 each on or before two years from the date of issue, to be issued in the event that the Company elected to draw down up to \$3,000,000 under a short-term loan facility extended to the Company by Mr Blumenthal (**Loan Facility**);
- (c) up to 13,428,718 Shares and 63,781,048 Options to EverBlu Capital, the corporate adviser of the Company, comprising:
 - (i) 8,992,530 Shares and 62,947,715 Options exercisable at \$0.05 each on or before two years from the date of issue in part consideration for acting as lead manager in respect of the October Placement (**Placement Fee Options**);
 - (ii) 833,333 Shares and 833,333 Options exercisable at \$0.20 each on or before three years from the date of issue (**Unlisted EverBlu Options**) in part consideration for acting as lead manager in

respect of the entry into the convertible securities agreement with Lind Global Macro Fund, LP;

- (iii) 1,602,855 Shares in part consideration for acting as lead manager in respect of a placement undertaken by the Company in June 2020; and
 - (iv) 2,000,000 Shares in accordance with the corporate advisory mandate entered into between the Company and EverBlu Capital (as announced on 21 January 2020);
- (d) up to 42,955,327 Shares and up to 10,738,832 Options exercisable at \$0.05 each on or before two years from the date of issue (**Redemption Options**) to cancel and settle 1,666,667 convertible notes held by Suburban Holdings; and
- (e) 3,436,427 Shares and 13,745,708 Options exercisable at \$0.05 each on or before two years from the date of issue (**Azalea Options**) to Azalea Consulting (or its nominee/s) in consideration for company secretarial and corporate advisory services provided to the Company in connection with the various corporate actions undertaken by the Company during 2020 that are over and above the scope of Azalea Consulting's engagement and to provide an equity-based incentive to the remuneration of the joint company secretaries.

Further details in respect of these proposed security issued are set out in the notice of meeting released on 23 November 2020.

In accordance with Shareholder approval obtained at the General Meeting, the Company issued an aggregate of 197,277,517 Shares and 833,333 Unlisted EverBlu Options to the parties noted above on 23 December 2020.

The Placement Options, Director Options, Placement Fee Options, Redemption Options and Azalea Options (together, the **New Options**) are being offered pursuant to this Prospectus. Further details in respect of the Options Offer are set out in Section 2.1.

1.3 Company Update

Potential issue of Performance Rights

The Board is currently considering the issue of Performance Rights under the Company's performance rights plan, to Director, Dr Miri Halperin Wernli, senior executive Mr Jorge Wernli (who are both related parties of the Company) and other eligible employees and consultants. No quantum or terms of Performance Rights to be issued have been determined. Any issues of Performance Rights ultimately agreed will be subject to Board, ASX and, where required, Shareholder approval.

Potential Acquisition Opportunities

The Company continues to engage in the assessment and evaluation of new business and asset acquisition opportunities within the global cannabis sector and other similar sectors, such as psychedelics, as an organic extension of the Company's operations with a view to increasing the overall value of the Company. The Company has been in discussions with possible vendors regarding potential acquisition terms for assets that have been identified, although

negotiations have not been finalised nor have any potential terms been agreed at the date of lodgement of this Prospectus with the ASIC.

2. DETAILS OF THE OFFERS

2.1 Options Offer

This Prospectus includes an offer of up to 190,460,834 New Options exercisable at \$0.05 each on or before the date that is two years from the date of issue.

As set out in Section 1.2, the New Options will be offered for nil consideration to:

- (a) the Placement Participants including Director, Adam Blumenthal (or their nominees), on the basis of one New Option for every four Shares subscribed for and issued under the October Placement;
- (b) Director, Adam Blumenthal (or his nominees), on the basis of one New Option for every four Shares subscribed for and issued on conversion of the Loan Facility;
- (c) Suburban Holdings (or its nominees) in connection with the redemption of convertible notes which were held by Suburban Holdings;
- (d) EverBlu Capital (or its nominees) in part consideration for EverBlu Capital acting as lead manager to the October Placement; and
- (e) Azalea Consulting (or its nominees) in consideration for company secretarial and corporate advisory services provided to the Company in connection with the various corporate actions undertaken by the Company during 2020 that are over and above the scope of Azalea Consulting's engagement and to provide an equity-based incentive to the remuneration of the joint company secretaries.

No funds will be raised from the issue of these Options as the Options are being issued for nil consideration.

The Options offered under this Prospectus will only be issued to the parties noted above (or their nominees). Application Forms in respect of the Options Offer will only be provided by the Company to these parties.

The Options offered under the Options Offers summarised below will be issued on the terms and conditions set out in Section 4.2 of this Prospectus. Subject to the Company being able to satisfy ASX of the requirements for quotation as per Chapter 2 of the Listing Rules, the New Options will form a new class of quoted securities of the Company.

As set out in Section 4.1, Shareholder approval for the issue of the Options offered under the Options Offer was obtained at the General Meeting. Further information in respect of the details of the New Options is set out in the Notice of Meeting.

2.2 The Cleansing Offer

The Cleansing Offer is an offer of up to 10,000 Shares at an issue price of \$0.23 per Share, to raise up to \$2,300 (before expenses).

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

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 4.1.

2.3 Purpose of the Offers

Purpose of the Options Offer

The Options Offer is being made such that the relief provided under ASIC Corporations (Sale Offers That Do Not Need Disclosure) with respect to the on-sale provisions of section 707 of the Corporations Act is available.

Specifically, if the New Options are issued with disclosure under this Prospectus then the Shares issued upon the exercise of any of the New Options can be on-sold within 12 months of their issue, without a disclosure document for the on-sale offer.

Subject to the New Options being quoted to trading on ASX, the Options Offer will also provide investors who receive the New Options the opportunity to trade those New Options on a listed, public financial market, being the financial market operated by the ASX.

Purpose of the Cleansing Offer

The primary purpose of the Cleansing 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 Cleansing Offer (including prior to the date of this Prospectus). In particular, the Cleansing Offer is intended to remove any on-sale restrictions that may affect the Shares which were issued prior to the date of this Prospectus. Accordingly, the Company is seeking to raise only a nominal amount of \$2,300 under the Cleansing Offer as the purpose of the Cleansing 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;
- (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.

2.4 Opening and Closing Date of the Offers

The Opening Date of the Offers will be 20 January 2021, the Closing Date for the Options Offer will be 21 January 2021 and the Closing Date for the Cleansing Offer will be 22 January 2021. The Directors reserve the right to close the Offers early or

extend the Closing Date (as the case may be), should it be considered necessary to do so.

2.5 Minimum subscription

There is no minimum subscription to the Offers.

2.6 Not underwritten

The Offers are not underwritten.

2.7 Lead Manager

There is no lead manager for the Offers under this Prospectus.

However, as announced on 7 October 2020, EverBlu Capital was engaged to manage the October Placement. In connection with this, EverBlu Capital has been paid a cash fee of \$539,552, has been issued 8,992,530 Shares and will be issued 62,947,715 New Options pursuant to this Prospectus. The New Options will be exercisable at \$0.05 each on or before the date that is two years from the date of issue.

Director, Adam Blumenthal, is the Chairman of EverBlu Capital and a major shareholder and controller of EverBlu Capital. Mr Blumenthal is excluded from any board resolutions considered by the Company relating to EverBlu Capital.

2.8 Applications for Securities

Applications under the Options Offer

Only the Placement Participants, Mr Adam Blumenthal, Suburban Holdings, EverBlu Capital and Azalea Consulting (or their respective nominees) may accept the Options Offer. A personalised Application Form in relation to the Options Offer will be issued to eligible investors together with a copy of this Prospectus.

Cleansing Offer

Applications for Shares must be made by investors at the direction of the Company and must be made using the relevant Application Form accompanying this Prospectus. Payment for the Shares subscribed for under the Cleansing Offer must be made in full at the issue price of \$0.23 per Share. The Company does not currently intend to issue any Shares under the Cleansing Offer. Accordingly, an Application Form in respect of the Cleansing Offer should only be submitted if instructed to by the Directors.

By completing an 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 relevant Application Form together with a complete and unaltered copy of the Prospectus.

2.9 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 pursuant to this Prospectus before the expiration of three months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all

application monies for the Shares within the time prescribed under the Corporations Act, without interest.

In the event that the Company receives sufficient applications to meet the requirements for quotation of a second class of securities under the Listing Rules, application for Official Quotation of the New Options offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the New Options offered pursuant to this Prospectus, or if the Company does not meet the minimum requirements to be granted Official Quotation of the New Options, then the New Options will still be issued, however will not be quoted on ASX.

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

2.10 Issue of Securities

Options Offer

Securities issued pursuant to the Options Offer will be issued in accordance with the Listing Rules and timetable set out in Section 1.

Cleansing Offer

As noted in Section 2.3, the primary purpose of the Cleansing Offer is to remove any trading restrictions that may have been attached to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date of the Cleansing Offer (including prior to the date of this Prospectus).

If the Directors decide to issue Shares under the Cleansing 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 Cleansing Offer.

Holding Statements

Holding statements for Securities issued under the Offers will be mailed as soon as practicable after the issue of Securities.

2.11 Overseas shareholders

This Prospectus 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. In particular, this document may not be

distributed to any person, and the Options may not be offered or sold, in any country outside Australia except to the extent permitted below.

China

This document has not been approved by, nor registered with, any competent regulatory authority of the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). Accordingly, the Options may not be offered or sold, nor may any invitation, advertisement or solicitation for Options be made from, within the PRC. This document does not constitute an offer of Options within the PRC.

The Options may not be offered to legal or natural persons in the PRC other than to: (i) "qualified domestic institutional investors" as approved by a relevant PRC regulatory authority to invest in overseas capital markets; (ii) sovereign wealth funds or quasi-government investment funds that have the authorization to make overseas investments; or (iii) other types of qualified investors that have obtained all necessary PRC governmental approvals, registrations and/or filings (whether statutorily or otherwise).

Germany

This document has not been, and will not be, registered with or approved by any securities regulator in Germany or elsewhere in the European Union. Accordingly, this document may not be made available, nor may the Options be offered for sale, in Germany except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the **Prospectus Regulation**).

In accordance with Article 1(4) of the Prospectus Regulation, an offer of Options in Germany is limited:

- (a) to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- (b) to fewer than 150 natural or legal persons (other than qualified investors);
or
- (c) in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

3. PURPOSE AND EFFECT OF THE OFFERS

3.1 Purpose and Effect of the Offers

The primary purposes of the Offers are summarised in Section 2.3.

The principal effect of the Offers, assuming all Securities offered under this Prospectus are issued and no other Securities are issued, exercised or converted, will be to:

- (a) increase the number of Options on issue from 116,326,839 Options as at the date of this Prospectus to 306,787,673 Options following completion of the Offers;
- (b) 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 Cleansing Offer (including prior to the date of this Prospectus); and
- (c) to remove any trading restrictions attaching to Shares issued on exercise of the New Options issued under this Prospectus, so that, subject to ASX granting quotation of the New Options, the investors who receive the New Options will be enabled to trade those New Options on a listed, public financial market, being the financial market operated by the ASX.

Accordingly, no funds will be raised (assuming that no Shares are issued under the Cleansing Offer).

3.2 Effect on capital structure

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

Shares

	Number
Shares currently on issue	916,295,934
Shares offered pursuant to the Offers ¹	-
Total Shares on issue after completion of the Offers²	916,295,934

Notes:

1. Assumes no Shares are issued under the Cleansing Offer.
2. The Company has also agreed, subject to obtaining Shareholder approval, to issue 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 2,000,000 Shares) in accordance with the terms of the new corporate advisory mandate announced on 21 January 2020.
3. The Company obtained Shareholder approval at the General Meeting to undertake a placement of up to \$6,000,000 worth of Shares (**Future Placement**). The issue price of the Shares in respect of the Future Placement, if conducted, will be no less than 75% of the 15-day VWAP calculated over the 15 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. This approval will lapse on 23 March 2021.
4. The Company has also obtained Shareholder approval to issue EverBlu Capital up to 4,000,000 Shares in part consideration for services to be provided in connection with the Future Placement (being two Shares for every three dollars raised under the Future Placement). This approval will lapse on 23 January 2021.

Options

	Number
Options currently on issue	
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) ¹	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) ²	1,000,000
CPHOPT24 (exercisable at \$0.16 on or before 10 March 2024) ³	1,000,000
CPHOPT25 (exercisable at \$0.20 on or before 10 March 2024) ⁴	500,000
CPHOPT26 (exercisable at \$0.1386 on or before 25 June 2023)	5,752,688
CPHOPT28 (exercisable at \$0.17 on or before 2 June 2023) ⁶	27,764,706
CPHOPT29 (exercisable at \$0.25 on or before 2 June 2023)	4,000,000
CPHOPT31 (exercisable at \$0.20 on or before 2 June 2023) ⁷	8,000,000
CPHOPT32 (exercisable at \$0.20 on or before 23 December 2023)	833,333
CPHOPT33 (exercisable at \$0.039 on or before 23 December 2025)	30,000,000
CPHOPT34 (exercisable at \$0.235 on or before 11 January 2023)	8,000,000
CPHOPT35 (exercisable at \$0.27 on or before 11 January 2023)	8,000,000
CPHOPT36 (exercisable at \$0.30 on or before 11 January 2023)	8,000,000
CPHOPT37 (exercisable at \$0.40 on or before 11 January 2023)	2,800,000
Total Options on issue as at the date of this Prospectus	116,326,839
New Options to be issued pursuant to the Offers ⁵	190,460,834
Total Options on issue after completion of the Offers	306,787,673

Notes:

- 300,000 CPHOPT19 Options have vested. Vesting and exercise of the remaining 100,000 CPHOPT19 Options is subject to the holder's continuous service, until 31 August 2021.
- 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.
- 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.
- 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 terms and conditions of the New Options are set out in Section 4.2. The Company is seeking quotation of these New Options.

Performance Rights

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

Notes:

- Comprising 366,000 Performance Rights which have vested and 1,932,000 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; 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 Performance Rights, to Director, Dr Miri Halperin Wernli, senior executive Mr Jorge Wernli (who are both related parties of the Company) and other eligible employees and consultants. No quantum or terms of Performance Rights to be issued have been determined. Any issues of Performance Rights ultimately agreed will be subject to Board, ASX and, where required, Shareholder approval.
- The Company has received notice that the holder of 300,000 CPHPERR29 Performance Rights intends to convert these Performance Rights prior to the Closing Date of the Cleansing Offer.

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	%
Adam Blumenthal	146,498,766	15.99%

3.4 Pro-forma balance sheet

The unaudited balance sheet as at 31 December 2020 and the unaudited pro-forma balance sheet as at 31 December 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 has been prepared on the basis that no Options or convertible securities are exercised and include expenses of the Offers.

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.

	UNAUDITED 31 DECEMBER 2020	UNAUDITED PRO- FORMA ADJUSTMENT	UNAUDITED PRO FORMA 31 DECEMBER 2020
	\$000s	\$000s	\$000s
ASSETS			
CURRENT ASSETS			
Cash	5,946	2,223	8,169
Other current assets	2,749	-	2,749
TOTAL CURRENT ASSETS	8,695	2,223	10,918
NON-CURRENT ASSETS			
Plant and equipment	9,908	-	9,908
Intangibles	8,717	-	8,717
TOTAL NON-CURRENT ASSETS	18,625	-	18,625
TOTAL ASSETS	27,320	2,223	29,543
CURRENT LIABILITIES			
Creditors and borrowings	5,426	105	5,531
TOTAL CURRENT LIABILITIES	5,426	105	5,531
TOTAL LIABILITIES	5,426	105	5,531
NET ASSETS (LIABILITIES)	21,894	2,118	24,012
EQUITY			
Share capital	80,457	2,223	82,680
Options Reserve	59,761	-	59,761
Retained loss	(118,324)	(105)	(118,429)

	UNAUDITED 31 DECEMBER 2020	UNAUDITED PRO- FORMA ADJUSTMENT	UNAUDITED PRO FORMA 31 DECEMBER 2020
	\$000s	\$000s	\$000s
TOTAL EQUITY	21,894	2,118	24,012

Notes:

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

1. the New Options to be issued pursuant to this Prospectus will be issued for no consideration. There will be no effect upon the Company's balance sheet until and unless the New Options are exercised;
2. receipt of funds of \$2,223,000 from the exercise of 5,000,000 CPHOT26 Options and 9,000,000 CPHOPT28 Options; and
3. expenses of this Prospectus, being \$105,000. Refer to Section 6.7 for further details.

4. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

4.1 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 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 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 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.

4.2 Terms of New Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is two years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for Official Quotation of Shares issued pursuant to the exercise of the Options.

If a notice delivered under Section 4.2(g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in Exercise Price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

5. RISK FACTORS

5.1 Introduction

The Securities 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 Securities. 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) Dilution

The Company currently has 916,295,934 Shares on issue. As set out in this Prospectus, the Company is intending to issue up to 190,460,834 New Options. No immediate dilution will occur as a result of the issue of New Options under this Prospectus. However subsequent exercise of any or all of the New Options will result in dilution. Assuming all New Options offered pursuant to this Prospectus are issued and exercised into Shares, Shareholders who do not participate in the Options Offer, are likely to be diluted by an aggregate of approximately 17.21% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus).

It is not possible to predict what the value of the Company, a Share or an Option will be following the completion of the Offers and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the Prospectus being lodged of \$0.24 is not a reliable indicator as to the potential trading price of Shares or the New Options after implementation of the Offers.

(b) **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) 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;
- (ii) 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;
- (iii) 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;
- (iv) revenues from the Company's Switzerland and Mernova operations are growing;
- (v) 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 October Placement); and
- (vi) 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(c).

(c) **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.

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 the Future Placement, being 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 15-day VWAP calculated over the 15 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 obtained Shareholder approval to conduct the Future Placement on 23 December 2020, which approval will lapse on 23 March 2021.

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 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.

(d) **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.

(e) **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.

As announced on 7 December 2020, the US House of Representatives has passed the Marijuana Opportunity Reinvestment and Expungement Act (**MORE Act**) to remove cannabis for the US Controlled Substances Act. The bill aims to erase certain federal convictions and essentially decriminalise cannabis for the first time on a national level. The bill will now move to the Senate, where the Democratic Party has won the balance of power, which the Company expects will increase the likelihood of the passing of the MORE Act. The Company is currently exploring several US market opportunities in anticipation of this potential legislation occurring. However, there is a risk that the MORE Act will not be passed by the Senate, which would result in the Company being unable to further expand its geographical footprint. Additionally, the Company will be unable to recoup funds expended on the investigation of such opportunities.

(f) **Potential acquisition risk**

As noted in Section 1.3, as part of its business strategy, the Company continues to engage in the assessment and evaluation of new business and asset acquisition opportunities within the global cannabis sector and other similar sectors, such as psychedelics, as an organic extension of the Company's operations with a view to increasing the overall value of the Company. The Company may make acquisitions of, or significant investments in businesses and assets that are complementary to the Company's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of businesses and assets, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

If the Company proceeds with such an acquisition, it will also be subject to risks associated with the business or asset being acquired, including, but not limited to legal risks, the risks associated that the negative aspects of the reputation of a business or asset which has been acquired will be applied to or associated with the relevant business of the Company and the regulatory risks associated with the business.

To proceed with a future acquisition, the Company may be required to raise additional funds. There is no guarantee that at that time that the Company will be able to raise those funds on terms that are favourable to the Company, if at all. Alternatively, the Company may be required to

issue securities in consideration for the acquisition, which may have a dilutive effect upon existing shareholders.

(g) **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.

(h) **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.

(i) **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.

(j) **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.

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 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 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 of commercialisation and 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.

Specifically, the Company notes that it has received correspondence that a customer, Univo Pharmaceutical Ltd, is concerned with the specifications of a delivery of ordered product. The Company continues investigating the matter and is in discussions with the customer. However there is a risk that the Company will have to write off the unpaid portion of the sales order. There is also a risk that the relationship between the customer and the Company will be frustrated so that no additional orders are made by the customer in the future. The Company plans to take all measures to mitigate this and reach an agreement with the customer. The Company will update the market with any material developments with respect of the outcome including what, if any, impact there will be on revenues.

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 Securities.

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

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

Before deciding whether to subscribe for Securities 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.

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 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
19/01/2021	Creso secures POs for record start to FY2021
15/01/2021	Appendix 2A
12/01/2021	CPH secures \$320,000 revenue from second PO in South Africa
11/01/2021	Appendix 2A

Date	Description of Announcement
11/01/2021	Becoming a substantial holder
11/01/2021	Proposed issue of Securities - CPH
8/01/2021	Creso readies for US cannabis legislation reform
31/12/2020	Change of Director's Interest Notice
24/12/2020	Creso to enter the Hash market in Canada
23/12/2020	Appendix 2A
23/12/2020	Results of Meeting
21/12/2020	CPH Receives Regulatory Approval in Uruguay & Initial PO
18/12/2020	Appendix 2A
16/12/2020	CPH expands foot print in Canada & is now available online
15/12/2020	Creso Welcomes TGA Decision to Reschedule CBD
11/12/2020	Heads of Agreement to Unlock Australian Market
9/12/2020	CPH Enters Canada's Largest Recreational Market
7/12/2020	US House of Representatives Bill to Favour Creso in USA
3/12/2020	Creso set to benefit from UN decision to reclassify cannabis
2/12/2020	Creso Receives New Purchase Orders - EU
30/11/2020	EU Ruling to Benefit Creso
26/11/2020	Proposed issue of Securities - CPH
26/11/2020	TGA Update
23/11/2020	Notice of General Meeting/Proxy Form
30/10/2020	Quarterly Update and Appendix 4C
27/10/2020	Third Purchase Order from Nova Scotia Liquor Corporation
14/10/2020	Ceasing to be a substantial holder
14/10/2020	Israeli Market Update
13/10/2020	Ceasing to be a substantial holder
13/10/2020	Cleansing Prospectus
12/10/2020	Secured Debt Update
12/10/2020	Change of Director's Interest Notice x 2
12/10/2020	Appendix 2A
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

Date	Description of Announcement
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
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

Date	Description of Announcement
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 Cannamics 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
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

Date	Description of Announcement
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
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	\$0.47	9 December 2020
Lowest	\$0.024	29 October 2020
Last	\$0.24	19 January 2021

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 Offers; or
- (c) the Offers,

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
 - (ii) the Offers.

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
Adam Blumenthal ^{1,2,3}	146,498,766	14,128,387 ²	-
Dr. James Ellingford	1,450,000	-	-
Dr. Miri Halperin Wernli ^{4,5}	13,633,333	-	-
Boaz Wachtel	8,300,000	-	1,600,000 ⁶

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. In accordance with Shareholder approval obtained at the General Meeting, EverBlu Capital (or its nominees) will be entitled to 62,947,715 New Options under this Prospectus. EverBlu Capital has confirmed that these New Options will be issued to nominees of EverBlu Capital who assisted with the October Placement. The nominees are not associates of Director Adam Blumenthal or EverBlu Capital and therefore Mr Blumenthal will not have a relevant interest in the 62,947,715 New Options.
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. In accordance with Shareholder approval obtained at the General Meeting, Adam Blumenthal (or his nominees) will be eligible to subscribe for an aggregate of 34,364,262

New Options. Further details in respect of these issues are set out in Sections 1.2 and 2.1 and in the Notice of Meeting.

4. Includes 300,000 Shares held by Jorge Wernli, who is the spouse of Dr. Miriam Halperin Wernli.
5. The Board is currently considering the issue of Performance Rights under its employee performance rights plan to Director, Dr Miri Halperin Wernli and senior executive Mr Jorge Wernli (who is the spouse of Dr Halperin Wernli).. No quantum or terms of Performance Rights have been determined. Any issue of Performance Rights to Dr Miri Halperin Wernli or Mr Jorge Wernli ultimately agreed will be subject to Board, ASX and, Shareholder approval.
6. 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 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 Annual Reports.

Director	FY ending 31 December 2021	FY ended 31 December 2020	FY ended 31 December 2019
Adam Blumenthal	\$269,000 ¹	\$269,000 ⁵	\$247,788 ⁹
Dr. James Ellingford	\$189,882 ²	\$187,610 ⁶	\$163,569 ¹⁰
Dr. Miri Halperin Wernli	\$546,330 ³	\$686,307 ⁷	\$799,302 ¹¹
Boaz Wachtel	\$90,000 ⁴	\$52,500 ⁸	\$245,282 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. An amount of \$54,750, accrued from the financial year ended 31 December 2020, will be paid in the financial year ending 31 December 2021. In addition, it is intended that the amount of \$4,750 will be accrued and paid in the financial year ending 31 December 2022.

2. Comprising a cash payment of \$146,012 and a superannuation payment of \$13,870. An amount of \$33,467, accrued in the financial year ended 31 December 2020, will be paid in the financial year ending 31 December 2021. In addition, it is intended that the amount of \$3,467 will be accrued and paid in the financial year ending 31 December 2022.
3. Comprising cash payments of \$396,605 in executive remuneration and \$24,725 in allowances and health insurance payments. Share-based payments were fully expensed in prior years. An amount of \$125,000, accrued in the financial year ended 31 December 2020, will be paid in the financial year ending 31 December 2021.
4. Comprising a cash payment of \$60,000 in executive remuneration. Share-based payments were fully expensed in prior years. An amount of \$30,000, accrued in the financial year ended 31 December 2020, will be paid in the financial year ending 31 December 2021.
5. Comprising a cash payment of \$200,000, a bonus payment of \$50,000 and a superannuation payment of \$19,000. Share-based payments were fully expensed in prior years. Accrued amounts from the previous year were paid in full. An amount of \$54,750 was accrued and will be paid in the financial year ending 31 December 2021.
6. Comprising a cash payment of \$141,000, a bonus payment of \$30,000 and a superannuation payment of \$13,395. Accrued amounts from the previous year were paid in full. It is intended that an amount of \$33,467 will be accrued and paid in the financial year ending 31 December 2021.
7. Comprising cash payments of \$558,756 in executive remuneration, a bonus payment of \$176,597, a superannuation payment of \$25,954 and a share-based payment of \$50,000. It is intended that an amount of \$125,000 will be accrued and paid in the financial year ending 31 December 2021.
8. Comprising a cash payment of \$47,500 in executive remuneration and a bonus payment of \$30,000. Share-based payments were fully expensed in prior years. Accrued amounts from the previous year were paid in full. It is intended that an amount of \$30,000 will be accrued and paid in the financial year ending 31 December 2021.
9. 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 was paid in the financial year ending 31 December 2020.
10. 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 was paid in the financial year ending 31 December 2020.
11. Comprising cash payments of \$392,563 in executive remuneration, \$248,910 in director's remuneration and a share-based payment of \$157,829.
12. 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 was paid in the financial year ending 31 December 2020.
13. The Board is currently considering the issue of Performance Rights, to Director, Dr Miri Halperin Wernli and senior executive Mr Jorge Wernli (who is the spouse of Dr Halperin Wernli).. No quantum or terms of Performance Rights have been determined. Any issue of Performance Rights to Dr Miri Halperin Wernli or Mr Jorge Wernli ultimately agreed will be subject to Board, ASX and Shareholder approval.

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 Offers; or
- (f) the Offers,

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 Offers.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offers. 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.

6.7 Expenses of the Offers

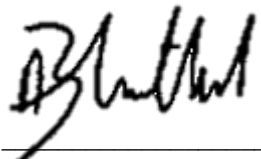
The total expenses of the Offers are estimated to be approximately \$105,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX fees	74,536
Legal fees	15,000
Printing, distribution and miscellaneous items	12,258
Total	105,000

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 an 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 Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESSE.

Azalea Consulting means Azalea Consulting Pty Ltd (ACN 080 922 603).

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

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Cleansing Offer means the offer of up to 10,000 Shares at an issue price of \$0.23 per Share to raise up to \$2,300.

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.

EverBlu Capital means EverBlu Capital Pty Ltd (ACN 612 793 683).

Group means the Company and each of its subsidiaries.

Listing Rules means the listing rules of the ASX.

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

New Options has the meaning given in Section 1.2.

Offers means the Options Offer and the Cleansing Offer.

Official Quotation means official quotation on ASX.

Opening Date means the date specified in the timetable set out at Section 1.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Options Offer means the offer of up to 190,460,834 Options exercisable at \$0.05 each on or before the date that is two years from the date of issue pursuant to this Prospectus.

Performance Rights means performance rights that can convert into Shares subject to satisfaction of vesting conditions.

Prospectus means this prospectus.

Section means a section of this Prospectus.

Securities means Shares, Options and Performance Rights as the context requires.

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.