

ASX Announcement | Friday, 27 September 2019

Update on proposed acquisition by PharmaCielo

Highlights

- PharmaCielo's share price continues its strong recovery
- New Independent Expert's Report received and Creso Pharma proceeding to a First Court Hearing for the Schemes scheduled for 2 October 2019

Friday, 27 September 2019 - Creso Pharma Limited (ASX:CPH) ("Creso Pharma" or "the Company") is pleased to provide the following update on the status of its proposed acquisition by PharmaCielo Ltd ("**PharmaCielo**") by way of schemes of arrangement ("**Schemes**") pursuant to the Scheme Implementation Agreement announced to ASX on 7 June 2019.

Reasons for trading halt and suspension

On 27 August 2019, Creso Pharma lodged with the Australian Securities and Investments Commission (**ASIC**) for its statutory review a draft of the scheme booklet for the proposed Schemes. The draft scheme booklet included an independent expert's report dated 27 August 2019 from BDO Corporate Finance (WA) Pty Ltd ("**BDO**" and "**IER**"). The IER had concluded that:

- the Share Scheme was not fair but reasonable and was therefore in the best interest of Creso Pharma shareholders; and
- the Option Scheme was fair and reasonable and was therefore in the best interest of Creso Pharma's listed optionholders.

The draft scheme Booklet was due to be considered by the Supreme Court of Western Australia at a first Court hearing scheduled for Tuesday, 17 September 2019. At that hearing, Creso Pharma intended to seek orders convening meetings of the Company's shareholders and listed optionholders to consider and vote on the Schemes and authorising the despatch of the scheme booklet, including the IER.

On Monday, 16 September 2019, BDO issued a letter ("**BDO Letter**") to the Company withdrawing its IER.

The BDO Letter noted that, as per the requirements of an expert under Regulatory Guide 111: Contents of Experts Reports ('RG 111') paragraphs 102-104, BDO had been

monitoring market circumstances that drive valuation assumptions, and consequential opinions.

The BDO Letter proceeded to state that, as of 16 September 2019, BDO had noted that the then prevailing market price of PharmaCielo shares on TSX-V had declined significantly below the valuation range outlined in the IER, to the point where BDO no longer considered the Schemes to be in the best interests of Creso Pharma's securityholders. Accordingly, BDO withdrew its IER.

As the IER had been withdrawn by BDO, the Company immediately requested a trading halt in its securities, together with an adjournment of the first Court hearing that was scheduled for 17 September 2019. The Company sought and was granted a voluntary suspension of its securities on 18 September 2019.

The Company has subsequently engaged in correspondence with BDO (within ASIC's guidelines of preserving BDO's independence), providing BDO with additional information that had emerged since the date of the BDO Letter, including as a result of further price sensitive announcements made by Creso Pharma and PharmaCielo respectively of material matters pertaining to their respective businesses. Since 16 September 2019 (being the date of the BDO Letter), PharmaCielo's share price on TSX-V has significantly increased (closing on Wednesday, 25 September 2019 at C\$5.47).

Following consideration of this additional information, BDO has issued a new IER concluding (as per its originally expressed opinion) that the Schemes are in the best interest of Creso Pharma shareholders and listed option holders, in the absence of a superior offer.

Next steps

The Scheme Booklet has been updated in light of the above developments and has been resubmitted to ASIC for its continuing review. Subject to the satisfactory conclusion of ASIC's review, the Company intends to proceed with the first Court hearing, which is now scheduled for 2 October 2019.

The Company will make a further announcement to ASX following the outcome of the first Court hearing. At that time, the Company expects to release the Court approved Scheme Booklet including the IER. The Company's securities will remain suspended from trading until the Company has released the Scheme Booklet including the IER.



Dr Miri Haperin Wernli, Creso Pharma CEO and Co-Founder said: “We are very pleased to have received the additional certainty provided by the positive opinion of the Independent Expert. The Creso Pharma board remains committed to the Schemes and Creso Pharma is excited to be progressing the Schemes towards completion which is now likely to occur in mid to late November 2019.”

Ends.

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About Creso Pharma

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Creso Pharma brings the best of cannabis to better the lives of people and animals. It brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. It develops cannabis and hemp de-rived therapeutic, nutraceutical, and life style products with wide patient and consumer reach for human and animal health. Creso Pharma uses GMP development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. It has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids.

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Forward Looking statements

This announcement contains forward-looking statements with respect to Creso Pharma and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Creso Pharma could differ materially from those expressed or implied by such statements.

Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.

The cautionary statements qualify all forward-looking statements attributable to Creso Pharma and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso Pharma has no obligation to up-date such statements, except to the extent required by applicable laws.