

CRESO PHARMA LIMITED
ACN 609 406 911

BONUS ISSUE PROSPECTUS

For a bonus issue of one (1) Option (**Bonus Option**) for every three (3) Shares held by those Eligible Shareholders registered at the Record Date (**Offer**). No funds will be raised as a result of the 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 Bonus Options being offered under this Prospectus or any other matter, then you should consult your professional advisers without delay.

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

IMPORTANT NOTICE

This Prospectus is dated 26 October 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 Options 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 Bonus Options offered by this Prospectus should be considered as highly speculative.

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 Bonus Options 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 4.

Overseas shareholders

The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

In particular this document may not be distributed to any person, and the Bonus Options may not be offered or sold, in any country outside Australia, New Zealand, Canada or Israel

except to the extent permitted in Section 2.5.

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.

Target Market Determination

In accordance with the design and distribution obligations under the Corporations Act, the company has determined the target market for the offer of Bonus Options issued under this Prospectus. The Company will only distribute this Prospectus to those investors who fall within the target market determination (**TMD**) as set out on the Company's website www.cresopharma.com. By making an application under the Offer, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD.

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.

As set out in Section 2.1, no application form is required for this Offer. You may obtain a hard copy of this Prospectus free of charge by contacting the Company by phone on +61 8 9389 3100 during office hours or by emailing the Joint Company Secretary at erlyn@azc.com.au.

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.

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 Section.

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

Privacy statement

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 Offer or how to accept the Offer please call the Joint Company Secretaries on +61 8 9389 3100.

CORPORATE DIRECTORY

Directors

Adam Blumenthal
Non-Executive Chairman

Dr James Ellingford
Executive Director

Boaz Wachtel
Non-Executive Director

Joint Company Secretaries

Erlyn Dale and Winton Willesee

Registered Office

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145 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9389 3100

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. TIMETABLE AND KEY OFFER INFORMATION

1.1 Timetable*

Lodgement of Prospectus with the ASIC (pre-market)	Tuesday, 26 October 2021
Lodgement of Prospectus and Appendix 3B with ASX (pre-market)	Tuesday, 26 October 2021
Ex date	Friday, 29 October 2021
Record Date for the Offer	Monday, 1 November 2021
Issue date and lodgement of Appendix 2A with ASX applying for quotation of the Bonus Options	Tuesday, 2 November 2021
Quotation of Bonus Options issued under the Offer	Wednesday, 3 November 2021

*The above timetable is indicative only and subject to change. The Company reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. The commencement of quotation of the Bonus Options is subject to confirmation from ASX.

1.2 Key Offer Information

Ratio	1 Bonus Option for 3 Shares held at Record Date
Issue Price per New Option:	Nil
Exercise Price of New Options	\$0.25
Expiry Date of New Options ¹	2 November 2024
Quotation terms	Quoted
Maximum New Options to be issued under Offer ²	399,728,943
Maximum proceeds of Offer	Nil

Notes:

1. Assuming the issue date of the New Options is 2 November 2021, the expiry date will be 2 November 2024.
2. Assumes that no additional Shares are issued, including by conversion of Performance Rights or exercise of Options, prior to the Record Date.

2. DETAILS OF THE OFFER

2.1 The Offer

The Offer is being made as a bonus issue of one (1) Bonus Option for every three (3) Shares held by Eligible Shareholders registered at the Record Date, to be issued for nil consideration.

All of the Bonus Options offered under this Prospectus will be issued with an exercise price of \$0.25 and an expiry date of 3 years from the date of issue. Full terms and conditions of the Bonus Options are set out in Section 5.1 of this Prospectus.

Fractional entitlements will be round up to the nearest whole number. All references to numbers of Bonus Options to be issued pursuant to this Prospectus are expressed subject to rounding.

Based on the capital structure of the Company as at the date of this Prospectus and the number of Shareholders located in Australia, New Zealand, Israel and Canada to whom the Offer is made (and assuming no additional Shares are issued, including by conversion of Performance Rights or exercise of Options, prior to the Record Date), a maximum of 399,728,943 Bonus Options will be issued pursuant to this Offer. No funds will be raised as a result of the Offer.

As at the date of this Prospectus the Company has:

- (a) 242,025,769 Options;
- (b) 16,798,000 Performance Rights; and
- (c) 17,551,077 Performance Shares,

on issue.

Prior to the Record Date, 219,359,101 Options and 198,000 Performance Rights may be exercised or converted into Shares in order to participate in the Offer. The other Options and Performance Rights on issue are subject to vesting conditions and accordingly, cannot be exercised or converted into Shares prior to the Record Date. No Performance Shares may be converted to Shares prior to the Record Date as they still remain subject to performance milestones.

Please refer to Section 3.3 of this Prospectus for information on the terms of existing Options, Performance Shares and Performance Rights on issue.

All of the Shares issued upon the future exercise of the Bonus Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 5.2 for further information regarding the rights and liabilities attaching to the Shares.

As this is a bonus issue of Options, Eligible Shareholders are not required to apply for Bonus Options and, as such, there is no application form attached to this Prospectus for the Offer.

2.2 Minimum subscription

There is no minimum subscription.

2.3 ASX Listing

In the event that the Company received sufficient applications to meet the requirements for quotation of a second class of securities under the Listing Rules, application for Official Quotation of the Bonus 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 Bonus Options offered pursuant to this Prospectus, or if the Company does not meet the minimum requirements to be granted Official Quotation of the Bonus Options, then the Bonus Options will still be issued, however will not be quoted on ASX.

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

2.4 Issue of Bonus Options

As noted in Section 2.1, no application form is required and the Bonus Options issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at Section 1.

Holding statements for the Bonus Options issued under the Offer will be mailed as soon as practicable after their issue.

2.5 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

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

New Zealand

The Bonus Options are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Canada (Alberta, British Columbia, Nova Scotia and Ontario provinces)

This document constitutes an offering of the Bonus Options in the Canadian province of Alberta, British Columbia, Nova Scotia and Ontario (the **Province**)

where existing shareholders of the Company are resident. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Province.

No securities commission or other authority in the Province has been reviewed or in any way passed upon this document, the merits of the Bonus Options or the underlying ordinary shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Province with respect to the offering of Bonus Options or the resale of such securities. Any person in the Province lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and received by the securities regulator in the applicable Province.

Any resale of the Bonus Options and the underlying ordinary shares in Canada must be made in accordance with applicable Canadian securities laws, which may require resales to be made in accordance with an exemption from prospectus requirements. Such resale restrictions do not apply to a first trade in a security (such as the Bonus Options) of a foreign issuer (such as the Company) that is not a reporting issuer in Canada and that is made through an exchange or market outside of Canada (such as ASX).

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Israel

The Bonus Options have not been registered, and no prospectus will be issued, under the Israeli Securities Law, 1968 (the "Securities Law"). Accordingly, the Bonus Options will only be offered and sold in Israel pursuant to private placement exemptions, namely to no more than 35 offerees.

Neither this document nor any activities related to the Offer shall be deemed to be the provision of investment advice. If any recipient of this document is not the intended recipient, such recipient should promptly return this document to the Company. This document has not been reviewed or approved by the Israeli Securities Authority in any way.

3. PURPOSE AND EFFECT OF THE OFFER

3.1 Purpose of the Offer

The purpose of the Offer is to reward Shareholders for supporting the Company and to provide the Company with a potential source of additional capital of Bonus Options are exercised. No funds will be raised through the issue of the Bonus Options pursuant to this Prospectus, however if all the Bonus Options are exercised, the Company will receive approximately \$99,932,236.

An additional purpose of the Offer is to remove any trading restrictions attaching to Shares issued on exercise of the Bonus Options issued under this Prospectus, so that, subject to ASX granting quotation of the Bonus Options, the investors who receive the Bonus Options will be enabled to trade those Bonus Options on a listed, public financial market, being the financial market operated by the ASX.

3.2 Effect of the Offer

The principal effect of the Offer, assuming all Bonus Options offered under the Prospectus are issued and no additional Shares are issued prior to the Record Date (including by conversion of Performance Rights or exercise of Options), will be to increase the number of Options on issue from 242,025,769 as at the date of this Prospectus to 641,754,712 Options.

The Company will receive \$0.25 for each Bonus Option exercised and raise additional funds of approximately \$99,932,236. The likelihood of the Company raising the additional capital through the exercise of the Bonus Options is dependent on the price of the Shares from time to time until the Bonus Options expire.

3.3 Effect on capital structure

Shares

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

	Number
Shares currently on issue ¹	1,203,529,437
Shares offered pursuant to the Offer	-
Total Shares on issue after completion of the Offer²	1,203,529,437

Notes:

1. Includes 29,251,795 Shares which are subject to voluntary escrow until 14 January 2022.
2. The Company has also agreed, subject to obtaining Shareholder approval, to issue 2,000,000 Shares to EverBlu Capital for the six-month period ending June 2021 in accordance with the terms of the new corporate advisory mandate announced on 21 January 2020.
3. Subject to Shareholder approval being obtained at a general meeting anticipated to be held in December 2021, 15,000,000 Shares will be issued to Miriam Halperin Wernli (or her nominee) as remuneration for her role as a strategic adviser to the Company. The Shares will be subject to voluntary escrow for a period of 12 months from issue.

Options

	Number
Options currently on issue	
CPHOA (exercisable at \$0.05 on or before 22 January 2023)	69,648,930
CPHOPT17 (exercisable at \$0.80 on or before 27 July 2022)	200,000
CPHOPT19 (exercisable at \$0.80 on or before 15 September 2022)	300,000
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) ¹	1,000,000
CPHOPT24 (exercisable at \$0.16 on or before 10 March 2024) ²	1,000,000
CPHOPT25 (exercisable at \$0.20 on or before 10 March 2024) ³	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)	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)	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
CPHOPT38 (exercisable at \$0.38 each on or before 14 July 2024)	12,000,000
CPHOPT39 (exercisable at \$0.15 each on or before 1 August 2024)	12,000,000
CPHOPT40 (exercisable at \$0.18 each on or before 1 August 2024)	12,000,000
CPHOPT41 (exercisable at \$0.18 each on or before 6 September 2024) ⁴	10,000,000
CPHOPT42 (exercisable at \$0.25 each on or before 6 September 2024) ⁵	10,000,000
CPHOPT43 (exercisable at \$0.1375 on or before 25 October 2024) ⁶	1,000,000
Total Options on issue as at the date of this Prospectus	242,025,769
Bonus Options to be issued pursuant to the Offer ⁷	399,728,943
Total Options on issue after completion of the Offer	641,754,712

Notes:

- 333,333 CPHOPT23 Options have vested. Vesting of the remaining CPHOPT23 Options is subject to the holder's continuous service on the following dates:
 - 10 March 2022: 333,333 CPHOPT23 Options; and
 - 10 March 2023: 333,334 CPHOPT23 Options.
- 333,333 CPHOPT24 Options have vested. Vesting of the remaining CPHOPT24 Options is subject to the holder's continuous service on the following dates:
 - 10 March 2022: 333,333 CPHOPT24 Options; and

- (b) 10 March 2023: 333,334 CPHOPT24 Options.
3. 166,666 CPHOPT25 Options have vested. Vesting of the remaining CPHOPT25 Options is subject to the holder's continuous service on the following dates:
- (a) 10 March 2022: 166,667 CPHOPT25 Options; and
- (b) 10 March 2023: 166,667 CPHOPT25 Options.
4. 10,000,000 CPHOPT41 Options will vest on 17 June 2022, subject to the consultant remaining engaged by the Company.
5. 10,000,000 CPHOPT42 Options will vest on 17 March 2023, subject to the consultant remaining engaged by the Company.
6. 1,000,000 CPHOPT43 are subject to retention conditions and will vest in equal parts over the three years following the date of issue, 25 October 2021.
7. The terms and conditions of the Bonus Options are set out in Section 5.1 The Company is seeking quotation of the Bonus Options.
8. Subject to Shareholder approval being obtained at a general meeting anticipated to be held in December 2021, a total of 27,999,932 quoted options (exercisable at \$0.38 and expiring 12 months from the date of issue) will be issued to previous lenders and placement participants in the placement completed on 1 April 2021. Further information on the purpose of these proposed issues of options can be found at Resolution 9 and Resolution 11 of the Notice of Annual General Meeting dated 19 May 2021. However we note that the Company's approval obtained at the May Annual General Meeting is no longer valid accordingly shareholder approval will need to be obtained again in order to issue the options.

Performance Rights

	Number
Performance Rights currently on issue	16,798,000 ¹
Performance Rights offered pursuant to the Offer	-
Total Performance Rights on issue after completion of the Offer	16,798,000

Notes:

1. Comprising 198,000 Performance Rights which have vested and 16,600,000 Performance Rights, which will vest upon satisfaction of the following vesting conditions:
- (a) 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);
- (b) 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); and
- (c) 15,000,000 CPHPERR43: Vest upon satisfaction of the following conditions on or before 17 September 2023:
- i. 5,000,000 CPHPERR43 Performance Rights: vest upon the consultant being engaged by the Company for a continuous period of 12 months from 17 September 2021 (being the **Effective Date**);
- ii. 5,000,000 CPHPERR43 Performance Rights: vest upon consultant being engaged by the Company for a continuous period of 24 months from the Effective Date;
- iii. 5,000,000 CPHPERR43 Performance Rights: vest upon the earlier to occur of:
- i. the Company recording revenue of \$5,000,000 between the Effective Date and the date that is 24 months after the Effective Date (**Relevant Period**), which revenue is earned through supply agreements entered into with parties introduced by William Lay; and

- ii. the Company recording revenue of \$10,000,000 during the Relevant Period, which revenue is earned through acquisitions which are introduced by William Lay.
2. The Company has agreed to issue 1,000,000 Performance Rights for nil consideration to Tim Tian (the accountant to the Group) in accordance with his employment agreement.

Performance Shares

	Number
Performance Shares currently on issue	17,551,077 ¹
Performance Shares offered pursuant to the Offer	-
Total Performance Shares on issue after completion of the Offer	17,551,077

Notes:

1. The Performance Shares were issued to shareholders of Halucenex as part consideration for the acquisition 100% of the issued capital in Halucenex. The Performance Shares will convert into Shares upon the Company announcing that Halucenex has been granted an amended dealer's licence by Health Canada to allow Halucenex to produce, package/assemble, sell, transport, import and export psychedelics. These Performance Shares and any Shares issued on conversion are subject to voluntary escrow until 14 January 2022.
2. On 25 October 2021, the Company announced that it had acquired the assets held by ImpACTIVE Holdings Ltd through its new wholly owned Canadian subsidiary Creso Impactive Ltd (**Creso ImpACTIVE**). Subject to ASX and shareholder approval the Company will issue 6,000,000 Performance Shares, comprising of:
 - (a) 3,000,000 Performance Shares converting into Shares upon Creso ImpACTIVE reaching C\$20,000,000 in audited gross sales revenue by 25 October 2024; and
 - (b) 3,000,000 Performance Shares converting into Shares upon Creso ImpACTIVE reaching C\$40,000,000 in audited gross sales revenue in 25 October 2026.

The Company intends to hold a general meeting in December 2021 to approve the issue of the Performance Shares.

3.4 Directors' Interests in Securities

The relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus, together with the respective Bonus Options the directors are entitled to, is set out in the table below:

Director	Shares	Options	Performance Rights	Bonus Options Entitlement
Adam Blumenthal ¹	113,665,433 ²	26,128,387 ³	-	37,888,478
Dr. James Ellingford	1,152,500	-	-	384,167
Boaz Wachtel	8,800,000	-	1,600,000 ⁴	2,933,333

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. The Company has also agreed, subject to obtaining Shareholder approval, to issue 2,000,000 Shares to EverBlu Capital for the six-month period ending June 2021 in accordance with the terms of the new corporate advisory mandate announced on 21 January 2020.
2. 113,665,432 of these Shares are indirectly held through Atlantic Capital Holdings Pty <Atlantic Capital A/C> (**Atlantic**) an entity controlled by Mr Blumenthal.

3. These Options are indirectly held through Atlantic and comprise 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;
 - (c) 8,000,000 Options exercisable at \$0.20 each on or before 2 June 2023; and
 - (d) 12,000,000 Options exercisable at \$0.38 each on or before 14 July 2024.
4. 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).

3.5 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 ¹	113,665,433	9.44%

Notes:

1. 113,665,432 of these Shares are indirectly held through Atlantic an entity controlled by Mr Blumenthal.

The Offer will have no effect on the quantity of Shares held by the substantial shareholder or the relevant interests held as only Options are being issued.

3.6 Pro-forma balance sheet

The audit reviewed balance sheet as at 30 June 2021 and the unaudited pro-forma balance sheet as at 30 June 2021 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 Offer. The Bonus Options to be issued pursuant to this Prospectus will be issued for no consideration. There will be no effect on the Company's balance sheet as a result of the Offer other than the expenses unless the Bonus Options are exercised.

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.

	REVIEWED 30 June 2021	UNAUDITED PRO- FORMA ADJUSTMENT	UNAUDITED PRO FORMA 30 June 2021
	\$000s	\$000s	\$000s
ASSETS			
CURRENT ASSETS			
Cash	13,654	1,465	15,119
Other current assets	2,960	(251)	2,709
TOTAL CURRENT ASSETS	16,614	1,214	17,828
NON-CURRENT ASSETS			
Plant and equipment	10,236	40	10,276
Intangibles	1,232	7,082	8,314
TOTAL NON-CURRENT ASSETS	11,468	7,123	18,591
TOTAL ASSETS	28,082	8,336	36,418
CURRENT LIABILITIES			
Trade and other payables	1,300	132	1,432
Creditors and borrowings			
TOTAL CURRENT LIABILITIES	1,300	132	1,432
TOTAL LIABILITIES	1,300	132	1,432
NET ASSETS (LIABILITIES)	26,782	8,205	34,987
EQUITY			
Contributed Equity	100,398	8,679	109,077
Options Reserve	10,142	-	10,142
Accumulated losses	(83,759)	(474)	(84,233)
TOTAL EQUITY	26,782	8,205	34,987

Notes:

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

1. the 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 Options are exercised;
2. the Company completing the acquisition of Halucenex Life Sciences on 14 July 2021 for \$494,000;

3. the Company completing the acquisition of the assets of ImpACTIVE Holdings Ltd on 25 October 2021;
4. the payment made to Red Light Holland Corp in September 2021 of C\$400,000; and
5. the expenses of this Prospectus, being \$43,000. Refer to Section 6.7 for further details.

4. RISK FACTORS

4.1 Introduction

The Bonus Options 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 4, together with all other information contained in this Prospectus.

The future performance of the Company and the value of the Bonus Options 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 4, 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 Bonus Options. This Section 4 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 4 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.

4.2 Company specific

(a) Potential for dilution

Upon implementation of the Offer, assuming all Bonus Options offered under the Prospectus are issued and no additional Shares are issued, including by conversion of Performance Rights or exercise of Options, prior to the Record Date, the number of Options in the Company will increase from 242,025,769 currently on issue to 641,754,712.

This means that if the Bonus Options are exercised and Shares are issued on exercise of those Bonus Options, each Share will represent a significantly lower proportion of the ownership of the Company.

(b) Currently no market

There is currently no public market for the Company's Bonus Options, accordingly the price of the Bonus Options is subject to uncertainty and there can be no assurance that an active market for the Company's Bonus Options will develop or continue after the Offer, subject to the Company being able to satisfy ASX of the quotation requirements set out in Chapter 2 of the ASX Listing Rules.

It is not possible to predict what value of the Company Bonus Options or Shares will be following the Offer and the Director do not make any representations as to such matters.

The last trading price of Shares on ASX prior to the Prospectus being lodged of \$0.11 per Share is not a reliable indicator as to the potential trading price of Bonus Options after implementation of the Offer.

(c) **Going concern**

The Company's half-year financial report for 30 June 2021 (as announced on 31 August 2021) disclosed that the Group incurred a loss of \$18,966,748 (2020: \$17,406,878) and had net cash outflows from operating and investing activities of \$13,969,317 (2020: \$2,925,008) for the half-year ended 30 June 2021.

As a result of the matters above, it was disclosed that there is a material uncertainty related to events or conditions that may cast 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.

However, the financial accounts noted that the ability of the Group to continue as a going concern is dependent on:

- (i) the ability of the Group to raise additional funds from shareholders, new investors and debt markets. The Group has successfully conducted a number of capital raises in recent years and there is a reasonable expectation that alternative sources of funding can be sourced;
- (ii) receipt of cash from the exercise of Options which are in the money;
- (iii) increased revenue from opportunities with existing and new customers and sales arrangements as they are realised into sales revenue in the Group's Canadian and Switzerland operations; and
- (iv) effective monitoring and reduction of the Group's overhead expenditures, including the continued realisation of head office cost reductions.

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 that the Company will be able to continue as a going concern and also notes the following additional factors in making the assessment:

- (i) the Company raised A\$18 million (before costs) as part of the April Placement, accordingly the Company had a cash balance of \$13.7 million as at 31 July 2021;

- (ii) 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 (as recently demonstrated by the acquisitions of Halucenex and the ImpACTIVE assets);
- (iii) 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;
- (iv) 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;
- (v) revenues from the Company's Switzerland and Mernova operations are growing; and
- (vi) the Company has demonstrated its ability to raise equity through the issue additional Shares (if required).

(d) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. 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.

(e) **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.

The Company has implemented 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.

(f) **Potential acquisition risk**

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.

Accordingly, like with the Halucenex acquisition and the recently announced acquisition of the ImpACTIVE assets, 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. Additionally, on settlement of any acquisitions, there is no certainty that the acquired businesses or assets will bring value to the Company group or to Shareholders.

(g) **International Expansion**

The Company's material operations are currently located in Europe and Canada. The Company continues to look for opportunities to expand internationally, this includes the recent acquisition of the ImpACTIVE assets which are intended to facilitate expansion to the US market. If the Company does expand its operations to other jurisdictions, it is likely that each different jurisdiction will have further compliance requirements and operating costs. Additionally, if and when it becomes necessary to have a local presence in overseas markets there will be increased overheads as well as development and marketing costs. There is no guarantee such expansions will be successful and increased costs may adversely impact the profitability and working capital of the Company.

(h) **Cannabidiol Regulatory Changes**

The European Commission is currently considering changes to regulations in respect of Cannabidiol (**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 the Company's products and revenue, the Company 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 the Company 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.

(i) **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, psychedelic and other activities that are not legal in some state jurisdictions, we may face additional difficulties in defending our intellectual property rights.

(j) **Psychedelic Regulations**

In Canada, psilocybin is classified as a Schedule III drug and ketamine as a Schedule I drug under the Controlled Drugs and Substance Act (**CDSA**). In the United States, psilocybin is classified as a Schedule I drug and ketamine is classified as a Schedule III drug under the Controlled Substance Act (**CSA**). On 11 August 2021, Halucenex secured a Controlled Drugs and Substances Dealer's Licence (**Dealer's Licence**) from Health Canada which allows Halucenex to possess, sell, provide, transport, deliver and conduct R&D on psychedelic substances including psilocybin, ketamine, LSD, Salvia divinorum, harmaline, salvinorin A, and MDMA amongst others (**Approved Controlled Substances**).

All activities involving such substances by or on behalf of the Company are conducted in accordance with applicable federal, provincial, state and local laws. A violation of any applicable laws, the jurisdictions in which we operate could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which we operate, or private citizens or criminal charges. Any changes in applicable laws and regulations could have an adverse effect on the Company's operations.

The psychedelic drug industry is a fairly new industry and we cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, we cannot predict the time required to secure all appropriate regulatory approvals for future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals or licences may significantly delay or impact the development of markets, its business and products, and sales initiatives and could have a material adverse effect on our business, financial condition and operating results. The success of our business is dependent on our activities being permissible under applicable laws and any reform of controlled substances laws or other laws may have a material impact on our business and success. There is no assurance that our activities will continue to be legally permissible.

(k) **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.

(l) **Competition**

The pharmaceutical, nutraceutical and psychedelic 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.

(m) **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.

4.3 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 or psilocybin misuse or adverse side effects from cannabis, cannabinoid or psilocybin 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) **Compliance with laws and regulations**

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 Company's operations at its Mernova Facility rely upon the maintenance of security clearances with Health Canada. Halucenex has also been granted a Dealer's Licence from Health Canada which allows it to possess, sell, transport and conduct R&D on a broad range of psychedelic substances including psilocybin, ketamine, LSD and MDMA amongst others (**Approved Controlled Substances**). As

previously announced, Halucenex has also applied for an amendment to the Dealer's Licence to allow Halucenex to produce, package, and assemble the Approved Controlled Substances.

Any delays in obtaining, or failing to obtain, required regulatory approvals may have a material adverse effect on the business, results of operations and financial condition of the Company. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations.

The regulatory regimes applicable to the cannabis business in Canada, Australia, 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.

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.

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.

4.4 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 and psychedelic 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.

4.5 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 Bonus Options.

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

The Bonus Options offered under this Prospectus carry no guarantee in respect of value, profitability, dividends, return of capital or the price at which the Shares may trade on the ASX.

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

5. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

5.1 Rights and liabilities attaching to Bonus Options

The following are the terms and conditions of the Bonus Options:

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Bonus Option will be \$0.25 (**Exercise Price**).

(c) **Expiry Date**

Each Bonus Option will expire by 5:00pm (AWST) on the date that is three years from the date of issue (**Expiry Date**). A Bonus Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

The Bonus 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 5 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 Bonus Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Bonus Options.

If a notice delivered under (g)(i) for any reasons 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) **Quotation of Options**

The Company will seek quotation of the Bonus Options in accordance with the Listing Rules and Corporation Act, subject to satisfaction of the quotation conditions of the ASX Listing Rules. In the event that quotation of the Bonus Options cannot be obtained, the Bonus Options will remain unquoted.

(i) **Shares issued on exercise**

Shares allotted or issued pursuant to the exercise of the Bonus Options rank equally with the then issued Shares of the Company.

(j) **Reconstruction of capital**

In the event of any reconstruction (including consolidation, subdivision, reduction or returns) of the issued capital of the Company, the number of Bonus Options or Exercise Price or both shall be reconstructed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

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

(l) **Change in exercise price**

A Bonus 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.

(m) **Transferability**

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

5.2 **Rights and liabilities attaching to Shares**

The following is a summary of the more significant rights and liabilities attaching to Shares, being the underlying securities of the Bonus Options 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.

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 issue date of the Bonus Options:
 - (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
25/10/2021	Creso Completes Acquisition of the Assets ImpACTIVE
25/10/2021	Notification regarding unquoted securities - CPH
25/10/2021	Application for quotation of securities - CPH
25/10/2021	Proposed issue of securities - CPH

Date	Description of Announcement
25/10/2021	Proposed issue of securities - CPH
25/10/2021	Creso Pharma to Acquire ImpACTIVE Holdings Ltd Assets
11/10/2021	Mernova Completes THC Content Testing on New Strains
6/10/2021	Halucenex Update
5/10/2021	Mernova Secures over A\$800,000 in New Purchase Orders
5/10/2021	Pause in Trading
20/09/2021	Halucenex Secures Research Agreement with Acadia University
20/09/2021	Pause in Trading
17/09/2021	Creso Pharma Launches New E-commerce Channels
13/09/2021	Secondary Trading Notice
13/09/2021	Creso Secures New Purchases Orders for Human Health Products
9/09/2021	Investor Presentation
6/09/2021	Notification regarding unquoted securities - CPH
6/09/2021	Proposed issue of securities - CPH
6/09/2021	Application for quotation of securities - CPH
6/09/2021	Creso Pharma Strengthens Management & Executive Team
31/08/2021	Half Yearly Report and Accounts
31/08/2021	Notification regarding unquoted securities - CPH
31/08/2021	NASDAQ Listing & RLH Merger Update
23/08/2021	Notification of cessation of securities - CPH
23/08/2021	Halucenex Commissions Extraction Unit
16/08/2021	Halucenex Awarded Dealer's License from Health Canada
12/08/2021	Trading Halt
12/08/2021	Pause in Trading
11/08/2021	Mernova secures medicinal cannabis sales licence & new POs
4/08/2021	Halucenex Continues to Make Progress ahead of Clinical Trial
2/08/2021	Quarterly Update & Appendix 4C
30/07/2021	Exercise of Options
30/07/2021	Application for quotation of securities - CPH
30/07/2021	Notification of cessation of securities - CPH
30/07/2021	Mernova to Introduce Fourteen New Strains
23/07/2021	Halucenex enters into a MOU with Landing Strong
20/07/2021	Bruce Linton Confirms Position
16/07/2021	CPH Launches cannaDOL through Multiple Distribution Channels
15/07/2021	Change of Director's Interest Notice x 3
15/07/2021	Creso Pharma Completes the Acquisition of Halucenex
15/07/2021	Appendix 2A

Date	Description of Announcement
15/07/2021	Appendix 3G
15/07/2021	Secondary Trading Notice
13/07/2021	Notification of cessation of securities – CPH
09/07/2021	Application for quotation of securities - CPH
09/07/2021	Creso Completes Import Procedure in Uruguay for anibidol
07/07/2021	Change in substantial holding
07/07/2021	Change of Director's Interest Notice
06/07/2021	Creso Secures First Purchase Order from Red Light Holland
02/07/2021	Halucenex Update
01/07/2021	Reinstatement to Official Quotation
01/07/2021	Creso's Second Consecutive Quarter of Record Revenue Growth
29/06/2021	Suspension from Official Quotation
25/06/2021	Trading Halt
24/06/2021	Results of Meeting
18/06/2021	Investor Presentation
17/06/2021	Proposed issue of securities - CPH
17/06/2021	Creso Pharma & Red Light Holland to Merge
16/06/2021	Trading Halt
11/06/2021	Creso Pharma completes US OTC dual listing
08/06/2021	Halucenex Expands its Clinical Trials Plans
04/06/2021	Distribution Agreement Expanded to Cover 14 Countries
03/06/2021	Creso & Halucenex welcome Californian Senate Bill
26/05/2021	Halucenex prepares North American market entry
24/05/2021	Proposed issue of Securities - CPH
24/05/2021	Update - Proposed issue of Securities - CPH
24/05/2021	Update - Proposed issue of Securities - CPH
24/05/2021	Update - Proposed issue of Securities - CPH
21/05/2021	Notice of Annual General Meeting/Proxy Form
21/05/2021	Creso Pharma signs Letter of Intent with Polvet
18/05/2021	Creso Launches New Product
17/05/2021	Mernova Awarded Craft Designation with OCS
14/05/2021	Halucenex Secures Additional Pharmaceutical Grade Psilocybin
12/05/2021	Trading Halt
12/05/2021	Pause in Trading
06/05/2021	Halucenex secures agreement with R&D partner Nucro-Technics
05/05/2021	Appendix 2A
30/04/2021	Quarterly Update & Appendix 4C

Date	Description of Announcement
19/04/2021	Halucenex Update
14/04/2021	Commercial Agreement with Cannabis Queen, South Africa
12/04/2021	ASX Listing Rule 3.13.1 Notice Regarding AGM
12/04/2021	Halucenex Update
08/04/2021	Mernova secures new purchase orders & launches new products
06/04/2021	Creso appoints US executive to lead US entry strategy
01/04/2021	Secondary Trading Notice
01/04/2021	Appendix 2A
01/04/2021	Creso launches three new CBD tea products
31/03/2021	Creso continues positive progress with Halucenex
29/03/2021	Proposed issue of Securities - CPH
26/03/2021	Appendix 2A
26/03/2021	Proposed issue of Securities - CPH
26/03/2021	Creso Receives Firm Commitments to Raise \$18M
24/03/2021	Trading Halt
23/03/2021	Creso to dual list on US OTC & Halucenex Update
19/03/2021	Appendix 2A
19/03/2021	New Mernova Purchase Orders & Launch of Pre-Roll Product
17/03/2021	Final Director's Interest Notice
17/03/2021	Halucenex Clinical Trial & Acquisition Update
15/03/2021	Change of Director's Interest Notice
15/03/2021	Halucenex Company Presentation
15/03/2021	Proposed issue of Securities - CPH
15/03/2021	Creso to Acquire Psychedelics Company, Halucenex
09/03/2021	Appendix 4G & Corporate Governance Statement
09/03/2021	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	\$0.15	16 August 2021
Lowest	\$0.10	5 October 2021, 6 October 2021
Last	\$0.11	25 October 2021

Whilst it is intended that the Bonus Options will be quoted there is no current market or trading history for the Bonus Options. It is not possible to predict what value of the Company Bonus Options or Shares will be following the Offer and the Director do not make any representations as to such matters.

The last trading price of Shares on ASX prior to the Prospectus being lodged was \$0.11 per Share and is not a reliable indicator as to the potential trading price of Bonus Options or Shares after implementation of the Offer.

6.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed director:

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

Security holdings

The relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus, together with their respective entitlements to Bonus Options, are set out in Section 3.4.

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 2020 and 2019 Annual Reports.

Director	FY ending 31 December 2021	FY ended 31 December 2020	FY ended 31 December 2019
Adam Blumenthal	\$299,500 ¹	\$269,000 ²	\$286,641 ³
Dr. James Ellingford	\$350,235 ⁴	\$184,395 ⁵	\$185,902 ⁶
Boaz Wachtel	\$162,143 ⁷	\$77,500 ⁸	\$240,282 ⁹

Notes:

1. Comprising of a cash payment of \$200,000, a bonus of \$80,000 and superannuation payment of \$19,500.
2. Comprising a cash payment of \$200,000, a bonus of \$50,000 and superannuation payment of \$19,000.
3. Comprising a cash payment of \$200,000, superannuation payment of \$19,000 and a share-based payment of \$67,641.
4. Comprising a cash payment of \$146,000, a bonus of \$70,000, out of scope fees of \$120,000 and superannuation payment of \$14,235.
5. Comprising a cash payment of \$141,000, a bonus of \$30,000 and superannuation payment of \$13,395.
6. Comprising a cash payment of \$134,000, a superannuation payment of \$12,730 and a share-based payment of \$39,172.
7. Comprising a cash payment of 72,143 and bonus of \$90,000.
8. Comprising a cash payment of \$47,500 and bonus of \$30,000.
9. Comprising a cash payment of \$105,000 and share based payment of \$135,282

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:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

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

6.6 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the securities), the Directors, the persons named in the Prospectus with their consent as proposed directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- (c) has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus.

BDO Audit Pty Ltd has given its written consent to being named as auditor to the Company in this Prospectus and the inclusion of the 30 June 2021 reviewed balance sheet of the Company in Section 3.6 of the Prospectus in the form and context in which it is included. BDO Audit Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

6.7 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$43,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX Fees	23,134
Legal fees	15,000
Printing, distribution and miscellaneous items	1,660
Total	43,000

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

GLOSSARY

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

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

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

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

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

Bonus Options has the meaning given at the commencement of the Prospectus.

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.

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).

Eligible Shareholders means the Shareholders with registered addresses in Australia, New Zealand, Israel or Canada on the Record Date.

Group means the Company and each of its subsidiaries.

Halucenex means Halucenex Life Sciences Inc.

ImpACTIVE means ImpACTIVE Holdings Ltd.

Listing Rules means the listing rules of the ASX.

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

Offer means the offer of Bonus Options pursuant to this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option or a Bonus Option to acquire a Share, as the case may be.

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

Performance Shares means performance shares 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, Performance Rights and/or Performance Shares as the context requires.

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

Shareholder means a holder of a Share.

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