



ASX Announcement | 12 November 2019

## Termination of Scheme Implementation Agreement

**12 November 2019 - Creso Pharma Limited (ASX:CPH) ("Creso Pharma" or "the Company")** provides the following update on the status of its proposed acquisition by PharmaCielo Ltd ("**PharmaCielo**") by way of schemes of arrangement pursuant to the Scheme Implementation Agreement announced to ASX on 7 June 2019 ("**SIA**").

The Company refers to the Scheme Booklet announced on 4 October 2019. The Scheme Booklet included an independent expert's report dated 26 September 2019 from BDO Corporate Finance (WA) Pty Ltd ("**Independent Expert**") in which the Independent Expert concluded that, in the absence of a superior proposal:

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

On 1 November 2019, Creso Pharma received a supplementary independent expert report from the Independent Expert opining that the Share Scheme is neither fair nor reasonable and not in the best interests of Creso Pharma shareholders ("**Supplementary IER**"). A copy of the Supplementary IER, to be read in conjunction with the original report included in the Scheme Booklet, is annexed to this announcement.

In light of the change in recommendation of the Independent Expert, Creso Pharma and PharmaCielo have mutually agreed that the SIA has been terminated. In connection therewith, on 11 November 2019, Creso Pharma and PharmaCielo executed an agreement of mutual release and settlement in relation to the SIA ("**Mutual Release**"), whereby each of Creso Pharma and PharmaCielo agreed to release each other from all claims arising under or in connection with the SIA or the related transaction documents.

Pursuant to the terms of the Mutual Release, Creso Pharma is required to repay the outstanding amounts of the loans advanced by PharmaCielo (approximately CDN\$3.9million) ("**PharmaCielo Loan**") by 30 November 2019. Creso Pharma is expecting to repay the PharmaCielo Loan on or prior to 30 November 2019.

Accordingly, the schemes of arrangement with PharmaCielo will not proceed, the Schemes Meetings (as adjourned yesterday) will not occur and Creso Pharma will seek appropriate orders from the Court on this basis.



## Alternate Funding and Suspension of Trading

Creso Pharma has been pursuing various fundraising initiatives to enable it to repay the PharmaCielo Loan and to fund its ongoing operations. Creso Pharma has made significant progress on these fundraising initiatives and expects to be in a position to finalise the terms of the fundraising on or prior to 15 November 2019.

It is anticipated that Creso Pharma's securities will remain in suspension of trading until such time that a further update is provided to the market, which is anticipated to occur no later than 15 November 2019.

**Ends.**

### Investor Enquiries

EverBlu Capital

E: [info@everblucapital.com](mailto:info@everblucapital.com)

P: +61 2 8249 0000

### Media Enquiries

Julia Maguire | The Capital Network

E: [julia@thecapitalnetwork.com.au](mailto:julia@thecapitalnetwork.com.au)

P: +61 419 815 386

### About Creso Pharma

[www.cresopharma.com](http://www.cresopharma.com)

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

### Forward looking statements

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

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

For personal use only



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

For personal use only

For personal use only

**CRESO PHARMA LIMITED**  
**Supplementary Independent Expert's**  
**Report**

1 November 2019



## Financial Services Guide

1 November 2019

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) was engaged by Creso Pharma Limited ('Creso Pharma' or 'the Company') to provide an independent expert's report on the proposed acquisition of all of the issued shares and listed options in Creso Pharma by PharmaCielo Ltd. ('PharmaCielo') via scheme of arrangement ('the Schemes'). You were provided with a copy of our report dated 26 September 2019 as a retail client because you are a shareholder of Creso Pharma and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

As part of our obligations as an Expert under RG 111 paragraphs 102-104, we have monitored market circumstances that drive valuation assumptions and consequential opinions. We have noted significant change in the relevant market conditions that affect the Schemes, therefore we are providing a Supplementary to our initial report. The Supplementary report is attached.

### Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

For personal use only



**Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for our Report dated 26 September 2019 was approximately \$85,000. We approximate our fees for the provision of the Supplementary Report to be in the range of \$5,000 to \$10,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Creso Pharma.

**Other Assignments**

BDO East Coast Partnership is the appointed Auditor of Creso Pharma. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

**Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Creso Pharma for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

**Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**Complaints resolution***Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website [www.afca.org.au](http://www.afca.org.au) or by contacting it directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1800 931 678  
Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)

You may contact us using the details set out on page 1 of the accompanying report.

For personal use only

1 November 2019

The Directors  
Creso Pharma Limited  
Level 24, 300 Barangaroo Avenue  
BARANGAROO NSW 2000

Dear Directors

## SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT

### 1. Summary

On 7 June 2019, Creso Pharma Limited ('Creso Pharma' or 'the Company') announced it had entered into a Scheme Implementation Agreement ('SIA') with PharmaCielo Ltd. ('PharmaCielo'), under which PharmaCielo will acquire the entire issued capital of Creso Pharma, by way of a scheme of arrangement under the Corporations Act 2001 (Cth) ('the Share Scheme'). Under the terms of the Share Scheme, each Creso Pharma shareholder ('Shareholders') will receive 0.0775 PharmaCielo shares for every Creso Pharma share held at the record date ('Share Scheme Consideration').

The SIA also includes an option scheme with PharmaCielo ('the Option Scheme'), pursuant to which, the holders of listed options in Creso Pharma ('Listed Optionholders') will receive 0.0185 PharmaCielo shares for every listed option in Creso Pharma held at the record date ('Option Scheme Consideration').

Our report refers to the Share Scheme and Option Scheme collectively as 'the Schemes'.

Creso Pharma and PharmaCielo are both public companies, listed on the Australian Securities Exchange ('ASX') and the TSX Venture Exchange ('TSXV'), respectively. Upon implementation of the Schemes, Creso Pharma will be delisted from the ASX, and will become a wholly owned subsidiary of PharmaCielo. Each share in PharmaCielo that a Shareholder or Listed Optionholder will receive as compensation under the Schemes will be a share in PharmaCielo (post-acquisition of Creso Pharma) following the Schemes ('the Proposed Merged Entity'), which will trade on the TSXV.

BDO Corporate Finance (WA) Pty Ltd ('BDO' or 'we' as appropriate) prepared an independent expert report dated 26 September 2019 (our 'Report') which was included in the Scheme Booklet dated 4 October 2019 issued to Shareholders in respect of the Schemes.

The opinions expressed in our Report were as follows:

- the Share Scheme was not fair but reasonable and in the best interest of the Shareholders; and
- the Option Scheme was fair and reasonable and in the best interests of Listed Optionholders.

However, as set out below in our Supplementary Independent Expert's Report ('**Supplementary Report**'), we consider the Share Scheme is neither fair nor reasonable and not in the best interests of Shareholders.

Our opinion for the Option Scheme has not changed as we consider the Option Scheme is fair and reasonable and in the best interest of Listed Optionholders.

This Supplementary Report should be read in conjunction with our Report dated 26 September 2019 and the Company's previous Scheme Booklet dated 4 October 2019.

All terms and conclusions remain consistent with those defined and stated in our Report dated 26 September 2019, unless stated otherwise.

## 2. Opinion

### 2.1 Fairness

#### Share Scheme

In our Report dated 26 September 2019, we concluded that the Share Scheme was not fair to Shareholders with the value ranges set out in the table below.

Share Scheme fairness assessment per our Report dated 26-Sep-19	Low value \$	Preferred value \$	High value \$
Value of a Creso Pharma share prior to the Schemes (control basis)	0.502	0.545	0.589
Value of 0.0775 shares in the Proposed Merged Entity (minority basis)	0.429	0.447	0.465

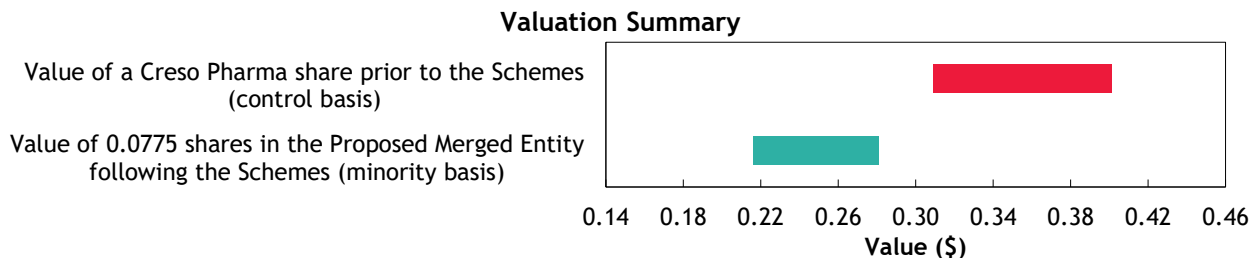
Source: BDO analysis

We have replaced the fairness section in our Report dated 26 September 2019 with the following. In Section 3 and Section 4 of this Supplementary Report, we determined that the Share Scheme Consideration compares to the value of a Creso Pharma share, as detailed below:

Share Scheme fairness assessment	Low value \$	Preferred value \$	High value \$
Value of a Creso Pharma share prior to the Schemes (control basis)	0.309	0.353	0.401
Value of 0.0775 shares in the Proposed Merged Entity (minority basis)	0.216	0.248	0.281

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, the Share Scheme is not fair for Shareholders.



### Option Scheme

In our Report dated 26 September 2019, we concluded that the Option Scheme was fair to Listed Optionholders with the value ranges set out in the table below.

Option Scheme fairness assessment per our Report dated 26-Sep-19	Low value \$	Preferred value \$	High value \$
Value of a Creso Pharma listed option prior to the Schemes	0.066	0.084	0.104
Value of 0.0185 shares in the Proposed Merged Entity (minority basis)	0.102	0.107	0.111

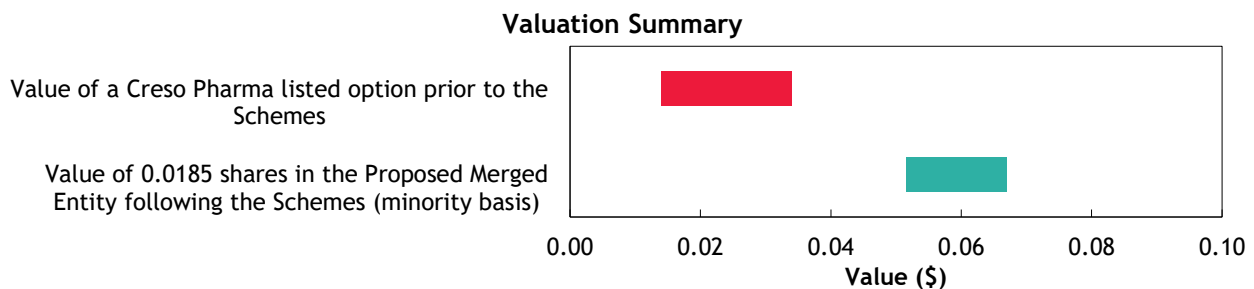
Source: BDO analysis

We have replaced the fairness section in our Report dated 26 September 2019 with the following. In Section 5 and Section 6 of this Supplementary Report, we determined that the Option Scheme Consideration compares to the value of a Creso Pharma listed option, as detailed below:

Option Scheme fairness assessment	Low value \$	Preferred value \$	High value \$
Value of a Creso Pharma listed option prior to the Schemes	0.014	0.022	0.034
Value of 0.0185 shares in the Proposed Merged Entity (minority basis)	0.052	0.059	0.067

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, the Option Scheme is fair for Listed Optionholders.

## 2.2 Reasonableness

For our assessment of the reasonableness of the Schemes, we refer to our reasonableness assessment relating to the Schemes per our Report dated 26 September 2019. However, set out below are the reasonableness factors that have changed as a result of the abovementioned significant changes in market conditions. Therefore, the below assessment of reasonableness should be read in conjunction with the reasonableness assessment from our Report dated 26 September 2019.

### 2.2.1 Advantage of not approving the Schemes

In assessing the advantages of rejecting the Schemes, we refer to our Report, noting the following addition:

**Creso Pharma's need to raise working capital funding value accretive to Shareholders due to the significant decline in PharmaCielo share price**

If Shareholders do not approve the Schemes, Creso Pharma will be required to raise significant funding to service the repayment of outstanding debts to PharmaCielo. Funding will also be required to service working capital requirements for the growth projections of the Creso Pharma operations.

We consider this required funding will need to be undertaken via a form of equity or quasi-equity raising (ordinary share capital, convertible notes, etc) which could result in a significant dilution to current Shareholders.

However, we consider the disadvantages of potential dilution associated with Creso Pharma raising a form of equity to be outweighed by the loss of value to Shareholders on approval of the Schemes, given the recent significant decline in the PharmaCielo share price has resulted in the Share Scheme Consideration declining significantly.

## 3. Adjustments to the value of Creso Pharma prior to the Schemes

We have adjusted our valuation of Creso Pharma prior to implementation of the Schemes to reflect the following:

- Significant adverse movement in the medicinal marijuana industry evidenced within ASX listed companies; and
- We consider Creso Pharma will have to raise significant funding to repay any outstanding debts payable to PharmaCielo and to continue Creso Pharma's aggressive forecast growth plans. We consider funding in the vicinity of \$8 million will be required by Creso Pharma. Therefore, we have included an assessed notional capital raise in our valuation prior to the implementation of the Schemes.

The following valuation summary of Creso Pharma has been extracted from section 11.1 of our Report and subsequently adjusted to account for the abovementioned change in circumstances.

	Note	Low \$	Midpoint \$	High \$
Quoted market price value		0.415	0.434	0.453
Observed decline in ASX medicinal marijuana companies	a)	25%	22.5%	20%
Adjusted quoted market price value		0.311	0.336	0.362
Control premium		30%	35%	40%
Quoted market price including premium for control		0.405	0.454	0.507
<i>Number of shares on issue prior to announcement</i>		<i>144,044,332</i>	<i>144,044,332</i>	<i>144,044,332</i>
<b>Total equity value of Creso Pharma</b>		<b>58,283,938</b>	<b>65,406,570</b>	<b>73,082,332</b>
Less: Mernova Payment		(887,250)	(887,250)	(887,250)
Less: Reimbursement fee		(450,000)	(450,000)	(450,000)
Add: Proceeds from the exercise of unlisted options (since 6 June 2019)		125,000	125,000	125,000

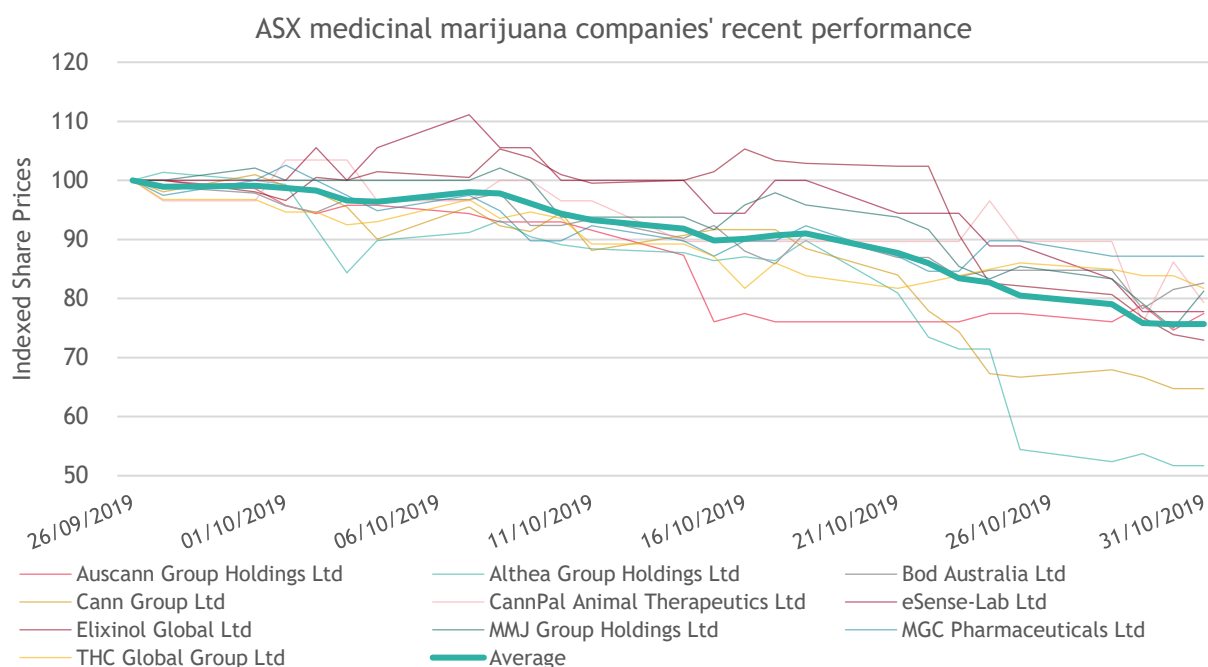
	Note	Low \$	Midpoint \$	High \$
Add: Proceeds from the exercise of outstanding unlisted options		1,637,000	1,637,000	1,637,000
<b>Adjusted total equity value of Creso Pharma</b>		<b>58,708,688</b>	<b>65,831,320</b>	<b>73,507,083</b>
Adjusted number of shares on issue	b)	190,014,751	186,434,331	183,338,151
<b>Adjusted value per share</b>		<b>0.309</b>	<b>0.353</b>	<b>0.401</b>

Source: BDO analysis

The adjustments outlined below are additional adjustments not included in our Report dated 26 September 2019. For details of the line items not outlined below, see our Report for further details.

**a) Observed decline in ASX medicinal marijuana companies**

Since 26 September 2019, the date of our Report, we have observed a significant decline in ASX listed medicinal marijuana companies, as evidenced in the graph below:



Source: BDO analysis

We consider it appropriate to adjust the pre-Schemes quoted market price assessed in our Report for this observed decline in ASX medicinal marijuana companies, in the range of 20% to 25%.

**b) Adjusted number of shares on issue**

We have adjusted the number of shares on issue from the Report to incorporate our assessed notional capital raising which we consider appropriate for inclusion in the valuation prior to the Schemes to account for the amounts repayable to PharmaCielo if the Schemes are not approved and Creso Pharma working capital requirements to maintain forecast growth plans.

**Notional capital raising**

We have considered the likely price at which Creso Pharma would have to place its shares to a third party or to current shareholders under a capital raising to raise the funds required.

For personal use only

Whilst we understand that there may be alternatives for Creso Pharma to raise capital, we do not currently have reasonable grounds to make an assessment on less dilutive funding structures, and are required by RG 111.15 to assess the funding requirements for a company that is not in financial distress when considering its value. Further, ASIC's Information Sheet 214 states that in arriving at the fair value of the Company's securities, the expert takes into account the funding required, such as considering the increase in the number of shares on issue. Therefore, we have assumed a 'notional' capital raising that is likely to result in dilution for the Company in order to raise this capital.

To determine the likely issue price, we have considered the pre-announcement quoted market price assessment of Creso Pharma's shares and the observed discount at which shares have been issued by ASX listed companies when compared with the companies' share prices prior to the date of the announcement of the capital raising.

Given our market based analysis and the size of the notional capital raising, we consider a placement discount in the range of 20% to 25% will be required to provide a sufficient incentive for investors to participate in any raising that Creso Pharma would conduct on the open market.

From the analysis above, we assessed that the value of a Creso Pharma share to be between \$0.311 and \$0.362 on a minority interest basis. Applying a discount in the range of 20% to 25% to the assessed value of a Creso Pharma share, ignoring the effects of the announcement of the Schemes, results in an assumed notional capital raising price of between \$0.233 and \$0.290 per share.

The table below outlines the number of new shares that will need to be issued in order to raise an equivalent of \$8 million to provide funding at between \$0.233 and \$0.290 per share.

Cash raised through notional equity raising	Low	Mid	High
Estimated equity funding required (\$)	8,000,000	8,000,000	8,000,000
Adjusted quoted market price (\$)	0.311	0.336	0.362
Assessed placement discount (%)	25%	22.5%	20%
Price of capital raising (\$)	0.233	0.260	0.290
<b>Shares issued through notional capital raising</b>	<b>34,297,964</b>	<b>30,721,966</b>	<b>27,624,309</b>

Source: BDO analysis

Therefore, we have made an additional adjustment to the number of shares outstanding to incorporate the notional capital raising, summarised in the table below.

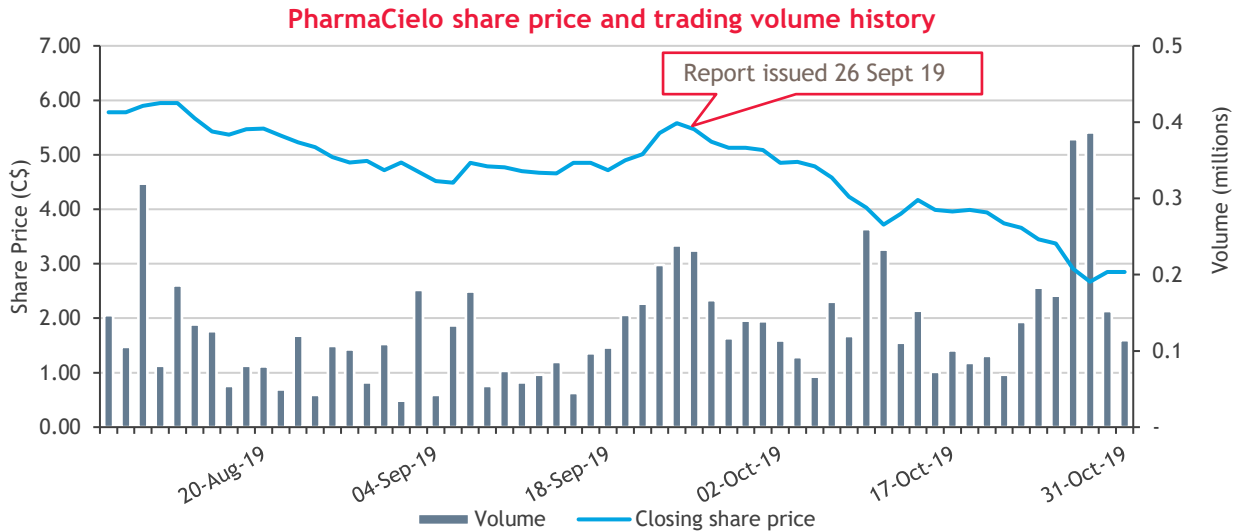
Adjusted number of shares on issue	Low	Mid	High
Adjusted number of shares on issue in Report	155,744,332	155,744,334	155,744,336
Shares to be issued via notional capital raise prior to Schemes	27,593,819	30,689,997	34,270,415
<b>Adjusted number of shares on issue</b>	<b>183,338,151</b>	<b>186,434,331</b>	<b>190,014,751</b>

Source: BDO analysis

For personal use only

#### 4. Adjustments to the valuation of the Share Scheme Consideration

We have adjusted the valuation of the Share Scheme Consideration given that the PharmaCielo share price has declined significantly from the date of our Report, 26 September 2019, as illustrated in the graph below.



To provide further analysis of the market prices for a PharmaCielo share over the post-announcement period, up to the date of this Supplementary Report, we have considered the weighted average market price and trading data for the 5, 10 and 30-trading-day periods to 31 October 2019.

Share Price per unit	31-Oct-19	5 Days	10 Days	30 Days
Closing price	\$2.850			
Volume weighted average price (VWAP)		\$3.146	\$3.196	\$4.165

Source: BDO analysis

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$2.800	\$2.890	114,106	0.12%
5 Days	\$2.510	\$3.440	1,202,793	1.23%
10 Days	\$2.510	\$4.050	1,770,209	1.82%
30 Days	\$2.510	\$5.800	4,808,140	4.93%

Source: BDO analysis

Based on the above analysis, our assessment of the range of values of PharmaCielo shares for the post-announcement period, based on market pricing, is between C\$2.50 and C\$3.25.

We consider the adjustments to the quoted market price included in our Report to be unnecessary for the purposes of this Supplementary Report because all of the adjustments that were made in the Report have been publicised through the issue of the Scheme Booklet and are therefore now reflected in the current quoted market price of PharmaCielo.



We have assessed the CAD/AUD exchange rates over the month ended 31 October 2019 and calculated an average CAD/AUD exchange rate of 1.115. Converted at our assessed exchange rate, this represents a PharmaCielo share price range between \$2.788 and \$3.624, with a preferred value of \$3.206.

Based on the above analysis, the value of 0.0775 shares in the Proposed Merged Entity is in the range from \$0.216 to \$0.281, with a preferred value of \$0.248.

	Low	Mid	High
	\$	\$	\$
PharmaCielo quoted market price (minority basis)	2.788	3.206	3.624
0.0775 shares in the Proposed Merged Entity	0.216	0.248	0.281

Source: BDO analysis

## 5. Adjustment to the valuation of the Listed Options

We have applied the same Black Scholes option valuation methodology employed in our Report.

The only input we have adjusted from the Report to the Supplementary Report is the value of a Creso Pharma share, which has changed as per the table below.

	Low	Preferred	High
	\$	\$	\$
Value of a Creso Pharma share prior to the Schemes (control)			
Outlined in the Report	0.502	0.545	0.589
Supplementary Report	0.309	0.353	0.401

Source: BDO analysis

This has resulted in a change to the value of the Listed Options outlined in the table below.

	Low	Preferred	High
	\$	\$	\$
Value of a Creso Pharma listed option prior to the Schemes			
Outlined in the Report	0.066	0.084	0.104
Supplementary Report	0.014	0.022	0.034

Source: BDO analysis

## 6. Adjustment to the valuation of the Option Scheme Consideration

The Option Scheme Consideration is 0.0185 shares in the Proposed Merged Entity which has been summarised in the table below.

	Low	Preferred	High
	\$	\$	\$
Value of the Option Scheme Consideration			
Assessed value of a share in the Proposed Merged Entity	2.788	3.206	3.624
0.0185 shares in the Proposed Merged Entity (Option Scheme Consideration)	0.052	0.059	0.067

Source: BDO analysis

For personal use only

## 7. Conclusion

We have considered the changes in market conditions outlined in the body of this Supplementary Report and the initial findings outlined in our Report dated 26 September 2019 and have concluded that the Share Scheme is neither fair nor reasonable and not in the best interests of Shareholders.

This constitutes a change of opinion for the Share Scheme from not fair but reasonable and in the best interests of Shareholders to neither fair nor reasonable and not in the best interests of Shareholders.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**  
Director



**Adam Myers**  
Director

Copyright © 2019 BDO Corporate Finance (WA) Pty Ltd

All rights reserved. No part of this publication may be reproduced, published, distributed, displayed, copied or stored for public or private use in any information retrieval system, or transmitted in any form by any mechanical, photographic or electronic process, including electronically or digitally on the Internet or World Wide Web, or over any network, or local area network, without written permission of the author. No part of this publication may be modified, changed or exploited in any way used for derivative work or offered for sale without the express written permission of the author.

For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

---