CRESO PHARMA

14 April 2020

Dear Shareholder,

IMPACT OF COVID-19 RESTRICTIONS ON THE COMPANY'S GENERAL MEETING

The shareholder meeting is scheduled to be held in Perth on 18 May 2020 at 11:00am (WST) (**Meeting**). However, in light of the evolving COVID-19 situation and Government restrictions on public gatherings in place at the time of the Meeting, the Directors have made a decision that Shareholders will not be able to attend the Meeting in person.

Instead, all Shareholders will be able to participate in the Meeting by:

(a) attending and voting their Shares at the online virtual Meeting to be held on 18 May 2020 at 11:00am (WST), per the details below;

(b) voting their Shares prior to the Meeting by lodging the proxy form attached to the Notice by no later than 11:00 am (WST) on 16 May 2020; and/or

(c) lodging questions in advance of the Meeting by emailing the questions to Erlyn Dale, Joint Company Secretary at erlyn@azc.com.au, by no later than 11 May 2020.

Virtual Meeting

The Company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by 'Lumi' (**Lumi Virtual Meeting**), where shareholders will be able to watch, listen, submit written questions and vote online.

To access the virtual meeting:

1. Open your internet browser and go to **web.lumiagm.com/315265523.** Alternatively, the Lumi AGM app can be downloaded for free from Apple or Google Play stores.

2. Enter the Meeting ID: **315-265-523**

3. Enter your **SRN** or **HIN,** and your registered **postcode** when prompted.

Further information and support on how to use the Lumi virtual meeting platform is available on the Company's website. Shareholders may access the Lumi Virtual Meeting from 10:00am WST on Monday, 18 May 2020.

The Directors **strongly encourage all Shareholders to either attend the online virtual meeting or lodge a directed proxy form prior to the Meeting**.

This announcement is authorised for market release by the Board of Creso Pharma Limited.

Sincerely,

Erlyn Dale
Joint Company Secretary
Creso Pharma Limited

CRESO PHARMA LIMITED
ACN 609 406 911

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:00am WST

DATE: 18 May 2020

PLACE: Suite 5 CPC
145 Stirling Highway
NEDLANDS WA 6009

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 16 May 2020.

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BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SETTLEMENT SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,000,000 Shares on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue (namely Mozaik) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

  (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SERVICE SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 2,183,334 Shares on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF COLLATERAL SHARES TO THE NOMINEE OF L1 CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 9,000,000 Shares on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue (namely CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>, the nominee of L1 Capital) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. RESOLUTION 4 – APPROVAL TO ISSUE SUBSEQUENT COLLATERAL SHARES TO L1 CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of 30,000,000 Shares, on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), namely L1 Capital (or its nominee), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. RESOLUTION 5 – APPROVAL TO ISSUE SECURITIES TO L1 CAPITAL - ADVANCE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to 1,944,445 Convertible Notes and up to that number of New Options calculated in accordance with the formula set out in Annexure A on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), namely L1 Capital (or its nominee), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

6. RESOLUTION 6 – APPROVAL TO ISSUE ADDITIONAL SECURITIES TO L1 CAPITAL – FURTHER DRAW DOWNS UNDER THE NEW L1 CONVERTIBLE SECURITIES FACILITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to 4,444,445 Convertible Notes, up to that number of New Fee Shares calculated in accordance with the formula set out in Annexure A and up to that number of New Options calculated in accordance with the formula set out in Annexure A on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), namely L1 Capital (or its nominee), or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
   (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
   (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

7. RESOLUTION 7 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL – NEW L1 CONVERTIBLE NOTE FACILITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 5,277,778 Shares and 4,000,000 Options to EverBlu Capital (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of EverBlu Capital (and its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).
However, this does not apply to a vote cast in favour of the Resolution by:
(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
   (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
   (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

8. RESOLUTION 8 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL – TRANCHE 1 CONVERTIBLE NOTE FACILITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 683,333 Shares and up to 683,333 Options to EverBlu Capital (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of EverBlu Capital (and its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).
However, this does not apply to a vote cast in favour of the Resolution by:
(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

9. RESOLUTION 9 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL – CORPORATE ADVISER APPOINTMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 2,000,000 Shares and 8,000,000 Options to EverBlu Capital (or its nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of EverBlu Capital (and its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).
However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Dated: 8 April 2020

By order of the Board

Erlyn Dale
Company Secretary

Voting in person

Generally, to vote in person, Shareholders would be able to attend the Meeting at the time, date and place set out in this Notice. However, In light of the status of the evolving COVID-19 situation and Government restrictions on public gatherings in place at the time of the Meeting, the Directors have made a decision that Shareholders will not be able to physically attend the Meeting in person.

Accordingly, the Directors strongly encourage all shareholders to lodge a directed proxy form prior to the Meeting.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9389 3180.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SETTLEMENT SHARES

1.1 General

On 5 February 2020, the Company issued 1,000,000 Shares to Mozaik Asset Management Pty Ltd (ACN 136 347 101) (**Mozaik**), a Tranche 1 Investor in consideration for the termination and settlement of the original convertible securities agreement between the Company and Mozaik and the associated debt notes that were on issue (**Settlement Shares**). As a result of this termination, Mozaik's right to receive 222,222 Tranche 1 Convertible Notes was extinguished. Refer to the ASX announcement released on 5 February 2020 for further details.

The Settlement Shares were issued pursuant to the Company's placement capacity under Listing Rule 7.1.

Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Settlement Shares.

1.2 Listing Rules 7.1 and 7.4

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The issue of the Settlement Shares does not fit within any of the exceptions to Listing Rule 7.1 and, as it has not yet been approved by Shareholders, it effectively uses up part of the Company's 15% placement capacity under Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval over the 12 month period following the date of issue of the Settlement Shares.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Settlement Shares.

1.3 Technical information required by Listing Rule 14.1A

If Resolution 1 is not passed, the Settlement Shares will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Settlement Shares.

If Resolution 1 is passed, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Settlement Shares.

1.4 Technical information required by Listing Rule 7.4

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 1:

(a) the Settlement Shares were issued to Mozaik;

(b) 1,000,000 Shares were issued;

(c) the Settlement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Settlement Shares were issued on 5 February 2020;

(e) the Settlement Shares were issued at a deemed issue price of $0.155 per Share (based on the closing price of Shares on 4 February 2020). No funds were raised from the issue as the Settlement Shares were issued for nil cash consideration as a settlement payment in order to achieve timely resolution of a disputed position. The issue of the Settlement Shares will allow the Company to retain and spend a greater proportion of its cash reserves on operational activities than it would if it had to make a settlement payment in cash; and

(f) a summary of material terms of the agreement with Mozaik is set out in Section 1.1.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SERVICES SHARES

2.1 General

On 11 February 2020, the Company issued a total of 2,183,334 Shares at a deemed issue price of $0.15 per Share to existing consultants and corporate advisers of the Company in lieu of accrued fees for services provided to the Company (**Services Shares**). The Service Shares were issued pursuant to the Company's placement capacity under Listing Rule 7.1.

Resolution 2 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Service Shares.

2.2 Listing Rules 7.1 and 7.4

A summary of Listing Rules 7.1 and 7.4 is set out in Section 1.2 above.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Service Shares.

2.3 Technical information required by Listing Rule 14.1A

If Resolution 2 is not passed, the Service Shares will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Service Shares.

If Resolution 2 is passed, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.4 Technical information required by Listing Rule 7.4

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 2:

(a) the Service Shares were issued to various consultants and advisers of the Company in lieu of accrued fees for services provided to the Company. None of these parties is a related party of the Company or was issued more than 1% of the Company's current issued capital.

(b) 2,183,334 Shares were issued;

(c) the Service Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Service Shares were issued on 11 February 2020;

(e) no funds were raised from the issue as the Service Shares were issued for nil cash consideration in lieu of accrued fees for services provided by various consultants and advisers. The issue of the Service Shares will allow the Company to retain and spend a greater proportion of its cash reserves on operational activities than it would if it was required to pay cash for these services;

(f) a summary of material terms of the agreements with the consultants in relation to the issue of the Service Shares is set out in Section 2.1.

3. BACKGROUND TO RESOLUTIONS 3 – 7

3.1 Original L1 Convertible Securities Agreement

On 28 November 2019 and 31 December 2019, the Company announced that it had entered into convertible securities agreements with professional and sophisticated investors to enable the Company to raise up to $8,200,000.

L1 Capital Global Opportunities Master Fund (**L1 Capital**) entered into a convertible securities agreement with the Company (**Original L1 Convertible Securities Agreement**), whereby it agreed to provide the Company with:

(a) an initial convertible security facility to enable the Company to raise $1,500,000 through the issue of 1,666,667 Tranche 1 Convertible Notes (**L1 Tranche 1 Convertible Note Facility**); and

(b) an additional convertible security facility to enable the Company to raise up to a further $2,700,000 through the issue of 3,000,000 Tranche 2 Convertible Notes (**Tranche 2 Convertible Note Facility**).

As at the date of this Notice, the Company has drawn down $1,500,000 under the L1 Tranche 1 Convertible Note Facility and $517,500 under the Tranche 2 Convertible Note Facility, and issued L1 Capital (or its nominee) 1,666,667 Tranche 1 Convertible Notes and 575,000 Tranche 2 Convertible Notes (together with Shares and Options) in accordance with Shareholder approval obtained on 28 January 2020.

3.2 New L1 Convertible Securities Facility

As announced on 5 February 2020, the Company has entered into a new convertible securities agreement with L1 Capital to access up to an additional $17,482,500 (**New L1 Convertible Securities Facility**).

Each draw down under the New L1 Convertible Securities Facility (other than the Advance which is described below) is subject to the Company obtaining the agreement of L1 Capital and obtaining Shareholder approval for the issue of:

(a) convertible notes each with a face value of $1.00 and a subscription price of $0.90, which will be issued on the terms and conditions set out in Schedule 1 (**New Convertible Notes**);

(b) the number of Shares calculated in accordance with the formula set out in Annexure A for nil cash consideration as the drawdown fee (**New Fee Shares**); and

(c) the number of Options calculated in accordance with the formula set out in Annexure A, which will be issued on the terms and conditions set out in Schedule 2 (**New Options**).

Resolution 6 seeks Shareholder approval for the issue of up to 4,444,445 New Convertible Notes, and up to that number of New Fee Shares and New Options (together, the **New Convertible Securities**) which will enable the Company, subject to agreement with L1 Capital at the applicable times, to draw down up to a further $4,000,000 under the New L1 Convertible Securities Facility in the 3 months following the date of the Meeting. The Company is currently in discussions with L1 Capital to determine whether further funding may be drawn down before the date of the Meeting (**Further Advance**). If so, the Company will issue L1 Capital New Convertible Securities to offset the Further Advance if Resolution 6 is approved.

The funds raised by the Company under the New L1 Convertible Securities Facility will be used for the Company's operations and working capital purposes.

A summary of the terms and conditions of the agreement between the Company and L1 Capital in respect of the New L1 Convertible Securities Facility (**New L1 Convertible Securities Agreement**) is set out in Annexure A.

Initial Advance

The Company requested the initial advance of $1,750,000 under the New L1 Convertible Securities Facility, which was received on 6 February 2020 and 11 February 2020 (**Advance**).

In accordance with the terms of the New L1 Convertible Securities Agreement, the Company can offset the outstanding amount of the Advance against a purchase of:

(a) New Convertible Notes under the New L1 Convertible Securities Facility if each of Resolutions 4 and 5 are approved; or

(b) Tranche 2 Convertible Notes under the Tranche 2 Convertible Note Facility if either of Resolution 4 or Resolution 5 are not approved.

Resolution 5 seeks Shareholder approval for the issue of up to 1,944,445 New Convertible Notes, and up to that number of New Options calculated in accordance with the formula set out in Annexure A to L1 Capital (or its nominee) to enable the Company to offset the outstanding amount of the Advance.

Collateral Shares

Prior to receiving the first tranche of the Advance, the Company issued CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C> (the nominee of L1 Capital) 9,000,000 Shares as collateral shares (**Initial Collateral Shares**). Resolution 3 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Initial Collateral Shares.

The Company has also agreed to seek Shareholder approval to issue up 30,000,000 Shares to L1 Capital (or its nominee) as additional collateral shares (**Subsequent Collateral Shares**). These Subsequent Collateral Shares may be issued to L1 Capital (or its nominee) if at any time the Collateral Shareholding Number is less than the greater of:

(a) 9,000,000; and

(b) 20% of the aggregate of the Amount Outstanding and the "Amount Outstanding" under the Original L1 Convertible Securities Agreement, divided by the numeric average of the 10 daily VWAPs for the 10 Actual Trading Days immediately prior to the day on which the determination is made,

(the **Threshold Amount**) within 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules). Further details are set out in Annexure A. Resolution 4 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the Subsequent Collateral Shares.

The Company has also agreed, that in certain situations (as detailed in Annexure A), the Company may be required to issue to L1 Capital (or its nominees) up to a further 11,000,000 additional collateral shares (i.e. Additional Collateral Shares) without requiring Shareholder approval. As it is an agreement for a potential issue of Shares that is not subject to Shareholders approval, the potential issue of a further 11,000,000 Shares must fall within the Company's placement capacity under Listing Rule 7.1.

3.3 Convertible Securities Agreement Fees Summary

For completeness a summary of the fees payable and issuable to L1 Capital (or its nominees) in respect of the New L1 Convertible Securities Facility is set out below:

	Minimum Raising[1]	Maximum Raising[2]
Cash	$70,000	$70,000
Collateral Shares	9,000,000[3]	70,922,841[3,4]
Fee Shares[5]	Nil	12,948,560
New Options[6]	Nil	359,722,223

Notes:

1. Assumes that the Company only raises $1,750,000 under the New L1 Convertible Securities Facility, being the Advance, which was received in two tranches on 6 and 11 February 2020.

2. Assumes that the Company raises the maximum under the New L1 Convertible Securities Facility, being $17,482,500 (of which $1,750,000 has already been received under the Advance).

3. If, in respect of a requested purchase, immediately following the purchase the Collateral Shareholding Number is less than the Threshold Amount, then on or before the relevant date of the purchase, the Company must issue to L1 Capital (or its nominee) additional Collateral Shares, so that immediately following the purchase the Collateral Shareholding Number will be at the Threshold Amount. The issue of any Shares upon receipt of a Top-Up Notice in excess of 11,000,000 Additional Collateral Shares (and the Subsequent Collateral Shares if Resolution 4 is approved) will be subject to the Company obtaining Shareholder approval.

4. This assumes that the Threshold Amount (being the greater of 9,000,000 and 20% of the aggregate of the Amount Outstanding and the "Amount Outstanding" under the Original L1 Convertible Securities Agreement, divided by the average of the 10 daily VWAPs for the 10 Actual Trading Days immediately prior to the day on which the determination is made) is 70,922,841. This is calculated on the assumption that the aggregate of the amount outstanding understanding under the Original L1 Convertible Securities Agreement and the New L1 Convertible Securities Agreement is $19,149,167 and assumes that the average of the 10 daily VWAPs for the 10 Actual Trading Days immediately prior to the date of determination is $0.054.

5. The number of the number of Shares to be issued to L1 Capital (or its nominee) as a drawdown fee is determined by dividing the relevant amount of the drawdown fee (of 4% of the aggregate Face Value of the Convertible Notes issued excluding any Convertible Notes issued in repayment of the Advance) by the 10 day VWAP for the 10 Actual Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number. This table assumes that the 10 Day VWAP is $0.054.

6. The number of Options to be issued to L1 Capital (or its nominee) is equal to that number equivalent to the aggregate face value (in A$) of Convertible Notes being issued to L1 Capital (or its nominees) at the relevant purchase, divided by the closing price on ASX of the Shares on the actual Trading Day immediately prior to the relevant purchase date. This table assumes that the closing price on ASX of the Shares on the Actual Trading Day immediately prior to each purchase date is $0.054.

3.4 Lead Manager Fees

EverBlu Capital Pty Ltd (ACN 612 793 683) (AFSL 499601) (**EverBlu Capital**) has been appointed as lead manager to the New L1 Convertible Securities Facility.

The Company has agreed to pay EverBlu Capital:

(a) an upfront cash fee of $200,000;

(b) a 6% cash fee on the face value of the funds actually drawn down under the New L1 Convertible Securities Facility; and

(c) subject to Shareholder approval, issue EverBlu Capital (or its nominee):

(i) 4,000,000 Shares and 4,000,000 Options exercisable at $0.25 each on or before the date that is three years from the date of issue; and

(ii) one Share for every $5 of the face value of the funds actually drawn down under the New L1 Convertible Securities Facility.

A summary of the fees payable and issuable to EverBlu Capital are set out below:

	Minimum Raising[1]	Maximum Raising[2]
Capital Raise Fee and Management Fee	$316,667	$1,365,500
Shares	4,388,889	7,885,000
Options	4,000,000	4,000,000

Notes:

1. Assumes that the Company only raises $1,750,000 under the New L1 Convertible Securities Agreement, being the Advance.

2. Assumes that the Company raises the maximum under the New L1 Convertible Securities Agreement, being $17,482,500.

Resolution 7 seeks Shareholder approval for the purposes of Listing Rule 10.11 for the issue of up to 5,277,778 Shares and 4,000,000 Options to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the New L1 Convertible Securities Facility assuming that Resolutions 5 and 6 are approved and the Company issues the maximum number of New Convertible Notes under Resolution 6 within one month of the date of the Meeting.

If no further funds (other than the Advance) are drawn down under the New L1 Convertible Securities Facility, the maximum number of Shares and Options that may be issued to EverBlu Capital under Resolution 7 are 4,388,889 Shares and 4,000,000 Options.

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF COLLATERAL SHARES TO THE NOMINEE OF L1 CAPITAL

4.1 General

Resolution 3 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of 9,000,000 Initial Collateral Shares to CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C> (the nominee of L1 Capital) under the terms of the New L1 Convertible Securities Facility.

Further information in respect of the issue of the Initial Collateral Shares and the New L1 Convertible Securities Facility is set out in Sections 3.2 above and Annexure A.

4.2 Listing Rules 7.1 and 7.4

A summary of Listing Rules 7.1 and 7.4 is set out in Section 1.2 above.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Initial Collateral Shares.

4.3 Technical information required by Listing Rule 14.1A

If Resolution 3 is not passed, the Initial Collateral Shares will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Initial Collateral Shares.

If Resolution 3 is passed, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.4 Technical information required by Listing Rule 7.4

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 3:

(a) the Shares were issued to CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C> (the nominee of L1 Capital), who is not a related party of the Company;

(b) the Shares were issued on 5 February 2020;

(c) the Shares that were issued are all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Initial Collateral Shares were issued at a deemed issue price of $0.15 per Shares (based on the closing price of Shares on 10 February 2020). No funds were raised from the issue as the Initial Collateral Shares were issued for nil cash consideration in accordance with the terms of the New L1 Convertible Securities Agreement; and

(e) a summary of the New L1 Convertible Securities Agreement (which includes the issue of the Initial Collateral Shares) is set out in Annexure A.

5. RESOLUTION 4 – APPROVAL TO ISSUE SUBSEQUENT COLLATERAL SHARES TO L1 CAPITAL

5.1 General

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 30,000,000 Subsequent Collateral Shares to L1 Capital (or its nominee) under the terms of the New L1 Convertible Securities Facility. If Resolution 4 is approved, the Company will only issue all or a portion of the Subsequent Collateral Shares to L1 Capital (or its nominee) where the Collateral Shareholding Number is less than the Threshold Amount. Further information in respect of the issue of the Subsequent Collateral Shares and the New L1 Convertible Securities Facility is set out in Section **Error! Reference source not found.** above and Annexure A.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The proposed issue of the Subsequent Collateral Shares does not fall within any of the specified exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

5.2 Technical information required by Listing Rule 14.1A

If Resolution 4 is not passed, the Company will not be able to proceed with the issue of the Subsequent Collateral Shares. In addition, the Company considers that if Resolution 4 is not passed, L1 Capital will be less inclined to accept Purchase Requests under the New L1

Convertible Securities Agreement and therefore limit the Company's ability to draw down funds under the New L1 Convertible Securities Facility.

If Resolution 4 is passed, the Company will be able to proceed with the issue of the Subsequent Collateral Shares, without using the Company's 15% annual placement capacity.

Resolution 4 seeks Shareholder approval for the purposes of Listing Rule 7.1 for the issue of the Subsequent Collateral Shares.

5.3 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 4:

(a) the Subsequent Collateral Shares will be issued to L1 Capital (or its nominee), who is not a related party of the Company;

(b) the maximum number of Subsequent Collateral Shares to be issued is 30,000,000;

(c) the Subsequent Collateral Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Subsequent Collateral Shares will occur progressively;

(e) in accordance with the terms of the New L1 Convertible Securities Agreement, the Subsequent Collateral Shares will be issued for nil cash consideration;

(f) the purpose of the issue of the Subsequent Collateral Shares is to satisfy the Company's obligations under the New L1 Convertible Securities Agreement; and

(g) a summary of the New L1 Convertible Securities Agreement is set out in Annexure A.

6. RESOLUTION 5 – APPROVAL TO ISSUE SECURITIES TO L1 CAPITAL - ADVANCE

6.1 General

As set out in Section 3.2, pursuant to this Notice of Meeting, the Company is seeking Shareholder approval to issue up to that number of New Convertible Notes and New Options that will allow the Company to offset and repay the outstanding amount of the Advance through purchases under the New L1 Convertible Securities Agreement.

This will result in the issue of:

(a) up to 1,944,445 New Convertible Notes, each with a face value of $1.00 and a deemed subscription price of $0.90; and

(b) up to that number of New Options calculated in accordance with the formula set out in Annexure A,

(together, the **Offset Securities**).

Resolution 5 seeks Shareholder approval for the issue of the Offset Securities to L1 Capital (or its nominee).

The drawdown fee applicable to the Advance (being a cash fee of 4% of the Advance), was paid at the time of receipt of the Advance. No further draw down fee is payable, and no New Fee Shares are issuable in respect of the issue of the Offset Securities.

6.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 1.2 above.

The issue of the Offset Securities does not fall within any of the exceptions set out in Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

6.3 Technical information required by Listing Rule 14.1A

If Resolution 5 is not passed, the Company may event of default will occur under the New L1 Convertible Securities Agreement which will result in, amongst other things, the Advance becoming immediately due and payable. The consequences of an event of default occurring are summarised in further detail in Annexure A. In addition, the Company will not be able to proceed with the issue of the Offset Securities.

If Resolution 5 is passed, the Company will be able to give L1 Capital a "Purchase Request" under the New L1 Convertible Securities Agreement to offset the outstanding amount of the Advance against a purchase of New Convertible Notes. The Company will be able to issue the Offset Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity. In addition, the issue of any Shares on conversion of the Offset Securities will not use the Company's 15% annual placement capacity.

6.4 Dilution

<u>New Options</u>

The Company has agreed, subject to obtaining Shareholder approval, to issue L1 Capital (or its nominee) that number of New Options which is equal to the aggregate Face Value (in A$) of Convertible Notes being issued at the relevant draw down, divided by the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant Purchase Date (**Relevant Closing Price**).

The New Options will be exercisable at 250% of the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant Purchase Date and will expire on the date which is 36 calendar months after the date of issue of the relevant New Options.

Set out below is a worked example of the number of New Options that may be issued based on an assumed Relevant Closing Price of $0.027, $0.054 and $0.108 and assuming that the oustanding amount of the Advance is $2,500,000.

Assumed Relevant Closing Price	Number of New Options[1]	Dilution effect on existing Shareholders[2]
$0.027	72,016,481	25.74%
$0.054	36,008,241	14.77%
$0.108	18,004,120	7.97%

Notes:

1. Rounded up to the nearest whole number.

2. Based on the number of Shares on issue as at the date of this Notice, being 207,809,368 Shares.

Assuming no convertible securities are exercised or other Shares issued and the maximum number of New Options as set out in the worked example above are issued and exercised into Shares, the number of Shares on issue would increase from 207,809,368 (being the number of Shares on issue as at the date of this Notice) to 279,825,849 and the shareholding of existing Shareholders would be diluted by 25.74%.

For the avoidance of doubt, where an issue of Shares on exercise of New Options would result in the voting power of L1 Capital or any other person exceeding 19.99%, the New Options will not be able to be exercised unless and until Shareholder approval is obtained in accordance section 611 item 7 of the Corporations Act.

The Company notes that as there is no limitation upon the maximum number of New Options that may be issued to L1 Capital (or its nominee), the issue of the New Options could be highly dilutive to existing Shareholders if the market price of Shares falls substantially prior to the issue of the New Options.

Accordingly, the Company notes that the above workings are an example only and the actual issue price may differ. This will result in the maximum number of New Options to be issued and the dilution percentage to also differ.

<u>New Convertible Notes</u>

In accordance with the terms of the New L1 Convertible Securities Facility, L1 Capital may elect to offset the outstanding amount of the Advance against a purchase of New Convertible Notes. Following the issue of New Convertible Notes, L1 Capital may elect to convert the aggregate Amount Outstanding of the New Convertible Notes (which for clarity may but need not include accrued interest) to be converted (the **Conversion Amount**).

The Conversion Amount is convertible at the lesser of:

(a) 90% of the lowest daily VWAP during the 40 Actual Trading Days immediately prior to the date of issue of a conversion notice, rounded down to the nearest A$0.01; and

(b) the Fixed Conversion Price, being $0.35.

Set out below is a worked example of the number of Shares that may be issued on conversion of the Conversion Amount of $1,944,445 based on an assumed conversion price of $0.027, $0.054 and $0.108 and assuming that the outstanding amount of the Advance (being $1,750,000) is converted into 1,944,445 New Convertible Notes, and these

New Convertible Notes are subsequently converted into Shares. This example does not include the conversion of any interest.

Assumed conversion price	Number of Shares issued on conversion of Conversion Amount of $1,944,445	Dilution effect on existing Shareholders[2]
$0.027	72,016,481	25.74%
$0.054	36,008,241	14.77%
$0.108	18,004,120	7.97%

Notes:

1. Rounded up to the nearest whole number.
2. Based on the number of Shares on issue as at the date of this Notice, being 207,809,368 Shares.

Assuming no convertible securities are exercised or other Shares issued and the maximum number of Shares as set out in the worked example above are issued, the number of Shares on issue would increase from 207,809,368 (being the number of Shares on issue as at the date of this Notice) to 279,825,849 and the shareholding of existing Shareholders would be diluted by 25.74%.

For the avoidance of doubt, where an issue of Shares under the New L1 Convertible Securities Agreement would result in the voting power of L1 Capital or any other person exceeding 19.99%, the Company will not issue the relevant Shares to L1 Capital. In these circumstances L1 Capital may either elect to hold over the conversion price that would have applied to the conversion until the once the Company's inability to issue the Investor's Shares is overcome or require the Company pay the Alternative Amount.

The Company notes that as there is no limitation upon the maximum number of Shares that may be issued to L1 Capital (or its nominee) on conversion of the New Convertible Notes, the conversion of the New Convertible Notes could be highly dilutive to existing Shareholders if the market price of Shares falls substantially prior to the date of conversion of the New Convertible Notes.

Accordingly, the Company notes that the above workings are an example only and the actual issue price may differ. This will result in the maximum number of Shares to be issued and the dilution percentage to also differ.

6.5 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 5:

(a) the Offset Securities will be issued to L1 Capital (or its nominee), who is not a related party of the Company;

(b) a maximum of 1,944,445 New Convertible Notes will be issued;

(c) the number of New Options that may be issued will be calculated in accordance with the formula set out in Section 6.4 above;

(d) the New Convertible Notes will be issued on the terms and conditions set out in Schedule 1;

(e) the New Options will be issued on the terms and conditions set out in Schedule 2;

(f) any Shares issued on the conversion of the New Convertible Notes or the New Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(g) the Offset Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Offset Securities will occur on the same date;

(h) the New Convertible Notes will be issued at a deemed issue price of $0.90 per New Convertible Note;

(i) the New Options will be issued for nil cash consideration;

(j) the Company intends that any funds drawn down under the New L1 Convertible Securities Facility will be used for operational and working capital purposes; and

(k) a summary of the New L1 Convertible Securities Agreement is set out in Annexure A.

7. RESOLUTION 6 – APPROVAL TO ISSUE ADDITIONAL SECURITIES TO L1 CAPITAL– FURTHER DRAW DOWNS UNDER THE NEW L1 CONVERTIBLE SECURITIES FACILITY

7.1 General

As set out in Section 3.2, the Company is seeking Shareholder approval to issue up to 4,444,445 New Convertible Notes, and up to that number of New Fee Shares and New Options (together, the **New Convertible Securities**) which will enable the Company, subject to obtaining the consent of L1 Capital, to draw down up to a further $4,000,000 under the New L1 Convertible Securities Facility within 3 months of the date of the Meeting.

The Company is currently in discussions with L1 Capital to determine whether further funding may be drawn down before the date of the Meeting (**Further Advance**). If so, the Company will issue L1 Capital New Convertible Securities under Resolution 6, to offset any Further Advance which is provided.

Resolution 6 seeks Shareholder approval for the issue of the New Convertible Securities to L1 Capital (or its nominee).

7.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 1.2 above.

The issue of the New Convertible Securities does not fall within any of the exceptions set out in Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

7.3 Technical information required by Listing Rule 14.1A

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the New Convertible Securities and will be able to access to the additional $4,000,000 in funding under the New L1 Convertible Securities Facility. If the Company has drawn down

a Further Advance and Resolution 6 is not passed, the Company will be required to repay the Further Advance to L1 Capital.

If Resolution 6 is passed, the Company will be able to issue the New Convertible Securities (including any New Convertible Securities issued in respect of a Further Advance) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity, subject to the terms and conditions of the New L1 Convertible Securities Agreement (including the requirement to obtain the consent of L1 Capital to draw down further funds under the New L1 Convertible Securities Facility). In addition, the issue of any Shares on conversion of the New Convertible Securities will not use the Company's 15% annual placement capacity.

7.4 Dilution

New Fee Shares

The Company has agreed to pay a drawdown fee of 4% of the aggregate Face Value of the New Convertible Notes issued under the New L1 Convertible Securities Facility (**Drawdown Fee**). For the avoidance of doubt the Drawdown Fee will only be payable in respect of actual funds drawn down and corresponding New Convertible Notes issued.

Subject to Shareholder approval, the applicable Drawdown Fee will be payable, in Shares, with the number of Shares to be issued determined by dividing the relevant amount of the Drawdown Fee by the 10 day VWAP for the 10 Actual Trading Days immediately prior to the issue of the Shares (**10 Day VWAP**), rounded upward to the nearest whole number.

Set out below is a worked example of the number of New Fee Shares that may be issued based on an assumed 10 Day VWAP (i.e. the issue price) of $0.027, $0.054 and $0.108. This example assumes that the Company is able to reach agreement with L1 Capital to draw down a further $4,000,000 under the New L1 Convertible Securities Facility within 3 months of the date of the Meeting.

Assumed 10 Day VWAP	Number of New Fee Share [1]	Dilution effect on existing Shareholders[2]
$0.027	6,584,363	3.07%
$0.054	3,292,182	1.56%
$0.108	1,646,091	0.79%

Notes:

1. Rounded up to the nearest whole number.
2. Based on the number of Shares on issue as at the date of this Notice, being 207,809,368 Shares.

Assuming no convertible securities are exercised or other Shares issued and the maximum number of New Fee Shares as set out in the worked example above are issued, the number of Shares on issue would increase from 207,809,368 (being the number of Shares on issue as at the date of this Notice) to 214,393,731 and the shareholding of existing Shareholders would be diluted by 3.07%.

For the avoidance of doubt, where an issue of New Fee Shares would result in the voting power of L1 Capital or any other person exceeding 19.99%, the New Fee Shares will not be able to be issued unless and until Shareholder approval is obtained in accordance section 611 item 7 of the Corporations Act.

The Company notes that as there is no limitation upon the maximum number of New Fee Shares that may be issued to L1 Capital (or its nominee), the issue of the New Fee Shares could be highly dilutive to existing Shareholders if the market price of Shares falls substantially prior to the issue of the New Fee Shares.

Accordingly, the Company notes that the above workings are an example only and the actual issue price may differ. In addition, it is noted that the ability to draw down under the New L1 Convertible Securities Facility is subject to the agreement of L1 Capital. Accordingly, the aggregate funds drawn down under the New L1 Convertible Securities Facility (if any funds are drawn down at all) may differ from the example set out above. This will result in the maximum number of New Fee Shares to be issued and the dilution percentage to also differ.

New Options

The Company has agreed, subject to obtaining Shareholder approval and the consent of L1 Capital, to issue L1 Capital (or its nominee) that number of New Options which is equal to the aggregate Face Value (in A$) of Convertible Notes being issued at the relevant draw down, divided by the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant Purchase Date (**Relevant Closing Price**). For the avoidance of doubt the New Options will only be issued in respect of actual funds drawn down under the New L1 Convertible Securities Facility.

The New Options will be exercisable at 250% of the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant Purchase Date and will expire on the date which is 36 calendar months after the date of issue of the relevant New Options.

Set out below is a worked example of the number of New Options that may be issued. This example assumes that the Company, in agreement with L1 Capital, draws down a further $4,000,000 under the New L1 Convertible Securities Facility within the 3 months following the date of the Meeting and is based on an assumed Relevant Closing Price of $0.027, $0.054 and $0.108.

Assumed Relevant Closing Price	Number of New Options[1]	Dilution effect on existing Shareholders[2]
$0.027	164,609,074	44.20%
$0.054	82,304,537	28.37%
$0.108	41,152,269	16.53%

Notes:

1. Rounded up to the nearest whole number.
2. Based on the number of Shares on issue as at the date of this Notice, being 207,809,368 Shares.

Assuming no convertible securities are exercised or other Shares issued and the maximum number of New Options as set out in the worked example above are issued and exercised into Shares, the number of Shares on issue would increase from 207,809,368 (being the number of Shares on issue as at the date of this Notice) to 372,418,442 and the shareholding of existing Shareholders would be diluted by 44.20%.

For the avoidance of doubt, where an issue of Shares on exercise of New Options would result in the voting power of L1 Capital or any other person exceeding 19.99%, the New Options will not be able to be exercised unless and until Shareholder approval is obtained in accordance section 611 item 7 of the Corporations Act.

The Company notes that as there is no limitation upon the maximum number of New Options that may be issued to L1 Capital (or its nominee), the issue of the New Options could be highly dilutive to existing Shareholders if the market price of Shares falls substantially prior to the issue of the New Options.

Accordingly, the Company notes that the above workings are an example only and the actual issue price may differ. In addition, it is noted that the ability to draw down under the New L1 Convertible Securities Facility is subject to the agreement of L1 Capital. Accordingly, the aggregate funds drawn down under the New L1 Convertible Securities Facility (if any funds are drawn down at all) may differ from the example set out above. This will result in the maximum number of New Options to be issued and the dilution percentage to also differ.

New Convertible Notes

As set out above, the Company is seeking Shareholder approval to issue up to 4,444,445 Convertible Notes to L1 Capital (or its nominee) to enable the Company to draw down up to $4,000,000 under the New L1 Convertible Securities Facility within the 3 months following the date of the Meeting. Each draw down under the New L1 Convertible Securities Facility (other than the Advance) will be subject to the Company obtaining the agreement of L1 Capital.

In accordance with the terms of the New L1 Convertible Securities Facility, L1 Capital may elect to convert the aggregate Amount Outstanding of the Convertible Notes (which for clarity may but need not include accrued interest) to be converted (the **Conversion Amount**).

The Conversion Amount is convertible at the lesser of:

(a) 90% of the lowest daily VWAP during the 40 Actual Trading Days immediately prior to the date of issue of a conversion notice, rounded down to the nearest A$0.01; and

(b) the Fixed Conversion Price, being $0.35.

Set out below is a worked example of the number of Shares that may be issued on conversion of the Conversion Amount of $4,444,445. This example assumes that the Company, in agreement with L1 Capital, draws down a further $4,000,000 under the New L1 Convertible Securities Facility and is based on an assumed conversion price of $0.027, $0.054 and $0.108. This example does not include the conversion of any interest.

Assumed conversion price	Number of Shares issued on conversion of Conversion Amount of $4,444,445	Dilution effect on existing Shareholders[2]
$0.027	164,609,074	44.20%
$0.054	82,304,537	28.37%
$0.108	41,152,269	16.53%

Notes:

1. Rounded up to the nearest whole number.
2. Based on the number of Shares on issue as at the date of this Notice, being 207,809,368 Shares.

Assuming no convertible securities are exercised or other Shares issued and the maximum number of Shares as set out in the worked example above are issued, the number of Shares on issue would increase from 207,809,368 (being the number of Shares on issue as at the date of this Notice) to 372,418,442 and the shareholding of existing Shareholders would be diluted by 44.20%.

For the avoidance of doubt, where an issue of Shares under the New L1 Convertible Securities Agreement would result in the voting power of L1 Capital or any other person exceeding 19.99%, the Company will not issue the relevant Shares to L1 Capital. In these circumstances L1 Capital may either elect to hold over the conversion price that would have applied to the conversion until the once the Company's inability to issue the Shares is overcome or require the Company pay the Alternative Amount.

The Company notes that as there is no limitation upon the maximum number of Shares that may be issued to L1 Capital (or its nominee) on conversion of the New Convertible Notes, the conversion of the New Convertible Notes could be highly dilutive to existing Shareholders if the market price of Shares falls substantially prior to the date of conversion of the New Convertible Notes.

Accordingly, the Company notes that the above workings are an example only and the actual issue price may differ. In addition, it is noted that the ability to draw down under the New L1 Convertible Securities Facility is subject to the agreement of L1 Capital. Accordingly, the aggregate funds drawn down under the New L1 Convertible Securities Facility (if any funds are drawn down at all) may differ from the example set out above. This will result in the maximum number of Shares to be issued and the dilution percentage to also differ.

7.5 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 6:

(a) the New Convertible Securities will be issued to L1 Capital (or its nominee), who is not a related party of the Company;

(b) a maximum of 4,444,445 New Convertible Notes will be issued;

(c) the maximum number of New Fee Shares that may be issued will be calculated in accordance with the formula set out in Section 7.4 above;

(d) the maximum number of New Options that may be issued will be calculated in accordance with the formula set out in Section 7.4 above;

(e) the New Convertible Notes will be issued on the terms and conditions set out in Schedule 1;

(f) the New Options will be issued on the terms and conditions set out in Schedule 2;

(g) the New Fee Shares and any Shares issued on the conversion of the New Convertible Notes or the New Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(h) the New Convertible Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or

modification of the Listing Rules) and it is intended that issue of the New Convertible Securities will occur progressively;

(i) the issue price of the New Convertible Notes will be $0.90 per New Convertible Note;

(j) the New Options and New Fee Shares will be issued for nil cash consideration;

(k) the Company intends that any funds drawn down under the New L1 Convertible Securities Facility will be used for operational and working capital purposes; and

(l) a summary of the New L1 Convertible Securities Agreement is set out in Annexure A.

8. BACKGROUND TO RESOLUTIONS 7 TO 9 – ISSUE OF SECURITIES TO EVERBLU CAPITAL

As announced on 28 November 2019 and 5 February 2020, EverBlu Capital has acted as lead manager to the Tranche 1 Convertible Note Facility, the Tranche 2 Convertible Note Facility and the New L1 Convertible Securities Facility (together, the **Convertible Securities Facilities**). In connection with this appointment, the Company has agreed to pay EverBlu Capital fees, details of which are set out in the table below.

The Board (without Adam Blumenthal) (**Independent Board**) and EverBlu Capital were able to negotiate at arm's length the fees payable in respect of the Convertible Securities Facilities. The Independent Board concluded that concluded that, given the difficult and volatile market conditions for cannabis companies and the complexity of multi-jurisdictional negotiations to identify investors, the fees payable in respect of the Convertible Securities Facilities are commercially justified.

In addition, announced on 21 January 2020, the Company has entered new corporate advisory and transactional mandates with its corporate advisers, EverBlu Capital (**New Mandates**). Under the terms of the New Mandates, subject to obtaining Shareholder approval, the Company agreed to issue up to 6,000,000 Shares and 8,000,000 Options (**Corporate Adviser Securities**) to EverBlu Capital (or its nominee) in part consideration for corporate advisory services. Further details on the Corporate Adviser Securities are set out in Section 11.

A summary of the fees payable and issuable to EverBlu Capital (including a valuation of the fees payable) in respect of these appointments are set out in the tables below:

Funds Raised to Date ($3,967,500)[1]								
		Shares		Options		Cash	Total Value[2]	Percentage
		Number	Value[2]	Number	Value[2]			
Tranche 1 Convertible Note Facility[3]	Fees only payable on funds drawn down ($3,450,000)	1,150,000	$62,100	1,150,000	$12,992	$207,000	$282,092	8.18%
Tranche 2 Convertible Note Facility[4]	Fees payable on funds drawn down ($517,500)	-	-	-	-	-	-	-
	Fees payable on funds committed ($2,700,000)	450,000	$24,300	450,000	$5,084	$81,000	$110,384	4.09%
New Convertible Note Facility[5]	Fees payable on funds drawn down ($1,750,000)	388,889	$21,000	-	-	$116,667	$137,667	7.87%
	Fees payable on funds committed ($17,482,500)	4,000,000	$216,000	4,000,000	$60,616	$200,000	$476,616	2.73%
SUBTOTAL		**5,988,889**	**323,400**	**5,600,000**	**78,692**	**604,667**	**1,006,759**	**25.38%**
New Corporate Advisory Mandate[6]	Fees paid for ongoing services	2,000,000	$108,000.00	8,000,000	$139,680	-[7]	$247,680	-
TOTAL		**7,988,889**	**$431,400**	**13,600,000**	**$218,372**	**$604,667**	**$1,254,439**	**31.62%**

Notes:

1. Fees payable in respect of the funds raised to date, being $3.45 million raised under the Tranche 1 Convertible Note Facility, $517,500 under the Tranche 2 Convertible Note Facility and $1,750,000 under the New L1 Convertible Securities Facility.
2. In respect of the Shares, the value is based on the closing price of the Shares ($0.054) on the ASX on 25 March 2020. In respect of the unquoted Options, the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option.
3. The Company obtained Shareholder approval for the issue of up to 1,833,333 Shares and 1,833,333 Options to EverBlu Capital (or its nominee) in respect of the Tranche 1 Convertible Note Facility at the Shareholder meeting held on 28 January 2020 (of which 1,150,000 Shares and 1,150,000 Options were issued to EverBlu Capital on 11 February 2020 following draw down of $3.45 million under the Tranche 1 Convertible Note Facility by the Tranche 1 Investors).
4. The Company obtained Shareholder approval for the issue of 450,000 Shares and 450,000 Options to EverBlu Capital (or its nominee) in respect of the Tranche 2 Convertible Note Facility at the Shareholder meeting held on 28 January 2020. These Securities were issued to EverBlu Capital on 11 February 2020. As the fees payable to EverBlu Capital are calculated in respect of the amount committed by L1 Capital under the Tranche 2 Convertible Note Facility, no further fees will be payable or issuable to EverBlu Capital if the Company draws down further funds under the Tranche 2 Convertible Note Facility.
5. The issue of 4,388,889 Shares and 4,000,000 Options is subject to Shareholder approval which is being sought under Resolution 7. If approved, these Securities may be issued within one month of the date of the Meeting.

6. As set out in Section 11.1, the Company has agreed to issue EverBlu Capital (or its nominee) up to 6,000,000 Shares and 8,000,000 Options under the New Corporate Advisory Mandate. This table assumes that EverBlu Capital is engaged for a period of 6 months under the New Corporate Advisory Mandate. The issue of 2,000,000 Shares and 8,000,000 is subject to Shareholder approval which is being sought under Resolution 9. If approved, these Securities may be issued within one month of the date of the Meeting.

7. The Company has agreed to pay EverBlu Capital a capital raising fee of 6% (plus GST) of the gross proceeds, being the gross amount raised under each ongoing corporate advisory, equity capital raising, debt capital raising and hybrid capital raising initiative and a corporate advisory fee of $10,000 (plus GST) per month to EverBlu Capital (or EverBlu Capital's nominees) for corporate advisory services until the end of the engagement, regardless of whether any capital raising is proposed or has occurred. These fees are not included in the above table.

Potential Funds to be Raised ($11,767,500)[1]

(Assumes Shareholder approval is obtained under Resolutions 4-5, and 7-9, the Company identifies additional investors to advance $2.05 million under the Tranche 1 Convertible Note Facility and the Company obtains the agreement of L1 Capital for the Company to draw down $4 million under the New L1 Convertible Securities Facility)

		Shares		Options		Cash	Total Value[2]	Percentage
		Number	Value[2]	Number	Value[2]			
Tranche 1 Convertible Note Facility[3]	Fees only payable on funds drawn down ($5,450,000)	1,833,333	$99,000	1,833,333	$20,711	$330,000	$449,711	8.18%
Tranche 2 Convertible Note Facility[4]	Fees payable on funds drawn down ($517,500)	-	-	-	-	-	-	
	Fees payable on funds committed ($2,700,000)	450,000	$24,300	450,000	$5,084	$81,000	$110,384	4.09%
New Convertible Note Facility[5]	Fees payable on funds drawn down ($5,750,000)	1,277,778	$69,000	0	0	$383,333	$452,333	7.87%
	Fees payable on funds committed ($17,482,500)	4,000,000	$216,000	4,000,000	$60,616	$200,000	$476,616	2.73%
SUBTOTAL		**7,561,111**	**408,300**	**6,283,333**	**86,411**	**994,333**	**1,489,044**	**12.65%**
New Corporate Advisory Mandate[6]	Fees paid/payable for ongoing services	2,000,000	$108,000	8,000,000	$139,680.00	-[7]	$247,680.00	-
TOTAL		**9,561,111**	**$516,300**	**14,283,333**	**$226,091**	**$994,333**	**$1,736,724**	**14.76%**

Notes:

1. Fees payable in respect of the funds raised to date (being $3,450,000 million raised under the Tranche 1 Convertible Note Facility, $517,500 under the Tranche 2 Convertible Note Facility and $1,750,000 under the New L1 Convertible Securities Facility) and assumes additional funds of $6,050,000 are raised (being a further $2,050,000 under the Tranche 1 Convertible Note Facility and a further $4,000,000 is raised under the New L1 Convertible Securities Facility).

2. In respect of the Shares, the value is based on the closing price of the Shares ($0.054) on the ASX on 25 March 2020. In respect of the unquoted Options, the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option.

3. The Company obtained Shareholder approval for the issue of up to 1,833,333 Shares and 1,833,333 Options to EverBlu Capital (or its nominee) in respect of the Tranche 1 Convertible Note Facility at the Shareholder meeting held on 28 January 2020 (of which 1,150,000 Shares and 1,150,000 Options were issued to EverBlu Capital on 11 February 2020 following draw down of $3.45 million under the Tranche 1 Convertible Note Facility by the Tranche 1 Investors). In accordance with the Shareholder approval obtained on 28 January 2020, the Company may seek to continue to enter into convertible securities agreements with professional and sophisticated investors to enable the Company to raise up to a further $2,050,000 under the Tranche 1 Convertible Note Facility. This would result in the Company being required to issue up to a further 683,333 Shares and up to a further 683,333 Options to EverBlu Capital (or its nominee), subject to Shareholder approval being obtained under Resolution 8. If approved, these Securities may be issued within one month of the date of the Meeting.

4. The Company obtained Shareholder approval for the issue of 450,000 Shares and 450,000 Options to EverBlu Capital (or its nominee) in respect of the Tranche 2 Convertible Note Facility at the Shareholder meeting held on 28 January 2020. These Securities were issued to EverBlu Capital on 11 February 2020. As the fees payable to EverBlu Capital are calculated in respect of the amount committed by L1 Capital under the Tranche 2 Convertible Note Facility, no further fees will be payable or issuable to EverBlu Capital if the Company draws down further funds under the Tranche 2 Convertible Note Facility.

5. The issue of 5,277,778 Shares and 4,000,000 Options is subject to Shareholder approval which is being sought under Resolution 7. If approved, these Securities may be issued within one month of the date of the Meeting.

6. As set out in Section 11.1, the Company has agreed to issue EverBlu Capital (or its nominee) up to 6,000,000 Shares and 8,000,000 Options under the New Corporate Advisory Mandate. This table assumes that EverBlu Capital is engaged for a period of 6 months under the New Corporate Advisory Mandate. The issue of 2,000,000 Shares and 8,000,000 is subject to Shareholder approval which is being sought under Resolution 9. If approved, these Securities may be issued within one month of the date of the Meeting.

7. The Company has agreed to pay EverBlu Capital a capital raising fee of 6% (plus GST) of the gross proceeds, being the gross amount raised under each ongoing corporate advisory, equity capital raising, debt capital raising and hybrid capital raising initiative and a corporate advisory fee of $10,000 (plus GST) per month to EverBlu Capital (or EverBlu Capital's nominees) for corporate advisory services until the end of the engagement, regardless of whether any capital raising is proposed or has occurred. These fees are not included in the above table.

Maximum Funds to be Raised ($25,682,500)[1]

(Assumes Shareholder approval is obtained under Resolutions 4 - 9, Shareholder approval is obtained in the future for issues of securities under the Convertible Note Facilities, the Company identifies additional investors to advance $2.05 million under the Tranche 1 Convertible Note Facility and the Company obtains the agreement of L1 Capital for the Company to draw down a further $2,128,500 under the Tranche 2 Convertible Note Facility and a further $15,732,500 under the New L1 Convertible Securities Facility)

		Shares		Options		Cash	Total Value[2]	Percentage
		Number	Value[2]	Number	Value[2]			
Tranche 1 Convertible Note Facility[3]	Fees only payable on funds drawn down ($5,450,000)	1,833,333	$99,000	1,833,333	$20,711	$330,000	$449,711	8.18%
Tranche 2 Convertible Note Facility[4]	Fees payable on funds drawn down ($2,700,000)	-	-	-	-	-	-	
	Fees payable on funds committed ($2,700,000)	450,000	$24,300	450,000	$5,084	$81,000	$110,384	4.09%
New Convertible Note Facility[5]	Fees payable on funds drawn down ($17,482,500)	3,885,000	$209,790	0	0	$1,165,500	$1,375,290	7.87%
	Fees payable on funds committed ($17,482,500)	4,000,000	$216,000	4,000,000	$60,616	$200,000	$476,616	2.73%
SUBTOTAL		**10,168,333**	**549,090**	**6,283,333**	**86,411**	**1,776,500**	**2,412,001**	**9.39%**

Maximum Funds to be Raised ($25,682,500)[1] (Assumes Shareholder approval is obtained under Resolutions 4 - 9, Shareholder approval is obtained in the future for issues of securities under the Convertible Note Facilities, the Company identifies additional investors to advance $2.05 million under the Tranche 1 Convertible Note Facility and the Company obtains the agreement of L1 Capital for the Company to draw down a further $2,128,500 under the Tranche 2 Convertible Note Facility and a further $15,732,500 under the New L1 Convertible Securities Facility)								
		Shares		**Options**		**Cash**	**Total Value[2]**	**Percentage**
		Number	**Value[2]**	**Number**	**Value[2]**			
New Corporate Advisory Mandate[6]	Fees paid/payable for ongoing services	2,000,000	$108,000	8,000,000	$139,680	-[7]	$247,680	-
TOTAL		**12,168,333**	**$657,090**	**14,283,333**	**$226,091**	**$1,776,500**	**$2,659,681**	**10.36%**

Notes:

1. Fees payable in respect of the funds raised to date (being $3,450,000 million raised under the Tranche 1 Convertible Note Facility, $517,500 under the Tranche 2 Convertible Note Facility and $1,750,000 under the New L1 Convertible Securities Facility) and assumes additional funds of $19,965,000 are raised (being a further $2,050,000 under the Tranche 1 Convertible Note Facility, a further $2,182,500 under the Tranche 2 Convertible Note Facility and a further $15,732,500 under the New L1 Convertible Securities Facility).

2. In respect of the Shares, the value is based on the closing price of the Shares ($0.054) on the ASX on 25 March 2020. In respect of the unquoted Options, the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option.

3. The Company obtained Shareholder approval for the issue of up to 1,833,333 Shares and 1,833,333 Options to EverBlu Capital (or its nominee) in respect of the Tranche 1 Convertible Note Facility at the Shareholder meeting held on 28 January 2020 (of which 1,150,000 Shares and 1,150,000 Options were issued to EverBlu Capital on 11 February 2020 following draw down of $3.45 million under the Tranche 1 Convertible Note Facility by the Tranche 1 Investors). In accordance with the Shareholder approval obtained on 28 January 2020, the Company may seek to continue to enter into convertible securities agreements with professional and sophisticated investors to enable the Company to raise up to a further $2,050,000 under the Tranche 1 Convertible Note Facility. This would result in the Company being required to issue up to a further 683,333 Shares and up to a further 683,333 Options to EverBlu Capital (or its nominee), subject to Shareholder approval being obtained under Resolution 8. If approved, these Securities may be issued within one month of the date of the Meeting.

4. The Company obtained Shareholder approval for the issue of 450,000 Shares and 450,000 Options to EverBlu Capital (or its nominee) in respect of the Tranche 2 Convertible Note Facility at the Shareholder meeting held on 28 January 2020. These Securities were issued to EverBlu Capital on 11 February 2020. As the fees payable to EverBlu Capital are calculated in respect of the amount committed by L1 Capital under the Tranche 2 Convertible Note Facility, no further fees will be payable or issuable to EverBlu Capital if the Company draws down further funds under the Tranche 2 Convertible Note Facility.

5. The issue of 5,277,778 Shares and 4,000,000 Options is subject to Shareholder approval which is being sought under Resolution 7. If approved, these Securities may be issued within one month of the date of the Meeting. The issue of the remaining 2,607,222 Shares will be subject to a future Shareholder approval.

6. As set out in Section 11.1, the Company has agreed to issue EverBlu Capital (or its nominee) up to 6,000,000 Shares and 8,000,000 Options under the New Corporate Advisory Mandate. This assumes that EverBlu Capital is engaged for a period of 18 months under the New Corporate Advisory Mandate. For the avoidance of doubt, this is the maximum number of Shares issuable under the New Corporate Advisory Mandate. The issue of 2,000,000 Shares and 8,000,000 is subject to Shareholder approval which is being sought under Resolution 9. If approved, these Securities may be issued within one month of the date of the Meeting. The issue of the remaining 4,000,000 Shares will be subject to a future Shareholder approval.

7. The Company has agreed to pay EverBlu Capital a capital raising fee of 6% (plus GST) of the gross proceeds, being the gross amount raised under each ongoing corporate advisory, equity capital raising, debt capital raising and hybrid capital raising initiative and a corporate advisory fee of $10,000 (plus GST) per month to EverBlu Capital (or EverBlu Capital's nominees) for corporate advisory services until the end of the engagement, regardless of whether any capital raising is proposed or has occurred. These fees are not included in the above table.

9. RESOLUTION 7 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL – NEW L1 CONVERTIBLE NOTE FACILITY

9.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue up to 5,277,778 Shares and 4,000,000 Options (**EverBlu Securities**) to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the New L1 Convertible Securities Facility. This assumes that Resolutions 5 and 6 are approved and the Company issues the maximum number of New Convertible Notes under Resolution 6 within one month of the date of the Meeting. If no further funds (other than the Advance) are drawn down under the New L1 Convertible Securities Facility, the maximum number of Shares and Options that may be issued to EverBlu Capital are 4,388,889 Shares and 4,000,000 Options.

Further details are set out in Section 3.4.

Resolution 7 seeks Shareholder approval for the grant of the EverBlu Securities to EverBlu Capital (or its nominee).

9.2 Chapter 2E of the Corporations Act and Listing Rule 10.11

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of EverBlu Securities constitutes giving a financial benefit and EverBlu Capital is a related party of the Company by virtue of being controlled by Director, Adam Blumenthal.

The Directors (other than Adam Blumenthal who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of EverBlu Securities because the agreement to grant the EverBlu Securities was negotiated on an arm's length basis.

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the grant of the EverBlu Securities involves the issue of securities to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

9.3 Technical information required by Listing Rule 14.1A

If Resolution 7 is not passed, the Company will not be able to proceed with the issue of the EverBlu Securities and will be in breach of its agreement with

EverBlu Capital. Accordingly, the Company will need to re-negotiate a revised fee with EverBlu Capital which may require cash payments and affect the Company's available cash position. The Company considers that a failure to comply with the obligations under such agreement may hinder the Company's ability to raise further capital, as EverBlu Capital may elect to cease providing further capital raising services to the Company and, given the current market, there can be no assurance that the Company would be able to engage an alternative lead manager to assist the Company to raise money on terms any more favourable than those agreed with EverBlu Capital.

If Resolution 7 is passed, the Company will be able to issue the EverBlu Securities during the month after the Meeting (or a longer period, if allowed by ASX). As approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the EverBlu Securities (because approval is being obtained under ASX Listing Rule 10.11), the issue of the EverBlu Securities will not use up any of the Company's 15% annual placement capacity.

9.4 Technical information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 7:

(a) the EverBlu Securities will be granted to EverBlu Capital (or its nominee);

(b) EverBlu Capital is a related party of the Company by virtue of being controlled by Director, Adam Blumenthal. Mr Blumenthal is the Chairman of EverBlu Capital and a major shareholder and controller of EverBlu Capital;

(c) the maximum number of EverBlu Securities to be issued is:

(i) 5,277,778 Shares; and

(ii) 4,000,000 Options;

(d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(e) the terms and conditions of the Options are set out in SCHEDULE 3;

(f) the EverBlu Securities will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the EverBlu Securities will occur progressively;

(g) the EverBlu Securities will be issued for nil cash consideration; accordingly, no funds will be raised; and

(h) a summary of the agreement with EverBlu Capital is set out in Section 3.4.

10. RESOLUTION 8 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL – TRANCHE 1 CONVERTIBLE NOTE FACILITY

10.1 General

As announced on 28 November 2018, EverBlu Capital was appointed as the lead manager of the Tranche 1 Convertible Note Facility. In accordance with the terms

of that appointment, the Company has agreed to pay EverBlu Capital the following fees:

(a) a capital raising fee of 4% of the gross proceeds raised under the Tranche 1 Convertible Note Facility (being a fee of up to $220,000);

(b) a management fee of 2% of the gross proceeds raised under the Tranche 1 Convertible Note Facility (being a fee of up to $110,000); and

(c) the issue of up to an aggregate of 1,833,333 Shares and 1,833,333 Options, on the basis of one Share for every $3 raised under the Tranche 1 Convertible Note Facility, together with one Option for every Share issued.

The Company initially obtained Shareholder approval for the issue of up to 1,833,333 Shares and 1,833,333 Options to EverBlu Capital (or its nominee) in respect of the Tranche 1 Convertible Note Facility at the Shareholder meeting held on 28 January 2020. On 11 February 2020, the Company issued 1,150,000 Shares and 1,150,000 Options to EverBlu Capital in respect of the funds raised under the Tranche 1 Convertible Note Facility at that point in time (being $3,450,000).

In accordance with the Shareholder approval obtained on 28 January 2020, the Company may seek to continue to enter into convertible securities agreements with professional and sophisticated investors to enable the Company to raise up to a further $2,050,000 under the Tranche 1 Convertible Note Facility. Accordingly, the Company is seeking a fresh Shareholder approval pursuant to Resolution 8 to enable it to issue up to a further 683,333 Shares and up to a further 683,333 Options (the **Tranche 1 EverBlu Securities**) to EverBlu Capital (or its nominee) in respect of the services provided in connection with the Tranche 1 Convertible Note Facility.

Resolution 8 seeks Shareholder approval for the issue of the Tranche 1 EverBlu Securities to EverBlu Capital (or its nominee). The Company confirms that no Tranche 1 EverBlu Securities will be issued unless the Company raises further funds under the Tranche 1 Convertible Note Facility. The Company is only required to issue one Share for every additional $3 raised under the Tranche 1 Convertible Note Facility, together with one Option for every Share issued. Accordingly, the maximum of 683,333 Shares and 683,333 Options will only be issued pursuant to the approval under this Resolution 8 if the Company raises the maximum remaining under the Tranche 1 Convertible Note Facility of $2,050,000.

10.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act and Listing Rule 10.11 is set out in Section 9.2 above.

The grant of Tranche 1 EverBlu Securities constitutes giving a financial benefit and EverBlu Capital is a related party of the Company by virtue of being controlled by Director, Adam Blumenthal.

The Directors (other than Adam Blumenthal who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Tranche 1 EverBlu Securities because the agreement to grant the Tranche 1 EverBlu Securities was negotiated on an arm's length basis.

As the grant of the Tranche 1 EverBlu Securities involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the

exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

10.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 8 is not passed, the Company will not be able to proceed with the issue of the Tranche 1 EverBlu Securities and will be in breach of its agreement with EverBlu Capital if it was to raise further funds under the Tranche 1 Convertible Note Facility. Accordingly, the Company will need to re-negotiate a revised fee with EverBlu Capital which may require cash payments and affect the Company's available cash position. The Company considers that a failure to comply with the obligations under such agreement may hinder the Company's ability to raise further capital, as EverBlu Capital may elect to cease providing further capital raising services to the Company and, given the current market, there can be no assurance that the Company would be able to engage an alternative lead manager to assist the Company to raise money on terms any more favourable than those agreed with EverBlu Capital.

If Resolution 8 is passed, the Company will be able to issue the Tranche 1 EverBlu Securities during the month after the Meeting (or a longer period, if allowed by ASX) if the Company raises further funds under the Tranche 1 Convertible Note Facility. As approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Tranche 1 EverBlu Securities (because approval is being obtained under ASX Listing Rule 10.11), the issue of the Tranche 1 EverBlu Securities will not use up any of the Company's 15% annual placement capacity.

10.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 8:

(a) subject to the Company raising further funds under the Tranche 1 Convertible Note Facility, the Tranche 1 EverBlu Securities will be issued to EverBlu Capital (or its nominee);

(b) EverBlu Capital is a related party of the Company by virtue of being controlled by Director, Adam Blumenthal. Mr Blumenthal is the Chairman of EverBlu and a major shareholder and controller of EverBlu;

(c) the maximum number of Tranche 1 EverBlu Securities to be issued is:

(i) 683,333 Shares; and

(ii) 683,333 Options,

which assumes the Company raises the maximum remaining under the Tranche 1 Convertible Note Facility of $2,050,000;

(d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(e) the terms and conditions of the Options are set out in Schedule 4;

(f) the Tranche 1 EverBlu Securities will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Tranche 1 EverBlu Securities will occur progressively;

(g) the Tranche 1 EverBlu Securities will be issued for nil cash consideration; accordingly, no funds will be raised; and

(h) a summary of the agreement with EverBlu Capital is set out in Section 10.1.

11. RESOLUTION 9 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL – CORPORATE ADVISER APPOINTMENT

11.1 General

As announced on 21 January 2020, the Company has entered the New Mandates. Under the terms of the New Mandates, subject to obtaining Shareholder approval, the Company agreed to issue 2,000,000 Shares and 8,000,000 Options (**Corporate Adviser Securities**) to EverBlu Capital (or its nominee) in part consideration for corporate advisory services.

Resolution 9 seeks Shareholder approval for the grant of the Corporate Adviser Securities to EverBlu Capital (or its nominee).

11.2 Chapter 2E of the Corporations Act and Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act and Listing Rule 10.11 is set out in Section 9.2 above.

The issue of Corporate Adviser Securities constitutes giving a financial benefit and EverBlu Capital is a related party of the Company by virtue of being controlled by Director, Adam Blumenthal.

The Company previously entered into a corporate advisory mandate and a transaction mandate with EverBlu Capital in July 2017. In light of the recent changes to the circumstances of the Company (specifically the termination of the PharmaCielo acquisition), the development of the Company's business offerings that have occurred since the original mandates were entered and the changing market conditions particularly for the cannabis sector, EverBlu Capital proposed revised fee structures for its continued engagement.

The Board (without Adam Blumenthal) (**Independent Board**) and EverBlu Capital were able to negotiate at arm's length the entry and terms of the New Mandates. The Company confirms that the previous corporate advisory mandate and transaction mandate between the Company and EverBlu Capital (together, the **Original Mandates**) have lapsed and have no further force or effect, except to the extent of rights and obligations which survive termination.

Although the Original Mandates covered substantially the same services to be provided by EverBlu Capital under the New Mandates, the Independent Board has formed the view that the terms agreed under the Original Mandates did not contemplate the complex nature of the ongoing support required by the Company in light of changing market conditions and the corresponding extended scope of resources that will now be required for the Company to complete any significant transactions. Accordingly, when presented with EverBlu Capital's case for amendments to the original fees, the Independent Board concluded that, given the transformative nature of the Company, the complexity of any future transactions, the market conditions and the opportunity to realise substantial shareholder gains given the current share price, an amendment to the fees contained in the Original Mandates would be commercially justified. Details on the material differences between the Original Mandates and the New Mandates are set out in the ASX announcement released on 21 January 2020.

The Directors (other than Adam Blumenthal who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Corporate Adviser Securities because the agreement to grant the Corporate Adviser Securities was negotiated on an arm's length basis.

As the grant of the Corporate Adviser Securities involves the issue of securities to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

11.3 Technical information required by Listing Rule 14.1A

If Resolution 9 is not passed, the Company will not be able to proceed with the issue of the Corporate Adviser Securities and will be in breach of its agreement with EverBlu Capital. Accordingly, the Company will need to re-negotiate a revised fee with EverBlu Capital which may require cash payments and affect the Company's available cash position. The Company considers that a failure to comply with the obligations under such agreement may hinder the Company's ability to raise further capital, as EverBlu Capital may elect to cease providing further capital raising services to the Company and, given the current market, there can be no assurance that the Company would be able to engage an alternative lead manager to assist the Company to raise money on terms any more favourable than those agreed with EverBlu Capital.

If Resolution 9 is passed, the Company will be able to issue the Corporate Adviser Securities during the month after the Meeting (or a longer period, if allowed by ASX). As approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Corporate Adviser Securities (because approval is being obtained under ASX Listing Rule 10.11), the issue of the Corporate Adviser Securities will not use up any of the Company's 15% annual placement capacity.

11.4 Technical information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 9:

(a) the Corporate Adviser Securities will be granted to EverBlu Capital (or its nominee);

(b) EverBlu Capital is a related party of the Company by virtue of being controlled by Director, Adam Blumenthal. Mr Blumenthal is the Chairman of EverBlu Capital and a major shareholder and controller of EverBlu Capital;

(c) the maximum number of Corporate Adviser Securities to be issued is:

(i) 2,000,000 Shares; and

(ii) 8,000,0000 Options;

(d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(e) the terms and conditions of the Options are set out in SCHEDULE 5;

(f) the Corporate Adviser Securities will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Corporate Adviser Securities will occur on the same date;

(g) the Corporate Adviser Securities will be issued for nil cash consideration; accordingly, no funds will be raised; and

(h) further details of the agreement with EverBlu Capital for the issue of the Corporate Adviser Securities are set out in the ASX announcement released on 21 January 2020.

GLOSSARY

$ means Australian dollars.

Actual Trading Day means a Trading Day on which trading actually takes place in the Shares on the ASX.

Affiliate means, with respect to any person, any other person who, directly or indirectly, Controls, is under common Control with, or is Controlled by, the person.

Alternative Amount means the greater of:

(a) (in the case of a required issue of Shares on conversion of New Convertible Notes) the value of the Shares, determined by multiplying the number of Shares required to be issued, multiplied by the closing bid price of the Shares on the Trading Day prior to the conversion notice date; and

(b) 110% of the Amount Outstanding that would have otherwise been the subject of the issue of the relevant Securities.

Amount Outstanding means, at any time, the aggregate total of the Face Values of the outstanding New Convertible Notes, the outstanding amount of the Advance, accrued interest and all other amounts payable by the Company to L1 Capital in relation to the outstanding New Convertible Notes.

ASIC means the Australian Securities & Investments Commission.

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

Board means the current board of directors of the Company.

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.

Chair means the chair of the Meeting.

Change of Control means, in respect of the Company, a change, from the position applying on 5 February 2020, in:

(a) control, directly or indirectly, of the appointment of directors of the Company having 50% or more of the votes at board meetings;

(b) more than 50% of the Company's directors;

(c) control, directly or indirectly, of more than 50% of the voting power in the Company; or

(d) control, directly or indirectly, of the determination of the conduct of the Company's business affairs or decisions regarding its Shares.

Collateral Agent means L1 Capital Global Master Opportunities Fund, acting on its own behalf and on behalf of any Tranche 1 Investors.

Collateral Shareholding Number has the meaning given to that term in Annexure A.

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

Constitution means the Company's constitution.

Contemplated Transactions means the transactions contemplated in the New L1 Convertible Securities Agreement, including each Purchase, each conversion of New Convertible Notes, and each issuance of Securities.

Control means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

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

Directors means the current directors of the Company.

Dispose has the meaning ascribed to it by the Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Group Company means each of the Company and its Subsidiaries and **Group** means all of them, excluding Hemp Industries S.R.O.

Investor's Shares means the Shares issued on conversion of the New Convertible Notes, Collateral Shares, Shares issued or issuable upon the exercise of the Options and any other Shares required to be issued to L1 Capital under the New L1 Convertible Securities Agreement.

Listing Rules means the Listing Rules of ASX.

Material Adverse Effect means a material adverse effect on:

(a) the assets, liabilities, results of operations, condition (financial or otherwise), business, or prospects of the Company;

(b) the ability of the Company to perform its obligations under the New L1 Convertible Securities Agreement;

(c) the validity or enforceability against the Company of any material provision of any Transaction Document; or

(d) the likely price or value of any Investor's Shares.

Materials means any materials delivered, or written statements made, by the Company or any of its agents, officers, directors, employees or representatives in connection with any Transaction Document at any time (including, for clarity, the representations and warranties set out in the New L1 Convertible Securities Agreement), and any announcements made by the Company to the ASX at any time.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Purchase means the payment of the Purchase Price by L1 Capital to the Company in consideration of which the Company must issue (and, upon such payment shall be deemed to have issued) to L1 Capital the number of New Convertible Notes prescribed

by the New L1 Convertible Securities Agreement, each having a face value equal to the Face Value.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Threshold Amount means the greater of:

(a) 9,000,000; and

(b) 20% of the aggregate of the Amount Outstanding and the "Amount Outstanding" under the Original L1 Convertible Securities Agreement, divided by the numeric average of the 10 daily VWAPs for the 10 Actual Trading Days immediately prior to the day on which the determination is made.

Trading Day has the meaning given to that term in the Listing Rules.

Tranche 1 Convertible Note Facility means a convertible security facility to enable the Company to raise up to $5,500,000 through the issue of up to 6,111,111 Tranche 1 Convertible Notes.

Tranche 1 Convertible Notes means the convertible notes which were issued on the terms and conditions set out in Schedule 2 of the notice of meeting for the shareholders meeting held on 28 January 2020.

Tranche 1 Investors means the investors have advanced funds to the Company under the Tranche 1 Convertible Note Facility.

Tranche 2 Convertible Notes means the convertible notes which were issued on the terms and conditions set out in Schedule 2 of the notice of meeting for the shareholders meeting held on 28 January 2020.

Transaction Document means the New L1 Convertible Securities Agreement and the Security Documents.

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

ANNEXURE A – TERMS AND CONDITIONS OF NEW L1 CONVERTIBLE SECURITIES AGREEMENT

Advance	L1 Capital has advanced an aggregate of $1,750,000 to the Company (less the applicable drawdown fee), which was advanced in two tranches (**Advance**).
Drawdown Fee	The Company paid L1 Capital a fee of 4% of the Advance. The draw-down fee was deducted from the Advance. In respect of each Purchase and subject to the Company obtaining Shareholder approval, the Company has agreed to pay a drawdown fee of 4% of the aggregate Face Value of the Convertible Notes issued at the relevant Purchase (excluding Convertible Notes issued in repayment of the Advance) (**Drawdown Fee**). For the avoidance of doubt the Drawdown Fee will only be payable in respect of actual funds drawn down and corresponding Convertible Notes issued. The applicable Drawdown Fee will be payable, in Shares with the number of Shares to be issued determined by dividing the relevant amount of the Drawdown Fee by the 10 day VWAP for the 10 Actual Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number.
Repayment of Advance	The Company may repay the whole or any part of the outstanding amount of the Advance at any time. The Company must repay the whole of the Advance to L1 Capital on or before 5 June 2020. The Company must convene a shareholder meeting on or before 18 May 2020 to seek approval for the issue of that number of Convertible Notes and Options, and any additional Collateral Shares required to be issued to be issued to L1 Capital in relation to a draw down with a Purchase Price of up to the outstanding amount of the Advance (at the time the meeting is called) and the issue of up to 30,000,000 Additional Collateral Shares (defined below) (**Shareholder Approval**). Subject to and conditional upon the Company obtaining the Shareholder Approval: • within 2 Business Days of the Company obtaining the Shareholder Approval, the Company must give L1 Capital a Purchase Request for a Purchase Price of the outstanding amount of the Advance; and • at the relevant Purchase, the Purchase Price will be set off against and repay the outstanding amount of the Advance. If the Company does not obtain the Shareholder Approval on or before 18 May 2020 (**End Date**), then: • within 2 Business Days of the End Date, the Company must give L1 Capital "Purchase Requests" under the Convertible Security Agreement with L1 Capital (**Original L1 Convertible Securities Agreement**) for a net "Purchase Price" of the aggregate of the outstanding amount of the Advance; and • at the relevant "Purchases" under the Original L1 Convertible Securities Agreement, the "Purchase Prices" will be set off against and repay the outstanding amount of the Advance.
New Convertible Notes	A summary of the material terms of the New Convertible Notes is set in Schedule 1.
Options	In respect of each Purchase and subject to the Company obtaining Shareholder approval, the Company has agreed to issue L1 Capital that number of Options which is equal to the aggregate Face Value (in A$) of Convertible Notes being issued at the relevant Purchase, divided by

	the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant Purchase Date. The Options will be exercisable at 250% of the closing price on ASX of the Shares on the Actual Trading Day immediately prior to the relevant Purchase Date and will expire on the date which is 36 calendar months after the date of issue of the relevant Options.
Security	The Convertible Notes will be secured by: • a general security agreement by the Company in favour of the Collateral Agent, on terms acceptable to L1 Capital; • a general security, collateral security and a general assignment of rents and leases in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital; • a collateral agency agreement between L1 Capital, each Tranche 1 Investor, the Collateral Agent, the Company, Mernova Medicinal Inc, 3321739 Nova Scotia Limited, Creso Canada Limited and Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital; • a guarantee and indemnity in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital; • a guarantee and indemnity in favour of the Collateral Agent granted by Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital; and • from each of Creso Canada Limited and 3321739 Nova Scotia Limited: o a guarantee and indemnity in favour of the Collateral Agent granted by the relevant entity. on terms acceptable to L1 Capital; and o a general security agreement by the relevant entity in favour of the Collateral Agent (or such document is equivalent in the place of jurisdiction of the relevant entity, on terms acceptable to the Tranche 1 Investors). (together, the **Security Documents**).
Mandatory Redemption	If the Convertible Notes have not been converted prior to the respective Maturity Date, the Company must repay the Amount Outstanding to L1 Capital in cash.
Ranking on Conversion	Shares issued on conversion of the Convertible Notes will rank equally with existing Shares on issue.
Reconstruction of capital	If at any time the Company undertakes a consolidation, subdivision or pro-rata cancellation of its issued capital, pays a dividend in Shares or undertakes a distribution of Shares, the Fixed Conversion Price will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled.
Collateral Shares	The number of Collateral Shares issued to L1 Capital under the New L1 Convertible Securities Agreement (as increased or reduced from time to time in accordance with the terms summarised below) is referred to as the **Collateral Shareholding Number**. The Company issued 9,000,000 Collateral Shares to CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>, the nominee of L1 Capital on 5 February 2020. If, in respect of a requested purchase, immediately following the purchase, the Collateral Shareholding Number will be less than the greater of: • 9,000,000; and

	• 20% of the aggregate of the Amount Outstanding and the "Amount Outstanding" under Original L1 Convertible Securities Agreement divided by the numeric average of the 10 daily VWAPs for the 10 Actual Trading Days immediately prior to the day on which the determination is made, (the **Threshold Amount**), then on or before the relevant Purchase Date, subject to the Company first obtaining shareholder approval, the Company must issue to L1 Capital or its nominee additional Collateral Shares, so that immediately following the purchase, the Collateral Shareholding Number will be at least the Threshold Amount. L1 Capital may deal with the Collateral Shares freely upon receipt. Where at any time the Company is required to issue Shares to L1 Capital under the L1 Capital Agreement, then L1 Capital may, by written notice to the Company, elect to partially or wholly satisfy the Company's obligation to issue the relevant Shares to L1 Capital by reducing the Collateral Shareholding Number. If L1 Capital does so, then: • the Collateral Shareholding Number will be reduced by the number specified in the notice; and • the Company's obligation to issue Shares to L1 Capital will be satisfied to the same extent. L1 Capital may at any time by written notice to the Company elect to purchase a reduction in the Collateral Shareholding Number (Collateral Purchase Notice). Upon L1 Capital giving a Collateral Purchase Notice: • L1 Capital must either: o advance in cleared funds to the Company an amount determined by multiplying the reduction in the Collateral Shareholding Number specified in the Collateral Purchase Notice (**Reduction Number**) by the Variable Conversion Price (with the total amount being the **Reduction Payment**); or o state in the Collateral Purchase Notice that: ▪ the aggregate Amount Outstanding in respect of New Convertible Notes or convertible securities under the Original L1 Convertible Securities Agreement specified by L1 Capital (which for clarity may but need not include accrued interest) has been reduced by 98% of the Reduction Payment; or ▪ the outstanding amount of the Advance and (if L1 Capital so elects) some or all of the accrued interest has been reduced by 98% of the Reduction Payment; and • the Collateral Shareholding Number will be reduced by the Reduction Number. If an Event of Default occurs, L1 Capital may at any time afterward by written notice to the Company elect to reduce the Collateral Shareholding Number (EOD Collateral Purchase Notice). Upon L1 Capital giving an EOD Collateral Purchase Notice: • L1 Capital must either: o advance in cleared funds to the Company an amount determined by multiplying the reduction in the Collateral Shareholding Number specified in the Collateral Purchase Notice (**EOD Reduction Number**) by the Variable Conversion Price (with the total amount being the **EOD Reduction Payment**); or o state in the Collateral Purchase Notice that: ▪ the aggregate Amount Outstanding in respect of New Convertible Notes or convertible securities under the

	Original L1 Convertible Securities Agreement specified by L1 Capital (which for clarity may but need not include accrued interest) has been reduced by 98% of the EOD Reduction Payment; or ▪ the outstanding amount of the Advance and (if L1 Capital so elects) some or all of the accrued interest has been reduced by 98% of the EOD Reduction Payment; and • the Collateral Shareholding Number will be reduced by the EOD Reduction Number. If at any time the Collateral Shareholding Number is less than the Threshold Amount, L1 Capital may give the Company written notice requesting that the Company issue additional Shares to L1 Capital as Collateral Shares (**Additional Collateral Shares**), so that following the issue, the Collateral Shareholding Number will be at least the Threshold Amount (**Top-Up Notice**). The issue of any Shares upon receipt of a Top-Up Notice in excess of 11,000,000 Additional Collateral Shares (and the Subsequent Collateral Shares if Resolution 4 is approved) will be subject to the Company obtaining Shareholder approval. Other than as set out below, if: • the L1 Capital Agreement terminates or expires; • there is no Amount Outstanding under L1 Capital Agreement or the Original L1 Convertible Securities Agreement; and • the Collateral Shareholding Number is greater than zero, (**Completion Event**), then L1 Capital must, in the time period stipulated by the Company and on the Company's strict instructions, sell the Collateral Shareholding Number of Shares on-market (subject to the Shares being able to be traded on-market at the relevant time) and pay 95% of the net sale proceeds to the Company. For clarity, where at the relevant time L1 Capital does not hold at least the Collateral Shareholding Number of Shares, L1 Capital must first acquire them (at L1 Capital's cost). However, if a Completion Event occurs and the Shares are not able to be traded on-market (whether because of trading halt or suspension or otherwise) then: • L1 Capital's obligations set out above will be suspended for the period while the Shares are not able to be traded on-market; and • if the Shares are not able to be traded on-market for a continuous period of 60 days, then the Collateral Shareholding Number will be reduced to zero and L1 Capital will have no further obligations in respect of the Collateral Shares.
Events of Default	Each of the following constitutes an event of default under the New L1 Convertible Securities Agreement: • the Company fails to repay the Amount Outstanding in respect of the New Convertible Securities to L1 Capital in cash on the Maturity Date; • the Company breaches or otherwise fails to comply in full with any of its material obligations under any Transaction Document (and does not cure that breach or failure within 10 Business Days of notice of it by L1 Capital) or any event of default (however described) occurs under any Transaction Document; • any of the Materials is inaccurate, false or misleading in any material respect (including by omission), as of the date on which it is made or delivered. • a Group Company is, admits that it is, is declared by a court of competent jurisdiction to be, or is deemed under any applicable

	law to be, insolvent or unable to pay its debts as and when they become due; • a Group Company is served with a statutory demand (in accordance with Division 2 of Part 5.4 of the Corporations Act) or a foreign equivalent that is not set aside within 10 Business Days; • a controller within the meaning of section 9 of the Corporations Act, administrator or similar officer is appointed over all or any of the assets or undertaking of any Group Company or any formal step preliminary to such appointment is taken; • a application or order is made, a proceeding is commenced, a resolution is passed or proposed in a notice of meeting, or an application to a court or other steps are taken, for the winding up or dissolution of any Group Company, or for any Group Company to enter an arrangement, compromise or composition with, or assignment for the benefit of, any of its creditors; • a Group Company ceases, suspends, or indicates that it may cease or suspend, the conduct of all or a substantial part of its business; or disposes, or indicates that it may dispose, of a substantial part of its assets; • a Group Company takes action to reduce its capital or pass a resolution referred to in section 254N(1) of the Corporations Act; • any New Convertible Notes or Investor's Shares are not issued to L1 Capital within 2 Business Days of the required date; • any Investor's Shares are not quoted on ASX by the third Business Day immediately following the date of their issue; • the Company fails to comply with the Listing Rules in any material respect; • a stop order, suspension of trading, cessation of quotation, or removal of the Company or the Shares from the Official List is requested by the Company or requested or imposed by any governmental authority; except for a suspension of trading not exceeding ten Trading Days in a rolling twelve month period or as agreed to by L1 Capital commencing after the Purchase Date; • a Transaction Document or a Contemplated Transaction has become or is claimed (other than in a vexatious or frivolous proceeding) by any person other than L1 Capital or any of its Affiliates to be, wholly or partly void, voidable or unenforceable; • any third person commences any action, investigation or proceeding against any person or otherwise asserts any claim which seeks to restrain, challenge, limit, modify or delay the right of L1 Capital or the Company to enter into any Transaction Documents or to undertake any of the Contemplated Transactions (other than in a vexatious or frivolous proceeding); • a security interest over an asset of a Group Company is enforced; • any present or future liabilities, including contingent liabilities, of any Group Company for an amount or amounts totalling more than A$250,000 are not satisfied on time, or become prematurely payable; • a Group Company is in default under a document or agreement (including a governmental authorisation) binding on it or its assets which relates to financial indebtedness or is otherwise material; • a Material Adverse Effect occurs; • the Company does not obtain a shareholder approval to the extent required for the purposes of Listing Rule 7.4 so that a Contemplated Transaction may proceed without breaching Listing Rule 7.1;

	• any Group Company grants any security interest over any of its assets, or a security interest comes into existence over any assets of any Group Company, without the prior written consent of L1 Capital; • any event of default (however described) occurs under any of the Security Documents; • any event of default (however described) occurs under the Original L1 Convertible Securities Agreement; • a Change of Control occurs without the prior written consent of L1 Capital; • the Company does not grant and issue the New Options to L1 Capital on or before a Purchase; • the Company does not pay the Drawdown Fee when due; • the Company undertakes one or more capital raisings and raises at least $2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price (**Lesser Price**), and does not seek and procure Shareholder Approval to vary the Fixed Conversion Price to be the Lesser Price, within 60 days of completion of the capital raising; • the Company does not comply with its obligations to lodge a cleansing prospectus at each purchase of New Convertible Notes and following the issue of Additional Collateral Shares and keep open a cleansing prospectus at all times while any New Convertible Notes or New Options remain outstanding which, on conversion, require that a cleansing prospectus must be utilised in order to enable the Shares on conversion to be tradeable; • the Company does not, issue any Additional Collateral Shares to the Investor within the timeframes required under the New Convertible Securities Agreement, being: o other than where Shareholder Approval is required for the issue of the Additional Collateral Shares, in respect of the first issue of Additional Collateral Shares, within twenty (20) Business Days of the date of the Top-up Notice; o other than where Shareholder Approval is required to the issue of the Additional Collateral Shares, in respect of each subsequent issue of Additional Collateral Shares, within fifteen (15) Business Days of the date of the Top-up Notice unless otherwise agreed between the Company and the Investor in writing; o where Shareholder Approval is required to the issue of the Additional Collateral Shares, within 5 Business Days of Shareholder Approval (subject to and conditional upon Shareholder Approval) unless otherwise agreed between the Company and the Investor in writing. If any event of default occurs, which: • either: o is not capable of being remedied; or o is capable of being remedied but has not been remedied to the satisfaction of the L1 Capital within ten Business Days of L1 Capital notifying the Company of its occurrence; or o there have been two or more previous events of default; and • the event of default has not been expressly waived by L1 Capital in writing; (an **Unremedied Default**), then L1 Capital may:

	• declare, by notice to the Company, 120% of the then Amount Outstanding and all other amounts payable by the Company under any Transaction Document to be, whereupon they shall become, immediately due and payable by the Company to the L1 Capital; and/or • terminate the New L1 Convertible Securities Agreement, by notice to the Company, effective as of the date set out in the notice; and/or • (if L1 Capital elects to do so) exercise their right to purchase a reduction in the Collateral Shareholding Number; and/or • exercise any other right, power or remedy granted to them by any Transaction Documents (including the right to enforce the Security Documents). If an event of default occurs, interest shall be payable on the Amount Outstanding at a rate of 15% per annum, which interest shall accrue daily and shall be compounded monthly, from the date of the event of default until the Company discharges the Amount Outstanding in full.
Conduct of Business	The Company has agreed that, while there is any Amount Outstanding, it will conduct its business in a proper and efficient manner in accordance with good commercial practice, and ensure that the voting and other rights attached to the Shares are not altered in a manner which, in the reasonable opinion of L1 Capital, is materially prejudicial to L1 Capital. In addition, the Company has agreed that, while there is any Amount Outstanding, the Company must not, without the prior written approval of L1 Capital (not to be unreasonably withheld or delayed) undertake a number of actions, including: • disposing, in a single transaction or in a series of transactions, of all or any part of its assets unless; o such disposal is in the ordinary course of business and for fair market value; and o the disposal is for a cash sale price; and o where the value of the asset(s) the subject of the disposal is greater than AU$2,000,000, at least 50% of the net cash proceeds of the disposal are, if required by L1 Capital, applied in or towards repayment of the Amount Outstanding (except that if there are Tranche 1 Investors, and the Tranche 1 Investors also require payment, this amount must be applied in or towards payment of the Amount Outstanding and the amount outstanding to each of the Tranche 1 Investors, in the same proportion as those amounts outstanding bear to each other); • raising any capital (by any means), borrow any funds or issue or agree to issue any debt, equity or equity-linked Securities unless: o the issue is of any Securities to employees, consultants or directors of the Company under any share, option or rights plans; o the issue is of Securities on conversion of any convertible securities in the Company that are on issue at the date of the New L1 Convertible Securities Agreement; o the net proceeds of the raising or borrowing are, if required by L1 Capital, applied to redeem some or all of the outstanding New Convertible Notes, except that: ▪ on any equity raising by the Company, the maximum amount that the Company is required to pay to L1 Capital and any Tranche 1 Investor in redemption of

	convertible notes will be 20% of the gross amount raised; and ▪ if there is are Tranche 1 Investors, and the Tranche 1 Investors also require payment, any amount required to be paid must be applied to redeem some or all of the outstanding convertible securities, and the convertible securities held by each of the Tranche 1 Investors, in the same proportion as the number of those convertible securities bear to each other. • reduce its issued share capital or any uncalled liability in respect of its issued capital; • issue or agree to issue any debt, equity or equity-linked Securities (including Options) that have a variable interest rate or are convertible into, exchangeable or exercisable for, or include the right to receive Shares or other Securities: o at a conversion, repayment, exercise or exchange rate or other price that is based on, and/or varies with, the trading prices of, or quotations for, the Shares; or o at a conversion, repayment, exercise or exchange rate or other price that is subject to being reset at some future date after the initial issuance of such debt, equity or equity-linked security or upon the occurrence of specified or contingent events; • undertake any consolidation of its share capital; • change the nature of its business; • make an application under section 411 of the Corporations Act; • grant any security interest over any of its assets or allow a security interest to come into existence over any assets of any Group Company (other than the Security Documents); • transfer the jurisdiction of its incorporation; or • enter into any agreement with respect to any of the matters referred to above.
Takeover Threshold	Where an issue of Shares under the New L1 Convertible Securities Agreement would result in the voting power (as defined in Chapter 6 of the Corporations Act) in the Company of L1 Capital or any other person exceeding 19.99%, the Company must not issue the relevant Shares to the L1 Capital but must instead repay to L1 Capital the relevant Amount Outstanding.

SCHEDULE 1 – TERMS AND CONDITIONS OF NEW CONVERTIBLE NOTES

Face Value	$1.00 per Convertible Note
Purchase Price	$0.90 per Convertible Note
Purchase Date	The date specified by the Company in a valid Purchase Request.
Purchase Request	To request a drawdown under the L1 Capital Agreement (other than in respect of the Advance) the Company must provide L1 Capital with a valid written request, specifying: • the Purchase Date, which must be (unless the Company and L1 Capital agree otherwise in writing): o after the Company obtains shareholder approval to issue the Convertible Notes, Collateral Shares and Options the subject of the relevant Purchase; and o at least 45 days after any preceding Purchase; and • the Purchase Price being less than A$800,000, other than in respect of the Advance (unless otherwise agreed). Whether a Purchase takes place after the Company gives L1 Capital a valid Purchase Request will be subject to the mutual agreement of the Company and L1 Capital that the Purchase should occur.
Interest Rate	4% per annum from 6 February 2020 (being the date that the Company received the first tranche of the Advance), with the first interest payment payable on 4 August 2020 and every 90 days thereafter.
Maturity Date	In respect of each tranche of Convertible Notes, the date that is 12 months from the Purchase Date of the relevant Convertible Notes, being the date specified by the Company in a valid Purchase Request.
Conversion Rights	L1 Capital may elect to convert one or more of the Convertible Notes by providing the Company Notice specifically: • the Purchase Date and the aggregate Amount Outstanding of the Convertible Notes (which for clarity may but need not include accrued interest) to be converted (the **Conversion Amount**). The Conversion Amount must be a whole multiple of A$25,000, or the whole of the Amount Outstanding; • the Conversion Price, and the manner in which the Conversion Price was calculated by L1 Capital; and • the number of Shares that the Company must issue to L1 Capital in respect of the conversion. That number must be determined by dividing the Conversion Amount (before giving effect to any set-offs set out in this Agreement) by the relevant Conversion Price, provided that if the resultant number contains a fraction, the number must be rounded up to the next highest whole number.
Conversion Price	The Conversion Price is the lesser of: • 90% of the lowest daily VWAP during the 40 Actual Trading Days immediately prior to the date of issue of a conversion notice, date of the Collateral Purchase Notice or date of the EOD Collateral Purchase Notice (as applicable) rounded down to the nearest A$0.01 (**Variable Conversion Price**); and • $0.35 (the **Fixed Conversion Price**). However, if the Company undertakes one or more capital raisings and raises of at least $2,500,000 in aggregate at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising. If Shareholder approval is not obtained within 60 days from the date of completion of the capital raising, an event of default will have occurred.

SCHEDULE 2 – TERMS OF THE NEW OPTIONS

(a) **Nature of Options**

(i) Each Option will grant the holder of that Option the right but not the obligation to be issued by the Company one Share at the Options Exercise Price (being 250% of the closing price on ASX of the Shares on the actual Trading Day immediately prior to the relevant Purchase Date).

(ii) Each Option will be exercisable by the Option holder complying with its obligations under this Schedule, at any time after the time of its grant and prior to the date which is 36 months after the date of issue of the Options (**Options Expiration Date**), after which time it will lapse.

(b) **Exercise of Options**

(i) Without limiting the generality of, and subject to, the other provisions of the New L1 Convertible Securities Agreement, an Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:

(A) a copy, whether facsimile or otherwise, of a duly executed Option exercise form substantially in the form attached to this Agreement as Annexure D (the **Exercise Form**), to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder);

(B) a copy, whether facsimile or otherwise, of any exercise form required by the share registrar; and

(C) payment of an amount equal to the Options Exercise Price multiplied by the number of Shares in respect of which the Options are being exercised at the time by wire transfer to the account specified by the Company from time to time or by bank draft delivered to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder).

(ii) As soon as reasonably practicable, but in any event no later than two (2) Business Days after receipt of a duly completed Exercise Form and the payment referred to in clause (b)(i)(C), the Company must cause its securities registrar to:

(A) issue and deliver the Shares in respect of which the Options are so exercised by the Option holder; and

(B) provide to the Option holder holding statements evidencing that such Shares have been recorded on the Share register.

(c) **Bonus Issues**

If prior to an exercise of an Option, but after the issue of the Option, the Company makes an issue of Shares by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan), pursuant to an offer of such

Shares to at least all the holders of Shares resident in Australia, then on exercise of the Option, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

(d) **Rights Issues**

If prior to an exercise of an Option, but after the issue of the Option, any offer or invitation is made by the Company to at least all the holders of Shares resident in Australia for the subscription for cash with respect to Shares, options or other securities of the Company on a pro rata basis relative to those holders' shareholding at the time of the offer, the Options Exercise Price will be reduced as specified in the Listing Rules in relation to pro-rata issues (except bonus issues).

(e) **Reconstruction of Capital**

In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, and subject to such changes as are necessary to comply with the Listing Rules applying to a reconstruction of capital at the time of the reconstruction:

(i) the number of the Shares to which each Option holder is entitled on exercise of the outstanding Options will be reduced or increased in the same proportion as, and the nature of the Shares will be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and

(ii) an appropriate adjustment will be made to the Options Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options will not alter.

(f) **Cumulative Adjustments**

Full effect will be given to the provisions of clauses (c) to (e) as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Shares already on issue.

(g) **Notice of Adjustments**

Whenever the number of Shares over which an Option is exercisable, or the Options Exercise Price, is adjusted pursuant to this Agreement, the Company must give notice of the adjustment to all the Option holders, within five (5) Business Days.

(h) **Rights Prior to Exercise**

Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company.

(i) **Redemption**

The Options will not be redeemable by the Company.

(j) **Assignability and Transferability**

The Options will be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable law.

SCHEDULE 3 – TERMS AND CONDITIONS OF EVERBLU OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

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

(c) **Expiry Date**

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

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

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

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

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

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

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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

SCHEDULE 4 – TERMS AND CONDITIONS OF EVERBLU OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be $0.35 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 12 February 2023 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

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

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

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

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being

ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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

SCHEDULE 5 – TERMS AND CONDITIONS OF CORPORATE ADVISOR OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be $0.20 (**Exercise Price**)

(c) **Expiry Date**

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

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

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

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

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

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

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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

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CRESO PHARMA

Creso Pharma Limited | ACN 609 406 911

Proxy Card

If you are attending the virtual Meeting please retain this Proxy Card For online Securityholder registration.

Holder Number:

Vote by Proxy: CPH

Your proxy voting instruction must be received by **11.00am (WST) on Saturday, 16 May 2020,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at https://investor.automic.com.au/#/loginsah

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.

SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

ATTENDING THE VIRTUAL MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the virtual Meeting online if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the virtual Meeting online, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the virtual Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

Contact

Return your completed form

BY MAIL
Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL
meetings@automicgroup.com.au

All enquiries to Automic

WEBCHAT
https://automic.com.au/

PHONE
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

AUTOMIC

STEP 1: Virtual Participation

Virtual participation at the GM

The Company is pleased to provide shareholders with the opportunity to participate in the Meeting virtually through an online platform, which can be accessed by navigating to **web.lumiagm.com/315265523** on any internet browser. Alternatively, the Lumi AGM app can be downloaded for free from the Apple or Google Play stores.

The ID for this meeting that will need to be entered in to the Lumi platform is:

315-265-523

Shareholders should then log in to the meeting using their SRN/HIN and postcode as detailed on the reverse of this form.

Further information on how to do this is set out in the letter to shareholders which accompanies the Notice of Meeting. The Explanatory Notes that accompany and form part of this Notice of Annual General Meeting describe the various matters to be considered.

STEP 2: Appoint Your Proxy

Complete and return this form as instructed only if you do not vote online or intend to attend the virtual meeting

I/We being a Shareholder entitled to attend and vote at the General Meeting of Creso Pharma Limited, to be held virtually at **11:00am WST on Monday, 18 May 2020** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.
Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

STEP 3: Your Voting Direction

Resolutions		For	Against	Abstain
1.	Ratification of prior issue of Settlement Shares	☐	☐	☐
2.	Ratification of prior issue of Service Shares	☐	☐	☐
3.	Ratification of prior issue of Collateral Shares to the Nominee of L1 Capital	☐	☐	☐
4.	Approval to issue Subsequent Collateral Shares to L1 Capital	☐	☐	☐
5.	Approval to issue Securities to L1 Capital - Advance	☐	☐	☐
6.	Approval to issue Additional Securities to L1 Capital – further Draw Downs under the new L1 Convertible Securities Facility	☐	☐	☐
7.	Approval to issue Shares and Options to Everblu Capital – New L1 Convertible Note Facility	☐	☐	☐
8.	Approval to issue Shares and Options to Everblu Capital – Tranche 1 Convertible Note Facility	☐	☐	☐
9.	Approval to issue Shares and Options to Everblu Capital – Corporate Adviser Appointment	☐	☐	☐

Please note: *If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

CPH

STEP 4: Sign Here + Contact Details

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY) ☐☐ / ☐☐ / ☐☐

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).