
CRESO PHARMA LIMITED

ACN 609 406 911

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 4:00pm WST
DATE: Friday, 31 May 2019
PLACE: Quest Kings Park
54 Kings Park Road
West Perth WA 6005

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 Wednesday, 29 May 2019.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 31 December 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 31 December 2018."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – ADAM BLUMENTHAL

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

"That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Adam Blumenthal, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – APPOINTMENT OF AUDITOR AT AGM TO FILL VACANCY

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

"That, for the purposes of section 327B of the Corporations Act and for all other purposes, BDO East Coast Partnership, having been nominated by a Shareholder and having consented in writing to act in the capacity of

auditor, be appointed as auditor of the Company with effect from the close of the Meeting."

5. RESOLUTION 4 – RE-ADOPTION OF INCENTIVE PERFORMANCE RIGHTS PLAN

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 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Incentive Performance Rights Plan and for the issue of securities under that Plan, 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 any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO LENDERS

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 7.4 and for all other purposes, Shareholders ratify the issue of 3,900,000 Options 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 any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS

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 7.4 and for all other purposes, Shareholders ratify the issue of 6,611,111 Shares and 2,203,701 Options 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 any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 7 – SELECTIVE SHARE BUY-BACK

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

"That, for the purposes of Section 257D of the Corporations Act and for all other purposes, approval is given for the Company to selectively buy-back and cancel 1,000,000 Performance Shares currently held by the Hemp Industries Vendors 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 the Vendors (or their nominees) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise 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) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 9 – APPROVAL TO ISSUE CONVERTIBLE NOTES TO UNRELATED PARTIES

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 7.1 and for all other purposes, approval is given for the Company to issue the Convertible Notes to the

Debtholders (or their nominees) 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) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 23 April 2019

By order of the Board



Erlyn Dale
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

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 changes to the Corporations Act made in 2011 mean 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 08 9389 3100.

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. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 December 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <https://www.cresopharma.com/>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF MR ADAM BLUMENTHAL AS A DIRECTOR

3.1 General

ASX Listing Rule 14.5 provides that, other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Adam Blumenthal, who has served as a director since 20 November 2015 and was last re-elected on 12 April 2017, retires by rotation and seeks re-election.

In accordance with Recommendation 1.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition), the Company has set out below information which it considers to be relevant to a decision on the re-election of Adam Blumenthal as a director of the Company.

3.2 Qualifications and other material directorships

Adam Blumenthal has over 10 years' experience in Investment Banking and Corporate Finance. He has deep exposure to Australian and International markets, having provided capital raising and financing solutions to an extensive number of unlisted and listed companies. Adam has played a lead role in advising and supporting multiple organisations across a broad spectrum of industries, using his experience and extensive network of international contacts to provide corporate advisory and capital markets input.

He has successfully brought to market several Medical Marijuana companies spanning Israel, Canada, Switzerland and Australia. He has also been actively involved in the Mining, Cyber Security, Health Care and IT sectors. Adam is Chairman of EverBlu Capital Pty Ltd (**Everblu**), a material service provider of corporate advisory and capital raising services to the Company and the Lead Manager to the Company's capital raisings.

Outside of his formal business activities, Adam has lectured at a leading Sydney University covering corporate governance, corporate social responsibility and ASX listings - both at an undergraduate and postgraduate level. Adam holds a Bachelor of Commerce, Master of International Relations (MIR) and Master of Business Administration (MBA) degrees. Adam is a strong supporter of Israeli innovation and has previously lived in Israel. He is a member of the Israel Business Club Sydney (IBCS).

Mr Blumenthal is currently a non-executive director of Roots Sustainable Agricultural Technologies Limited (ASX:ROO). During the past three years, Mr Blumenthal has also held directorships in Pursuit Minerals Limited (ASX:PUR) (formerly Burrabulla Corporation Limited) and Bronson Group Limited (ASX:BGR).

3.3 Independence and Conflicts of Interest

If elected, the Board does not consider Mr Blumenthal will be an independent director due to his interest in Everblu Capital Pty Ltd, which is a material service provider and advisor to the Company.

The Company notes that ASX has, in recent times, formed the view that it, in most cases, it is not appropriate for a principal of a corporate adviser to serve as a director of a client of the corporate adviser due to the existence of potential conflicts of interest. EverBlu is the corporate adviser to Creso and Adam Blumenthal is a shareholder and director of EverBlu. As a result, there are circumstances where potential conflicts of interests arise between Mr Blumenthal's role as a director of the Company and his position as a shareholder and director of EverBlu. The Company manages this potential conflict through compliance with the Corporations Act, the ASX Listing Rules and the Company's Corporate Governance Policy which, in general terms, excludes Mr Blumenthal from participating in the discussion, and voting on, any matter at a Board meeting where a conflict of interest arises.

Further, the Company is aware of ASX's recent investigations into matters relating to Hardey Resources Limited (Hardey) and Mr Blumenthal's involvement in those matters. The background to these circumstances and details of ASX's findings and the subsequent remedial actions are all in the public domain. The Board considers that Mr Blumenthal is an integral and valuable member of the Board and does not consider that the circumstances relating to Hardey impact upon Mr Blumenthal's ability to continue to act as a director of the Company.

Notwithstanding this, the Company is committed to complying with good corporate governance practice and intends to undertake a recruitment process to optimise the composition of its Board.

3.4 Board recommendation

The Board supports the re-election of Mr Blumenthal and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – APPOINTMENT OF AUDITOR AT AGM TO FILL VACANCY

RSM Australia Partners, which is the Company's current auditor, has given notice of its intention to resign as auditor of the Company to ASIC (under section 329(5) of the Corporations Act).

Upon receipt of ASIC's consent to their resignation, RSM Australia Partners has advised that it will submit a notice of resignation to the Company in accordance with section 329(5) of the Corporations Act, with such resignation to take effect from the date of the Meeting.

In accordance with section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a Shareholder for BDO East Coast Partnership to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure 1.

BDO East Coast Partnership has given its written consent to act as the Company's auditor, subject to Shareholder approval and the resignation of RSM Australia Partners.

If Resolution 3 is passed, the appointment of BDO East Coast Partnership as the Company's auditors will take effect from the close of the Annual General Meeting.

5. RESOLUTION 4 – RE-ADOPTION OF INCENTIVE PERFORMANCE RIGHTS PLAN

Resolution 4 seeks Shareholder approval for the re-adoption of the employee incentive scheme titled Incentive Performance Rights Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX 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. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to issue Performance Rights under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that 36,821,000 Performance Rights have been issued under the Plan over the past three years.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Performance Rights under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Performance Rights under the Plan to a related party or a person whose relationship with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Plan is set out in Schedule 1. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries.

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO LENDERS

6.1 General

As announced on 8 October 2018, the Company entered into a construction finance loan with L1 Capital Global Opportunities Master Fund and The Canadian Special Opportunity Fund (**Lenders**)(**Loan**). In accordance with the terms of the Loan, the Company issued the Lenders 3,900,000 Options on 17 December 2018, following the drawdown of funds under the Loan.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options.

ASX 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.

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

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

6.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 5:

- (a) 3,900,000 Options were issued;
- (b) the Options were issued for nil cash consideration;
- (c) the Options were issued on the terms and conditions set out in Schedule 2;
- (d) the Options were issued to the Lenders, who are not related parties of the Company; and
- (e) no funds were raised from this issue as the Options were issued in consideration for the provision of funding under the Loan.

7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS

7.1 General

On 24 January 2019, the Company announced a placement to sophisticated and professional investors to raise approximately \$3 million (**Placement**). Under the terms of the Placement, the Company issued 6,611,111 Shares at an issue price of \$0.45 per Share, together with one free-attaching Option for every three Shares subscribed for and issued.

The Company issued the Shares and Options the subject of the Placement without prior Shareholder approval out of its 15% annual placement capacity, on 30 January and 1 February 2019.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares and Options.

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 6.1 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

7.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 6:

- (a) 6,611,111 Shares and 2,203,701 Options were issued;
- (b) the issue price per Share was \$0.45 and the issue price of the Options was nil as they were issued free attaching with the Shares on a one for three basis;
- (c) the 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 Options were issued on the terms and conditions set out in Schedule 2;
- (e) the Shares and Options were issued to institutional and sophisticated investors. None of these subscribers are related parties of the Company; and
- (f) the funds raised from this issue were used to accelerate sales and marketing efforts, repay a portion of the Company's debt and to fund the expenses of the Placement.

8. RESOLUTION 7 – SELECTIVE SHARE BUY-BACK

8.1 Background

Resolution 7 seeks Shareholder approval to enable the Company to buy-back and cancel 1,000,000 Performance Shares (**Buy-Back Performance Shares**) that were issued as part of the consideration payable in relation to the Company's acquisition of Hemp-Industries S.R.O (**Hemp Industries**) and Hemp M&S GmbH in October 2016. The Buy-Back Performance Shares were issued to Roman Strechaj and Michael Masek who were the vendors of Hemp Industries (**Hemp Industries Vendors**).

As Hemp Industries is no longer part of the Company's business the milestones attaching to the Buy-Back Performance Shares, being Hemp Industries generating gross revenue in excess of \$1,000,000 in aggregate over any rolling twelve-month period on or before October 2019, is not capable of being met.

Accordingly, the Company and the Hemp Industries Vendors have agreed that the Buy-Back Performance Shares are to be bought-back and cancelled for nil consideration (**Buy-Back**).

Under Resolution 7, the Company is seeking Shareholder approval (as required by the Corporations Act) to implement the Buy-Back agreed.

8.2 Section 257D of the Corporations Act

The Corporations Act provides that the rules relating to share buy-backs are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's solvency;
- (b) seeking to ensure fairness between the shareholders of the company; and
- (c) requiring the company to disclose all material information.

In particular, section 257A of the Corporations Act provides that a company may buy back its own shares if:

- (a) the buy-back does not materially prejudice the company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

The procedures required differ for each type of buy-back. The Buy-Back is classified as a selective buy-back.

Pursuant to section 257D(1) of the Corporations Act, a selective share buy-back must be approved by either:

- (a) a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are to be bought back or by their associates; or
- (b) a resolution agreed to, at a general meeting by all ordinary shareholders.

Pursuant to section 257D(2) of the Corporations Act, the Company must include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the Resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to Shareholders.

Section 257H(3) of the Corporations Act provides that immediately after the registration of the transfer to a company of shares bought back, the shares are cancelled.

8.3 Details of the Buy-Back

ASIC Regulatory Guide 110 sets out what ASIC expects a company to provide when disclosing such information to shareholders with a notice of meeting. This information is set out below.

- (a) The Company has 2,212,120 Performance Shares on issue at the date of this Notice.
- (b) The number and percentage of Performance Shares to be bought back are 1,000,000 Performance Shares representing 45.21% of the Performance Shares on issue at the date of this Notice.
- (c) The Buy-Back Performance Shares will be bought back and cancelled for nil cash consideration. Accordingly, the Buy-Back will not have a financial effect upon the Company.
- (d) As noted above, the Company considers that the milestone attaching to the Buy-Back Performance Shares is incapable of being met.
- (e) No Directors will participate in the Buy-Back.
- (f) The Directors believe the Buy-Back provides the following advantages:

- (i) the Buy-Back will have no effect on the cash reserves of the Company and will not impact in any way on the Company's ability to pay its creditors;
 - (ii) the Buy-Back will not have an effect on the control of the Company; and
 - (iii) the Buy-Back will assist in achieving a more efficient capital structure for the Company.
- (g) The Directors do not believe the Buy-Back will present any material disadvantages.
- (h) The Buy-Back Shares are held by the Hemp Industries Vendors.

8.4 Director's recommendation

Based on the information available, including that contained in this Explanatory Statement, the Directors unanimously recommend that Shareholders vote in favour of Resolution 7 as they consider the proposed Buy-Back to be in the best interests of Shareholders as, after assessment of the advantages and disadvantages referred to in Section 8.3(f), the Directors are of the view that the advantages outweigh the disadvantages.

The Directors confirm that they intend to vote in favour of Resolution 7 in relation to all votes that they control.

8.5 Other material information

There is no other information material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 7 being information that is known to the Directors which has not previously been disclosed to Shareholders, other than as set out in this Notice.

9. RESOLUTION 8 – APPROVAL OF 10% PLACEMENT CAPACITY

9.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$43,466,908 (based on the number of Shares on issue and the closing price of Shares on the ASX on 28 March 2019).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has two classes of quoted Equity Securities on issue, being the Shares (ASX Code: CPH) and quoted options (ASX:CPHO).

If Shareholders approve Resolution 8, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 8 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 8 for it to be passed.

9.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 8:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 9.2(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 8 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 28 March 2019.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.1625 50% decrease in Issue Price	\$0.3250 Issue Price	\$0.4875 50% increase in Issue Price
144,444,332 (Current Variable A)	Shares issued - 10% voting dilution	14,444,433 Shares	14,444,433 Shares	14,444,433 Shares
	Funds raised	\$2,347,220	\$4,694,441	\$7,041,661
216,666,498 (50% increase in Variable A)	Shares issued - 10% voting dilution	21,666,650 Shares	21,666,650 Shares	21,666,650 Shares
	Funds raised	\$3,520,831	\$7,041,661	\$10,562,492
288,888,664 (100% increase in Variable A)	Shares issued - 10% voting dilution	28,888,866 Shares	28,888,866 Shares	28,888,866 Shares
	Funds raised	\$4,694,441	\$9,388,882	\$14,083,322

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

- There are currently 144,444,332 Shares on issue comprising:
 - 133,744,332 existing Shares as at the date of this Notice of Meeting; and
 - 10,700,000 Shares which may be issued, subject to the Company obtaining Shareholder approval under Resolution 9, which if the Noteholders elect to convert the Convertible Notes.
- The issue price set out above is the closing price of the Shares on the ASX on 28 March 2019, being \$0.3250.
- The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for:
 - A. advancing the Company's existing operations, including the development, marketing and distribution of cannabis-based human and animal health products and investment in the cannabis cultivation facilities and operations of the Company's subsidiaries in Canada, Israel and Colombia;
 - B. the acquisition of new resources, assets and investments (including expenses associated with such an acquisition); and
 - C. general working capital; or
- (ii) as non-cash consideration for the acquisition of complementary new assets and investments, and as consideration for services provided to the Company. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company did not seek approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 31 May 2018. The Company has previously obtained approval pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 12 April 2017.

During the 12 month period preceding the date of the Meeting, being on and from 31 May 2018, the Company issued a total of 24,238,788 Shares, 58,496,411 Options, 1,212,120 Performance Shares and 3,696,000 Performance Rights which represents approximately 125% of the total diluted number of Equity Securities on issue in the Company on 31 May 2018, which was 70,029,433.

Further details of the issues of Equity Securities by the Company during the 12-month period preceding the date of the Meeting are set out in Schedule 3.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and

- (ii) the information required by Listing Rule 3.10.5A for release to the market.

9.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 8.

10. RESOLUTION 9 – APPROVAL TO ISSUE CONVERTIBLE NOTES TO UNRELATED PARTIES

10.1 General

As announced on 11 April 2019, the Company has agreed to enter loan agreements with sophisticated and professional investors (**Debtholders**) to raise a total of \$5,350,000 (**Loans**). The Loans have an interest rate of 15% per annum, payable quarterly in arrears.

Funds raised through the Loans will be used to support the sales and marketing of existing human and animal health products in Europe, marketing and sales in Canada, repay a portion of existing debt and working capital.

The Loans will be secured by a general security granted over the Cannabis Cultivation Facility located in Nova Scotia, Canada, which is owned by Memnova Medical Inc, a wholly owned subsidiary of the Company (**Mernova**) and a property mortgage over land held by Memnova (**Security**). A trustee will hold the Security on behalf of Debtholders.

Resolution 9 seeks Shareholder approval for the issue of up to 107 convertible notes to the Debtholders, in consideration for the potential replacement of the Loans (**Convertible Notes**).

Under the current terms of the Loan, if the Loans are not converted into Convertible Notes on or before 31 August 2019 the Loans will become automatically repayable on 31 August 2019 and an additional fee of 20% of the face value will be payable by the Company to the Debtholders (**Early Redemption Fee**).

The issue of Convertible Notes cannot be made without the Company obtaining Shareholder approval pursuant to Listing Rule 7.1. Accordingly, the Company is seeking Shareholder approval under this Resolution to provide the Company with the flexibility to make the offer of the Convertible Notes in the future.

For the avoidance of doubt there is no requirement for the Company to make any offer of Convertible Notes to replace the Loans. Additionally, there is no obligation of the Debtholders once an offer is received to apply for Convertible Notes to replace the Loans.

However, if Shareholders do not approve this Resolution, the Company will not be able to make the offer of Convertibles Notes and, accordingly, the Loans (together with the Early Redemption Fee) will be repayable on 31 August 2019.

The material terms of the Convertible Notes to be issued are set out below:

- (a) (**Face Value**): Each Convertible Note will have a face value of \$50,000.
- (b) (**Interest**): 15% per annum, payable quarterly in arrears.

- (c) **(Maturity Date)**: 12 months from the date of the Loans.
- (d) **(Security)**: The Convertible Notes will remain secured by the Security. The Security will be extinguished if and when the Convertible Notes are converted or otherwise repaid in full.
- (e) **(Conversion Price)**: The Convertible Notes are convertible into Shares at \$0.50 per Share, together with three free attaching Options for every two Shares issued, to be issued on the terms set out in Schedule 2.
- (f) **(Conversion)**: At the election of the holders of the Convertible Notes (**Noteholders**), the face value is convertible at any time from the date of issue of the Convertible Notes until the Maturity Date.
- (g) **(Redemption)**: If a Noteholder has not elected to convert the Convertible Notes on or before the Maturity Date, the Company must repay the face value of the Convertible Notes together with any accrued interest on the Maturity Date.
- (h) **(Early Redemption Fee)**: If a Convertible Note is redeemed prior to the Maturity Date by the Company or by a Noteholder as a result of a breach by the Company, the Company must pay an early redemption fee of 20% of the face value of the redeemed Convertible Notes.
- (i) **(Participation in Offers of Securities)**: If the Company makes an offer of Shares, Options or other Securities between the date of issue of a Convertible Note and the date of conversion (**Relevant Period**), the Company must, subject to compliance with the Corporations Act and ASX Listing Rules, ensure that each Noteholder is also entitled to subscribe for the same number of securities that they would be entitled to subscribe for, had the offer been made on a pro-rata basis to all Shareholders and the Convertible Note had been converted into Shares immediately before the record date for the offer.
- (j) **(Participation in Corporate Events)**: If Shareholder become entitled to receive shares, securities or other assets with respect to, or in exchange for, their Securities (a **Corporate Event**) during the relevant period, the Company must, subject to compliance with the Corporations Act and ASX Listing Rules, the Company must make appropriate provision to ensure that each Noteholder will have the right to receive upon such Corporate Event such shares, securities or other assets to which the Debtholder would have been entitled if the Noteholder had held the number of Securities acquirable upon conversion of the Convertible Note immediately before the record date for the Corporate Event.

A summary of ASX Listing Rules 7.1 is set out in Section 6.1 above.

The effect of Resolution 9 will be to allow the Company to issue the Convertible Notes 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. Additionally, any Shares and Options issued through the conversion of any of the Convertible Notes will also be issued without using the Company's 15% annual placement capacity.

10.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of securities which may be issued is 107 Convertible Notes, each with a face value of \$50,000 (being a total face value of \$5,350,000). The maximum number of Securities which may be issued on conversion of the Convertibles Notes is 10,700,000 Shares and 16,050,000 Options;
- (b) the Convertible Notes would 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 ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) if issued, the issue price of each Convertible Note will be deemed to be \$50,000 and will be deemed to be paid through the reduction of the outstanding principal amounts under the Loans;
- (d) if issued, the Convertible Notes will be issued to the Debtholders (or their nominees) which are:
 - (i) Parry Capital;
 - (ii) Jamber Investments Pty Limited;
 - (iii) Pheakes Pty Ltd;
 - (iv) Pharmacielo Limited; and
 - (v) Penn Financial.None of these subscribers are related parties of the Company;
- (e) the Convertible Notes would be issued on the terms set out in Section 10.1; and
- (f) no additional funds will be raised from any issue of the Convertible Notes, however, the debt owed by the Company (in the form of the Loans) would be reduced by the face value of the Notes issued.

SCHEDULE 1 – TERMS AND CONDITIONS OF INCENTIVE PERFORMANCE RIGHTS PLAN

The principle terms of the Incentive Performance Rights Plan (**Performance Rights Plan**) are summarised below:

- (a) **Eligibility:** Participants in the Performance Rights Plan may be:
- (i) a Director (whether executive or non-executive) of the Company or any Associated Body Corporate of the Company (each, a **Group Company**);
 - (ii) a full or part time employee of any Group Company;
 - (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (Class Order); or
 - (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,
- who is declared by the Board to be eligible to receive grants of Performance Rights under the Performance Rights Plan (**Eligible Participants**).
- (b) **Offer:** The Board may, from time to time, at its absolute discretion, make a written offer to any Eligible Participant to apply for Performance Rights, upon the terms set out in the Performance Rights Plan and upon such additional terms and conditions as the Board determines.
- (c) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Performance Rights offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (d) **Consideration:** Performance Rights granted under the Performance Rights Plan will be issued for nil cash consideration.
- (e) **Vesting Conditions:** A Performance Right may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Performance Right (**Vesting Conditions**).
- (f) **Vesting:** The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Performance Rights have been granted under the Performance Rights Plan or their nominee where the Performance Rights have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Performance Rights due to:
- (i) special circumstances arising in relation to a Relevant Person in respect of those Performance Rights, being:
 - (A) a Relevant Person ceasing to be an Eligible Participant due to:
 - (I) death or total or permanent disability of a Relevant Person; or
 - (II) retirement or redundancy of a Relevant Person;
 - (B) a Relevant Person suffering severe financial hardship;

- (C) any other circumstance stated to constitute "special circumstances" in the terms of the relevant offer made to and accepted by the Participant; or
 - (D) any other circumstances determined by the Board at any time (whether before or after the offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant,
(Special Circumstances), or
 - (ii) a change of control occurring; or
 - (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (g) **Lapse of a Performance Right:** A Performance Right will lapse upon the earlier to occur of:
- (i) an unauthorised dealing in, or hedging of, the Performance Right occurring;
 - (ii) a Vesting Condition in relation to the Performance Right is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waive the Vesting Condition and vest the Performance Right in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Performance Rights to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iii) in respect of unvested Performance Right only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Performance Rights to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iv) in respect of vested Performance Rights only, a Relevant Person ceases to be an Eligible Participant and the Performance Rights granted in respect of that Relevant Person are not exercised within one (1) month (or such later date as the Board determines) of the date that Relevant Person ceases to be an Eligible Participant;
 - (v) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - (vi) the Company undergoes a change of control or a winding up resolution or order is made, and the Board does not exercise its discretion to vest the Performance Right; and
 - (vii) the expiry date of the Performance Rights.
- (h) **Not transferrable:** Subject to the ASX Listing Rules, and except as otherwise provided for by an offer, Performance Rights are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (i) **Shares:** Shares resulting from the vesting of the Performance Rights shall, subject to any Sale Restrictions (refer to paragraph (j)), from the date of issue, rank on equal terms with all other Shares on issue.

- (j) **Sale Restrictions:** The Board may, in its discretion, determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Performance Rights (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- (k) **Quotation of Shares:** If Shares of the same class as those issued under the Performance Rights Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends. The Company will not apply for quotation of any Performance Rights on the ASX.
- (l) **No Participation Rights:** There are no participation rights or entitlements inherent in the Performance Rights and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights without exercising the Performance Right.
- (m) **No Change:** A Performance Right does not confer the right to a change in the number of underlying Shares over which the Performance Right can be exercised.
- (n) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (o) **Amendments:** Subject to express restrictions set out in the Performance Rights Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Performance Rights Plan, or the terms or conditions of any Performance Rights granted under the Performance Rights Plan including giving any amendment retrospective effect.

SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.80 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 21 August 2020 (**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**

Subject to paragraph (h), within 15 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 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.

The Company makes no representation that the Shares will be freely tradeable upon issue and the holder acknowledges that the Shares may be subject to on-sale restrictions contained in sections 706 and 707 of the Corporations Act. In such circumstances, the holder agrees not to trade the Shares for so long as the Shares are subject to restrictions. The Company acknowledges that, where required, it will 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 as soon as is practicable for the Company.

(h) **Restrictions under the Corporations Act**

(i) If the issue of Shares upon exercise of Options specified in an Notice of Exercise would result in any person being in contravention of section 606 of the Corporations Act then the issue of such Shares will, subject to any restrictions imposed by ASX or the Listing Rules, be deferred until such time or times that the issue would not result in a contravention of section 606 of the *Corporations Act*.

(ii) A holder must give notification to the Company in writing no later than the time of providing an Notice of Exercise if they consider that the issue of Shares upon exercise of the Options may result in the contravention of section 606 of the *Corporations Act*, failing which the Company will be entitled to assume that the issue of Shares upon exercise of the Options will not result in any person being in contravention of section 606 of the *Corporations Act*.

(i) **Shares issued on exercise**

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

(j) **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.

(k) **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.

(l) **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.

(m) **Transferability**

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

(n) **Quotation**

The Company will apply for quotation of the Options on ASX.

SCHEDULE 3 – ISSUES OF EQUITY SECURITIES SINCE 31 MAY 2018

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹¹	Form of consideration	
Issue – 1 February 2019 Appendix 3B – 1 February 2019	555,555	Shares ¹	Sophisticated and professional investors who participated in the placement announced by the Company on 24 January 2019 (Placement)	\$0.45 (representing a premium to Market Price of 8.43%)	Amount raised = \$250,000 Amount spent ¹² = \$0 Amount remaining ¹² = \$250,000	
	185,185	Quoted Options ²		Nil cash consideration (free attaching to Shares on a 1:3 basis)	Consideration: Issued free attaching to Shares under the Placement on a 1:3 basis to reward and incentivise participation in the Placement. Current value ¹³ = \$7,593	
	750,000	Shares ¹		Holders of Performance Rights	No issue price (non-cash consideration)	Consideration: Issued on conversion of Performance Rights. Current value ¹³ = \$243,750
Issue – 30 January 2019 Appendix 3B – 31 January 2019	6,055,556	Shares ¹	Sophisticated and professional investors who participated in the Placement.	\$0.45 (representing a discount to Market Price of 5.26%)	Amount raised = \$2,725,000 Amount spent ¹² = \$1,563,470 Amount remaining ¹² = \$1,161,530	
	2,018,516	Quoted Options ²		Nil cash consideration (free attaching to Shares on a 1:3 basis)	Consideration: Issued free attaching to Shares under the Placement on a 1:3 basis to reward and incentivise participation in the Placement. Current value ¹³ = \$82,759	
	195,556	Shares ¹		S3 Consortium Pty Ltd	No issue price (non-cash consideration)	Consideration: Issued in lieu of cash for settlement of outstanding invoices due to a supplier of the Company Current value ¹³ = \$63,556
	2,000,000	Shares ¹		Holders of Performance Rights	No issue price (non-cash consideration)	Consideration: Issued on conversion of Performance Rights. Current value ³ = \$650,000
Issue – 20 December 2018 Appendix 3B - 20 December 2018	8,212,121	Shares ¹	The vendors of Kunna S.A.S. and the Vendor Facilitator as set out in the notice of meeting for the shareholder meeting held on 16 October 2018.	No issue price (non-cash consideration)	Consideration: Issued in consideration for the acquisition of Kunna S.A.S. (an entity incorporated in Columbia) as set out in the notice of meeting for the shareholder meeting held on 16 October 2018. Current value ¹³ (Shares) = \$2,668,939 Current value ¹³ (Performance Shares) = \$393,939	
	1,212,120	Performance Shares ³		No issue price (non-cash consideration)		
Issue – 17 December 2018 Appendix 3B - 17 December 2018	3,900,000	Quoted Options ²	L1 Capital Global Opportunities Master Fund and The Canadian Special Opportunity	No issue price (non-cash consideration)	Consideration: Issued as consideration for the Lenders advancing the construction finance loan as set out in the ASX announcement released on 8 October 2018. Current value ¹³ = \$159,900	

			Fund (Lenders)		
Issue – 18 October 2018 Appendix 3B - 18 October 2018	250,000	Shares ¹	Holders of unlisted options which were exercisable at \$0.40 each on or before 20 October 2018	\$0.40 (representing a discount to Market Price of 35.48%)	Amount raised = \$100,000 Amount spent ¹² = \$100,000 Amount remaining ¹² = \$0
Issue – 11 October 2018 Appendix 3B - 11 October 2018	2,600,000	Performance Rights ⁴	Employees of the Company under the Company's Incentive Performance Rights Plan	No issue price (non-cash consideration)	Consideration: The Performance Rights were issued under the Company's Incentive Performance Rights Plan. Current value ¹³ = \$845,000
Issue – 11 September 2018 Appendix 3B - 11 September 2018	26,865,000	Unquoted Options ⁵	Subscribers under the shortfall offer pursuant to an entitlement issue prospectus dated 25 July 2019.	\$0.05	Amount raised = \$1,343,250 Amount spent ¹² = \$1,343,250 Amount remaining ¹² = \$0
	400,000	Unquoted Options ⁶	An employee of the Company	No issue price (non-cash consideration)	Consideration: Issued as part of the remuneration package of an employee Current value ¹³ = \$63,664
Issue – 21 August 2018 Appendix 3B – 21 August 2018	24,377,710	Unquoted Options ⁵	Eligible shareholders of the Company who subscribed pursuant to an entitlement issue prospectus dated 25 July 2019.	\$0.05	Amount raised = \$1,218,886 Amount spent ¹² = \$1,218,886 Amount remaining ¹² = \$0
	200,000	Unquoted Options ⁷	An employee of the Company	No issue price (non-cash consideration)	Consideration: Issued as part of the remuneration package of an employee Current value ¹³ = \$29,396
Issue – 27 July 2018 Appendix 3B – 27 July 2018	200,000	Unquoted Options ⁸	An employee of the Company	No issue price (non-cash consideration)	Consideration: Issued as part of the remuneration package of an employee Current value ¹³ = \$29,266
	650,000	Shares ¹	Holder of Performance Rights	No issue price (non-cash consideration)	Consideration: Issued on conversion of Performance Rights. Current value ¹³ = \$211,250
	200,000	Unquoted Options ⁹	A member of the Scientific Committee of the Company	No issue price (non-cash consideration)	Consideration: Issued in accordance with a consulting contract for services provided to the Company. Current value ¹³ = \$30,940
Issue – 27 July 2018 Appendix 3B – 25 July 2018	2,000,000	Shares ¹	Holder of Performance Rights	No issue price (non-cash consideration)	Consideration: Issued on conversion of Performance Rights. Current value ¹³ = \$650,000
Issue – 23	70,000	Shares ¹	Holders of Options which	\$0.40 (representing a	Amount raised = \$28,000

July 2018 Appendix 3B – 23 July 2018			were exercisable at \$0.40 each on or before 27 July 2021	discount to Market Price of 38.46%)	Amount spent ¹² = \$28,000 Amount remaining ¹² = \$0
	3,500,000	Shares ¹	Holder of Performance Rights	No issue price (non-cash consideration)	Consideration: Issued on conversion of Performance Rights. The Performance Rights were issued to a contractor of the Company and a Director of the Company as set out in the ASX announcement released on 23 July 2018. Current value ¹³ = \$1,137,500
Issue – 16 July 2018 Appendix 3B – 16 July 2018	1,096,000	Performance Rights	Employee of the Company	No issue price (non-cash consideration)	Consideration: Issued as part of the remuneration package of employees of the Company. Current value ¹³ = \$356,200
	150,000	Unquoted Options ¹⁰	Swiss Marketing Consultant	No issue price (non-cash consideration)	Consideration: Issued in consideration for marketing services provided to the Company. Current value ¹³ = \$17,319

Notes:

1. Fully paid ordinary shares in the capital of the Company, ASX Code: CPH (terms are set out in the Constitution).
2. Quoted Options, exercisable at \$0.80 each, on or before 21 August 2020, ASX Code: CPHO.
3. Performance Shares which convert to Shares on a 1:1 basis in the event that Kunna S.A.S. (an entity incorporated in Colombia) successfully cultivates, extracts and sells 10kg of cannabis extract from its operations within 18 months of the settlement date. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 16 October 2018.
4. Performance Rights are held by directors, consultants and employees of the Company and convert to Shares on a 1:1 basis subject to the satisfaction of certain milestones and vesting conditions.
5. Unquoted Options, exercisable at \$0.80 each, on or before 21 August 2020. Since the date of issue of these Options, the ASX has granted official quotation to this class of Options.
6. Unquoted Options, exercisable at \$0.80 each, on or before 15 September 2022.
7. Unquoted Options, exercisable at \$0.55 each, on or before 21 August 2021.
8. Unquoted Options, exercisable at \$0.535 each, on or before 27 July 2021.
9. Unquoted Options, exercisable at \$0.80 each, on or before 27 July 2022.
10. Unquoted Options, exercisable at \$0.80 each, on or before 13 July 2021.
11. **Market Price** means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
12. **Use of Funds:**
During the 12 months preceding the date of this Meeting, the Company received a total cash consideration of \$5,665,135 (before costs) from the issue of Equity Securities, of which:
 - a) \$4,253,605 was spent on:
 - product development, sales and marketing for the Company's cannabis-based human and animal products;
 - construction of the cannabis growing facility at the Memova Medical Inc site in Nova Scotia;

- asset acquisitions and associated transaction costs;
- repayment of debt;
- capital raising costs; and
- administration and working capital.

b) \$1,411,530 remains unspent as at 31 March 2019. It is intended that the remaining funds will be applied to accelerate sales and marketing efforts of the Company's cannabis-based human and animal products in Europe and Canada, repay a portion of the Company's existing debt and working capital. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

13. Current Value:

In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.325) or Options (\$0.041) as the context requires on the ASX on 28 March 2019.

In respect of unquoted Equity Securities:

- a) the value of unquoted 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. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).
- b) The value of unquoted Performance Shares and Performance Rights are determined with reference to the closing price of underlying Shares (\$0.325) on the ASX on 28 March 2019. No account is taken of any performance conditions included in the terms of the Performance Shares or Performance Rights.

GLOSSARY

10% Placement Capacity has the meaning given in Section 9.1.

Associated Body Corporate means

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

\$ means Australian dollars.

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

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.

ASX Listing Rules means the Listing Rules of ASX.

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.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

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

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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 with the terms and conditions set out in Schedule 12.

Optionholder means a holder of an Option.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Performance Right means a right to acquire a Share, subject to satisfaction of any vesting conditions, and the corresponding obligation of the Company to provide the Share.

Performance Rights Plan means the incentive performance rights plan the subject of Resolution 4 as summarised in Schedule 1.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 31 December 2018.

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.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

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

ANNEXURE 1 – NOMINATION OF AUDITOR LETTER

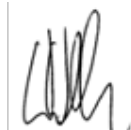
10 April 2019

Creso Pharma Limited
Level 24
300 Barangaroo Avenue
Barangaroo NSW 2000

Azalea Family Holdings Pty Ltd, being a member of Creso Pharma Limited (**Company**), nominate BDO East Coast Partnership in accordance with section 328B(1) of the *Corporations Act 2001* (Cth) (**Act**) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act.

Signed and dated 10 April 2019:



Winton Willesee
Director
Azalea Family Holdings Pty Ltd



Creso Pharma Limited | ABN 89 609 406 911

AGM Registration Card

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Vote by Proxy: CPH

Your proxy voting instruction must be received by **4.00pm (WST) on Wednesday, 29 May 2019**, 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 MEETING

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



