



ASX Announcement

11 September 2018

Company Update

Creso Pharma Limited (ASX: CPH, the “Company” or “Creso”) is pleased to advise that regulatory approval from ASX for the shareholder meeting document to approve the transaction with Kunna Canada Ltd (“**Kunna Acquisition**”) has now been received.

Enclosed is a Notice of Meeting (“**NOM**”) for a shareholders’ meeting to be held on 16th October 2018 at 10:00am (WST). The NOM will be dispatched to shareholders on Friday, 14th September 2018.

Subject to the receipt of shareholder approval, Creso anticipates completing the Kunna Acquisition in mid-October 2018 and thereafter immediately advancing its business plan in Colombia.

Since first executing the agreement relating to the Kunna Acquisition, Colombia has cemented its place as the international jurisdiction of choice for low cost, high quality cannabis production. There have been multiple international (mainly Canadian) companies that have announced transactions to enter Colombia, including from the world’s largest cannabis company Canopy Growth Corp in a transaction worth up to US\$96 million.

These transactions have vindicated Creso’s move into Colombia and should provide investors with additional comfort in relation to Creso’s strategy.

Creso further notes that, on 31 July 2018, Creso’s Quarterly Activities Report stated that the Company had completed the Kunna Acquisition. The Company intended for this to disclose that due diligence had been completed in relation to the Kunna Acquisition. Completion has not occurred and these statements are hereby retracted by Creso. As noted above, completion is now anticipated to occur in mid-October 2018 (subject to the receipt of shareholder approval).

Corporate Queries:

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CRESO PHARMA LIMITED

ABN 89 609 406 911

NOTICE OF GENERAL MEETING

TIME: 10:00am (WST)

DATE: 16th October 2018

PLACE: Quest West Perth
54 Kings Park Road
West Perth WA 6005

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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6559 1792.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 10:00am (WST) on 16th October 2018 at:

Quest West Perth
54 Kings Park Road
West Perth WA 6005

Your vote is important

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

Voting eligibility

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 10:00am (WST) on 14th October 2018.

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.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – ISSUE OF CONSIDERATION SHARES AND PERFORMANCE SHARES FOR COLOMBIAN ACQUISITION

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 up to 8,212,121 Shares and 1,212,121 Performance 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) 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.

2. RESOLUTION 2 - ADOPTION OF INCENTIVE OPTION 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 plan titled "Creso Pharma Limited Incentive Option 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 this Resolution by or on behalf of any Director, other than a Director 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.

Dated: 10 September 2018

By order of the Board



Sarah Jayne Smith
Company Secretary

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 - ISSUE OF CONSIDERATION SHARES AND PERFORMANCE SHARES FOR COLOMBIAN ACQUISITION

1.1 Summary of the Acquisition

As announced on 18 December 2017, the Company has entered into a binding heads of agreement (as subsequently varied) (**Heads of Agreement**) to acquire 100% of the issued share capital in Kunna Canada Ltd (an entity incorporated under the laws of Ontario, Canada) (**Kunna**) from its current shareholders set out in Schedule 2 (**Vendors**) (**Acquisition**).

The original purchase price that was agreed with the Vendors was a total of US\$7.15 million in Creso ordinary shares at a deemed issue price of A\$1.10, up to US\$1 million in performance shares to be issued at A\$1.10 each and a US\$250,000 exclusivity option payment payable immediately. This was subsequently renegotiated as outlined below.

Kunna is the owner of 100% of the shares in Kunna S.A.S. (an entity incorporated in Colombia) (**Kunna Colombia**). Kunna Colombia was established in 2012 and is one of Latin America's first medicinal cannabis companies.

On 31 March 2017, Kunna Colombia was granted a licence to produce, manufacture, market and export cannabis derivatives and products using extracts in Colombia by the Ministry of Health, making it one of a small number of companies to have secured such a licence (**Production Licence**). In addition, Kunna Colombia has recently been granted a licence to cultivate cannabis in Colombia (**Cultivation Licence**). Kunna Colombia is leveraging local resources and research combined with access to vast ideal cultivation property to become one of the lowest cost producers in the industry. Now that Kunna Colombia has received its Cultivation Licence it will begin a full genetic and fertilisation research project and is progressing with its intentions to obtain access to additional land for larger scale medicinal cannabis cultivation.

By acquiring 100% of the issued capital in Kunna, the Company will also indirectly acquire 100% of the issued capital in Kunna Colombia.

As noted above, the original purchase price was renegotiated and Creso is now acquiring Kunna for the following consideration:

- (a) 8,212,121 Shares at a deemed issue price of A\$0.85 per Share (being equal to US\$5,235,227 and A\$6,980,303 at the agreed exchange rate of 1:0.75); and
- (b) 1,212,121 in performance shares on the terms and conditions set out in Schedule 1 (**Performance Shares**) at a deemed issue price of A\$0.85 per Performance Share being equal to US\$772,727 and A\$1,030,303 at the agreed exchange rate of 1:0.75).

On or around the execution of the Heads of Agreement, the Company also paid Kunna a US\$250,000 exclusivity payment. An additional payment of US\$85,000 is payable upon Creso confirming its satisfaction with the due diligence. On 23 July 2018, the Company confirmed that it had completed its due diligence and

therefore this additional payment of US\$85,000 is likely to be made in the near future. For further details on the exclusivity payments please refer to Section 1.2(d).

The Performance Shares will convert into Creso Shares on a one-for-one basis in the event Kunna Colombia (the Colombian operating entity) successfully cultivates, extracts and sells 10 kilograms of cannabis extract from its operations within 18 months of Settlement. As announced in July 2018, the performance milestone was amended from the original milestone, relating to the sale of 100kgs of cannabis to a new milestone relating to the sale of 10kgs of cannabis extract (with a minimum of 6% CBD or 6% THC in flower), which must occur on commercial arm's length terms. The amendments were agreed as a result of due diligence investigations on Kunna Colombia. It was determined that the original milestone, based on sale of raw cannabis product, could not be satisfied as only cannabis extract can be sold legally in Colombia (not raw cannabis material). Accordingly, the parties agreed to amend the milestone to meet and reflect the legal requirements in Colombia. After processing, 100kgs of cannabis is roughly equivalent in value to 10kgs of cannabis extract (depending on the market where the product is sold, the grade of the cannabis/extract and other qualitative factors). However, the Company notes that this performance milestone has been designed around the fact that actually producing and selling its first cannabis extract from the Kunna's operations in Colombia will demonstrate the viability of the business, rather than actually generating significant revenue through satisfaction of the milestone.

Creso notes that the purchase price for Kunna was not determined by traditional valuation methods (such as a price earnings multiple or discounted cashflows). The opportunity to purchase Kunna was introduced to Creso by Creso's Australian legal advisers, Steinepreis Paganin. There was little or no negotiation of the purchase price for the acquisition deal terms because the Vendors advised the Company that they had a third party buyer that was prepared to purchase Kunna for the price originally agreed with Creso. As a result, Creso had to accept the price proposed by the Vendors or withdraw from the potential acquisition.

All of the directors of Creso had input into these discussions and due to the following qualitative factors, the Creso board considered that the price proposed was reasonable in the circumstances and resolved to enter into the Agreement:

- (a) arm's length negotiations and, in particular, the price at which the Vendors were prepared to sell their shares (i.e. the market price);
- (b) the strategic value of Kunna and its cannabis Licences to Creso (as outlined in this explanatory statement);
- (c) the competitive nature of the market for cannabis companies in Colombia. In this regard, Creso notes that there were many foreign companies in Colombia seeking to buy cannabis companies at the time Creso finalised its agreement with the Vendors; and
- (d) Creso's observations of the prices at which other cannabis companies in Colombia were being sold.

As set out in previous announcements, the Acquisition will give Creso a significant competitive advantage as one of the few companies in the world with the

capacity to commercially cultivate medicinal grade cannabis in Colombia.¹ The Cultivation Licence will enable Creso to product a full range of cannabis products which will enable the Company to develop a complete vertical offering of standardised, medicinal grade formulations for the local and broader Latin American market.

In 2016, Colombia's government adopted Law 1787 of 2016 that legalised cannabis for medicinal and scientific purposes. This law was later regulated by Decree 613 of April 10, 2017. This new Colombian legal framework allows for the commercial cultivation, processing and export of [medical marijuana](#) products.² While the Colombian Ministry of Health is responsible for issuing cannabis production and manufacturing licenses, the National Narcotics Fund is responsible for issuing seed possession and cultivation licenses.³In compliance with international laws these regulations also provide for legal exportation, thereby leveraging the agricultural and scientific competitive advantages of the country.⁴

Colombia has other advantages for growing cannabis, as in addition to its equatorial location and ideal microclimates, it is one of the most economically advantageous countries in the world for production of large volumes of high quality, low cost cannabis extract due to its expertise in the flower industry, knowledgeable and skilled labour force and supportive government.⁵

The Acquisition also gives Creso the following advantages:

- (a) A presence in the growing Colombian market for its innovative animal and human health nutraceutical products.
- (b) A strong foothold in the growing Latin American region.
- (c) Product commercialisation synergies, having a complementary range of medicinal cannabis products to develop and end-use applications and a first mover advantage in the Latin American markets. The Acquisition will enable Creso to better integrate its supply chain, allowing it to produce its own medicinal cannabis as well as supply its existing planned products to the Colombian market.
- (d) Cost effective entry into the Colombian market and broader Latin American market.
- (e) The ability to integrate Creso's supply chain allowing to it produce its own medicinal cannabis as well as supply its existing planned products to the Colombian market.
- (f) Ability to bring its significant pharmaceutical expertise and rigour to medicinal cannabis production and cultivation in Colombia.
- (g) Access to industry professionals that form the Kunna team.

¹ As of May 2018, Colombia had issued 33 licences accounting for 44 percent of licenses issued globally: see Reuters "Colombia sees billion-dollar bonanza from legacy of marijuana trade" (4 May 2018) (<https://www.reuters.com/article/us-colombia-marijuana/colombia-sees-billion-dollar-bonanza-from-legacy-of-marijuana-trade-idUSKBN1142M9>)

² <https://www.bizlatinhub.com/how-obtain-license-medical-marijuana-colombia/>

³ <https://www.elanbiz.org/the-legalization-of-medicinal-marijuana-creates-great-opportunities-in-colombia>

⁴ [The foundation of the legal framework are Law 1787 of 2016 and Decree 613 of 2017. Resolutions 577, 578 and 579 of the Ministry of Justice and Resolutions 2891 and 2892 of the Ministry of Health regulate procedures.](#)

⁵ <https://herb.co/marijuana/news/pharmacielo-rionegro-colombia-cannabis-market/>; Conlon, Michael, "The History of the Colombian Flower Industry and its Influence on the United States"

The consolidated audited accounts for Kunna for the period ending 31 December 2017 and unaudited accounts for the period ending 30 June 2018 are contained as Annexure A. The Company notes that the only significant asset of Kunna and Kunna Colombia is the Licences. The value attributed to the Licences in the accounts reflects the costs incurred by Kunna to obtain and retain the Licences and is therefore not largely related to the value that Creso attributes to the Licences. Due to the limited number of cultivation licences granted in Colombia, Kunna and its access to the Licences was and continues to be in high demand and this attracts value. Accordingly, even though the value of the Licences in the accounts (which simply reflects the actual funds expended in pursuing the Licences) is considerably less than the value of the purchase price agreed to be paid by Creso, the Creso board considers that the agreed purchase price is reasonable in the circumstances taking into account the potential advantages that Kunna can provide to Creso and the Creso shareholders for the reasons set out above.

Further details in relation to the Acquisition are set out in various announcements that have been made to ASX by the Company since 18 December 2017.

If Resolution 1 is not passed, the Acquisition will not complete and the Company will likely not proceed with the Acquisition.

1.2 Heads of Agreement

The material terms of the Heads of Agreement are as follows:

- (a) **(Conditions Precedent):** Settlement of the Acquisition is conditional upon the satisfaction (or waiver by the Company) of the following remaining conditions precedent:
 - (i) the parties receiving all necessary consents and approvals (including Shareholder approval pursuant to Listing Rule 7.1 and regulatory approvals) as are desirable or required in connection with the Acquisition. This Notice of Meeting has been prepared to seek shareholder approval for the matters required to complete the Acquisition; and
 - (ii) the Company completing due diligence on the business and operations of Kunna and Kunna Colombia (at the sole discretion of the Company) **(Due Diligence Condition)**,

(together the **Conditions Precedent**).

The Company notes that the Due Diligence Condition has now been satisfied and, hence, only Creso shareholder approval is required to complete the Acquisition. The Conditions Precedent are to be satisfied (or waived) on or before 31 October 2018, or any other date agreed between the parties.

- (b) **(Consideration):** In consideration for the Acquisition, the Company will, at Settlement, pay to the Vendors or their nominees a purchase price of US\$6,007,954 (\$A8,010,605.33 based on the deemed A\$:US\$ exchange rate of 1:0.75) which will be satisfied through the issue to the Vendors (or their nominees) of:
 - (i) 8,212,121 Shares **(Consideration Shares)** (US\$ 5,235,227/A\$ \$6,980,303 worth of Shares at a deemed issue price equal to A\$0.85 per Share); and

- (ii) 1,212,121 Performance Shares (US\$772,727/A\$ \$1,030,303 worth of Performance Shares in the Company at a deemed issued price of A\$0.85 per Performance Share).

The Vendors have advised that one of the Vendors (a party unrelated to Creso) (**Vendor Facilitator**) played a significant role in establishing the acquisition on behalf of Kunna and accordingly, the Vendors agreed that the Vendor Facilitator would receive 6% of the purchase price as a finder's fee (**Finder's Fee**) (as a reduction to the purchase price, not in addition to the purchase price). The Vendors have nominated the Vendor Facilitator (or his nominees) to receive 6% of the consideration payable to the Vendors, being 492,727 Consideration Shares and 72,727 Performance Shares, in order to settle the Finder's Fee.

Additionally, the Vendor Facilitator has nominated that some of the Finder's Fee will be allocated to certain debtors of Kunna to extinguish outstanding debts owed by Kunna to a value of \$50,753.

Details of the Vendors and the number of Consideration Shares and Performance Shares that they will receive at Settlement are set out in Item 1 of Schedule 2.

Details of the Vendor Facilitator and its nominees and the number of Consideration Shares and Performance Shares that they will receive at Settlement are set out in Item 2 of Schedule 2.

- (c) (**Settlement**): at settlement of the Acquisition (**Settlement**):

- (i) the Company shall:

- (A) issue the Consideration Shares and Performance Shares to the Vendors (and nominees) and deliver holding statements to the Vendors (and nominees) for those securities; and
 - (B) apply for ASX quotation of the Consideration Shares; and

- (ii) the Vendors (and nominees) must deliver or cause to be delivered to the Company, among other things, executed voluntary escrow agreements whereby each of the Vendors agrees to a voluntary holding lock being placed on their Consideration Shares and Performance Shares for a period as follows:

- (A) 25% shall be freely tradeable 3 months from Settlement;
 - (B) 25% shall be freely tradeable 6 months from Settlement;
 - (C) 25% shall be freely tradeable 9 months from Settlement; and
 - (D) 25% shall be freely tradeable 12 months from Settlement;

- (d) (**Exclusivity**): Within 14 days of executing the Heads of Agreement, the Company paid Kunna a cash fee of US\$250,000 (**Initial Exclusivity Fee**). Following the Company's satisfaction with the due diligence on Kunna, which was confirmed on 23 July 2018, the Company must pay Kunna an

additional cash fee of US\$85,000 (**Additional Exclusivity Fee**). Kunna has agreed to use the Initial Exclusivity Fee and Additional Exclusivity Fee (together **Exclusivity Fee**) to pursue the grant of the Cultivation Licence and for other general working capital requirements agreed with the Company in writing. In consideration and on completion for the payment of the Initial Exclusivity Fee until the earlier of Settlement or the date that the Heads of Agreement is validly terminated in accordance with its terms (**Exclusivity Period**), the Vendors agree that they will not and shall procure that Kunna and Kunna Colombia will not (without the prior written approval of the Company):

- (i) participate in any negotiations or discussions with, or provide any information to, or accept or enter into any agreement, arrangement or understanding with, any third parties in respect of a transaction that may reduce the likelihood of success of the transactions contemplated by the Heads of Agreement and will also cease any existing discussions or negotiations regarding such transactions;
 - (ii) engage with any third party in connection with the sale of all or any of the issued capital of Kunna, or any assets of Kunna or Kunna Colombia; and
 - (iii) provide any third party with any information regarding Kunna, Kunna Colombia or their businesses, assets or undertakings, other than in the ordinary course of its ordinary business.
- (e) (**Budget and Finance**): Subject to Settlement occurring and the overriding duties of the directors of the Company, the Company agrees to provide Kunna Colombia with sufficient funding (by way of intercompany loan) to pursue the objectives set out in the agreed budget.

1.3 Kunna Due Diligence Investigations

As stated above, until 23 July 2018, the Acquisition remained conditional on the Company completing due diligence on the business and operations of Kunna.

As part of satisfying the Due Diligence Condition, the Company undertook appropriate enquiries and due diligence investigations into Kunna and Kunna Colombia, including into the Licences, financial position and performance, future prospects, legality of operations and the expertise of its key personnel.

Specifically, following entry into the Heads of Agreement, Creso:

- (a) undertook a site visit to Colombia to meet with the Kunna team and receive a presentation on their proposed business plan;
- (b) appointed legal advisers (Dentons) in Bogota to undertake a due diligence review on Kunna Colombia and its activities; and
- (c) reviewed the financial statements of Kunna and Kunna Colombia.

The legal due diligence involved Dentons completing a standard form legal due diligence checklist which reviewed the business and operations of Kunna Colombia in detail. Legal due diligence is a comprehensive assessment of the possible legal risks related to the corporate status, assets, contracts, securities, intellectual property etc. of the target company concerned (in this case Kunan

Colombia). Dentons performed this task on behalf of the Company and then completed a report on its due diligence findings for consideration for the board of directors of Creso.

Such investigations consolidated the Company's confidence that the Acquisition is in the best interests of the Company and its shareholders and as announced on 23 July 2018, the final due diligence investigations were completed.

Importantly, Creso and its lawyers have reviewed the Production Licence and the Cultivation Licence.

Other than the Initial Exclusivity Fee and the Additional Exclusivity Fee, no additional fees have been or will be paid by Creso in relation to the Acquisition.

Kunna has advised that as per the terms of the Heads of Agreement, the funds from the Initial Exclusivity Fee were used to pursue the grant of the Cultivation Licence and for other general working capital requirements agreed with the Company in writing including employee and consultant expenses from December to the end of July and the cost of the financial audit. Due to the time between execution of the Heads of Agreement and the anticipated settlement of the Acquisition, the Additional Exclusivity Fee will be used to fund the subsequent and ongoing general working capital requirements of Kunna (subject to approval by Creso) up until Settlement. As at the date of this Notice, these costs include employee and consultant expenses, development of cannabis seed bank and further preliminary studies on soil and water qualities. Other than the Finder's Fee Creso is not aware of any fees that have been paid by Kunna in relation to the Acquisition.

1.4 General

Resolution 1 seeks Shareholder approval for the issue of the Consideration Shares and Performance Shares at Settlement.

As the Company already has performance shares on issue, there is no need to obtain Shareholder approval to create a new class of securities pursuant to section 246B of the Corporations Act.

1.5 ASX Listing Rule 7.1

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.

The effect of Resolution 1 will be to allow the Company to issue the Consideration Shares and Performance Shares 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.

1.6 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 the issue of the Consideration Shares and Performance Shares:

- (a) the maximum number of Consideration Shares and Performance Shares to be issued is as follows:

- (i) 8,212,121 Consideration Shares; and
- (ii) 1,212,121 Performance Shares;
- (b) the Consideration Shares and Performance Shares will be issued at Settlement which will occur 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 anticipated that the issue will occur on the same date;
- (c) the Consideration Shares and Performance Shares will be issued for nil cash consideration in satisfaction of the consideration payable on completion of the Acquisition;
- (d) the Consideration Shares and Performance Shares will be issued to the Vendors and their nominees (set out in Schedule 2), each of whom is not a related party of the Company;
- (e) the terms and conditions of:
 - (i) the Consideration Shares are - the Shares 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; and
 - (ii) the Performance Shares - will be issued on the terms and conditions set out in Schedule 1; and
- (f) no funds will be raised from this issue as the Consideration Shares and Performance Shares are being issued in satisfaction of the consideration payable at completion of the Acquisition.

2. RESOLUTION 2 - APPROVAL OF INCENTIVE OPTION PLAN

Resolution 2 seeks Shareholder approval for the adoption of the employee incentive plan titled "Creso Pharma Limited Incentive Option Plan" (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

A summary of ASX Listing Rule 7.1 is provided in Section 1.5. 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 plan are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the plan as an exception to ASX Listing Rule 7.1.

If Resolution 2 is passed, the Company will be able to issue Options 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.

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 Options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Options under the Plan to a related party or a person whose relation 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 . 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, Sarah Smith, on 61 (8) 6559 1792. Shareholders are invited to contact the Company if they have any queries or concerns.

No Options have previously been issued under the Plan.

GLOSSARY

\$ means Australian dollars.

Acquisition has the meaning given to it in Section 1.1.

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.

Consideration Shares has the meaning given to it in Section 1.2(b)(i).

Company or **Creso Pharma** means Creso Pharma Limited (ABN 89 609 406 911).

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

Cultivation Licence has the meaning given to it in Section 1.1.

Directors means the current directors of the Company.

EST means Eastern Standard Time as observed in Sydney, New South Wales.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

Heads of Agreement has the meaning given to it in Section 1.1.

Kunna has the meaning given to it in Section 1.1.

Kunna Colombia has the meaning given to it in Section 1.1.

Licences means the Cultivation Licence and the Production Licence.

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

Option means an option to subscribe for a Share.

Performance Share means the performance shares set out in Section 1.1(b) and having the terms as set out in Schedule 1.

Plan has the meaning given in Section 2.

Production Licence has the meaning given to it in Section 1.1.

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.

Settlement has the meaning given to it in Section 1.2(c).

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

Shareholder means a registered holder of a Share.

Vendors has the meaning given to it in Section 1.1 and as set out in Schedule 2.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF THE PERFORMANCE SHARES

The following is a summary of the key terms and conditions of the Performance Shares that has been adopted by the Company:

- (a) **(Performance Shares)**: Each Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)**: Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to the Company's shareholders. Holders have the right to attend general meetings of the Company's shareholders.
- (c) **(No Voting Rights)**: Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company's shareholders, subject to any voting rights under the *Corporations Act 2001* (Cth) (**Corporations Act**) or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (d) **(No Dividend Rights)**: Performance Shares do not entitle the Holder to any dividends.
- (e) **(No Return of Capital Rights)**: Performance Shares do not entitle the Holder to any right to a return of capital, whether on a winding up, upon a capital reduction or otherwise.
- (f) **(No Rights on Winding Up)**: Upon winding up of the Company, Performance Shares may not participate in the surplus profits or assets of the Company.
- (g) **(Transfer of Performance Shares)**: Performance Shares are not transferable.
- (h) **(Reorganisation of Capital)**: In the event that the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- (i) **(Application to ASX)**: Performance Shares will not be quoted on ASX. Upon conversion of Performance Shares into Shares in accordance with these terms, the Company must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.
- (j) **(Participation in Entitlements and Bonus Issues)**: Subject always to the rights under item (h) (Reorganisation of Capital), Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (k) **(Amendments required by ASX)**: The terms of Performance Shares may be amended as necessary by the board of directors of the Company in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.

- (l) **(No Other Rights)**: Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of Performance Shares

- (a) **(Issue of Performance Shares)**: The Performance Shares will be issued on Settlement.
- (b) **(Milestones and Conversion)**: Each Performance Share will automatically convert into one Share in the event Kunna S.A.S. (an entity incorporated in Colombia) is successful at the cultivation, extract and sale of 10 kgs of cannabis extract (with a minimum of 6% CBD or 6% THC in flower), which must occur on commercial arm's length terms, from its operations within 18 months of Settlement **(Milestone)**.
- (c) **(Change in Control)**: Upon:
- (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:
 - (A) having received acceptances for not less than 50.1% of the Company's shares on issue; and
 - (B) having been declared unconditional by the bidder; or
 - (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

then, to the extent the Performance Shares have not converted into Shares due to satisfaction of a Milestone, the Performance Shares automatically convert to that number of Shares which when issued together with all Shares issued under any other class of performance shares then on issue in the Company, is equal to the lesser of one Share per Performance Share and 10% of the total Shares on issue at that time. Performance Shares that are not converted into Shares will continue to be held by the holder on the same terms and conditions.

- (d) **(Deferral of conversion if resulting in a prohibited acquisition of Shares)** If the conversion of a Performance Share under paragraph (b) or (c) would result in any person being in contravention of section 606(1) of the Corporations Act 2001 (Cth) **(General Prohibition)** then the conversion of that Performance Share shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Share would result in a contravention of the General Prohibition:
- (i) Holders may give written notification to the Company if they consider that the conversion of a Performance Share may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
 - (ii) The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph (d)(i) within seven days if the Company considers that the conversion of a Performance Share may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will

entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.

- (e) **(Redemption if Milestone not achieved)** If the relevant Milestone is not achieved by the required date, then each Performance Share in that class will be automatically redeemed by the Company for the sum of \$0.00001 within 10 business days of non- satisfaction of the Milestone.
- (f) **(After Conversion)**: The Shares issued on conversion of the Performance Shares will, upon and from their issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion (subject to complying with any restriction periods required by the ASX).
- (g) **(Conversion Procedure)**: The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into Shares.
- (h) **(Ranking of Shares)**: The Shares into which Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

SCHEDULE 2 – SHAREHOLDERS OF KUNNA AT SETTLEMENT

Item 1 – Vendors

Vendor	Consideration Shares	Performance Shares
Pedro Tosin	1,461,232	215,680
Nubua De Tosin	154,388	22,788
Eduardo Smith	385,970	56,969
Frontier Hydrocarbons Ltd	1,117,016	164,873
BB Enterprises BVI	1,056,752	155,978
Dorson Commercial Corp.	1,549,618	228,726
Lynn Chapman	77,481	11,436
Brockville International Ltd	258,270	38,121
Chris Reid	154,962	22,873
Bill Pound	154,962	22,873
Simon Hobson	154,962	22,873
James Leech	154,962	22,873
Danny Jaiquel	103,308	15,248
Eduardo Cifuentes	77,481	11,436
Oscar Cifuentes	51,654	7,624
1661061 Alberta Ltd.	573,932	84,713
Ricardo Cuarvo	232,444	34,309
Total	7,719,394	1,139,393

Item 2 – Finder's Fee nominees

	Consideration Shares	Performance Shares
Chris Reid/Vendor Facilitator	413,114	72,727
Charles McLaughlin	67,848	
David Kelly	3,922	
Farley Veer	7,843	
Total	492,727	72,727

SCHEDULE 3 – SUMMARY OF INCENTIVE OPTION PLAN

- (a) The Plan is intended to provide an incentive to retain, in the employment or service or directorship of the Company persons of training, experience and provide the ability to attract new employees, directors or consultants whose services are considered valuable.
- (b) The Board or a committee appointed by the Board will administer the Plan.
- (c) The persons eligible to participate in the Plan include any employees, directors and consultants of the Company or any subsidiary of the Company.
- (d) The Company may apply to appoint a trustee to hold Options issued under the Plan.
- (e) The Company will comply with laws relevant in the jurisdiction in which a recipient lives, including initially appointing a trustee to hold the Options under the Plan for the recipients in Israel.
- (f) The exercise price of the Options shall be determined by the Board.
- (g) Options issued under the Plan may be subject to adjustments where:
 - (i) the Company is separated, reorganised, merged, acquired or consolidated with or into another corporation, the Board may determine that any vesting conditions that have not yet been satisfied shall be accelerated so that any unvested options become immediately vested;
 - (ii) a share dividend, share split, combination or exchange of shares, recapitalisation or any other like event, the options issued under the Plan shall be likewise adjusted;
 - (iii) if all or a substantial portion of the Shares in the Company are sold under a merger or reorganisation, then the options under the Plan on issue will be accelerated to enable the holders to participate in the merger.
- (h) Upon the termination of any holder's employment with the Company, any unvested options will immediately expire.
- (i) Unless otherwise prescribed by the Board, upon the termination of a holder's employment with the Company, any vested options remain on issue in accordance with their terms, unless the employment is terminated by the Company for cause, or the termination is as a result of death or disability (in which case the options must be exercised within 12 months from the effective date of termination).
- (j) Options issued under the Plan are generally not transferable.
- (k) The Board of the Company may alter or amend the Plan at any time, except that no amendment shall be made which would impair the rights of the holder of any options already granted.
- (l) The Plan remains subject to the laws in any jurisdiction in which the Company operates and any rules imposed by ASX.

ANNEXURE A – KUNNA ACCOUNTS

KUNNA CANADA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the period from June 8, 2017 to December 31, 2017
and for the six months ended June 30, 2018

KUNNA CANADA LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Expressed in US Dollars)</i>	June 30, 2018	December 31, 2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Assets		
Current assets		
Cash	\$ 30,292	\$ 9,561
Non-current assets		
Licenses (Note 9)	43,486	23,984
	<u>\$ 78,002</u>	<u>\$ 33,545</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 284,554	\$ 19,938
Promissory Notes (Note 8)	44,220	170,000
	<u>328,774</u>	<u>189,938</u>
Shareholders' Equity		
Share capital (Note 11)	989	989
Reserve from common-control transaction (Note 7)	(69,343)	(69,343)
Deficit	(182,418)	(88,039)
	<u>(250,772)</u>	<u>(156,393)</u>
	<u>\$ 78,002</u>	<u>\$ 33,545</u>

See accompanying notes to the financial statements.

Approved by the Board of Directors:

(signed) "Pedro Oruga"
Director

(signed) "Chris Reid"
Director

KUNNA CANADA LTD.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the period from June 8, 2017 to December 31, 2017

and for the six months ended June 30, 2018

(Expressed in US Dollars)

	2018	2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Expenses:		
General and administrative	\$ 117,781	\$ 40,512
Gain on debt forgiveness	(30,000)	-
Finance expense	-	43,253
Amortization expense	3,755	696
Foreign exchange loss	2,844	3,578
	94,380	88,039
Net loss and comprehensive loss for the period	(94,379)	(88,039)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	29,888,889	6,482,201

See accompanying notes to the financial statements.

KUNNA CANADA LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US Dollars)

	Number of Common Shares	Share Capital	RCCT ¹	Deficit	Total
June 8, 2017 (incorporation date)	1	\$ -	\$ -	\$ -	\$ -
Share issued under common-control transaction	20,000,000				-
Share issued for subscription	9,888,888	989			989
Deficit on Acquisition			(69,343)		(69,343)
Loss				(88,039)	(88,039)
Balance at December 31, 2017 (audited)	29,888,889	\$ 989	\$ (69,343)	\$ (88,039)	\$ (156,393)

	Number of Common Shares	Share Capital	RCCT ¹	Deficit	Total
Balance at January 1, 2018	29,888,889	\$ 989	\$ (69,343)	\$ (88,039)	\$ (156,393)
Loss				(94,379)	(94,379)
Balance at June 30, 2018 (unaudited)	29,888,889	\$ 989	\$ (69,343)	\$ (182,418)	\$ (250,772)

1) Reserve from common-control transaction

See accompanying notes to the financial statements.

KUNNA CANADA LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period from June 8, 2017 to December 31, 2017
and for the six months ended June 30, 2018

(Expressed in US Dollars)

	2018	2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash flows related to the following activities:		
Operating activities		
Loss for the period	\$ (94,379)	\$ (88,039)
Adjustments for:		
Gain on debt forgiveness	(30,000)	-
Professional services paid through share issuance	-	989
Finance expense	-	43,253
Amortization expense	3,755	696
Change in non-cash working capital	10,392	13,201
	(110,232)	(29,900)
Investing activities		
Cash received on common control transaction (Note 7a)	-	9,461
Cash received from Creso Pharma Limited (Note 7b)	250,000	-
Capital expenditures on licenses	(23,257)	-
	226,743	9,461
Financing activities		
Issuance (repayment) of promissory notes	(95,780)	30,000
Change in non-cash working capital	-	-
	(95,780)	30,000
Net cash from operating, investing and financing activities	20,731	9,561
Cash, beginning of period	9,561	-
Cash, end of period	\$ 30,292	\$ 9,561

See accompanying notes to the financial statements.

Kunna Canada Ltd.

Notes to the consolidated financial statements

*For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)*

1. NATURE OF OPERATIONS

Kunna (Canada) Ltd. (the “Company” or “Kunna”) was incorporated June 8, 2017 as Cannalivio (Canada) Ltd. under the laws of Ontario, Canada. The Company filed articles of amendment of December 14, 2017, and effectively changed its name to Kunna Canada Ltd.

Kunna Canada Ltd. is the parent company of its wholly owned subsidiary, Kunna S.A.S., which is located in Bogota, Colombia. Kunna S.A.S. is a licensed extractor and producer of medical cannabis oil in Colombia and has the legal right to export cannabis oil and products made from cannabis derivatives.

On November 17, 2017, the Company closed the acquisition of Kunna S.A.S. The transaction was accounted for as a common control asset acquisition (Note 6).

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. Since incorporation, the Company has incurred a net loss with no revenue-generating operations, which were financed principally from proceeds received through loans. As at June 30, 2018, the Company maintains working capital deficiency of \$250,772.

As the Company has no assets capable of generating cash flow, it will continue to exhaust its remaining financial resources to fund existing operations for the foreseeable future. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern as it will be contingent upon the Company’s ability to successfully identify and procure necessary capital, which may be by way of strategic transactions to obtain financing and/or generate profitable operations that are beneficial to the Company and its shareholders.

Management believes that the going concern assumption is appropriate for these consolidated financial statements and that the Company will be able to meet its budgeted administrative costs during the upcoming year and beyond when considering the Company’s current financial forecast. However, there is no certainty as to the timing and likelihood of realizing a strategic transaction that would provide additional financial resources beyond those currently retained by the Company. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

3. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 28, 2018.

Basis of measurement

The Financial Statements have been prepared on the going concern basis, under the historical cost convention.

Functional and presentation currency

The Financial Statements are presented in United States (“US”) dollars, unless otherwise denoted. Management selected the US dollar as the presentation currency as it best facilitates comparability with industry peers.

Kunna Canada Ltd.

Notes to the consolidated financial statements

*For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)*

The functional currency of the Company is US dollars, and the functional currency of the Company's subsidiary, Kunna S.A.S., is the Colombian peso.

Assets and liabilities of entities with functional currencies other than US dollars are translated at the period end exchange rates, results of their operations are translated at average exchange rates for the period, and shareholders' equity is translated at the rate effective at the time of the transaction. The resulting translation adjustments are included in profit/loss in shareholders' equity.

Basis of consolidation

The Financial Statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. As of December 31, 2017, the only subsidiary of Kunna is Kunna S.A.S., which is incorporated under the jurisdiction of Colombia and is wholly owned by Kunna.

All transactions and balances between companies are eliminated on consolidation. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Intangible assets – licenses and authorizations costs

Intangible assets are recognized as such if it is probable that future economic benefits attributable to the asset will flow to the Company and their cost can be reasonably measured.

Intangible assets that are acquired by the Company, which have definite useful lives, are measured at cost less accumulated amortization and impairment losses. These intangible assets are comprised of license costs and costs related to the retention of the licenses and authorizations for the recreational and cannabinoids extraction projects. These intangible assets are amortized through profit or loss on a straight-line basis over their estimated useful lives estimated to be five years for license costs and ten years for costs related to the retention of licenses, respectively, from the beginning of operations.

For licenses and permits that are classified as intangible assets with an indefinite life, no amortization is recognized but impairment tests on such licenses are carried out on an annual basis. This would apply to licenses and permits that do not expire and, as such, there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company.

Impairment of non-financial assets

The Company reviews and evaluates impairment of its non-financial assets subject to depreciation and amortization whenever events or changes in circumstances occur that indicates that the carrying amount of the asset will not be recovered from its use or sale. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the higher of its fair value and value in use. Fair value is the amount that can be obtained from the sale of an asset in an open market. The value in use corresponds to the present value of the estimated future cash flows expected to be obtained from the continuing use of the asset and from its sale at the end of its useful life. Impairment losses recognized in previous years are reversed if there is a change in the estimates used on the last time an impairment loss was recognized.

Kunna Canada Ltd.

Notes to the consolidated financial statements

For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The Company bases its accruals on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

Financial instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVTOCI")
- Financial assets measured at cost
- loans and receivables

financial assets measured at FVTPL

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statements of income and comprehensive income. Transaction costs are expensed as incurred.

financial assets measured at FVTOCI

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. Gains and losses arising from changes in fair value are recognized in other comprehensive income.

financial assets measured at cost (loans and receivables)

Loans and receivables are financial assets having fixed or determinable payments that are not quoted in an active market. They are initially recognized at the transaction value and subsequently carried at amortized cost less, when material, a discount to reduce the loans and receivables to fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of income and comprehensive income. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through the consolidated statements of income and comprehensive income. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Kunna Canada Ltd.

Notes to the consolidated financial statements

*For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)*

Financial liabilities and other financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities at FVTPL are stated at fair value, with changes being recognized through the consolidated statements of income and comprehensive income. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Classification of financial instruments

Cash and cash equivalents – FVTPL

Receivables from related parties – loans and receivables

Other receivables – loans and receivables

Accounts payable and other payables – other financial liabilities

Due to related parties – other financial liabilities

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements; they are only disclosed in a note to the financial statements. When the possibility of an outflow of resources to cover a contingent liability is remote, such disclosure is not required.

Contingent assets are not recognized in the consolidated financial statements, they are only disclosed in the notes to the financial statements when it is probable that an inflow of resources occurs.

Items previously treated as contingent liabilities will be recognized in the consolidated financial statements in the period in which a change of probabilities occurs, that is, when it is determined that it is probable that an outflow of resources will take place to cover such liabilities. The items treated as contingent assets will be recognized in the consolidated financial statements in the period in which it is determined that it is virtually certain that an inflow of resources will occur, respectively.

Segment reporting

According to IFRS 8, operating segments are identified based on the 'management approach'. This approach stipulates external segment reporting based on the Company's internal organizational and management structure and on internal financial reporting to the chief operating decision maker. Management of the Company is responsible for measuring and steering the business success of the segments and is considered the chief operating decision maker within the meaning of IFRS 8.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable

Kunna Canada Ltd.

Notes to the consolidated financial statements

*For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)*

earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income (loss) or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

New standards and interpretations issued but not yet adopted

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Impairment testing

At the date of each statement of financial position, the Company reviews the carrying amounts of its finite-life intangible assets carried at cost to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Valuation of deferred income tax assets

The Company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific

Kunna Canada Ltd.

Notes to the consolidated financial statements

*For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)*

rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Company considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefits will not be realized, the deferred income tax asset is not recognized.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

The Company has classified its cash and cash equivalents as fair value through the consolidated statements of loss and comprehensive income and promissory notes, and accounts payable and other payables as other financial liabilities.

The carrying values of other receivables, and accounts payable and other payables and promissory notes approximate their fair values due to their short periods to maturity.

Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, credit risk, and capital risk.

Liquidity risk

As at December 31, 2016, the Company's financial liabilities consist of accounts payable and other payables, which have contractual maturity dates within one year, with the exception of the long term portion of accounts payable and other payables. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position at December 31, 2016, management regards liquidity risk to be low.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Counterparties in cash transactions are limited to first-rate financial credit institutions.

As of December 31, 2017, the Company's management considers that the Company's other receivables do not have non-collectable accounts because they do not have credit risk.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents. The Company is also exposed to interest rate risk on its promissory notes. Those promissory notes issued carried either a fixed interest rate or were interest-free loans. Fluctuations of interest rates for the periods ending June 30, 2018 and December 31, 2017 would not have had a significant impact on the consolidated financial statements.

Kunna Canada Ltd.

Notes to the consolidated financial statements

For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)

7. CORPORATE TRANSACTIONS

a) Kunna S.A.S.

On November 17, 2017, the Company acquired all of the issued and outstanding shares of Kunna S.A.S. in exchange for 20,000,000 shares in Kunna (the "Acquisition"). As Kunna and Kunna S.A.S. are under common control, the acquisition was deemed as a common-control transaction. As such, the Company recognized the assets and liabilities of Kunna S.A.S. at their carrying amounts according to historical cost financial records as follows:

Cash	\$ 9,461
Licenses	24,680
Accounts payable	(6,737)
Loans	(96,747)
Reserve from common-control transaction	\$(69,343)

The results of the Acquisition have been included in the accounts of the Company commencing November 17, 2017. The amounts recorded as a reserve from common-control transaction in shareholders' equity represents the difference between the par value of the Kunna shares issued and the net book value of the acquired assets and assumed liabilities.

b) Creso Pharma Limited

In December 2017, Kunna Canada Ltd. entered into a Heads of Agreement with Creso Pharma Limited ("Creso") whereby terms for the acquisition of 100% of the common share of Kunna by Creso were outlined (the "Transaction"). The proposed Transaction will result in the shareholders of the Company receiving \$8,150,000 as consideration to be settled through the issuance of shares in Creso.

The completion of the acquisition is conditional upon the satisfaction of a number of conditions that were either fulfilled prior to these statements or are in the process of being fulfilled, and are as follows:

- Consent being received by all necessary parties
- Creso having completed satisfactory due diligence on the business and operations of the Company.
- Kunna S.A.S. being granted a cultivation license
- The finalization of the definitive agreement which incorporates the terms proposed within the Heads of Agreement.

In January 2018, in accordance with the Heads of Agreement, Creso made payment of \$250,000 to the Company under the provisions of an exclusivity fee, which was recorded as a liability within accounts payable until the transaction closes.

8. PROMISSORY NOTES PAYABLE

During the period ended December 31, 2017, the Company issued non-interest bearing promissory notes to certain lenders who had previously loaned cash for the operations of Kunna S.A.S., the balance of which was assumed by the Company as at the date of the acquisition of Kunna S.A.S. (see Note 6). Changes in the balances of promissory notes for the periods ending December 31, 2017 and June 30, 2018 are as follows:

Kunna Canada Ltd.

Notes to the consolidated financial statements
For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)

Balance as at June 8, 2017 (date of incorporation)	\$ -
Loans assumed under the Acquisition	96,747
Finance expense incurred under Promissory notes issued on loans assumed	43,253
Issuance of additional promissory note	30,000
Balance, December 31, 2017	\$ 170,000
Payments on promissory notes	(95,780)
Forgiveness of promissory note	(30,000)
Balance, June 30, 2018	\$ 44,220

The terms of the promissory notes were as follows:

Type of Loan		Interest per annum	Maturity Date	June 30, 2018	December 31, 2017
<i>Short Term</i>					
Unsecured promissory note	(a)	0%	On demand	\$ 44,200	\$ 125,000
Unsecured promissory note	(a)	0%	On demand	-	10,000
Unsecured promissory note	(a)	0%	On demand	-	30,000
Unsecured promissory note	(a)&(b)	12%	On demand	-	5,000
				\$ 44,200	\$ 170,000

- a) From November 16 to 25, 2017, the Company entered into promissory notes in the aggregate principal amount of \$140,000 for amounts previously lent to Kunna S.A.S. The terms of each of these promissory notes required repayment of the principal amount upon request by the lender. Unless otherwise noted herein, each of these promissory notes were non-interest bearing. Each promissory note outlined terms of the maturity date upon which the principal of each promissory note would become payable. Such events that would trigger the maturity date included the completion of a capital raise by the Company of minimum gross proceeds \$200,000, the completion of a transaction whereby the Company sells substantially all of its assets, or the completion of a transaction whereby all or substantially all of the shares of the Company are sold.
- b) The promissory note for the principal amount of \$5,000 specified an interest-free period for two months from issuance of the note, with a 12% annual interest rate thereafter on principal balances owed, payable upon maturity.

In April 2018, in connection with the Transaction as described previously in Note 7(b), the Company entered into an assignment agreement to assign the remaining indebtedness of promissory notes of the balance of \$44,200 to one of the shareholders of the Company, effective upon the closing of the Transaction. By way of this assignment agreement, the Company will be released from any further obligation under the aforementioned promissory note, which will become the full responsibility of the shareholder upon closing of the Transaction.

9. LICENSES AND AUTHORIZATIONS COSTS

On March 31, 2017, Kunna S.A.S. was granted a license to produce, manufacture, market and export cannabis derivatives and products using extracts in Colombia by the Ministry of Health, making it one of a small number of companies to have secured such a license.

A continuity of the intangible assets for the period ended December 31, 2017 is as follows:

	Balance at June 8, 2017	Acquisition Additions	Amortization	Balance at Dec 31, 2017
Licenses	-	24,680	(696)	23,984
	\$ -	\$ 24,680	\$ (696)	\$ 23,984

Kunna Canada Ltd.

Notes to the consolidated financial statements
For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)

A continuity of the intangible assets for the three months ended June 30, 2018 is as follows:

	Balance at Dec 31, 2017	Additions	Amortization	Balance at June 30, 2018
Licenses	23,984	23,257	(3,755)	43,486
	\$ 23,984	\$ 23,257	\$ (3,755)	\$ 43,486

As of June 30, 2018 and December 31, 2017, costs attributed to the aforementioned license were comprised of costs for technical advisory, procedures for license and authorizations costs related to the recreational cannabis and cannabinoids extraction projects. A carrying balance of \$43,486 was recognized as of June 30, 2018 (December 31, 2017 - \$23,984).

10. ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable balances as of June 30, 2018 and December 31, 2017 were as follows:

	2018	2017
Trades payable	\$ 34,369	\$ 5,920
Taxes payable	185	14,018
Advance of exclusivity fee (Note 7b)	250,000	-
	\$ 284,554	\$ 19,938

11. SHARE CAPITAL

Common shares

At June 30, 2018, the Company was authorized to issue an unlimited number of common shares with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared. As of June 30, 2018 and December 31, 2017, there are 29,888,889 common shares issued and outstanding.

12. INCOME TAX

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada for the periods ended June 30, 2018 and December 31, 2017 of 27.00% to income before income taxes. A reconciliation of this difference is presented below.

	2018	2017
Loss before income taxes	\$ (94,379)	\$ (86,354)
Tax rate	27.00%	27.00%
Computed income tax recovery	(25,482)	(23,316)
Increase (decrease) in taxes:		
Effect of tax rates in foreign jurisdictions	(3,372)	(514)
Permanent differences	482	(73)
Change in unrecognized tax assets and other	28,372	23,903
Total tax expense	\$ -	\$ -

Kunna Canada Ltd.

Notes to the consolidated financial statements

For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
Non-capital loss carryforwards	\$ 265,396	\$ 171,017
Property, Plant and Equipment and Other	-	-
	\$ 265,396	\$ 171,017

Of the \$265,396 in non-capital losses carryforwards as at June 30, 2018 (\$171,017 from 2017), \$140,176 of these are from Colombia (\$92,012 from 2017). These tax losses have no expiration period. \$125,220 of the non-capital loss carryforwards as at June 30, 2018 are from Canada (\$79,006 from 2017). These losses expire in 2037. The deductible temporary differences presented above do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company operates in multiple jurisdictions with complex tax laws and regulations, which are evolving over time. The Company has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management.

13. RELATED PARTIES

During the periods ended June 30, 2018 and December 31, 2017, there were separate related party transactions as follows:

- a) Unsecured demand loans were advanced to the Company during the period ended December 31, 2017 by one of the directors and shareholders of the Company in the amount of \$30,000 for costs incurred by this individual on behalf of the Company. During the six months ended June 30, 2018, this amount was forgiven by the lender.
- b) The Company pays monthly consultant fees to an individual who is also a shareholder of the Company. As per the consulting agreement, the Company pays a monthly fee of \$4,000 plus reimbursable expenses. In total, the Company incurred consultant expenses of \$4,000 for the period ended December 31, 2017, and \$24,000 for the six months ended June 30, 2018.
- c) The Company pays monthly technical consultant fees to an individual who is also a shareholder of the Company. In total, the Company incurred consultant expenses of \$8,081 for the six months ended June 30, 2018 with respect to this individual.
- d) The Company receives legal counsel services from a law firm where a certain member lawyer is also a director and shareholder of the Company. In total, the Company incurred expenses of \$1,752 for the period ended December 31, 2017 and \$2,685 for the six months ended June 30, 2018 with respect to legal services rendered.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the period ended December 31, 2017 and the six months ended June 30, 2018, with exception to the aforementioned consultant fees that were paid, there was no compensation paid to key management.

Kunna Canada Ltd.

Notes to the consolidated financial statements

*For the period from June 8, 2017 to December 31, 2017 (audited)
and for the six months ended June 30, 2018 (unaudited)*

14. CAPITAL MANAGEMENT

The Company's capital consists of loans in the form of promissory notes. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a transaction to further development of its operations.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Company's share capital is not subject to external restrictions.

15. CONTINGENCIES AND COMMITMENTS

Contingencies

Management of Kunna considers there to be no contingent liabilities that have to be recognized in the consolidated financial statements as of June 30, 2018 and December 31, 2017.

Commitments

In February 2018, Kunna S.A.S. entered into a lease agreement for rural property in Colombia for utilization of its cultivation operations. The lease stipulates a term of one year, which is automatically renewed for a further term of one year at the option of the Company, unless either party provides notice beforehand of their intent to terminate the agreement. The monthly lease payment is affixed to approximately \$175, paid in Colombian pesos and adjusted for the Colombian official annual inflation rate each year at renewal.

16. SUBSEQUENT EVENT

Amendment to Transaction

In July 2018, the Company entered into a letter of variation with Creso, amending certain terms of the Heads of Agreement relating to the Transaction. The amended terms within the letter of variation included the following:

- Extension of the date upon which conditions precedent of the Heads of Agreement are to be fulfilled, now being September 30, 2018
- Change of consideration to \$6,007,954 settled through the issuance of shares in Creso
- The acknowledgement of a finder's fee to be paid out of the consideration equal to 6% of the purchase price
- The payment of an additional exclusivity fee of \$85,000 in addition to the original exclusivity fee of \$250,000



Creso Pharma Limited | ABN 89 609 406 911

GM 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 **10.00am (WST) on Sunday, 14 October 2018** 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.



