
CRESO PHARMA LIMITED
ACN 609 406 911
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 3:00pm AEDT
DATE: 28 January 2020
PLACE: Level 39, Aurora Place
88 Phillip Street,
Sydney NSW 2000

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 8:00pm (AEDT) on 26 January 2020.

BUSINESS OF THE MEETING

AGENDA

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

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 8,299,271 Shares on the terms and conditions set out in the Explanatory Statement.”

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

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

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

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

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

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

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved (namely Stocks Digital) or an associate of that person.

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

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

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF INITIAL SETTLEMENT SHARES

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 7,500,000 Shares on the terms and conditions set out in the Explanatory Statement.”

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

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

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

4. RESOLUTION 4 – APPROVAL TO ISSUE SUBSEQUENT SETTLEMENT SHARES

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 8,125,000 Shares on the terms and conditions set out in the Explanatory Statement.”

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

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

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

5. RESOLUTION 5 – APPROVAL TO CONVERT DEBT NOTES HELD BY UNRELATED TRANCHE 1 INVESTORS INTO CONVERTIBLE EQUITY SECURITIES

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 conversion of 2,166,667 Debt Notes into convertible equity securities, being 2,166,667 Tranche 1 Convertible Notes, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), namely the Tranche 1 Investors, or an associate of that person (or those persons).

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

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

6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF COLLATERAL SHARES AND TRANCHE 1 FEE SHARES TO UNRELATED TRANCHE 1 INVESTORS

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 4,673,647 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue (namely the Tranche 1 Investors) or any associates of those persons.

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

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

7. RESOLUTION 7 – APPROVAL TO ISSUE TRANCHE 1 OPTIONS TO UNRELATED TRANCHE 1 INVESTORS

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 3,545,453 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 the Tranche 1 Investors, or any other 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, this does not apply to a vote cast in favour of the Resolution by:

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

8. RESOLUTION 8 – APPROVAL TO CONVERT DEBT NOTES HELD BY A RELATED TRANCHE 1 INVESTOR (SUBURBAN HOLDINGS) INTO CONVERTIBLE EQUITY SECURITIES

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

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the conversion of 1,666,667 Debt Notes held by Suburban Holdings into convertible securities, being 1,666,667 Tranche 1 Convertible Notes, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Suburban Holdings (and its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).

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

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

9. RESOLUTION 9 – APPROVAL OF ISSUE OF COLLATERAL SHARES, TRANCHE 1 FEE SHARES AND TRANCHE 1 OPTIONS TO A RELATED TRANCHE 1 INVESTOR - SUBURBAN HOLDINGS

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 3,595,114 Shares and 2,727,272 Options to Suburban Holdings (or its nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Suburban Holdings (and its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).

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

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

10. RESOLUTION 10 – APPROVAL TO ISSUE ADDITIONAL TRANCHE 1 SECURITIES TO UNRELATED TRANCHE 1 INVESTORS

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 2,277,777 Tranche 1 Convertible Notes, up to 4,913,321 Shares and up to 3,727,275 Tranche 1 Options to unrelated Tranche 1 Investors, 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, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

11. RESOLUTION 11 – APPROVAL TO ISSUE TRANCHE 2 SECURITIES TO AN UNRELATED INVESTOR - L1 CAPITAL

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 3,000,000 Tranche 2 Convertible Notes, up to 3,000,000 Tranche 2 Options and that number of Tranche 2 Fee Shares calculated in accordance with the formula set out in Annexure A, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of L1 Capital and any other 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, this does not apply to a vote cast in favour of the Resolution by:

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

12. RESOLUTION 12 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 2,811,720 Shares and 2,811,720 Options to EverBlu Capital (or its nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of EverBlu Capital (and its nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).

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

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

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

13. RESOLUTION 13 – REPLACEMENT OF CONSTITUTION

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

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes."

Dated: 17 December 2019

By order of the Board



Eryn 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:

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

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

EXPLANATORY STATEMENT

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

1. BACKGROUND TO RESOLUTIONS

1.1 General

On 6 June 2019, Creso Pharma and PharmaCielo Ltd (**PharmaCielo**) entered into a scheme implementation agreement for a recommended acquisition of Creso Pharma by PharmaCielo (**SIA**). As announced on 12 November 2019, Creso Pharma and PharmaCielo have mutually agreed to terminate the SIA.

In connection with the termination of the SIA, on 11 November 2019, Creso Pharma and PharmaCielo executed an agreement of mutual release and settlement in relation to the SIA (**Mutual Release**), whereby each of Creso Pharma and PharmaCielo agreed to release each other from all claims arising under or in connection with the SIA or the related transaction documents.

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

In order to repay the PharmaCielo Loan, the Company has entered and may continue to enter into convertible securities agreements with professional and sophisticated investors to enable the Company to raise up to \$8,200,000 (**Convertible Securities Agreements**), comprising of:

- (a) an initial convertible security facility to enable the Company to raise up to \$5,500,000 through the issue of up to 6,111,111 debt securities, which, subject to Shareholder approval being obtained, will convert into convertible equity securities (**Tranche 1 Convertible Note Facility**); and
- (b) an additional convertible security facility to enable the Company to raise up to a further \$2,700,000 (**Tranche 2 Convertible Note Facility**).

In addition, the Company has raised \$1,585,161 through the issue of 8,299,271 Shares to sophisticated and professional investors at an issue price of \$0.191 per Share (**Placement**).

Further details in respect of the Tranche 1 Convertible Note Facility, the Tranche 2 Convertible Note Facility and the Placement are set out in Sections 1.2, 1.3 and 1.5 respectively.

The Company intends to apply the funds raised under the Debt Note Offer, together with funds raised under the Placement to repay the PharmaCielo Loan, expenses of the Offers and the Placement and for working capital purposes. Further details of the intended use of funds are set out in Section 1.6.

1.2 Tranche 1 Convertible Note Facility

As set out in Section 1.1, the Company has entered and may continue to enter into Convertible Securities Agreements in order to obtain access to the Tranche 1 Convertible Note Facility.

The Company has agreed to issue the following Securities under the Tranche 1 Convertible Note Facility:

- (a) up to 6,111,111 debt notes each with a face value of \$1.00 and a subscription price of \$0.90 (**Debt Notes**), which will be issued as debt securities until such time as Shareholder approval is obtained for the Debt Notes to convert to convertible equity securities (being 6,111,111 convertible notes (**Tranche 1 Convertible Notes**));
- (b) up to 959,860 Shares for nil cash consideration to be issued as part of the drawdown fee (**Tranche 1 Fee Shares**);
- (c) up to 12,222,222 Shares for nil cash consideration to be issued as collateral shares (**Collateral Shares**); and
- (d) subject to obtaining Shareholder approval, up to 10,000,000 Options exercisable at \$0.40 each on or before the date that is three years from the date of issue (**Tranche 1 Options**).

As at the date of this Notice, the Company has raised \$3.45 million under the Tranche 1 Convertible Note Facility.

Unrelated Tranche 1 Investors

L1 Capital Global Opportunities Master Fund (**L1 Capital**) has agreed to act as a cornerstone investor and subscribed for 1,666,667 Debt Notes under the Tranche 1 Convertible Note Facility, together with 261,780 Tranche 1 Fee Shares, 3,333,334 Collateral Shares and 2,727,272 Tranche 1 Options.

Unrelated sophisticated and professional investors, Chifley Portfolios Pty Limited (ACN 001 303 939) (**Chifley**) and Mozaik Asset Management Pty Ltd (ACN 136 347 101) (**Mozaik**) have also agreed to participate in the Tranche 1 Convertible Note Facility. Chifley has subscribed for 277,778 Debt Notes, together with 43,630 Tranche 1 Fee Shares, 555,555 Collateral Shares and 454,545 Tranche 1 Options. Mozaik has subscribed for 222,222 Debt Notes, together with 34,904 Tranche 1 Fee Shares, 444,444 Collateral Shares and 363,636 Tranche 1 Options.

Pursuant to this Notice of Meeting, the Company is seeking:

- (a) Shareholder approval for the purposes of Listing Rule 7.1 for the conversion of 2,166,667 Debt Notes which are held by unrelated Tranche 1 Investors to convertible equity securities, being 2,166,667 Tranche 1 Convertible Notes (**Resolution 5**);
- (b) Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 4,333,333 Collateral Shares and 340,314 Tranche 1 Fee Shares to unrelated Tranche 1 Investors (**Resolution 6**); and
- (c) Shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of 3,545,453 Tranche 1 Options to unrelated Tranche 1 Investors (**Resolution 7**).

Related Tranche 1 Investors – Suburban Holdings

In addition, Suburban Holdings Pty Limited (ACN 106 824 471) (**Suburban Holdings**) has also agreed to participate in the Tranche 1 Convertible Note Facility by subscribing for 1,666,667 Debt Notes, together with 261,780 Tranche 1 Fee Shares, 3,333,334 Collateral Shares and 2,727,272 Tranche 1 Options. Suburban Holdings is

a related party of the Company by virtue of being controlled by Alvin Blumenthal, the father of Director Adam Blumenthal.

The Company elected to obtain financial accommodation from Suburban Holdings because there was a need to secure relatively urgent financing for the Company in order to repay the PharmaCielo Loan prior to 30 November 2019. The Company confirms that it conducted a bookbuild process for the raising of finance by way of issue of the Tranche 1 Convertible Notes through EverBlu Capital, which involved seeking expressions of interest to participate in the financing from non-related parties of the Company. Through this process, the bookbuild raised \$1,950,000 (inclusive of L1 Capital) and the Company was seeking to raise to up to \$5.5 million. In light of this, Suburban Holdings was approached to participate and made a commitment of \$1.5 million.

As Suburban Holdings is a related Tranche 1 Investor, the Company is seeking Shareholder approval for the purposes of Listing Rule 10.11 for the:

- (a) conversion of 1,666,667 Debt Notes which are held by Suburban Holdings, into convertible equity securities, being 1,666,667 Tranche 1 Convertible Notes (**Resolution 8**); and
- (b) issue of 261,780 Tranche 1 Fee Shares, 3,333,334 Collateral Shares and 2,727,272 Tranche 1 Options to Suburban Holdings (**Resolution 9**).

Additional Tranche 1 Securities

In accordance with the terms of the Tranche 1 Convertible Note Facility, the Company may seek to raise a further \$2.05 million through the issue of up to 2,277,777 Tranche 1 Convertible Notes (**Additional Tranche 1 Notes**). In conjunction with the Additional Tranche 1 Notes, the Company may issue up to 4,555,555 Collateral Shares, 357,766 Tranche 1 Fee Shares and 3,727,275 Tranche 1 Options) (together with the Additional Tranche 1 Notes, the **Additional Tranche 1 Securities**).

In order to access the balance of funding under the Tranche 1 Convertible Note Facility prior to the date of the Shareholder meeting, the Company may elect to issue up to 2,277,777 debt notes (**Interim Debt Notes**). The Interim Debt Notes will be issued as debt securities until such time as Shareholder approval is obtained for the debt notes to be replaced by the Additional Tranche 1 Notes. Additionally, subject to the Company obtaining Shareholder approval pursuant to Resolution 10, the Company may elect to issue the Additional Tranche 1 Notes following the date of the Meeting.

As at the date of this Notice, the Company has not drawn down any additional funds under the Tranche 1 Convertible Note Facility.

Resolution 10 seeks Shareholder approval for the purposes of Listing Rule 7.1 for the issue of the Additional Tranche 1 Securities to unrelated Tranche 1 Investors who may be identified following the date of this Notice.

1.3 Tranche 2 Convertible Note Facility

In addition, L1 Capital has agreed to provide the Tranche 2 Convertible Note Facility, pursuant to which the Company may be entitled to raise up to an aggregate of \$2,700,000 through the issue of up to 3,000,000 convertible notes, each with a face value of \$1.00 and a subscription price of \$0.90 to L1 Capital (**Tranche 2 Convertible Notes**). The Company may issue a maximum of six tranches of convertible notes under the Tranche 2 Convertible Note Facility, with each

tranche comprising of the issue of up to 500,000 convertible notes to raise up to \$450,000 each.

Subject to the satisfaction of the conditions set out in Annexure A, the Company may elect to draw down funding of up to \$900,000 under the Tranche 2 Convertible Note Facility prior to the date of the Shareholder Meeting, by issuing up to 1,000,000 debt notes (**Additional Debt Notes**). The Additional Debt Notes will be issued as debt securities until such time as Shareholder approval is obtained for the debt notes to convert or be replaced by Tranche 2 Convertible Notes. The drawdown of any other Tranche 2 Convertible Notes is subject to Shareholder approval and the Company obtaining the consent of L1 Capital.

As at the date of this Notice, the Company has not drawn down any funds under the Tranche 2 Convertible Note Facility.

Further, the Company has agreed, subject to obtaining Shareholder approval, to issue L1 Capital:

- (a) the number of Shares calculated in accordance with the formula set out in Annexure A for nil cash consideration as the drawdown fee (**Tranche 2 Fee Shares**); and
- (b) the number of Options calculated in accordance with the formula set out in Annexure A, exercisable at \$0.40 each on or before the date that is three years from the date of issue (**Tranche 2 Options**),

(together, with the Tranche 2 Convertible Notes, the **Tranche 2 Securities**).

Resolution 11 seeks Shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of the Tranche 2 Securities

1.4 Convertible Securities Agreement Fees Summary

For completeness a summary of the fees payable and issuable to the Tranche 1 Investors (including L1 Capital) in respect of the Tranche 1 Convertible Note Facility and L1 Capital in respect of the Tranche 2 Convertible Note Facility under the Convertible Securities Agreements is set out below:

| | Minimum Subscription ¹ | | Maximum Subscription ² | |
|--------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
| | Tranche 1 Convertible Note Facility | Tranche 2 Convertible Note Facility* | Tranche 1 Convertible Note Facility | Tranche 2 Convertible Note Facility* |
| Cash | \$153,333 | - | \$244,444 | - |
| Collateral Shares | 7,666,667 | - | 12,222,222 | - |
| Fee Shares | 602,094 | 628,272 * | 959,860 | 628,272 * |
| Options | 6,272,725 | 3,000,000* | 10,000,000 | 3,000,000 * |

Notes:

1. Assumes that \$3.45 million has been raised under the Tranche 1 Convertible Note Facility.
2. Assumes that \$5.5 million has been under the Tranche 1 Convertible Note Facility.
3. Both scenarios above assume that the Tranche 2 Convertible Note Facility is fully subscribed. The Company notes that fees for Tranche 2 Convertible Note Facility are only payable if the Company draws down on the Tranche 2 Convertible Notes and are payable pro rata to the amount drawn down.
4. The issue of the Tranche 1 Options and issues of 261,780 Tranche 1 Fee Shares and 3,333,334 Collateral Shares to Suburban Holdings are subject to Shareholder approval.

1.5 Placement

In conjunction with the entry into the Convertible Securities Agreements, the Company issued 8,299,271 Shares to professional and sophisticated investors at an issue price of \$0.191 per Share to raise approximately \$1,585,161 (**Placement Shares**). The Placement Shares were issued on 29 November 2019 pursuant to the Company's placement capacity under ASX Listing Rule 7.1A.

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

1.6 Use of Funds raised under the Tranche 1 Convertible Note Facility and the Placement

The funds raised from the Tranche 1 Convertible Note Facility and the Placement are planned to be used in accordance with the table set out below:

| Proceeds of the Offers and the Placement | Minimum Subscription \$ 5,035,161 | | Maximum Subscription \$ 7,085,161 | |
|--|--------------------------------------|------------|--------------------------------------|----------------|
| | Funds allocation (\$) | % | Funds allocation (\$) | % |
| Repayment of the PharmaCielo Loan | \$4,341,621 | 86.23% | \$4,341,621 | 61.28% |
| Operating and working capital ¹ ** | \$187,969 | 3.73% | \$1,942,858 | 27.42% |
| Expenses of the Tranche 1 Convertible Note Facility ^{2,3} | \$410,461 | 8.15% | \$624,572 | 8.82% |
| Further EverBlu Capital Fees – Tranche 2 Convertible Note Facility and Placement | \$95,110.00 | 1.89% | \$176,110 | 2.49% |
| Total | \$5,035,161 | 100 | \$7,085,161 | 100.00% |

Notes:

1. Operating and working capital relates to the operational, general and administrative expenditure required by the Company. This includes research and development activities, product manufacturing and operating costs, advertising and marketing expenses and management costs.
2. The expenses of the Tranche 1 Convertible Note Facility include the draw down cash fee of 4% of the aggregate face value of the Debt Notes (being a fee of between \$153,333 and \$244,444) to the Tranche 1 Investors. For further details, refer to Sections 1.4 and 1.7.

1.7 Lead Manager Fees

EverBlu Capital Pty Ltd (ACN 612 793 683) (AFSL 499601) (**EverBlu Capital**) has been appointed as lead manager to the Placement, the Tranche 1 Convertible Note Facility and the Tranche 2 Convertible Note Facility.

Director, Adam Blumenthal, is the Chairman of EverBlu and a major shareholder and controller of EverBlu. Mr Blumenthal is excluded from any resolutions considered by the Company relating to EverBlu Capital.

The Company confirms that, as at the date of this Notice, EverBlu Capital does not hold any Securities in the Company. However, Adam Blumenthal, an associate of EverBlu Capital holds 6,250,001 Shares and 2,750,000 Options.

The Company has agreed to pay EverBlu Capital the following fees:

- (a) in respect of the Tranche 1 Convertible Note Facility:
 - (i) a capital raising fee of 4% of the gross proceeds raised under the Tranche 1 Convertible Note Facility (being a fee of up to \$220,000);
 - (ii) a management fee of 2% of the gross proceeds raised under the Tranche 1 Convertible Note Facility (being a fee of up to \$110,000); and
 - (iii) subject to Shareholder approval (which is being sought under **Resolution 12**), the issue of up to an aggregate of 1,833,333 Shares and 1,833,333 Options, on the basis of one Share for every \$3 raised under the Tranche 1 Convertible Note Facility, together with one Option for every Share issued;

- (b) in respect of the Tranche 2 Convertible Note Facility:
 - (i) a capital raising fee of 3% of:
 - (A) in the event that the Tranche 1 Convertible Note Facility is fully subscribed, the gross proceeds committed under the Tranche 2 Convertible Note Facility (being a fee of \$81,000); or
 - (B) in the event that the Tranche 1 Convertible Note Facility is not fully subscribed, the gross proceeds drawn down under the Tranche 2 Convertible Note Facility payable on a pro rata basis; and
 - (ii) subject to Shareholder approval (which is being sought under **Resolution 12**), the issue of an aggregate of 450,000 Shares and 450,000 Options, on the basis of one Share for every \$6 committed under the Tranche 2 Convertible Note Facility, together with one Option for every Share issued; and

- (c) in respect of the Placement:
 - (i) a capital raising fee of 4% of the gross proceeds raised under the Placement (being a fee of \$63,406);
 - (ii) a management fee of 2% of the gross proceeds raised under the Placement (being a fee of \$31,703); and
 - (iii) subject to Shareholder approval (which is being sought under **Resolution 12**), the issue of an aggregate of 528,387 Shares and 528,387 Options, on the basis of one Share for every \$3 raised under the Placement, together with one Option for every Share issued.

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

| | Minimum Subscription ¹ | | | | Maximum Subscription ² | | | |
|---|-----------------------------------|-------------------------------------|-------------------------------------|------------------|-----------------------------------|-------------------------------------|-------------------------------------|------------------|
| | Placement | Tranche 1 Convertible Note Facility | Tranche 2 Convertible Note Facility | Total | Placement | Tranche 1 Convertible Note Facility | Tranche 2 Convertible Note Facility | Total |
| Capital Raise Fee and Management Fee | \$95,110 | \$207,000 | -* | \$302,110 | \$95,110 | \$330,000 | \$81,000 | \$506,110 |
| Shares | 528,387 | 1,150,000 | 450,000 | 2,128,387 | 528,387 | 1,833,333 | 450,000 | 2,811,720 |
| Options | 528,387 | 1,150,000 | 450,000 | 2,128,387 | 528,387 | 1,833,333 | 450,000 | 2,811,720 |

Notes:

1. Assumes the Minimum Subscription, being \$3.45 million raised under the Tranche 1 Convertible Note Facility and \$1,585,161 million raised under the Placement.
2. Assumes the Maximum Subscription, being \$5.5 million under the Tranche 1 Convertible Note Facility and \$1,585,161 million raised under the Placement.
3. As set out above, an up-front capital raising fee of \$81,000 is payable to EverBlu Capital if the Tranche 1 Convertible Note Facility is fully subscribed. In the event that the Tranche 1 Convertible Note Facility is not fully subscribed, a fee of 3% of the gross proceeds drawn down under the Tranche 2 Convertible Note Facility is payable on a pro rata basis.

Resolution 12 seeks Shareholder approval for the purposes of Listing Rule 10.11 for the issue of up to 2,811,720 Shares and 2,811,720 Options (**EverBlu Securities**) to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the Tranche 1 Convertible Note Facility, the Tranche 2 Convertible Note Facility and the Placement.

1.8 Consultancy Shares

The Company has also recently engaged Stocks Digital for digital marketing consultancy services to be provided over a 6-month period. Stocks Digital has agreed to receive its fee of \$200,000 in Shares at a deemed issue price of \$0.20 (being an aggregate of 1,000,000 Shares) (**Consultancy Shares**). The Consultancy Shares were issued on 29 November 2019 pursuant to the Company's placement capacity under ASX Listing Rule 7.1.

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

1.9 Settlement Shares

Following Shareholder approval obtained in May 2019, the Company issued secured convertible notes to a number of sophisticated and professional investors, including PharmaCielo (Secured Investors) under the terms of a loan trust deed. The securities which secured the funds advanced were issued in the name of a trustee for the Secured Investors, Jamber Investment Pty Ltd (Jamber). As a condition of the SIA, the Secured Investors, other than PharmaCielo, were required to convert their secured convertible notes for Shares and Options in the Company. The Secured Investors, other than PharmaCielo made this conversion in July 2019. Jamber remained the trustee for the remainder of the funds that had been advanced, being the PharmaCielo Loan. Following termination of the SIA, the Jamber alleged that the Company is liable for breach of contract in relation to representations made in connection with the conversion of the convertible notes. Whilst the Company denies the allegation, in order to procure Jamber to discharge the old securities in a timely fashion and settle the dispute, the Company has agreed to issue the Secured Investors:

- (a) 7,500,000 Shares (**Initial Settlement Shares**), which were issued on 29 November 2019 pursuant to the Company's placement capacity under Listing Rule 7.1; and
- (b) subject to Shareholder approval, up to a further 8,125,000 Shares (**Subsequent Settlement Shares**).

Under the agreed terms of the settlement, the Company may elect to make a cash payment of \$0.20 per Subsequent Settlement Shares (being an aggregate of \$1,625,000) (**Settlement Sum**) to the Secured Investors in lieu of issuing any of the Subsequent Settlement Shares.

If Shareholder approval for the issue of the Subsequent Settlement Shares, the Company will be required to pay the Settlement Sum on or before 19 March 2020.

Pursuant to this Notice of Meeting, the Company is seeking:

- (a) Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Initial Settlement Shares (**Resolution 3**); and
- (b) Shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of the Subsequent Settlement Shares (**Resolution 4**).

1.10 Dilution

The dilutionary impact in percentage terms on current Shareholders assuming that that that maximum number of Securities are issued under each of the Resolutions set out in this Notice and no convertible securities are exercised or converted is set out below.

| | Shares | Percentage |
|----------------------------|--------------------|----------------|
| Current Shares on issue | 174,117,250 | 87.46% |
| Resolution 4 | 8,125,000 | 4.08% |
| Resolution 5 | - | - |
| Resolution 6 | 4,673,647 | 2.35% |
| Resolution 7 | - | - |
| Resolution 8 | - | - |
| Resolution 9 | 3,595,114 | 1.81% |
| Resolution 10 ¹ | 4,913,321 | 2.47% |
| Resolution 11 | 857,143 | 0.43% |
| Resolution 12 | 2,811,720 | 1.41% |
| Total | 199,093,195 | 100.00% |

Notes:

1. Assumes that the Tranche 2 Fee Shares are issued at a deemed issue price of \$0.14 per Share.

If subsequently the Tranche 1 Convertible Notes and the Tranche 2 Convertible Notes are converted at the Fixed Conversion Price, the Tranche 1 Options and the Tranche 2 Options and the 2,811,720 Options issued to EverBlu Capital are exercised, and no other convertible securities are exercised or converted, the percentage Shareholding of current Shareholders will reduce to 72.27%.

| Percentage of Shares held by different categories of Shareholders | | |
|---|--------------------|----------------|
| | Shares | Percentage |
| Current Shares on issue | 174,117,250 | 72.27% |
| Resolution 4 | 8,125,000 | 3.37% |
| Resolution 5 | 6,190,477 | 2.57% |
| Resolution 6 | 4,673,647 | 1.94% |
| Resolution 7 | 3,545,453 | 1.47% |
| Resolution 8 | 4,761,906 | 1.98% |
| Resolution 9 | 6,322,386 | 2.62% |
| Resolution 10 ¹ | 15,148,530 | 6.29% |
| Resolution 11 | 12,428,572 | 5.16% |
| Resolution 12 | 5,623,440 | 2.33% |
| Total | 240,936,661 | 100.00% |

Notes:

1. Assumes that the Tranche 2 Fee Shares are issued at a deemed issue price of \$0.14 per Share.

As set out in Annexure A, if at any time the market value of the Collateral Shares is less than 20% of the Amount Outstanding, the Tranche 1 Investors may give the Company written notice requesting that the Company issue additional Shares to the Tranche 1 Investors as Collateral Shares, so that following the issue, the market value of the Collateral Shares will be at least 20% of the Amount Outstanding (**Top-Up Notice**). The issue of any Shares upon receipt of a Top-Up Notice will be subject to the Company obtaining Shareholder approval. This would result in further dilution to existing Shareholders.

2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

2.1 General

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Placement Shares. Further details of in respect of the issue of the Placement Shares are set out in Section 1.5.

2.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period for which the approval is valid a number of quoted equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

Where an eligible entity obtains shareholder approval to increase its placement capacity under ASX Listing Rule 7.1A then any ordinary securities issued under that additional placement capacity:

- (a) will not be counted in variable "A" in the formula in ASX Listing Rule 7.1A; and
- (b) are counted in variable "E",

until their issue has been ratified under ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1A) or 12 months has passed since their issue.

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

2.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 1 is not passed, the Placement Shares will be included in calculating the Company's 10% placement capacity under Listing Rule 7.1A, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

If Resolution 1 is passed, the base figure (i.e. variable "A") in which the Company's 15% and 10% annual placement capacities are calculated will be a higher number which in turn will allow a proportionately higher number of securities to be issued without prior Shareholder approval.

2.4 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 1:

- (a) the Shares were issued to professional and sophisticated investors who are clients of EverBlu Capital. The participants in the Placement were identified through a bookbuild process, which involved EverBlu Capital seeking expressions of interest to participate in the financing from non-related parties of the Company. None of the Placement Participants are related parties of the Company. In line with requirements of Guidance Note 21, the Company confirms that the Placement Participants included Jamber, a substantial holder of the Company, who was issued 6,544,503 Shares under the Placement;
- (b) 8,299,271 Shares were issued;
- (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 Shares were issued on 29 November 2019;
- (e) the issue price was \$0.191 per Share; and
- (f) the details of the intended use of funds raised from the issue are set out in Section 1.5.

3. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF CONSULTANCY SHARES

3.1 General

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Consultancy Shares. Further details of in respect of the issue of the Consultancy Shares are set out in Section 1.8.

3.2 ASX Listing Rules 7.1 and 7.4

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.

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

3.3 Technical Information required by ASX Listing Rule 14.1A

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

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

3.4 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 2:

- (a) the Shares were issued to Stocks Digital, who is not a related party of the Company;
- (b) 1,000,000 Shares were issued;
- (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 Shares were issued on 29 November 2019; and
- (e) no funds were raised from the issue as the Shares were issued for nil cash consideration in satisfaction of digital marketing consultancy services provided by Stocks Digital. The issue of the Consultancy Shares will allow the Company to retain and spend a greater proportion of its cash reserves on operational activities than it would if it paid cash (\$200,000) for these services.

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF INITIAL SETTLEMENT SHARES

4.1 General

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Initial Settlement Shares. Further information in respect of the issue of Initial Settlement Shares is set out in Section 1.9 above.

4.2 ASX Listing Rules 7.1 and 7.4

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 3.2 above.

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

4.3 Technical Information required by ASX Listing Rule 14.1A

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

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

4.4 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 3:

- (a) the Shares were issued to the Secured Investors, who are not related parties of the Company. In line with requirements of Guidance Note 21, the Company confirms that Jamber, a substantial holder of the Company, is one of the Secured Investors and was issued 5,825,250 Initial Settlement Shares;
- (b) 7,500,000 Shares were issued;
- (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 Shares were issued on 29 November 2019; and
- (e) the Shares were issued for nil cash consideration in order to procure the timely discharge of securities and the settlement of a dispute.

5. RESOLUTION 4 – APPROVAL TO ISSUE SUBSEQUENT SETTLEMENT SHARES

5.1 General

Resolution 4 seeks Shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of the Subsequent Settlement Shares. Further information in respect of the issue of Subsequent Settlement Shares is set out in Section 1.9 above.

5.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 3.2 above.

The issue of the Subsequent Settlement Shares does not fall within any of the exceptions set out in Listing Rule 7.1. While the issue does not exceed the 15% limit in Listing Rule 7.1 and can therefore be made without breaching that rule, the Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1. Accordingly, the Company is seeking Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of the Subsequent Settlement Shares.

5.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 4 is not passed, the Company will not be able to proceed with the issue of the Subsequent Settlement Shares and will be required to pay the Secured Investors the Settlement Sum on or before 19 March 2020.

If Resolution 4 is passed, the Company will be able to issue the Subsequent Settlement 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. In addition, as the Company will be able to issue the Subsequent Settlement Shares in lieu of the payment of the Settlement Sum, the Company will be able to spend a greater proportion of its cash reserves on its operations than it would if Resolution 4 is not passed.

5.4 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 Resolution 4:

- (a) the Shares will be issued to the Secured Investors, who are not related parties of the Company. In line with requirements of Guidance Note 21, the Company confirms that Jamber, a substantial holder of the Company, is one of the Secured Investors and will be entitled to receive 6,310,688 Subsequent Settlement Shares;
- (b) the maximum number of Shares to be issued is 8,125,000;
- (c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date; and

- (e) the Shares will be issued for nil cash consideration in order to procure the timely discharge of securities and the settlement of a dispute.

6. BACKGROUND TO RESOLUTIONS 5 TO 10 – ISSUE OF SECURITIES UNDER TRANCHE 1 CONVERTIBLE NOTE FACILITY

As set out in Section 1.2, under the terms of the Tranche 1 Convertible Note Facility, the Company may issue up to 6,111,111 Debt Notes, together with up to 12,222,222 Collateral Shares, up to 959,860 Tranche 1 Fee Shares and up to 10,000,000 Tranche 1 Options.

As set out in the table below, as at the date of this Notice, the Company has issued or agreed to issue an aggregate of 3,833,334 Debt Notes, 7,666,667 Collateral Shares, 602,094 Tranche 1 Fee Shares and 6,272,725 Tranche 1 Options.

| | Debt Notes | Collateral Shares | Tranche 1 Fee Shares | Tranche 1 Options ² |
|---|------------------|-------------------|----------------------|--------------------------------|
| Securities on issue as at the date of this Meeting | | | | |
| L1 Capital | 1,666,667 | 3,333,334 | 261,780 | - |
| Chifley | 277,778 | 555,555 | 43,630 | - |
| Mozaik | 222,222 | 444,444 | 34,904 | - |
| Suburban Holdings ¹ | 1,666,667 | - | - | - |
| Sub-total | 3,833,334 | 4,333,333 | 340,314 | - |
| Securities to be issued subject to Shareholder approval being obtained | | | | |
| L1 Capital | - | - | - | 2,727,272 |
| Chifley | - | - | - | 454,545 |
| Mozaik | - | - | - | 363,636 |
| Suburban Holdings ¹ | - | 3,333,334 | 261,780 | 2,727,272 |
| Sub-total | - | 3,333,334 | 261,780 | 6,272,725 |
| Securities that may be issued following the date of the Meeting | | | | |
| Additional Tranche 1 Securities | 2,277,777 | 4,555,555 | 357,766 | 3,727,275 |
| Total | 6,111,111 | 12,222,222 | 959,860 | 10,000,000 |

Notes:

- As Suburban Holdings is a related party of the Company, the issue of the Collateral Shares, Tranche 1 Fee Shares and Tranche 1 Options to Suburban Holdings remains subject to Shareholder approval under Resolution 9.
- The issue of the Tranche 1 Options is subject to Shareholder approval, which is being sought under Resolution 7 in relation to the issue to unrelated Tranche 1 Investors and Resolution 9 in relation to the issue to Suburban Holdings.

Accordingly, pursuant to this Notice of Meeting, the Company is seeking:

- Shareholder approval for the purposes of Listing Rule 7.1 for the conversion of 2,166,667 Debt Notes held by unrelated Tranche 1 Investors as at the date of the Meeting to convertible equity securities, being 2,166,667 Tranche 1 Convertible Notes (**Resolution 5**);
- Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 4,333,333 Collateral Shares and 340,314 Tranche 1 Fee Shares to unrelated Tranche 1 Investors (**Resolution 6**);

- (c) Shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of 3,545,453 Tranche 1 Options to unrelated Tranche 1 Investors (**Resolution 7**);
- (d) Shareholder approval for the purposes of Listing Rule 10.11 for the conversion of 1,666,667 Debt Notes which are held by Suburban Holdings, into convertible equity securities, being 1,666,667 Tranche 1 Convertible Notes (**Resolution 8**);
- (e) Shareholder approval for the purposes of Listing Rule 10.11 for the issue of 261,780 Tranche 1 Fee Shares, 3,333,334 Collateral Shares and 2,727,272 Tranche 1 Options to Suburban Holdings (**Resolution 9**); and
- (f) Shareholder approval for the purposes of Listing Rule 7.1 for the issue of up to 2,277,777 Tranche 1 Convertible Notes, 4,555,555 Collateral Shares, 357,766 Tranche 1 Fee Shares and 3,727,275 Tranche 1 Options to unrelated Tranche 1 Investors who may be identified following the date of this Notice (**Resolution 10**).

7. RESOLUTION 5 – APPROVAL TO CONVERT DEBT NOTES HELD BY UNRELATED TRANCHE 1 INVESTORS INTO CONVERTIBLE SECURITIES

7.1 General

Resolution 5 seeks Shareholder approval for the purposes of Listing Rule 7.1 for the conversion of 2,166,667 Debt Notes held by unrelated Tranche 1 Investors as at the date of the Meeting, into convertible equity securities, being 2,166,667 Tranche 1 Convertible Notes.

As set out in Section 6 above, a separate Shareholder approval is being sought pursuant to Resolution 8 for the conversion of the 1,666,667 Debt Notes held by Suburban Holdings into 1,666,667 Tranche 1 Convertible Notes.

Further information in respect of the issue of the Debt Notes is set out in Sections 1.2 and 6 above.

7.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 3.2 above.

7.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 5 is not passed, an event of default will occur under the Convertible Securities Agreements, which will result in, amongst other things, the Debt Notes becoming immediately due and payable. The consequences of an event of default occurring are summarised in further detail in Annexure A.

If Resolution 5 is passed, 2,166,667 Debt Notes held by unrelated Tranche 1 Investors will be converted into convertible securities, being 2,166,667 Tranche 1 Convertible Notes. Following such conversion, the Tranche 1 Investors will be able to convert the Tranche 1 Convertible Notes into Shares. The issue of any Shares on conversion of the Tranche 1 Convertible Notes will not use the Company's 15% annual placement capacity.

7.4 Technical Information required by ASX Listing Rule 7.3

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

- (a) the Debt Notes are currently held by the Tranche 1 Investors, who are not related parties of the Company (other than Suburban Holdings in respect of whom a separate approval is sought under Resolution 8). Shares issued on conversion of the Tranche 1 Convertible Notes will be issued to the Tranche 1 Investors;
- (b) if Resolution 5 is approved, 2,166,667 Debt Notes will become convertible equity securities (being 2,166,667 Tranche 1 Convertible Notes), which are convertible into a Shares at the election of the Tranche 1 Investors;
- (c) the material terms of the Tranche 1 Convertible Notes are set out in Schedule 2. Shares issued on the conversion of the Tranche 1 Convertible Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Debt Notes were issued on 29 November 2019 as debt securities. If Resolution 5 is approved, these Debt Notes will be converted into convertible equity securities for the purposes of the Listing Rules at the time of the approval being obtained (that is, the date of the Meeting);
- (e) the subscription price of the Debt Notes was \$0.90 per Debt Note. Subject to the receipt of Shareholder approval the subject of Resolution 5, the Debt Notes may be converted into Shares, with the number of Shares to be issued on conversion being equal to the number of Debt Notes held, divided by 0.35;
- (f) the details of the intended use of funds raised from the issue of the Debt Notes are set out in Section 1.6. No further funds will be raised by the conversion of the Debt Notes into the Tranche 1 Convertible Notes or the issue of Shares on conversion of the Tranche 1 Convertible Notes; and
- (g) a summary of the Convertible Securities Agreements is set out in Annexure A.

8. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF COLLATERAL SHARES AND TRANCHE 1 FEE SHARES TO UNRELATED TRANCHE 1 INVESTORS

8.1 General

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 4,333,333 Collateral Shares and 340,314 Tranche 1 Fee Shares (together, the **Tranche 1 Shares**) to the unrelated Tranche 1 Investors under the terms of the Tranche 1 Convertible Note Facility.

Further information in respect of the issue of Tranche 1 Shares and the Tranche 1 Convertible Note Facility is set out in Sections 1.2 and 6 above and Annexure A.

8.2 ASX Listing Rules 7.1 and 7.4

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 3.2 above.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Tranche 1 Shares.

8.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 6 is not passed, the Tranche 1 Shares will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Tranche 1 Shares.

If Resolution 6 is passed, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

8.4 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) the Shares were issued to the Tranche 1 Investors, who are not related parties of the Company (other than Suburban Holdings in respect of whom a separate approval is sought under Resolution 9);
- (b) the Shares were issued on 27 November 2019;
- (c) the Shares that were issued are all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) in accordance with the terms of the Convertible Securities Agreements, the Tranche 1 Shares were issued for nil cash consideration; and
- (e) a summary of the Convertible Securities Agreements is set out in Annexure A.

9. RESOLUTION 7 – APPROVAL TO ISSUE TRANCHE 1 OPTIONS TO UNRELATED TRANCHE 1 INVESTORS

9.1 General

Resolution 7 seeks Shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of 3,545,453 Tranche 1 Options to the unrelated Tranche 1 Investors under the terms of the Tranche 1 Convertible Note Facility. Further information in respect of the issue of Tranche 1 Options is set out in Sections 1.2 and 6 above and Annexure A.

9.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 3.2. above.

The issue of the Tranche 1 Options does not fall within any of the exceptions set out in Listing Rule 7.1. While the issue does not exceed the 15% limit in Listing Rule 7.1 and can therefore be made without breaching that rule, the Company wishes to retain as much flexibility as possible to issue additional equity securities in the

future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1. Accordingly, the Company is seeking Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of the Tranche 1 Options.

9.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 7 is not passed, the Company will not be able to proceed with the issue of the Tranche 1 Options and will be required to pay the Tranche 1 Investors the amount set out in Annexure A.

If Resolution 7 is passed, the Company will be able to issue the Tranche 1 Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity. In addition, as the Company will be able to issue the Tranche 1 Options in lieu of the payment of the amount set out in Annexure A, the Company will be able to spend a greater proportion of its cash reserves on its operations than it would if Resolution 7 is not passed.

9.4 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 Tranche 1 Options:

- (a) the Tranche 1 Options will be issued to the Tranche 1 Investors, who are not related parties of the Company (other than Suburban Holdings in respect of whom a separate approval is sought under Resolution 9);
- (b) the maximum number of Tranche 1 Options to be issued is 3,545,453;
- (c) the Tranche 1 Options will be issued on the terms and conditions set out in Schedule 1;
- (d) the Tranche 1 Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that Tranche 1 Options will occur on the same date;
- (e) the Tranche 1 Options will be issued for nil cash consideration in consideration for the Tranche 1 Investors subscribing for the Debt Notes; and
- (f) a summary of the Convertible Securities Agreements is set out in Annexure A.

10. RESOLUTION 8 – APPROVAL TO CONVERT DEBT NOTES HELD BY A RELATED TRANCHE 1 INVESTOR (SUBURBAN HOLDINGS) INTO CONVERTIBLE EQUITY SECURITIES

10.1 General

As set out in Section 6 above, Suburban Holdings has also participated in the Tranche 1 Convertible Note Facility.

As Suburban Holdings is a related party, the Company is seeking a separate Shareholder approval pursuant to Resolutions 8 and 9 to enable Suburban Holdings to participate in the Tranche 1 Convertible Note Facility.

Accordingly, the Company is seeking Shareholder approval for the purposes of Listing Rule 10.11 for the:

- (a) conversion of 1,666,667 Debt Notes which are held by Suburban Holdings, into convertible equity securities, being 1,666,667 Tranche 1 Convertible Notes (**Resolution 8**); and
- (b) issue of 261,780 Tranche 1 Fee Shares, 3,333,334 Collateral Shares and 2,727,272 Tranche 1 Options (together, the **Suburban Securities**) to Suburban Holdings (**Resolution 9**).

Further information in respect of the issue of the Tranche 1 Convertible Note Facility is set out in Sections 1.2 and 6 above.

10.2 Chapter 2E of the Corporations Act

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

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

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

The conversion of the Debt Notes held by Suburban Holdings into convertible equity securities and the issue of the Suburban Securities (**Participation**) will constitute giving a financial benefit and Suburban Holdings is a related party of the Company by virtue of being controlled by Alvin Blumenthal, the father of Director, Adam Blumenthal.

The Directors (other than Adam Blumenthal who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because Suburban Holdings will receive the same benefit as the other Tranche 1 Investors and as such the giving of the financial benefit is on arm's length terms.

10.3 ASX Listing Rule 10.11

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

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

10.4 Technical Information required by ASX Listing Rule 14.1A

If Resolution 8 is not passed, an event of default will occur under the Convertible Securities Agreements, which will result in, amongst other things, the Debt Notes becoming immediately due and payable. The consequences of an event of default occurring are summarised in further detail in Annexure A.

If Resolution 8 is passed, the Debt Notes held by Suburban Holdings will be converted into convertible securities, being the Tranche 1 Convertible Notes.

Following such conversion, the Tranche 1 Investors will be able to convert the Tranche 1 Convertible Notes into Shares. The issue of any Shares on conversion of the Tranche 1 Convertible Notes will not use the Company's 15% annual placement capacity.

10.5 Technical Information required by ASX Listing Rule 10.13

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

- (a) 1,666,667 Debt Notes are currently held by Suburban Holdings. Shares issued on conversion of the Tranche 1 Convertible Notes will be issued to Suburban Holdings (or its nominee);
- (b) Suburban Holdings is a related party of the Company by virtue of being controlled by Alvin Blumenthal, the father of Director Adam Blumenthal;
- (c) if Resolution 8 is approved, the 1,666,667 Debt Notes held by Suburban Holdings will become convertible securities (being 1,666,667 Tranche 1 Convertible Notes), which are convertible into Shares at the election of Suburban Holdings;
- (d) the material terms of the Tranche 1 Convertible Notes are set out in Schedule 2. Shares issued on the conversion of the Tranche 1 Convertible Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Debt Notes were issued on 29 November 2019 as debt securities. If Resolution 8 is approved, the Debt Notes will be converted into convertible equity securities for the purposes of the Listing Rules at the time of the approval being obtained (that is, the date of the Meeting);
- (f) the subscription price of the Debt Notes was \$0.90 per Debt Note. Subject to the receipt of Shareholder approval under this Resolution, the Notes may be converted into Shares, with the number of Shares to be issued on conversion being equal to the number of Debt Notes held, divided by 0.35;
- (g) the details of the intended use of funds raised from the issue of the Debt Notes are set out in Section 1.6. No further funds will be raised by the conversion of the Debt Notes into convertible securities or the issue of Shares on conversion of the Tranche 1 Convertible Notes; and
- (h) a summary of the Convertible Securities Agreements is set out in Annexure A.

11. RESOLUTION 9 – APPROVAL OF ISSUE OF COLLATERAL SHARES, TRANCHE 1 FEE SHARES AND TRANCHE 1 OPTIONS TO A RELATED TRANCHE 1 INVESTOR - SUBURBAN HOLDINGS

11.1 General

Resolution 9 seeks Shareholder approval for the issue of 261,780 Tranche 1 Fee Shares, 3,333,334 Collateral Shares and 2,727,272 Tranche 1 Options to Suburban Holdings.

Further information in relation to the participation by Suburban Holdings in the Tranche 1 Convertible Note Facility is set out in Sections 1.2 and 6.

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

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Sections 10.2 and 10.3 above respectively.

11.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 9 is not passed, the Company will not be able to issue the Suburban Securities and an event of default will occur under the Convertible Securities Agreements, which will result in, amongst other things, the Debt Notes becoming immediately due and payable. The consequences of an event of default occurring are summarised in further detail in Annexure A.

If Resolution 9 is passed, the Company will be able to issue the Suburban Securities during the month after the Meeting (or a longer period, if allowed by ASX).

11.4 Technical Information required by ASX Listing Rule 10.13

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

- (a) the Suburban Securities will be issued to by Suburban Holdings (or its nominee);
- (b) Suburban Holdings is a related party of the Company by virtue of being controlled by Alvin Blumenthal, the father of Director Adam Blumenthal;
- (c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Tranche 1 Options will be issued on the terms and condition set out in Schedule 1;
- (e) the Suburban Securities will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Suburban Securities will occur on the same date;
- (f) the Suburban Securities will be issued for nil cash consideration in consideration for Suburban Holdings subscribing for the Debt Notes; and
- (g) a summary of the Convertible Securities Agreements is set out in Annexure A.

12. RESOLUTION 10 – APPROVAL TO ISSUE ADDITIONAL TRANCHE 1 SECURITIES TO UNRELATED TRANCHE 1 INVESTORS

12.1 General

Resolution 10 seeks Shareholder approval for the issue of the Additional Tranche 1 Securities. Further details of the Additional Tranche 1 Securities are set out in Sections 1.2 and 6.

As at the date of this Notice, the Company has not agreed with any investor to issue any Additional Tranche 1 Securities. There is no certainty that any Additional Tranche 1 Securities will be issued regardless of whether Shareholders approve Resolution 10.

12.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 3.2 above.

12.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 10 is not passed, the Company may proceed with the issue of the Additional Tranche 1 Securities, but the number of Additional Tranche 1 Securities issued may be reduced to ensure that the issue fits within the Company's placement capacity under Listing Rule 7.1

However, if Resolution 10 is not passed and the Company, prior to the date of the Meeting, issues any Interim Debt Notes, an event of default may occur under the Convertible Securities Agreements, which will result in, amongst other things, the Debt Notes becoming immediately due and payable. The consequences of an event of default occurring are summarised in further detail in Annexure A.

If Resolution 10 is passed, the Company will be able to issue the Additional Tranche 1 Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

12.4 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 Resolution 10:

- (a) if issued, the Additional Tranche 1 Securities will be issued to unrelated investors (or their nominees), who are not related parties of the Company;
- (b) the maximum number of Additional Tranche 1 Securities that will be issued is:
 - (i) 2,277,777 Tranche 1 Convertible Notes;
 - (ii) 4,913,321 Shares (comprising of 4,555,555 Collateral Shares and 357,766 Tranche 1 Fee Shares); and
 - (iii) 3,727,275 Tranche 1 Options;
- (c) the material terms of the Tranche 1 Convertible Notes are set out in Schedule 2;
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Tranche 1 Options will be issued on the terms and conditions set out in Schedule 1;
- (f) the Additional Tranche 1 Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is

intended that issue of the Additional Tranche 1 Securities will occur progressively;

- (g) the subscription price of the Tranche 1 Convertible Notes will be \$0.90 per Additional Tranche 1 Convertible Note. The Tranche 1 Convertible Notes may be converted into Shares, with the number of Shares to be issued on conversion being equal to the number of Tranche 1 Convertible Notes held, divided by 0.35;
- (h) the Tranche 1 Options, Collateral Shares and Tranche 1 Fee Shares will be issued for nil cash consideration;
- (i) the details of the intended use of funds raised from the issue of the Tranche 1 Convertible Notes are set out in Section 1.6. No further funds will be raised by the issue of Shares on conversion of the Tranche 1 Convertible Notes; and
- (j) a summary of the Convertible Securities Agreements is set out in Annexure A.

13. RESOLUTION 11 – APPROVAL TO ISSUE TRANCHE 2 SECURITIES TO AN UNRELATED INVESTOR - L1 CAPITAL

13.1 General

Resolution 11 seeks Shareholder approval for the issue of the Tranche 2 Securities to L1 Capital. Further details of the Tranche 2 Securities are set out in Section 1.3.

13.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 3.2 above.

The issue of the Tranche 2 Securities does not fall within any of the exceptions set out in Listing Rule 7.1 and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

13.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 11 is not passed, the Company will not be able to proceed with the issue of the Tranche 2 Securities and will not have access to the additional \$2,700,000 in funding under the Tranche 2 Convertible Note Facility.

In addition, if the Company has issued any Additional Debt Notes prior to the date of the Meeting and Resolution 11 is not passed, an event of default will occur under the Convertible Securities Agreements, which will result in, amongst other things, the Additional Debt Notes becoming immediately due and payable. The consequences of an event of default occurring are summarised in further detail in Annexure A.

If Resolution 11 is passed, the Company will be able to issue the Tranche 2 Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

13.4 Dilution

Tranche 2 Fee Shares

The Company has agreed to pay a drawdown fee of 4% of the aggregate Face Value of the Tranche 2 Convertible Notes issued under the Tranche 2 Convertible Note Facility (**Tranche 2 Drawdown Fee**). For the avoidance of doubt the Tranche 2 Drawdown Fee will only be payable in respect of actual funds drawn down and corresponding Tranche 2 Convertible Notes issued.

Subject to Shareholder approval, the applicable Tranche 2 Drawdown Fee will be payable, in Shares, with the number of Shares to be issued determined by dividing the relevant amount of the Tranche 2 Drawdown Fee by the 10 day VWAP for the 10 Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number.

Set out below is a worked example of the number of Tranche 2 Fee Shares that may be issued based on an assumed issue price of \$0.28, \$0.14 and \$0.014 and assuming that that Company draws down an aggregate of \$2,700,000 under the Tranche 2 Convertible Note Facility.

| Assumed issue price | Number of Tranche 2 Fee Shares ¹ | Dilution effect on existing Shareholders ² |
|---------------------|---|---|
| \$0.28 | 428,571 | 0.25% |
| \$0.14 | 857,143 | 0.49% |
| \$0.07 | 1,714,286 | 0.97% |

Notes:

1. Rounded up to the nearest whole number.
2. Based on the number of Shares on issue as at the date of this Notice, being 174,117,250 Shares.

Assuming no convertible securities are exercised or other Shares issued and the maximum number of Shares as set out in the worked example above are issued, the number of Shares on issue would increase from 174,117,250 (being the number of Shares on issue as at the date of this Notice) to 175,831,536 and the shareholding of existing Shareholders would be diluted by 0.97%.

The Company notes that as there is no limitation upon the maximum number of Tranche 2 Fee Shares that may be issued to L1 Capital, the issue of the Tranche 2 Fee Shares could be highly dilutive to existing Shareholders if the market price of Shares falls substantially prior to the issue of the Tranche 2 Fee Shares.

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

Tranche 2 Convertible Notes

The Tranche 2 Convertible Notes are convertible at the lesser of:

- (a) 90% of the daily VWAP on the Trading Day immediately prior to the date of issue of a conversion notice, rounded down to the nearest A\$0.01; and
- (b) the Fixed Conversion Price, being \$0.35.

Set out below is a worked example of the number of Shares that may be issued on conversion of the Tranche 2 Convertible Notes based on an assumed issue price of \$0.28, \$0.14 and \$0.014 and assuming that the maximum number of Tranche 2 Convertible Notes (being 3,000,000 Tranche 2 Convertible Notes) are issued and converted.

| Assumed issue price | Number of Shares issued on conversion of Tranche 2 Convertible Notes ¹ | Dilution effect on existing Shareholders ² |
|---------------------|---|---|
| \$0.28 | 10,714,286 | 5.80% |
| \$0.14 | 21,428,571 | 10.96% |
| \$0.07 | 42,857,143 | 19.75% |

Notes:

1. Rounded up to the nearest whole number.
2. Based on the number of Shares on issue as at the date of this Notice, being 174,117,250 Shares.

Assuming no convertible securities are exercised or other Shares issued and the maximum number of Shares as set out in the worked example above are issued, the number of Shares on issue would increase from 174,117,250 (being the number of Shares on issue as at the date of this Notice) to 216,974,393 and the shareholding of existing Shareholders would be diluted by 19.75%.

The Company notes that as there is no limitation upon the maximum number of Shares that may be issued to L1 Capital on conversion of the Tranche 2 Convertible Notes, the conversion of the Tranche 2 Convertible Notes could be highly dilutive to existing Shareholders if the market price of Shares falls substantially prior to the date of conversion of the Tranche 2 Convertible Notes.

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

13.5 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 Resolution 11:

- (a) if issued, the Tranche 2 Securities will be issued to L1 Capital (or its nominees), who is not a related party of the Company;
- (b) a maximum of 3,000,000 Tranche 2 Convertible Notes and 3,000,000 Tranche 2 Options will be issued;
- (c) the number of Tranche 2 Fee Shares that may be issued will be calculated in accordance with the formula set out in Section 13.4 above;
- (d) the Tranche 2 Convertible Notes will be issued on the terms and conditions set out in Schedule 3;
- (e) the Tranche 2 Options will be issued on the terms and conditions set out in Schedule 1;
- (f) the Tranche 2 Fee Shares and any Shares issued on the conversion of the Tranche 2 Convertible Notes or the Tranche 2 Options will be fully paid

ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (g) the Tranche 2 Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Tranche 2 Securities will occur progressively;
- (h) the issue price of the Tranche 2 Convertible Notes will be \$0.90 per Tranche 2 Convertible Note. The Tranche 2 Convertible Notes will be convertible into Shares at the lesser of:
 - (i) 90% of the daily VWAP on the Trading Day immediately prior to the date of issue of a conversion notice, rounded down to the nearest A\$0.01; and
 - (ii) \$0.35 per Tranche 2 Convertible Note;
- (i) the Tranche 2 Options and Tranche 2 Fee Shares will be issued for nil cash consideration;
- (j) the Company intends that any funds drawn down under the Tranche 2 Convertible Note Facility will be used for operational and working capital purposes; and
- (k) a summary of the Convertible Securities Agreements is set out in Annexure A.

14. RESOLUTION 12 – APPROVAL TO ISSUE SHARES AND OPTIONS TO EVERBLU CAPITAL

14.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue up to 2,811,720 Shares and 2,811,720 Options (**EverBlu Securities**) to EverBlu Capital (or its nominee) in part consideration for services provided in connection with the Tranche 1 Convertible Note Facility, the Tranche 2 Convertible Note Facility and the Placement. Further details are set out in Section 1.7.

Resolution 12 seeks Shareholder approval for the grant of the EverBlu Securities to EverBlu Capital (or its nominee).

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

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Sections 10.2 and 10.3 above respectively.

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

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

As the grant of the EverBlu Securities involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is

required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

14.3 Technical Information required by ASX Listing Rule 14.1A

If Resolution 12 is not passed, the Company will not be able to proceed with the issue of the EverBlu Securities and will be in breach of its agreement with EverBlu Capital.

If Resolution 12 is passed, the Company will be able to issue the EverBlu Securities during the month after the Meeting (or a longer period, if allowed by ASX).

14.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 12:

- (a) the EverBlu Securities will be granted to EverBlu Capital (or its nominee);
- (b) EverBlu Capital is a related party of the Company by virtue of being controlled by Director, Adam Blumenthal. Mr Blumenthal is the Chairman of EverBlu and a major shareholder and controller of EverBlu;
- (c) the maximum number of EverBlu Securities to be issued is:
 - (i) 2,811,720 Shares; and
 - (ii) 2,811,720 Options;
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the terms and conditions of the Options are set out in Schedule 4;
- (f) the EverBlu Securities will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the EverBlu Securities will occur progressively;
- (g) the EverBlu Securities will be issued for nil cash consideration; accordingly, no funds will be raised; and
- (h) a summary of the agreement with EverBlu Capital is set out in Section 1.7.

15. RESOLUTION 13 – REPLACEMENT OF CONSTITUTION

15.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 13 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted on 28 June 2016.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature and are intended to ensure that the constitution complies with the recent changes to the ASX Listing Rules which came into effect on 1 December 2019.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website www.cresopharma.com and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9389 3180). Shareholders are invited to contact the Company if they have any queries or concerns.

15.2 Summary of material proposed changes

Restricted Securities (clause 2.12)

The Proposed Constitution complies with the recent changes to ASX Listing Rule 15.12. The following clause has been inserted into the Proposed Constitution:

The Company shall comply in all respects with the requirements of the Listing Rules with respect to Restricted Securities. Without limiting the generality of the above:

- (i) a holder of Restricted Securities must not Dispose of, or agree or offer to Dispose of, the Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX;*
- (ii) if the Restricted Securities are in the same class as quoted Securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a Holding Lock applied for the duration of the escrow period applicable to those Securities;*
- (iii) the Company will refuse to acknowledge any Disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX;*
- (iv) a holder of Restricted Securities will not be entitled to participate in any return of capital on those Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX; and*
- (v) if a holder of Restricted Securities breaches a Restriction Deed or a provision of this Constitution restricting a Disposal of those*

Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Securities for so long as the breach continues.

Direct Voting (clause 13, specifically clauses 13.35 – 13.40)

The Proposed Constitution includes a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the Shareholder had cast the votes on the poll at the meeting. In order for direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 13.

GLOSSARY

\$ means Australian dollars.

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.

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.

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

Explanatory Statement means the explanatory statement accompanying the Notice.

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

Holding Lock has the meaning ascribed to it by the Listing Rules.

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

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

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.

Restricted Securities has the meaning ascribed to it by the Listing Rules.

Restriction Deed has the meaning ascribed to it by the Listing Rules.

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.

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

ANNEXURE A – TERMS AND CONDITIONS OF CONVERTIBLE SECURITIES AGREEMENTS

A summary of the material terms of the Convertible Securities Agreements is set out below.

| | |
|---|---|
| Debt Notes and Tranche 1 Convertible Notes | A summary of the material terms of the Debt Notes and the Tranche 1 Convertible Notes is set in Schedule 2. |
| Tranche 1 Options | <p>Subject to obtaining Shareholder approval, the Company will issue the Tranche 1 Options to the Tranche 1 Investors. A summary of the terms and conditions of the Tranche 1 Options is set in Schedule 1.</p> <p>Where, for any reason, the Company does not or is not able to issue the Tranche 1 Options to the Tranche 1 Investors, then in lieu of the issue of the Tranche 1 Options, on the relevant date the Company must instead pay the Tranche 1 Investors the amount calculated in accordance with the following formula:</p> $PA = O \times V$ <p>Where:</p> <p>PA = the required payment amount;</p> <p>O = the number of Tranche 1 Options required to be issued on the relevant date</p> <p>V = the value of the Tranche 1 Options, determined using the Black & Scholes being \$0.0553.</p> |
| Collateral Shares | <p>Contemporaneously with the issue of the Tranche 1 Convertible Notes, the Company will issue the Collateral Shares to the Tranche 1 Investors, which will be subject to restrictions on disposal.</p> <p>If at any time the market value of the Collateral Shares is less than 20% of the Amount Outstanding, the Tranche 1 Investors may give the Company written notice requesting that the Company issue additional Shares to the Tranche 1 Investors as Collateral Shares, so that following the issue, the market value of the Collateral Shares will be at least 20% of the Amount Outstanding (Top-Up Notice). The issue of any Shares upon receipt of a Top-Up Notice will be subject to the Company obtaining Shareholder approval.</p> <p>Where at any time the Company is required to issue Shares to the Tranche 1 Investors under the Convertible Securities Agreement, then the Tranche 1 Investors may, by written notice to the Company, elect to partially or wholly satisfy the Company's obligation to issue the relevant Shares to the Tranche 1 Investors from the Collateral Shares. If the Tranche 1 Investors do so, then:</p> <ul style="list-style-type: none">• the number of Collateral Shares specified in the Tranche 1 Investors' notice will cease to be Collateral Shares (and may be freely dealt with by the Tranche 1 Investors);• the Company's obligation to issue Shares to the Tranche 1 Investors will be satisfied to the same extent. <p>If an event of default occurs, the Tranche 1 Investors may at any time afterward by written notice to the Company elect to purchase a number of Collateral Shares.</p> <p>If:</p> <ul style="list-style-type: none">• the Convertible Securities Agreement terminates or expires;• there is no Amount Outstanding; and• there are any Collateral Shares, <p>then the Tranche 1 Investors must, in the time period stipulated by the Company and on the Company's strict instructions, sell the Collateral Shares on-market and pay 95% of the net sale proceeds to the Company.</p> |

**Tranche 1
Drawdown Fee**

The Company has agreed to pay a drawdown fee of 7% of the aggregate Face Value of the Tranche 1 Convertible Notes to the Tranche 1 Investors (**Tranche 1 Drawdown Fee**).

The Tranche 1 Drawdown Fee will be payable:

- 4/7 in cash on the Purchase Date; and
- 3/7 in Shares on the Purchase Date, with the number of Shares to be issued determined by dividing the relevant amount of the Tranche 1 Drawdown Fee by the issue price of Shares under the Placement, being \$0.191 per Share (**Concurrent Placement Price**).

**Tranche 2
Convertible
Notes**

The Tranche 2 Convertible Notes may be issued in up to six tranches with an aggregate Face Value of up to \$500,000 per tranche.

Subject to terms noted in the table below, the Company may elect to draw down funding of up to \$900,000 under the Tranche 2 Convertible Note Facility prior to the date of the Shareholder Meeting, by issuing up to 1,000,000 Additional Debt Notes. The Additional Debt Notes will be issued as debt securities until such time as Shareholder approval is obtained for the debt notes to convert or be replaced by Tranche 2 Convertible Notes. If the Company elects to issue the Additional Debt Notes, the Company must seek Shareholder approval for the conversion or replacement of the Additional Debt Notes with Tranche 2 Convertible Notes before the Meeting Deadline.

The issue of all Tranche 2 Convertible Notes is subject to Shareholder approval.

A summary of the material terms of Tranche 2 Convertible Notes is set in Schedule 3.

**Tranche 2 Draw
Down Fee**

The Company has agreed to pay a drawdown fee of 4% of the aggregate Face Value of the Tranche 2 Convertible Notes issued under the Tranche 2 Convertible Note Facility (**Tranche 2 Drawdown Fee**). For the avoidance of doubt the Tranche 2 Drawdown Fee will only be payable in respect of actual funds drawn down and corresponding Tranche 2 Convertible Notes issued.

Subject to Shareholder approval, the applicable Tranche 2 Drawdown Fee will be payable, in Shares, with the number of Shares to be issued determined by dividing the relevant amount of the Tranche 2 Drawdown Fee by the 10 day VWAP for the 10 Trading Days immediately prior to the issue of the Shares, rounded upward to the nearest whole number (**Tranche 2 Fee Shares**).

The Company must issue the applicable Tranche 2 Fee Shares:

- if the Company elects to issue the Additional Debt Notes, on the later to occur of:
- the date that the Company obtains Shareholder approval for the issue of the Tranche 2 Fee Shares; and
 - the date on which L1 Capital advances the Company the subscription price for the Additional Debt Notes; and
 - in respect of the Tranche 2 Convertible Notes (other than the Additional Debt Notes), on the date of issue of the relevant tranche of Tranche 2 Convertible Notes.

**Tranche 2
Options**

If the Company draws down on the Tranche 2 Convertible Note Facility, the Company has agreed to issue L1 Capital that number of Tranche 2 Options which is equal to the Face Value of the Tranche 2 Convertible Notes (or the Additional Debt Notes) issued at the relevant time. The issue of the Tranche 2 Options will be subject to the Company obtaining Shareholder approval.

The Company must issue the applicable Tranche 2 Options:

- in respect of any Additional Debt Notes that are issued, after obtaining Shareholder approval for the issue of the Tranche 2 Options which must be sought by the Meeting Deadline;
- in respect of the Tranche 2 Convertible Notes (other than the Additional Debt Notes), on or before the date of issue of the relevant tranche of Tranche 2 Convertible Notes.

Where, for any reason, the Company does not or is not able to issue the Tranche 2 Options to L1 Capital, then in lieu of the issue of the Tranche 2 Options, on the relevant date the Company must instead pay L1 Capital the amount calculated in accordance with the following formula:

$$PA = O \times V$$

Where:

PA = the required payment amount;

O = the number of Tranche 2 Options required to be issued on the relevant date

V = the value of the Tranche 2 Options, determined using the Black & Scholes being \$0.0553.

Security

The Convertible Notes will be secured by:

- a general security agreement by the Company in favour of the Collateral Agent, on terms acceptable to L1 Capital;
- a general security, collateral security and a general assignment of rents and leases in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital;
- a collateral agency agreement between the Investor, each Co-Investor, the Collateral Agent, the Company, Mernova Medicinal Inc, 3321739 Nova Scotia Limited, Creso Canada Limited and Creso Switzerland on terms acceptable to L1 Capital;
- a guarantee and indemnity in favour of the Collateral Agent granted by Mernova Medicinal Inc. on terms acceptable to L1 Capital;
- a guarantee and indemnity in favour of the Collateral Agent granted by Creso Pharma Switzerland GmbH on terms acceptable to L1 Capital; and
- from each of Creso Canada Limited and 3321739 Nova Scotia Limited:
 - a guarantee and indemnity in favour of the Collateral Agent granted by the relevant entity. on terms acceptable to L1 Capital; and
 - a general security agreement by the relevant entity in favour of the Collateral Agent (or such document is equivalent in the place of jurisdiction of the relevant entity, on terms acceptable to L1 Capital).

The security granted under the Security Documents will be held by L1 Capital as the Collateral Agent, on its own behalf and on behalf of the other Tranche 1 Investors.

Events of Default

Each of the following constitutes an event of default under the Convertible Securities Agreements:

- the Company fails to repay the Amount Outstanding in respect of the Tranche 1 Convertible Notes or Tranche 2 Convertible Notes (each, a **Convertible Note**) on the Maturity Date;
- the Company provide an Early Redemption Notice and fails to repay 105% of the Amount Outstanding on or before the day which is 5 Business Days after the date of provision of the Early Redemption Notice;
- the Company breaches or otherwise fails to comply in full with any of its material obligations under the Convertible Securities Agreements, the Security Documents or a cleansing notice (**Transaction Document**) (and does not cure that breach or failure within 10 Business Days of receiving notice of the breach) or any event of default (however described) occurs under any Transaction Document;
- any of the Materials is inaccurate, false or misleading in any material respect (including by omission), as of the date on which it is made or delivered;
- a Group Company is, admits that it is, is declared by a court of competent jurisdiction to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts as and when they become due;
- a Group Company is served with a statutory demand (in accordance with Division 2 of Part 5.4 of the Corporations Act) or a foreign equivalent that is not set aside within 10 Business Days;
- a controller within the meaning of section 9 of the Corporations Act, administrator or similar officer is appointed over all or any of the assets or undertaking of any Group Company or any formal step preliminary to such appointment is taken;
- an application or order is made, a proceeding is commenced, a resolution is passed or proposed in a notice of meeting, or an application to a court

or other steps are taken, for the winding up or dissolution of any Group Company, or for any Group Company to enter an arrangement, compromise or composition with, or assignment for the benefit of, any of its creditors;

- a Group Company ceases, suspends, or indicates that it may cease or suspend, the conduct of all or a substantial part of its business; or disposes, or indicates that it may dispose, of a substantial part of its assets;
- a Group Company takes action to reduce its capital or pass a resolution referred to in section 254N(1) of the Corporations Act;
- any Convertible Notes or Shares are not issued to the Tranche 1 Investors or L1 Capital (each, a **Convertible Note Investor**) within 2 Business Days of the required date;
- any Shares issued under the Convertible Securities Agreement are not quoted on ASX by the third Business Day immediately following the date of their issue;
- the Company fails to comply with the Listing Rules in any material respect;
- a stop order, suspension of trading, cessation of quotation, or removal of the Company or the Shares from the ASX Official List is requested by the Company or requested or imposed by any Governmental authority; except for a suspension of trading not exceeding ten Trading Days in a rolling twelve month period or as agreed to by the Investor commencing on the date of execution of the Convertible Securities Agreements;
- a Transaction Document or a Contemplated Transaction has become or is claimed (other than in a vexatious or frivolous proceeding) by any person other than the Convertible Note Investors or any of their affiliates to be, wholly or partly void, voidable or unenforceable;
- any third person commences any action, investigation or proceeding against any person or otherwise asserts any claim which seeks to restrain, challenge, limit, modify or delay the right of the Convertible Note Investors or the Company to enter into any Transaction Documents or to undertake any of the Contemplated Transactions (other than in a vexatious or frivolous proceeding);
- a security interest over an asset of a Group Company is enforced;
- any present or future liabilities, including contingent liabilities, of any Group Company for an amount or amounts totalling more than A\$250,000 are not satisfied on time, or become prematurely payable;
- a Group Company is in default under a document or agreement (including a Governmental authorisation) binding on it or its assets which relates to financial indebtedness or is otherwise material;
- a Material Adverse Effect occurs;
- the Company does not obtain a shareholder approval to the extent required for the purposes of Listing Rule 7.4 so that a Contemplated Transaction may proceed without breaching Listing Rule 7.1;
- any Group Company grants any security interest over any of its assets, or a security interest comes into existence over any assets of any Group Company, without the prior written consent of the Convertible Note Investors;
- any event of default (however described) occurs under the Security Documents;
- a Change of Control occurs without the prior written consent of the Investor;
- the Company issues debt securities or convertible securities to any third party without the prior written consent of L1 Capital;
- the Company does not pay the Tranche 1 Drawdown Fee or Tranche 2 Drawdown Fee (as applicable) when due;
- the Company does not or is not able to issue the Tranche 1 Options or the Tranche 2 Options on or before the relevant date and the Company does not pay the amount calculated in accordance with the formula set out in Annexure A when due;

- the Company issues or requests the issue of the Additional Debt Notes and does not obtain Shareholder approval for the issue of the corresponding Tranche 2 Options by the Meeting Deadline;
- if the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate (excluding any funds raised under the Placement) at a price per Share lower than the Fixed Conversion Price, and the Company fails to obtain Shareholder approval to vary the Fixed Conversion Price to be the Lesser Price, within 60 days of completion of the capital raising;
- the Company does not comply with its obligations to lodge and keep open a cleansing prospectus whilst there are any Tranche 2 Convertible Notes, Initial Options or Additional Options outstanding which, on conversion, require that a cleansing prospectus must be utilised in order to enable the Shares issued on conversion to be tradeable;
- the Company does not obtain the Shareholder Approval for the conversion of the original Debt Notes into the Tranche 1 Convertible Notes and, if any Additional Debt Notes have been issued, the conversion of the Additional Debt Notes into the Tranche 2 Convertible Notes by the Meeting Deadline;
- the Company does not, within 60 days of receipt of a Top-up Notice, issue additional Shares to the Tranche 1 Investors as Collateral Shares, so that following the issue, the market value of the Collateral Shares is at least 20% of the Amount Outstanding;
- the Company issues the Additional Debt Notes does not obtain the Shareholder Approval for the issue of the Drawdown Fee Shares in respect of the issued Additional Debt Notes by the Meeting Deadline;
- the Placement does not occur within 2 Business Days of the issue of the original Debt Notes at a price of at least \$0.19 per Share.

If any event of default occurs, which:

- either:
 - is not capable of being remedied; or
 - is capable of being remedied but has not been remedied to the satisfaction of the Tranche 1 Investors within ten Business Days of the Tranche 1 Investors notifying the Company of its occurrence; or
 - there have been two or more previous events of default; and
- the event of default has not been expressly waived by the Tranche 1 Investors in writing;

(an **Unremedied Default**), then the Tranche 1 Investors may:

- declare, by notice to the Company, 120% of the then Amount Outstanding and all other amounts payable by the Company under any Transaction Document to be, whereupon they shall become, immediately due and payable by the Company to the Tranche 1 Investors; and/or
- terminate the Convertible Securities Agreements, by notice to the Company, effective as of the date set out in the Tranche 1 Investor's notice; and/or
- (if the Tranche 1 Investors elects to do so) exercise their right to purchase Collateral Shares; and/or
- exercise any other right, power or remedy granted to them by any Transaction Documents (including the right to enforce the Security Documents).
- If an event of default occurs, interest shall be payable on the Amount Outstanding at a rate of 15% per annum, which interest shall accrue daily and shall be compounded monthly, from the date of the event of default until the Company discharges the Amount Outstanding in full.

Conduct of Business

The Company has agreed that, while there is any Amount Outstanding, it will conduct its business in a proper and efficient manner in accordance with good commercial practice, and ensure that the voting and other rights attached to the Shares are not altered in a manner which is materially prejudicial to the Tranche 1 Investors.

In addition, the Company has agreed that, while there is any Amount Outstanding, the Company must not, without the prior written approval of the Tranche 1 Investors (not to be unreasonably withheld or delayed) undertake a number of actions, including:

- disposing, in a single transaction or in a series of transactions, of all or any part of its assets unless:
 - such disposal is in the ordinary course of business and for fair market value; and
 - the disposal is for a cash sale price; and
 - where the value of the asset(s) the subject of the disposal is greater than AU\$2,000,000, at least 50% of the net cash proceeds of the disposal are, if required by the Convertible Note Investors, applied in or towards repayment of the Amount Outstanding;
- raising any capital (by any means), borrow any funds or issue or agree to issue any debt, equity or equity-linked Securities unless:
 - the issue is of any Securities pursuant to the Placement;
 - the issue is of any Securities to employees, consultants or directors of the Company under any share, option or rights plans;
 - the issue is of Securities on conversion of any convertible securities in the Company that are on issue at the date of this Agreement or issued under the Placement;
 - the net proceeds of the raising or borrowing are, if required by the Tranche 1 Investors, applied to redeem up to 20% of the outstanding Tranche 1 Convertible Notes or Tranche 2 Convertible Notes;
- reduce its issued share capital or any uncalled liability in respect of its issued capital;
- issue or agree to issue any debt, equity or equity-linked Securities (including Options) that have a variable interest rate or are convertible into, exchangeable or exercisable for, or include the right to receive Shares or other Securities:
 - at a conversion, repayment, exercise or exchange rate or other price that is based on, and/or varies with, the trading prices of, or quotations for, the Shares; or
 - at a conversion, repayment, exercise or exchange rate or other price that is subject to being reset at some future date after the initial issuance of such debt, equity or equity-linked security or upon the occurrence of specified or contingent events;
- undertake any consolidation of its share capital;
- change the nature of its business;
- make an application under section 411 of the Corporations Act;
- grant any security interest over any of its assets or allow a security interest to come into existence over any assets of any Group Company (other than the Security Documents);
- transfer the jurisdiction of its incorporation; or
- enter into any agreement with respect to any of the matters referred to in above.

**Takeover
Threshold**

Where an issue of Shares under the Convertible Securities Agreement would result in the voting power (as defined in Chapter 6 of the Corporations Act) in the Company of a Convertible Note Investor or any other person exceeding 19.99%, the Company must not issue the relevant Shares to the Convertible Note Investor but must instead repay to the Convertible Note Investor the relevant Amount Outstanding.

SCHEDULE 1 – TERMS AND CONDITIONS OF TRANCHE 1 OPTIONS AND TRANCHE 2 OPTIONS

(a) **Nature of Options**

- (i) Each Option will grant the holder of that Option the right but not the obligation to be issued by the Company one Share at the Options Exercise Price.
- (ii) Each Option will be exercisable by the Option holder complying with its obligations under this Schedule, at any time after the time of its grant and prior to the date that is three years from the date of issue (**Options Expiration Date**), after which time it will lapse.

(b) **Exercise of Options**

- (i) Without limiting the generality of, and subject to, the other provisions of the Agreement, an Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:
 - (A) a copy, whether facsimile or otherwise, of a duly executed Option exercise form (the **Exercise Form**), to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder);
 - (B) a copy, whether facsimile or otherwise, of any exercise form required by the share registrar; and
 - (C) payment of an amount equal to the Options Exercise Price multiplied by the number of Shares in respect of which the Options are being exercised at the time by wire transfer to the account specified by the Company from time to time or by bank draft delivered to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder).
- (ii) As soon as reasonably practicable, but in any event no later than two (2) Business Days after receipt of a duly completed Exercise Form and the payment of the exercise price, being \$0.40 per Option (**Options Exercise Price**), the Company must cause its securities registrar to:
 - (A) issue and deliver the Shares in respect of which the Options are so exercised by the Option holder; and
 - (B) provide to the Option holder holding statements evidencing that such Shares have been recorded on the Share register.

(c) **Bonus Issues**

If prior to an exercise of an Option, but after the issue of the Option, the Company makes an issue of Shares by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan), pursuant to an offer of such Shares to at least all the holders of Shares resident in Australia, then on exercise of the Option, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

(d) **Rights Issues**

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

(e) **Reconstruction of Capital**

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

- (i) the number of the Shares to which each Option holder is entitled on exercise of the outstanding Options will be reduced or increased in the same proportion as, and the nature of the Shares will be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and
- (ii) an appropriate adjustment will be made to the Options Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options will not alter.

(f) **Cumulative Adjustments**

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

(g) **Notice of Adjustments**

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

(h) **Rights Prior to Exercise**

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

(i) **Redemption**

The Options will not be redeemable by the Company.

(j) **Assignability and Transferability**

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

SCHEDULE 2 – TERMS AND CONDITIONS OF TRANCHE 1 CONVERTIBLE NOTES

A summary of the material terms of Tranche 1 Convertible Notes is set below.

| | |
|--|--|
| Face Value | \$1.00 per Debt Note |
| Subscription Price | \$0.90 per Debt Note |
| Maturity Date | 12 months from the date of issue of the Debt Notes. |
| Purchase Date | On or around 27 November 2019 |
| Interest Rate | 4% per annum, with the first interest payment payable on the date which is 180 days after the Purchase Date and every 90 days thereafter. |
| Conversion of Debt Notes | The Company must seek Shareholder approval for the conversion of the Debt Notes into Tranche 1 Convertible Notes and the issue of the Tranche 1 Options by the Meeting Deadline. If Shareholder approval is not obtained, an event of default will have occurred. |
| Conversion Rights | Subject to the Company obtaining Shareholder approval for the conversion of the Debt Notes into the Tranche 1 Convertible Notes, the Tranche 1 Investors may elect to convert one or more of the Tranche 1 Convertible Notes into Shares at the Fixed Conversion Price (defined below) at any time prior to the Maturity Date. |
| Conversion Price | <p>The Tranche 1 Convertible Notes will be convertible at \$0.35 each (Fixed Conversion Price).</p> <p>However, if the Company undertakes one or more capital raisings and raises at least \$2,500,000 in aggregate (excluding any funds raised under the Placement) at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising. If Shareholder approval is not obtained within 60 days from the date of completion of the capital raising, an event of default will have occurred.</p> |
| Periodic Redemptions | <p>The Company must redeem the Tranche 1 Convertible Notes by making a cash payment to the Tranche 1 Investors on the dates which are 180 days after the Purchase Date and 270 days after the Purchase Date.</p> <p>These payments must be equal to 102% of the lesser of:</p> <ul style="list-style-type: none">• the balance of the aggregate total of the Face Value of the outstanding Tranche 1 Convertible Notes, accrued interest and all other amounts payable by the Company in relation to the Tranche 1 Convertible Notes (Amount Outstanding); and• the sum of 25% of the aggregate Face Value of the Tranche 1 Convertible Notes and all interest then accrued. |
| Redemption on Capital Raising | If the Company conducts a capital raising, the Tranche 1 Investors will have the right to request up to 20% of the proceeds of the capital raising in partial redemption of the Tranche 1 Convertible Notes. |
| Early Redemption by the Company | <p>At its sole discretion, the Company will have the right to redeem all of the outstanding Tranche 1 Convertible Notes by giving notice to the Tranche 1 Investors specifying that it intends to do so (an Early Redemption Notice).</p> <p>After the Company gives an Early Redemption Notice but before the Tranche 1 Convertible Notes the subject of the Early Redemption Notice are redeemed, a Tranche 1 Investor may give the Company a conversion notice for up to 50% of the Tranche 1 Convertible Notes the subject of the Early Redemption Notice.</p> <p>On or before the day which is 5 Business Days after the date on which the Company gives the Early Redemption Notice, the Company must pay to the Tranche 1 Investor 105% of the Amount Outstanding.</p> |
| Mandatory Redemption | If the Tranche 1 Convertible Notes have not been converted prior to the Maturity Date, the Company must repay 102% of the Amount Outstanding on the Maturity Date. |
| Ranking on Conversion | Shares issued on conversion of the Tranche 1 Convertible Notes will rank equally with existing Shares on issue. |
| Reconstruction of capital | If at any time the Company undertakes a consolidation, subdivision or pro-rata cancellation of its issued capital, pays a dividend in Shares or undertakes a distribution of Shares, the Fixed Conversion Price will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled. |

SCHEDULE 3 – TERMS AND CONDITIONS OF TRANCHE 2 CONVERTIBLE NOTES

A summary of the material terms of Tranche 2 Convertible Notes is set below.

| | |
|-----------------------------------|--|
| Face Value | \$1.00 per Tranche 2 Convertible Note |
| Subscription Price | \$0.90 per Tranche 2 Convertible Note |
| Maturity Date | 12 months from date of issue of the relevant Tranche 2 Convertible Notes. |
| Additional Debt Notes | <p>The Company may not give notice to L1 Capital, indicating that it intends to issue the Tranche 2 Debt Notes to L1 Capital (Purchase Request):</p> <ul style="list-style-type: none">• if an event of default has occurred;• if after the date of execution of the Convertible Securities Agreement, the VWAP calculated over a five Trading Day period is less than \$0.16 (unless waived by L1 Capital); and• unless the average volume of Shares traded on ASX (as reported by Bloomberg LP) over the 5 Trading Day period immediately prior to the date of the Purchase Request is at least \$50,000. |
| Purchase Date | <p>If the Company elects to issue the Additional Debt Notes, the Purchase Date must occur by the Meeting Deadline.</p> <p>The issue of the Tranche 2 Convertible Notes (other than those that replace any Additional Debt Notes) must be at least 120 days after the issue of the Debt Notes and at least 45 days after issue of the previous tranche of Tranche 2 Convertible Notes (unless otherwise agreed).</p> |
| Interest Rate | 4% per annum, with the first interest payment payable on the date which is 180 days after the Purchase Date of the Tranche 1 Convertible Notes and every 90 days thereafter. |
| Conversion Rights | Subject to obtaining Shareholder approval, L1 Capital may elect to convert one or more of the Tranche 2 Convertible Notes into Shares at the Tranche 2 Conversion Price (defined below) at any time prior to the respective Maturity Date. |
| Tranche 2 Conversion Price | <p>The Tranche 2 Convertible Notes may be converted at the lesser of:</p> <ul style="list-style-type: none">• 90% of the daily VWAP on the Trading Day immediately prior to the date of issue of a conversion notice, rounded down to the nearest A\$0.01; and• the Fixed Conversion Price. <p>However, if the Company undertakes one or more capital raisings and raises of at least \$2,500,000 in aggregate (excluding any funds raised under the Placement) at a price per Share lower than the Fixed Conversion Price, the Company must seek Shareholder approval to vary the Fixed Conversion Price to the issue price under the relevant capital raising. If Shareholder approval is not obtained within 60 days from the date of completion of the capital raising, an event of default will have occurred.</p> |
| Mandatory Redemption | If the Tranche 2 Convertible Notes have not been converted prior to the Maturity Date, the Company must repay 102% of the Amount Outstanding on the Maturity Date. |
| Ranking on Conversion | Shares issued on conversion of the Tranche 2 Convertible Notes will rank equally with existing Shares on issue. |
| Reconstruction of capital | If at any time the Company undertakes a consolidation, subdivision or pro-rata cancellation of its issued capital, pays a dividend in Shares or undertakes a distribution of Shares, the Fixed Conversion Price will be reduced or increased in the same proportion as the issued capital of the Company is consolidated, subdivided or cancelled. |

SCHEDULE 4 – TERMS AND CONDITIONS OF EVERBLU OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

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

(c) **Expiry Date**

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

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

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

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

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

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

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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



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 **3.00pm (AEDT) on Sunday, 26 January 2020**, being not later than **48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

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

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

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



SUBMIT YOUR PROXY VOTE BY PAPER

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

YOUR NAME AND ADDRESS

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

VOTING UNDER STEP 1 - APPOINTING A PROXY

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

DEFAULT TO THE CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

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

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

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

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

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

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

CORPORATE REPRESENTATIVES

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

ATTENDING THE 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.



