

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in doubt as to the action you should take you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary Shares, please send this document and the accompanying documents at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

# **CLS Holdings plc**

## **Notice of Annual General Meeting**

Notice of the Annual General Meeting of the Company convened for 10.00 a.m. on 19 May 2009 is set out at the end of this document. To be valid, the accompanying form of proxy for use at the Annual General Meeting must be completed and returned so as to reach the Registrars by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by not later than 10.00 a.m. on Sunday 17 May 2009.

# LETTER FROM THE CHAIRMAN OF CLS HOLDINGS PLC

## CLS HOLDINGS PLC

(INCORPORATED AND REGISTERED IN ENGLAND NO. 2714781)

Registered and Head Office:  
86 Bondway  
London  
SW8 1SF

### DIRECTORS

Sten Ake Mortstedt (Executive Chairman)  
Erik Henry Klotz (Chief Executive Officer)  
Thomas John Thomson (Non-executive Vice Chairman)  
Malcolm Charles Cooper (Non-executive Director)  
Hans Otto Thomas Lundqvist (Non-executive Director)  
Bengt Filip Mörtstedt (Non-executive Director)  
Christopher Patrick Jarvis (Non-executive Director)  
Joseph Allen Crawley (Non-executive Director)

14 April 2009

Dear Shareholder,

### INTRODUCTION

The purpose of this circular is to give you details of the Company's Annual General Meeting ("AGM") which is to be held on 19 May 2009 and the resolutions to be proposed at it. I am pleased to enclose a copy of the Company's Annual Report & Accounts for the year ended 31 December 2008.

Because of the additional Tender Offer which was completed in January 2009, it is your directors' view that it is in the best interests of the Company to retain its cash position. As a result, your directors will not be proposing a further distribution by way of a Tender Offer buy back at the AGM.

### ELECTRONIC COMMUNICATIONS WITH SHAREHOLDERS

You may be aware that the Companies Act 2006 aims to encourage use of electronic communications with shareholders and enables companies, if their shareholders agree to it, to supply documents to their shareholders by e-mail or by use of website access instead of posting documents to them. As we currently have under 1,000 Shareholders, the Company intends to continue to post documents to all the names on the share register, but would like to inform you that we would also be pleased to notify you electronically. Please request this service by writing to CLS for the attention of the Deputy Company Secretary or by e-mailing [enquiries@cls Holdings.com](mailto:enquiries@cls Holdings.com).

### ANNUAL GENERAL MEETING – EXPLANATORY NOTES

The AGM is to be held at 86 Bondway, London, SW8 1SF on Tuesday, 19 May 2009 at 10.00 a.m. You will find on pages 5 to 7 of this document the Notice convening the AGM. A form of proxy for use in connection with the AGM is enclosed with this document.

Resolutions 1 to 11 are ordinary resolutions; resolutions 12 to 15 are special resolutions. I set out below further information on certain of the resolutions proposed.

### **Resolutions 3 to 8 (Re-election of Directors)**

Biographies of all the Directors are set out on pages 27 to 28 of the Annual Report.

As the 2009 AGM is the first annual general meeting since their appointments to the Board, in accordance with the Articles of Association, Henry Klotz, Chief Executive Officer, Christopher Jarvis and Joseph Crawley, both Non-Executive Directors, will stand for appointment by shareholders and resolutions 6, 7 and 8 propose the election of these directors. Joseph Crawley is not considered by the Board to be independent of management as set out in the Combined Code given his close family ties with a member of the Mortstedt family. The Board consider his experience and expertise to add significant value to the operation of the Company.

Thomas Lundqvist and Bengt Mörtstedt, both Non-Executive Directors, have served more than nine years as Directors.

As recommended under the provision A.7.2 of the Combined Code, both Thomas Lundqvist and Bengt Mörtstedt, and, as reported in the 2006 Remuneration Report, Tom Thomson, will retire annually. All of whom, being eligible, are seeking re-election to the Board.

I can confirm to shareholders that, following formal performance evaluation, the performance of the non-executives seeking re-election (Joseph Crawley, Christopher Jarvis, Thomas Lundqvist, Tom Thomson and Bengt Mörtstedt) continue to be effective and to demonstrate commitment to their roles. I can also confirm that the Company will seek to appoint a further independent Non-Executive Director as soon as a suitable candidate has been identified.

### **Resolution 11 (Renewal of the Board's authority to allot shares)**

It is proposed to authorise the Board to allot up to 16,008,084 ordinary shares of 25 pence each in the Company ("Ordinary Shares"), representing the total of one-third of the issued share capital of the Company excluding treasury shares and an amount equal to options granted over unissued Ordinary Shares (as set out in the paragraph entitled "Further information" below), and representing 33.33 per cent. of the issued share capital of the Company (excluding treasury shares). This authority will expire five years from the date on which the Resolution is passed. Your Directors have no present intention of exercising this authority.

### **Resolution 12 (Renewal of authority to offer scrip dividends)**

The Directors have again decided to seek Shareholders' authority to offer a scrip dividend option in respect of any dividend declared or paid during or in respect of the Company's current financial year. The Directors have no present intention of exercising this authority.

### **Resolution 13 (Disapplication of pre-emption rights)**

It is proposed to empower the Board to allot equity securities for cash without first offering them to existing shareholders in proportion to their holdings, subject to certain limits which comply with accepted guidelines. This resolution will enable the Board, in appropriate circumstances, to allot for cash (other than in connection with a rights issue or open offer) equity securities with an aggregate nominal value of up to £600,303, being up to 2,401,212 Ordinary Shares and representing approximately five per cent. of the issued equity share capital of the Company (excluding treasury shares). The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue or open offer and allows the Directors, in the case of a rights issue or open offer, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems. This will replace the equivalent resolution passed at the last annual general meeting and will expire at the conclusion of the next annual general meeting or on 19 November 2010, whichever is the earlier. It is intended that in any three year period no more than seven and a half per cent. of the issued share capital (excluding treasury shares) will be issued on a non-pre-emptive basis.

This Resolution is proposed so as to give your Board flexibility to take advantage of business opportunities as they arise.

### **Resolution 14 (Renewal of authority to make market purchases of Ordinary Shares)**

It is proposed to renew the authority to make market purchases of Ordinary Shares, such authority being limited to the purchase of 10 per cent. of the Ordinary Shares in issue as at 14 April 2009. Shares purchased further to this authority will be cancelled, unless the Company has scope within the limit of 10 per cent. of its own shares that it is permitted to hold as treasury shares, in which case the shares will be retained as treasury shares.

The minimum price which may be paid for any Ordinary Shares pursuant to this authority is the par value of such the shares from time to time. The maximum price which may be paid for any Ordinary Share is the higher of an amount equal to 5 per cent. above the average of the closing middle-market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the purchase is made, and an amount equal to a price no higher than the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Trading System SETS, in each case exclusive of expenses.

The authority to purchase the Company's own shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per Ordinary Share and that it is in the best interests of the Company at the time.

During the year the Company made market purchases as detailed on page 26 of the Annual Report. The Directors considered that the purchases were in the best interests of the shareholders given the cash resources of the Company and the discount in the market price of the Company's Ordinary Shares to their net asset value.

### **Resolution 15 (Ability to hold general meeting on 14 clear days' notice)**

Resolution 15 to be proposed at the Annual General Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the existing articles of association of the Company and the Companies Act 2006. However, pursuant to the EU Shareholders' Rights Directive and in accordance with published guidance from the Department of Business, Enterprise and Regulatory Reform, specific shareholder approval is required annually in order to retain this ability after 3 August 2009. The Directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the Directors believe that it is important for the Company to retain this flexibility.

### **ACTION TO BE TAKEN**

Shareholders will find enclosed a form of proxy for use at the AGM. Whether or not Shareholders intend to be present at the meeting, Shareholders are requested to complete and return the form of proxy in accordance with the instructions printed thereon so that it arrives at the Registrars as soon as possible and in any event so as to be received by the Registrars not later than 10.00 a.m. on Sunday 17 May 2009. Completion and return of the form of proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

### **FURTHER INFORMATION**

At 14 April 2009 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was 53,024,256 Ordinary Shares, of which 5,000,000 Ordinary Shares are held by the Company as treasury shares. At 14 April 2009, there were no share options outstanding under the Company's Share Option Schemes.

### **RECOMMENDATION**

Your Directors consider that the proposals in this document are in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolutions proposed in the Notice as they intend to do in respect of their own shareholdings (except that they will not vote for their own re-election) of 27,920,423 Ordinary Shares, representing approximately 58.13 per cent. of the Company's issued share capital (excluding treasury shares).

Yours sincerely  
**Sten Mortstedt**

## CLS HOLDINGS PLC

(INCORPORATED AND REGISTERED IN ENGLAND NO. 2714781)

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of CLS Holdings plc ("the Company") will be held at 86 Bondway, London, SW8 1SF on 19 May 2009 at 10.00 a.m. for the following purposes:

#### ORDINARY BUSINESS

1. To receive and adopt the Company's Annual Report & Accounts for the year ended 31 December 2008 together with the Directors' Report and the Independent Auditors' Report on those Accounts and on the auditable part of the Directors' remuneration report.
2. That the Directors' Remuneration Report, as set out on pages 35 to 39 of the Annual Report & Accounts (as referred to in 1 above), be and is hereby approved.
3. To re-elect Tom Thomson as a director.
4. To re-elect Thomas Lundqvist as a director.
5. To re-elect Bengt Mörtstedt as a director.
6. To re-appoint Henry Klotz as a director.
7. To re-appoint Christopher Jarvis as a director.
8. To re-appoint Joseph Crawley as a director.
9. To re-appoint Deloitte LLP (formerly Deloitte & Touche LLP) as auditors to hold office until the conclusion of the next annual general meeting.
10. To authorise the Directors to fix the remuneration of the auditors.

#### SPECIAL BUSINESS

To consider and if thought fit to pass the following resolutions as Ordinary and Special Resolutions as specified:

##### Ordinary resolution (11)

###### Renewal of the Board's authority to allot shares

11. That, in place of the equivalent authority conferred on the Directors at the last annual general meeting, the Directors be and hereby are generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to allot relevant securities (which for the purposes of this resolution shall have the same meaning as in section 80(2) of the Companies Act 1985) of the Company provided that:
  - (a) the maximum amount of relevant securities that may be allotted pursuant to the authority given by this resolution shall be an aggregate nominal amount of £4,002,021;
  - (b) subject as provided in paragraph (c) of this resolution, the authority shall expire five years from the date of the passing of this resolution but may be previously revoked or varied by an ordinary resolution of the Company;
  - (c) such authority shall permit and enable the Company to make an offer or agreement before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and shall permit the Directors to allot such securities pursuant to any such offer or agreement as if such authority had not expired; and
  - (d) in relation to the grant of any right to subscribe for, or convert any securities into, shares in the Company, the reference in this resolution to the maximum amount of relevant securities that may be allotted is to the maximum amount of shares which may be allotted pursuant to such right.

##### Special resolutions (12 to 15)

###### Renewal of authority to offer scrip dividends

12. That, in place of the equivalent authority conferred on the Directors at the last annual general meeting, the Directors be generally and unconditionally authorised:
  - (a) to exercise the power contained in article 188 of the articles of association of the Company as from time to time varied so that, to the extent and in the manner determined by the Directors, the holders of ordinary shares of 25p each in the capital of the Company be permitted to elect to receive new ordinary shares credited as fully paid, instead of the whole or any part of any dividends (including interim dividends) paid by the Directors or declared by the Company in general meeting (as the case may be) during or in respect of the financial year of the Company ending on 31 December 2009; and
  - (b) to capitalise the appropriate nominal amount of the new ordinary shares failing to be allotted pursuant to any elections made as aforesaid out of the amount standing to the credit of any reserve or fund (including the profit and loss account, share premium account, capital redemption reserve or any other non-distributable reserve), whether or not the same is available for distribution, as the Directors may determine, to apply such sum in paying up such ordinary shares in full and to allot such ordinary shares to the shareholders of the Company validly making such elections in accordance with their respective entitlements.

## Disapplication of pre-emption rights

13. That:

- (a) the Directors be empowered to allot equity securities within the meaning of section 94(2) of the Companies Act 1985 of the Company (pursuant to the authority conferred on the Directors by resolution 11 above) at any time up to the conclusion of the Company's next annual general meeting following the date of the passing of this resolution or, if earlier, the expiry of 15 months from the date of the passing of this resolution, as if section 89(1) of the Companies Act 1985 did not apply to any such allotment (such authority to be in substitution for all existing authorities granted to the Directors in respect of the allotment of equity securities as if section 89(1) of the Companies Act 1985 did not apply), provided that such power shall be limited to the allotment of equity securities:
  - (i) in connection with a rights issue; and
  - (ii) otherwise than under sub-paragraph (a)(i) of this resolution, up to an aggregate nominal amount of up to £600,303, being up to 2,401,212 Ordinary Shares and representing approximately five per cent. of the issued share capital of the Company (excluding treasury shares).
- (b) such power shall permit and enable the Company to make an offer or agreement before the expiry of such power which would or might require equity securities to be allotted after such expiry and shall permit the Directors to allot such securities pursuant to any such offer or agreement as if such power had not expired;
- (c) in this resolution:
  - (i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to ordinary shareholders on the register on a fixed record date in proportion to their respective holdings of such shares or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory); and
  - (ii) the nominal amount of any securities should be taken to be, in the case of a right to subscribe for, or convert, any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right; and
  - (iii) any references to an allotment of equity securities shall include a sale of treasury shares.
- (d) words and expressions defined in or for the purposes of sections 89 to 95 inclusive of the Companies Act 1985 shall bear the same meanings in this resolution.

#### **Authority to make market purchases of Ordinary Shares**

14. That the Company be generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p each in the capital of the Company provided that:
- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 4,802,425 Ordinary Shares;
  - (b) the minimum price which may be paid for any Ordinary Shares is the par value of such share from time to time;
  - (c) the maximum price which may be paid for any Ordinary Share is the higher of an amount equal to 5 per cent. above the average of the closing middle-market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List ("SEDOL") for the five dealing days immediately preceding the day on which the purchase is made, and an amount equal to a price no higher than the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Trading System SETS, in each case exclusive of expenses;
  - (d) unless previously revoked or varied, the authority hereby conferred shall, subject as provided in paragraph (e) of this resolution, expire at the conclusion of the annual general meeting of the Company next following the passing of this resolution (or, if earlier, 18 months from the date of the passing of this resolution); and
  - (e) the Company may contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiry of such authority, and may purchase ordinary shares pursuant to any such contract as if such authority had not expired.

#### **Ability to hold general meeting on 14 clear days' notice**

15. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.

BY ORDER OF THE BOARD

**Tom Thomson**  
Company Secretary

Dated 14 April 2009

86 Bondway  
London  
SW8 1SF

**NOTES:**

1. Shareholders are entitled to attend and vote at the above-mentioned meeting. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered in the register of members of the Company 48 hours before the time for which the meeting is called shall be entitled to attend and vote at the above-mentioned meeting in respect of the numbers of Ordinary Shares registered in their respective names at that time. Changes to entries on the register of members after 48 hours before the time for which the meeting is called shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him or her at the meeting. A proxy need not be a member of the Company. A prepared form of proxy is enclosed, which Shareholders are invited to complete and return. Lodging a form of proxy will not prevent such a Shareholder from attending the meeting in person.
3. The instrument appointing a proxy, together with power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be returned by post or by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 10.00 a.m. on Sunday 17 May 2009.
4. For more information regarding appointing a proxy, please read the explanatory notes on the enclosed proxy card.
5. A person who is not a member of the Company, but has been nominated by a member of the Company (the "Relevant Member") to enjoy information rights (the "Nominated Person") pursuant to section 146 of the Companies Act 2006, does not have a right to appoint any proxies under note 2 above. A Nominated Person may have a right under an agreement with the Relevant Member to be appointed or to have somebody else appointed as a proxy for the AGM. If a Nominated Person does not have such a right, or has such a right and does not wish to exercise it, he may have a right under an agreement with the Relevant Member to give instructions as to the exercise of voting rights.
6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the AGM so that:
  - (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions, including details of the respective number of shares in respect of which they have power to vote, to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions, including details of the respective number of shares in respect of which they have power to vote, to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure.
7. Copies of contracts of service and letters of appointment between the directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the AGM, and at the place of the meeting for at least 15 minutes prior to the AGM until its conclusion.