

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 in the Company, 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 Wednesday, 17 April 2013 is set out in Part II of this document.

A Form of Proxy for use at the Annual General Meeting is enclosed. To be valid, the Form of Proxy 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 6AH (the "Registrars") by no later than 10.00 a.m. on Monday, 15 April 2013. As an alternative to completing the hard copy form, shareholders can appoint proxies electronically via www.clsholdings.com/evoting so that it is received by the Registrar by no later than 10.00 a.m. on Monday, 15 April 2013. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant 3RA50) by no later than 10.00 a.m. on Monday, 15 April 2013. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

PART I
LETTER FROM THE CHAIRMAN OF CLS HOLDINGS PLC
CLS HOLDINGS PLC (THE “COMPANY”)

(INCORPORATED AND REGISTERED IN ENGLAND WITH REGISTERED NUMBER 2714781)

Registered and Head Office:
86 Bondway
London
SW8 1SF

DIRECTORS

Sten Mortstedt (Executive Chairman)
E. Henry Klotz (Executive Vice Chairman)
Richard Tice (Chief Executive Officer)
John Whiteley (Chief Financial Officer)
Malcolm Cooper (Non-Executive Director)
Joseph Crawley (Non-Executive Director)
Christopher Jarvis (Non-Executive Director)
Thomas Lundqvist (Non-Executive Director)
Jennica Mortstedt (Non-Executive Director)
Brigith Terry (Non-Executive Director)
Thomas Thomson (Non-Executive Director)

15 March 2013

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 Wednesday, 17 April 2013 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 2012 (the “Annual Report”).

As we reported when we published our Annual Report on 4 March 2013, it is your Directors' intention to propose a distribution by way of a Tender Offer in lieu of a final dividend for the year ended 31 December 2012. Documentation containing full details of the Tender Offer (completion of which is subject to the passing of Resolution 19) is enclosed.

In accordance with the ABI guidelines, if the Tender Offer proceeds and, as a result, the Company's issued share capital is reduced, the Directors undertake not to exceed the appropriate limits in relation to the resulting issued share capital referred to in Resolutions 16 and 18.

ELECTRONIC COMMUNICATIONS WITH SHAREHOLDERS

You may be aware that the Companies Act 2006 (the “Act”) 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 email 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. However, if you would also like to receive documents by email, you may request this service by writing to CLS (marked for the attention of the Company Secretary) or by emailing enquiries@clsholdings.com.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

The AGM is to be held at 86 Bondway, London, SW8 1SF on Wednesday, 17 April 2013 at 10.00 a.m. You will find on pages 5 and 6 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 17 are ordinary resolutions; Resolutions 18 to 21 are special resolutions. I set out below further information on certain of the resolutions proposed.

Resolutions 3 to 13 (Re-election of Directors)

The Board notes that the UK Corporate Governance Code, which applies to the Company requires that all directors of FTSE 350 companies be subject to annual election by shareholders. At present the Company is not a constituent of the FTSE 350 however the Board has adopted this provision of the UK Corporate Governance Code and requires the annual re-election of all directors by shareholders.

I can confirm to shareholders that, following a formal performance evaluation, the performance of each of the Directors continues to be effective and demonstrates commitment to their roles.

Biographies of all the Directors proposed to be re-elected are set out on pages 30 and 31 of the Annual Report.

Resolution 16 (Renewal of the Board's authority to allot shares)

It is proposed to authorise the Board to allot shares or grant such subscription rights as are contemplated by sections 551(1) (a) and (b) respectively of the Act up to a maximum aggregate nominal value of £3,608,823, representing one-third of the issued share capital of the Company excluding treasury shares (as set out in the paragraph entitled "Further information" below). This is the maximum permitted amount under best practice corporate governance guidelines. 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 17 July 2014, whichever is the earlier. Your Directors have no present intention of exercising this authority.

Resolution 17 (Personal Incentive Plan)

It is proposed to adopt a Performance Incentive Plan (the "Plan") for certain Executive Directors, replacing the previous discretionary bonus scheme. A full explanation of the proposed Plan can be found in the letter from the Chairman of the Remuneration Committee that follows the Notice of Annual General Meeting.

Resolution 18 (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 best practice corporate governance 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 £541,323, being up to 2,165,292 ordinary shares of 25 pence each in the Company ("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 17 July 2014, 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 19 (Specific authority to make market purchases of Ordinary Shares pursuant to tender offer buy backs)

The Company wishes to continue to return money to shareholders by way of tender offer buy backs. In 2010, the Company held General Meetings in April and September in order to approve each tender offer buy back. Other than certain of the Directors and those shareholders present by proxy, there were no shareholders present in person. Your Directors believe this is an unnecessary administrative burden on the Company which also carries additional costs and are therefore seeking a specific authority that will enable tender offers to take place without the need for General Meetings, as was the case in 2012. Following any announcement of a tender offer buy back, documentation will be posted to shareholders in the usual manner and made available on the Company's website.

Shares purchased further to this authority will be cancelled, unless the Company decides otherwise, in which case they may be held as treasury shares, subject to any applicable limits.

The minimum price which may be paid for any Ordinary Shares pursuant to this authority will be 25 pence (being an amount equal to the nominal value of an Ordinary Share). The maximum price which shall be paid for an Ordinary Share pursuant to this authority shall be an amount equal to not more than 35 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 Directors set the price or, if the Directors determine to adjust (either upwards or downwards) the price to be paid per share following an announcement of a tender offer, an amount equal to not more than 35 per cent. above the average of the closing middle market quotations for the Ordinary Shares as derived from SEDOL for the five dealing days immediately preceding the day on which the Directors set the adjusted price.

The maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 4,330,587 (representing 10% of the Ordinary Shares in issue as at 14 March 2013). Any purchase of Ordinary Shares pursuant to this Resolution shall be deducted from the total number of Ordinary Shares that may be purchased pursuant to the general authority in Resolution 20.

Resolution 20 (Renewal of general 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 March 2013. Shares purchased further to this authority will be cancelled, unless the Company decides otherwise, in which case they may be held as treasury shares, subject to any applicable limits.

The minimum price which may be paid for any Ordinary Shares pursuant to this authority will be 25 pence (being an amount equal to the nominal value of an Ordinary Share). 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 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.

The maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 4,330,587 Ordinary Shares (representing 10% of the Ordinary Shares in issue as at 14 March 2013). Any purchase of Ordinary Shares pursuant to this Resolution shall be deducted from the total number of Ordinary Shares that may be purchased pursuant to the tender offer authority in Resolution 19.

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 to 31 December 2012 the Company did not make any market purchases of its own shares pursuant to its general authority to make market purchases and there have been no purchases since 31 December 2012.

Resolution 21 (Ability to hold general meetings on 14 clear days' notice)

It is proposed to seek authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 clear days' notice. This is permissible under the existing Articles of Association of the Company and the Act. 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 option. 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.

The Company will only use the shorter notice period where it is merited by the purpose of the meeting and it would clearly be to the advantage of shareholders as a whole.

VOTING

You will find enclosed with this document a Form of Proxy for use in respect of the AGM. Whether or not you intend to be present at the AGM, you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed on it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH (the "Registrar") as soon as possible and, in any event, to arrive by no later than 10.00 a.m. on Monday, 15 April 2013.

As an alternative to completing the Form of Proxy, you can appoint proxies electronically via www.cls Holdings.com/evoting to be received by the Registrar by no later than 10.00 a.m. on Monday, 15 April 2013. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the issuer's agent (under ID 3RA50) by no later than 10.00 a.m. on Monday, 15 April 2013. The time of receipt will be taken to be the time from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Appointment of a proxy will not prevent you from attending the Meeting and voting in person should you wish to do so.

FURTHER INFORMATION

At 14 March 2013 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was 48,108,979 Ordinary Shares, of which 4,803,103 Ordinary Shares are held by the Company as treasury shares. At 14 March 2013, there were 300,000 share options outstanding under the Company's Share Option Schemes, equivalent to 0.69 per cent. of the Company's issued share capital (excluding treasury shares). These options will represent approximately 0.77 per cent. of the Company's issued share capital (excluding treasury shares) if the Company purchases the maximum number of shares pursuant to the market purchase authority proposed in Resolution 20 (including any shares purchased pursuant to the authority proposed in Resolution 19 which, if purchased, shall be deducted from the total number of Ordinary Shares that may be purchased pursuant to Resolution 20).

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 of 23,647,483 Ordinary Shares, representing approximately 54.6 per cent. of the Company's issued share capital (excluding treasury shares).

Yours faithfully

Sten Mortstedt
Executive Chairman

PART II

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 17 April 2013 at 10.00 a.m. for the following purposes:

ORDINARY RESOLUTIONS:

1. That the Company's Annual Report & Accounts for the year ended 31 December 2012 together with the Directors' Report and the Independent Auditors' Report on those Accounts and on the auditable part of the Directors' Remuneration Report, be and are hereby received and adopted.
2. That the Directors' Remuneration Report, incorporating the Policy and Implementation Reports, as set out on pages 39 to 45 of the Annual Report & Accounts (as referred to in 1 above), be and is hereby approved.
3. That Sten Mortstedt be re-elected as a director.
4. That E. Henry Klotz be re-elected as a director.
5. That Richard Tice be re-elected as a director.
6. That John Whiteley be re-elected as a director.
7. That Malcolm Cooper be re-elected as a director.
8. That Joseph Crawley be re-elected as a director.
9. That Christopher Jarvis be re-elected as a director.
10. That Thomas Lundqvist be re-elected as a director.
11. That Jennica Mortstedt be re-elected as a director.
12. That Brigith Terry be re-elected as a director.
13. That Thomas Thomson be re-elected as a director.
14. That Deloitte LLP be re-appointed as auditors to hold office until the conclusion of the next annual general meeting.
15. That the Directors be authorised to fix the remuneration of the auditors.
16. That for the purposes of section 551 Companies Act 2006 (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):
 - a. the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Companies Act 2006 respectively up to a maximum nominal amount of £3,608,823 to such persons and at such times and on such terms as they think proper during the period expiring at the conclusion of the next annual general meeting or on 17 July 2014, whichever is the earlier (unless previously revoked or varied by the Company in general meeting); and
 - b. the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution,so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.
17. That the "CLS Holdings plc 2013 Performance Incentive Plan" (the "Plan"), the principal terms of which are summarised in the circular to shareholders dated 15 March 2013 and the rules of which are produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification, be and are hereby approved and that the Directors be authorised to do all acts and things which they may consider necessary or expedient to put the Plan into effect.

SPECIAL RESOLUTIONS:

18. That subject to the passing of resolution 16 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with section 570 Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution, as if section 561(1) and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
 - a. the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - b. the allotment (otherwise than pursuant to paragraph 18a above) of equity securities up to an aggregate nominal value not exceeding £541,323;

and this power, unless renewed, shall expire at the conclusion of the next annual general meeting or on 17 July 2014, whichever is the earlier, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

19. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Ordinary Shares") pursuant to a tender offer made by the Company to shareholders provided that:
- a. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 4,330,587 (representing approximately 10 per cent. of the Company's issued share capital excluding treasury shares) less any Ordinary Shares purchased pursuant to Resolution 20;
 - b. the minimum price which shall be paid for an Ordinary Share pursuant to this authority shall be 25 pence, being the nominal value of an Ordinary Share;
 - c. the maximum price which shall be paid for an Ordinary Share pursuant to this authority shall be an amount equal to not more than 35 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 Directors set the price or, if the Directors determine to adjust (either upwards or downwards) the price to be paid per share following an announcement of a tender offer, an amount equal to not more than 35 per cent. above the average of the closing middle market quotations for the Ordinary Shares as derived from SEDOL for the five dealing days immediately preceding the day on which the Directors set the adjusted price;
 - 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 following the passing of this resolution (or, if earlier 18 months from the date of passing this resolution); and
 - e. the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares pursuant to any such contract or contracts as if such authority had not expired.
20. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Ordinary Shares") provided that:
- a. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 4,330,587 (representing approximately 10 per cent. of the Company's issued share capital excluding treasury shares), less any Ordinary Shares purchased pursuant to Resolution 19;
 - b. the minimum price which shall be paid for any Ordinary Share pursuant to this authority shall be 25 pence, being the nominal value of an Ordinary Share;
 - 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 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;
 - 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 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 make a contract or contracts 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 make a purchase of Ordinary Shares pursuant to any such contract or contracts as if such authority had not expired.
21. 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

David Fuller

Company Secretary

Dated 15 March 2013

86 Bondway

London

SW8 1SF

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person").
2. To appoint a proxy you may:
 - (a) use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH in each case no later than 10.00 a.m. on Monday, 15 April 2013; or
 - (b) appoint proxies electronically via www.clsholdings.com/evoting. For an electronic proxy appointment to be valid, the appointment must be received by the Company's Registrars by no later than 10.00 a.m. on Monday, 15 April 2013. Any electronic communication sent by a member to the Company's Registrars which is found to contain a virus will not be accepted by the Company; or
 - (c) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note 6 below.Completion of the Form of Proxy or the appointment of a proxy electronically via www.clsholdings.com/evoting or through CREST will not prevent a member from attending and voting in person.
3. Any member attending the meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
4. Pursuant to section 360B of the Companies Act 2006 (the "2006 Act") and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at close of business on Monday, 15 April 2013 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 5.00 p.m. on the date that is two days prior to the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
5. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com/CREST). The message must be transmitted so as to be received by the issuer's agent (ID 3RA50), by 10.00 a.m. on Monday, 15 April 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended). Please refer to the CREST Manual at www.euroclear.com/CREST.
7. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
8. The following documents are available for inspection at the registered office of the Company, CLS Holdings plc, 86 Bondway, London SW8 1SF, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:
 - (a) copies of the terms and conditions of appointment of the non-executive directors;
 - (b) the Articles of Association;
 - (c) the proposed Performance Incentive Plan scheme rules.

9. As at 14 March 2013 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 48,108,979 ordinary shares (of which 4,803,103 ordinary shares are held by the Company as treasury shares), carrying one vote each. Therefore, the total voting rights in the Company as at 14 March 2013 are 43,305,876.
10. The information required to be published by s.311(A) of the 2006 Act (information about the contents of this notice and numbers of shares in the company and voting rights exercisable at the meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.clsholdings.com.
11. A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.
12. If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

CLS HOLDINGS PLC

To the holders of Ordinary Shares in the Company and to option holders for information only.

15 March 2013

Dear Shareholder,

Introduction

In this letter and appendices, we provide you with an explanation of Resolution 17, set out in the Notice convening the Annual General Meeting, which is being submitted to shareholders for the formal approval of the CLS Holdings plc 2013 Performance Incentive Plan (the "Plan").

The Plan was first operated by the Company in respect of the 2012 financial year following a comprehensive shareholder consultation exercise involving the Company's largest ten shareholders. Shareholders were generally supportive of the Plan and the majority of their comments were adopted and incorporated into these proposals. The Remuneration Committee are committed to putting the Plan (and the proposed 2012 Awards as set out in the Remuneration Report) to a formal shareholder vote at the 2013 Annual General Meeting of the Company.

Contents

This letter and attached appendices provides the following information:

- An overview of the proposals and a summary of the factors taken into account in the design of the Plan;
- Appendix 1 – which sets out an overview of the key terms of the Plan (see page 11);
- Appendix 2 – which sets out a technical summary of the Plan (see page 13).

Executive Summary

The Remuneration Committee's objective is to ensure the following principles are applied in relation to the Company's executive remuneration:

- a. to be based on the principles of simplicity and flexibility;
- b. to ensure that key executives are appropriately retained and rewarded for executing the Company strategy and delivering value for shareholders; and
- c. to support the business strategy within the context of UK corporate governance best practice.

It is the opinion of the Committee that the new Plan is a key tool in achieving its objective.

Overview of Plan

The Plan has the following features:

- participation limited to Executive Directors and other key executives;
- maximum annual contribution of 150% of salary p.a. into a participant's plan account;
- plan periods of three financial years (with payments over four years);
- entitlement to annual payment of 50% of the balance of their plan account (year 1-3). All balances not paid will be deferred in shares;
- 50% of deferred balances at risk of forfeiture each year; and
- on the fourth anniversary of the start of the plan period, the balance of participants' accounts will be paid.

The following table sets out the Remuneration Committee's rationale for the Plan:

Issue to be Addressed	Incorporation into the Design of the Plan
Incentives need to be driven by Company strategy	A wide range of targets to be used annually to calculate bonus payments. The targets can be changed to reflect the market in which the Company operates on an annual basis and the speed of implementation of the Company's strategy. This flexibility ensures that the Plan is always encouraging participants to target the key performance indicators for the Company.
Challenge of setting three year targets for a Company in a volatile and cyclical market. Need for flexibility in setting targets and the use of discretion.	<p>Standard long-term incentive plans have three year performance periods. This can give rise to the following issues:</p> <ul style="list-style-type: none"> the challenge of targets being in line with implementation of the strategy; the lack of flexibility to change performance targets if they are set three years in advance; the danger of a lack of lock-in and retention of key executives because at a given point in time their subsisting equity awards are worthless. <p>The Plan provides:-</p> <ul style="list-style-type: none"> flexibility to set different performance targets on an annual basis to ensure the Plan is relevant; and the banking of deferred elements provides an immediate and relevant lock-in throughout the Plan period
Lock-in and retention including the period over which retention elements are built up	<p>Lock-in and retention is critical to ensure that Company retains the necessary management talent to execute the Company's strategy. The issues with standard incentive plans are:-</p> <ul style="list-style-type: none"> Annual bonus plans – once a payment has been made the incentive and retentive effect has gone. The Plan allows the build up of a locked-in value from the first year of operation. Performance share plans – in practice performance share plans are only relevant to participants in year 3 of the performance period when an estimation of the level of vesting can be made. Where any of the following factors are present:- <ul style="list-style-type: none"> historically awards have not vested; the current subsisting awards do not look likely to vest; an executive is a recent appointment; it can take considerable time for any incentive and retentive effect to build up under a normal performance share plan (minimum of three years). <p>The Plan allows banked value to build up from year one ensuring that the maximum incentive and retentive effect is reached quickly</p>
<p>Other factors:-</p> <ol style="list-style-type: none"> Disclosure; Link to strategy; Sustainable performance; Risk adjustment. 	<ol style="list-style-type: none"> Disclosure – the operation of the Plan is simple to explain and disclose. Link to strategy – the Plan allows the appropriate targets to be set to support the pace and change of implementing the Company's strategy. Sustainable performance – the Plan encourages sustainable performance by putting an element of banked balances from previous years at risk of partial forfeiture where minimum levels of performance (set each year) are not achieved. In addition, banked balances are held in shares providing an equity risk over the period of deferral – these elements ensure executives are not encouraged to take a short term view to maximise one year's bonus. Risk Adjustment (Claw back) – The Plan inherently provides risk adjustment (a step beyond claw back) if minimum performance levels are not met in future years.

Board Recommendation

The Board considers the Plan to be in the best interests of the Company and shareholders as a whole and unanimously recommends that you vote in favour of Resolution 17. Those members of the Remuneration Committee who hold shares in the Company will be voting in favour of the Resolution.

Yours faithfully,

Christopher Jarvis

Chairman of the Remuneration Committee

APPENDIX 1 – SUMMARY OF THE MAIN TERMS OF THE CLS HOLDINGS PLC 2012 PERFORMANCE INCENTIVE PLAN

Overview of Plan

Feature of the Plan	Detail								
Type of Incentive	<p>The Plan will operate over 3 year cycles ('Plan Periods') but will pay out over 4 years.</p> <p>At the beginning of each Plan Period of 3 financial years ("Plan Year") participants will have a plan account ("Plan Account") to which the Company will make annual contributions based on performance against annual bonus targets.</p> <p>No Company contribution will be made to a participant's Plan Account unless the terms and conditions set by the Company for a contribution are met.</p> <p>Participants will be entitled to an annual payment of 50% of the balance of their Plan Account at the end of each Plan Year. All balances not paid will be deferred in shares.</p> <p>The Remuneration Committee will also set minimum threshold performance conditions each Plan Year ("Forfeiture Threshold"). When the Forfeiture Threshold is not achieved up to 50% of the deferred earned balance in a participant's Plan Account at that date will be forfeited.</p> <p>On the fourth anniversary of the start of the Plan Period the balance of participants' accounts will be paid.</p>								
Participation	<p>Executive Directors and other key executives.</p> <p>Each participant will have a maximum annual contribution. The following table sets out the Company maximum annual contributions for the Executive Directors:-</p> <table> <tr> <th>Position</th><th>Maximum Annual Contribution as % of Salary</th></tr> <tr> <td>Executive Vice Chairman</td><td>150%</td></tr> <tr> <td>Chief Executive Officer</td><td>150%</td></tr> <tr> <td>Chief Financial Officer</td><td>100%</td></tr> </table> <p>The Executive Chairman will not participate in the Plan</p>	Position	Maximum Annual Contribution as % of Salary	Executive Vice Chairman	150%	Chief Executive Officer	150%	Chief Financial Officer	100%
Position	Maximum Annual Contribution as % of Salary								
Executive Vice Chairman	150%								
Chief Executive Officer	150%								
Chief Financial Officer	100%								
Plan Period	Company contributions will be made for 3 financial years with payments made over four to ensure an overlap with the next Plan Period and the avoidance of a natural exit point.								
Performance Targets	The Remuneration Committee will set targets based on the Company's KPI's. The Remuneration Committee Report shows how this will work in practice by disclosing the targets, their level of satisfaction and the corresponding amounts of annual bonus contribution that will be made in respect of the 2012 Financial Year.								
Corporate Dilution Limits	The Plan will incorporate the standard ABI Dilution Limits.								
Cessation of Employment	The participant will forfeit the un-paid balance of his or her Plan Account on cessation of employment for any reason other than if cessation is as a result of injury, disability, death, retirement, redundancy or where the Remuneration Committee exercises its discretion. Where a participant's cessation of employment is for one of the above reasons they will be considered to be a good leaver for the purposes of the rules of the Plan and their Plan Account will be paid out in full. Where the participant is a good leaver during the course of a financial year, the participant will continue to be a beneficiary under the Plan until the next measurement date.								
Change of Control	The value of participants' Plan Accounts will pay out on a change of control. The performance generating the value has already been delivered and therefore it is equitable that full payment of balances is made on a change of control								

On the basis that 50% of any annual contribution is deferred, the following table sets out the maximum annual payments that can be made to a participant over a four year period under the Plan as a percentage of salary. It shows the overlap between Plan Periods in year 4 (for the purpose of illustration we have assumed a maximum annual contribution of 150% of salary p.a. for the CEO):

Illustration of maximum annual payment as % of salary

Bonus Cycle	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4
Plan Period 1	75%	112.5%	131.25%	131.25%
Plan Period 2				75%
TOTAL	75%	112.5%	131.25%	206.25%

Illustration of the operation of a Plan Account

The following table illustrates the normal operation of the Plan (Example 1) and where forfeiture occurs (Example 2)

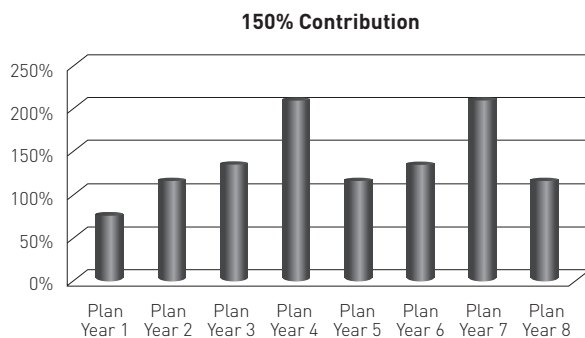
The assumptions used in this example are:-

- the participant is the CEO on a base salary of £212,262;
 - the participant earns the maximum contribution in each year other than a year in which forfeiture occurs;
 - share price growth is 0% p.a.; and
 - the Company starts a new three year Plan Period in Year 4 resulting in the final payment from the first three year Plan Period being made in Year 4 plus the first payment from the new three year Plan Period.
- Example 1** assumes a **150% maximum contribution** and that the maximum is earned each year during the Plan Period.
 - Example 2** also assumes maximum performance each year during the Plan Period apart from Plan Year 2 which illustrates the **operation of the 50% deduction** if the Forfeiture Threshold is not met for the Plan Year.

Salary	£212,262
Contribution	150%
Share Price Growth	0.0%

Example 3	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4
Opening Balance (plus share price growth over year)	£0	£159,197	£238,795	£278,594
Performance Incentive Plan Contribution	£318,393	£318,393	£318,393	£318,393
Performance Incentive Plan Deduction	£0	£0	£0	£0
Plan Account Balance (y/e)	£318,393	£477,590	£557,188	£437,790
Annual Payment (y/e)	£159,197	£238,795	£278,594	£437,790
Balance Carried Forward (y/e)	£159,197	£238,795	£278,594	£159,197

Example 4 (with forfeiture Year 2)	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4
Opening Balance (plus share price growth over year)	£0	£159,197	£39,799	£179,096
Performance Incentive Plan Contribution	£318,393	£0	£318,393	£318,393
Performance Incentive Plan Deduction	£0	£79,598	£0	£0
Plan Account Balance (y/e)	£318,393	£79,598	£358,192	£338,293
Annual Payment (y/e)	£159,197	£39,799	£179,096	£338,293
Balance Carried Forward (y/e)	£159,197	£39,799	£179,096	£159,197



The above illustrations assume no share price changes so that the mechanics of the operation of the Plan are easier to see. In practice, it is likely that there will be share price changes which will be reflected in the value of the opening balances at the year end.

APPENDIX 2 SUMMARY OF THE TECHNICAL TERMS OF THE PLAN

Operation

The Remuneration Committee, the members of which are non-executive directors, supervise the operation of the Plan in respect of the executives of the Company.

Eligible Employees

Any employee of the Company is eligible to participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

Operation of the Plan

At the beginning of each Plan Year the Remuneration Committee will determine:

- the maximum annual contribution that can be made to a participant in respect of that Plan Year; and
- the performance targets which will apply to that Plan Year.

The maximum annual contribution in respect of a Plan Year is 150% of salary.

At the end of each Plan Year the Remuneration Committee will determine the level of satisfaction of the performance targets (including the Forfeiture Threshold). If the targets are met the participant will receive a payment equal to:

- 50% of his Plan Account at the end of each Plan Year one to three inclusive; and
- 100% of his Plan Account on the fourth anniversary of the start of the Plan Period.

All balances not paid will be held in Company shares. For the purposes of calculating the number of shares the Remuneration Committee has currently determined to use the mid-market value of a Company share for the 30 day period finishing on the end of the relevant Plan Year.

Where the Forfeiture Threshold is not achieved, no contribution will be made to the participants' Plan Accounts in respect of that Plan Year. In addition 50% of the balance of their Plan Account earned in respect of previous Plan Years but not yet paid will be forfeited. The 50% forfeiture will occur each time the Forfeiture Threshold is not met for a Plan Year.

Limits

The Company may issue up to 10% of its Shares within a ten year period to satisfy awards of Shares to Participants in the Plan and any other Share plan operated by the Company under which Shares are issued. Further of this 10% a maximum of 5% may be issued for executive plans. The Committee will be monitoring the issue of Shares during the ten year period to ensure a balanced policy. It should be noted that where the Company uses treasury Shares to satisfy its obligations under such Share arrangements they shall be added to the number of Shares issued for the purposes of these limits.

Taxation

The payment of cash bonus, release of shares and vesting and exercise of awards are conditional upon the participant paying any taxes due.

Allotment and Transfer of Shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the shares are acquired. Application will be made for the admission of the new shares to be issued to the Official List of, and to trading on, the London Stock Exchange plc's main market for listed securities following the vesting and/or exercise of awards.

Cessation of Employment

If a participant leaves employment during the Plan Period he will normally forfeit the un-paid balance of his Plan Account unless the Remuneration Committee exercises its discretion to allow some or all of the un-paid balance to be released.

It is the intention of the Remuneration Committee to exercise its discretion where the participant cessation of employment is as a result of injury, disability, death, retirement or redundancy or where the Committee determines and they will be considered as a good leaver for the purposes of the rules of the Plan. Where the participant is a good leaver their Plan Account will be paid out in full. Where the participant is a good leaver during the course of a Plan Year, the participant will continue to be a beneficiary under the Plan until the next measurement date.

Change of Control

The value of participants' Plan Accounts will be released on a change of control.

Adjustment of Awards

On a variation of the capital of the Company, the number of shares subject to awards and their terms and conditions may be adjusted in such manner as the Remuneration Committee determines and the advisors of the Company confirm to be fair and reasonable.

Duration

The Plan will operate for a period of five years from the date of approval by shareholders.

Amendments

Amendments to the rules of the Plan may be made at the discretion of the Remuneration Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of shares that may be issued cannot be altered to the advantage of participants without prior shareholder approval, except for minor amendments to benefit the administration of the Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the group. However, participants should be notified of any amendment which would materially detrimentally affect their existing rights and such amendments must be approved by the majority of participants notified.

Subject to the safeguards noted above, the Remuneration Committee may amend the Plan (including by the addition of one or more sub-plans relating to shares in a group company) in such manner as may be necessary to obtain approval of the Plans (or one or more sub-plans) by HM Revenue & Customs as a company share option plan under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 or otherwise improve the tax efficiency of the Plans for the Company and/or the participants.

In addition, the Remuneration Committee may add to, vary or amend the rules of the Plans by way of a separate schedule in order that the Plans may operate to take account of local legislative and regulatory treatment for participants or the relevant group company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the Plans as summarised above.

General

Cash bonus, shares acquired, awards and any other rights granted pursuant to the Plan are non-pensionable.

Non-Transferability of Awards

Awards are not transferable except in the case of a participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the participant or by will or the laws of descent and distribution.

Employee Benefit Trust

The Company intends to establish or utilise an existing discretionary employee benefit trust to be used in conjunction with the Plan (the "Employee Trust"). The Employee Trust will be established as an employees' share scheme within the meaning of section 1166 of the Companies Act 2006 and will have full discretion with regard to the application of the trust fund (subject to recommendations from the Remuneration Committee). The Company will be able to fund the Employee Trust to acquire Shares in the market and/or to subscribe for Shares at nominal value in order to satisfy awards granted under the Plans. Any Shares issued to the Employee Trust in order to satisfy awards of Shares will be treated as counting towards the dilution limits that apply to the Plans. For the avoidance of doubt, any Shares acquired by the Employee Trust in the market will not count towards these limits. In addition, unless prior shareholders' approval is obtained, the Employee Trust will not hold more than 5% of the issued Share capital of the Company at any one time (other than for the purposes of satisfying awards of Shares that it has granted).

Note: This Appendix 2 summarises the main features of the Plan but does not form part of them and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the rules will be available for inspection at the registered office of the Company, 86 Bondway, London, SW8 1SF From the date of despatch of the Chairman's letter up to and including the date of the Annual General Meeting and at the meeting itself. The directors reserve the right, up to the time of the meeting, to make such amendments and additions to the rules of the Plan as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix 2.

THIS PAGE IS INTENTIONALLY BLANK

THIS PAGE IS INTENTIONALLY BLANK