

CANN GROUP LIMITED

ACN 603 949 739

Notice of General Meeting and Explanatory Memorandum

TIME: 11.00 am (Melbourne time)

DATE: Friday 12 June 2020

This Notice of General Meeting and Explanatory Memorandum should be read in its entirety.
If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, lawyer or other professional adviser without delay.



11 May 2020

Dear Shareholder

GENERAL MEETING

You are invited to the General Meeting of Cann Group Limited (“Company” or “Cann Group”) to be held at **11.00 am (Melbourne time) on Friday, 12 June 2020** and we are pleased to enclose the Notice of General Meeting (“Meeting”) and Explanatory Memorandum (“Notice”) with this letter.

Given the Company’s plans to complete the construction of the Mildura Facility on a staged basis, the Company is evaluating a number of options for funding that project, including the option of raising equity funds in the near future by the offering and issue of new shares and/or other equity securities in the Company. Any such issue would be subject to market conditions and may be used to fund, in part or whole, the Mildura project.

As previously announced to the market, on 24 December 2019, the Company issued to CSIRO 550,278 fully paid ordinary shares as part payment for services provided by CSIRO to the Company (“CSIRO Shares”) and, on 10 February 2020, the Company issued 8,000,000 convertible notes (“Convertible Notes”), with a face value of \$1.00 per note. As a result of the issue of these Convertible Notes, the Company raised \$8,000,000, with the Company receiving net funds of \$7,560,000 (after costs) in aggregate at the time of issue. These funds are being utilised for working capital.

The Company is seeking to reinstate its capacity for the issuance of new capital under the 15% limit in Listing Rule 7.1 by seeking the passing of Resolution 1 and Resolution 2 for the purposes of Listing Rule 7.4 as set out in the enclosed Notice.

The 10 February issue of 8,000,000 Convertible Notes equated to 16.1% of issued (and agreed to be issued) capital and, therefore, exceeded the 15% limit in Listing Rule 7.1 (for the 12-month period following the date of issue of the Convertible Notes) by the issue of 744,329 Convertible Notes too many (“Excess Notes”). Consequently, the Company breached Listing Rule 7.1, although it was not a material breach. In consultation with the Australian Securities Exchange (“ASX”), the Company has excluded from Resolution 2 the Excess Notes, and the underlying shares and options that can be issued from the conversion of those Excess Notes and, therefore, shareholders are not being asked to ratify and approve their issue under Resolution 2. Shareholders are being asked to ratify and approve the issue of 7,255,671 Convertible Notes under Resolution 2.

If these two Resolutions are passed at the Meeting convened by the enclosed Notice, the Company will be able to use the 15% limit under Listing Rule 7.1 (excluding the Excess Notes, and the underlying shares and options that can be issued from the conversion of those Excess Notes), in addition to using its 10% capacity under Listing Rule 7.1A, in order to undertake an offering and issue of new shares and/or other equity securities in the Company that do not fall within any of the exceptions in Listing Rule 7.2.

In addition, the Company is seeking to not have its capacity for the issuance of new capital under the 15% limit in Listing Rule 7.1 reduced by seeking the passing of Resolution 3 and Resolution 4 for the purposes of Listing Rule 7.1 as set out in the enclosed Notice. If Resolutions 3 and Resolution 4 are passed, the Company will be able to issue new fully paid ordinary shares to CSIRO and Pure Cann NZ Limited under the relevant agreements

with them respectively. If Resolution 4 is not passed, the Company will have to pay NZ\$1 million for the new shares in Pure Cann NZ Limited.

The Board unanimously supports and recommends all these four Resolutions. Should they be approved, the Company will maintain appropriate flexibility to continue to evaluate and action appropriate funding options to support the future expansion and profitable growth of the business.

In respect of Resolution 5, and in part given the uncertain circumstances with the COVID-19 virus and the consequential restrictions imposed in respect of gatherings and travel, it is proposed that the provisions of the Company's Constitution relating to certain topics set out in the Explanatory Memorandum be updated to provide greater clarity and certainty around the technology and procedures that can be used to conduct and participate in and vote at hybrid meetings and to reflect recent developments in or accord with market practices, new legal requirements and certain other matters of a technical nature.

A copy of the amended Constitution, marked up to show the proposed amendments, is available on the Company's website at <https://investors.canngrouponlimited.com/Investors/>. Copies may also be obtained by emailing the Company at contact@canngrouponlimited.com. Similarly, the Board unanimously supports and recommends Resolution 5.

Whilst Cann Group recognises and respects the importance of the Meeting to shareholders, the health and wellbeing of shareholders, our staff and the community in general is of the utmost importance. Given the current restrictions on gatherings and travel imposed by governments as a consequence of the COVID-19 virus, the Federal Treasurer has made a determination modifying the operation of provisions of the Corporations Act 2001 and the Corporations Regulations 2001 under Corporations (Coronavirus Economic Response) Determination (No. 1) 2020 ("Determination") to allow companies who are required or permitted to hold meetings to hold those meetings remotely as virtual meetings, instead of in person.

As a consequence of this Determination, Cann Group has adopted the following approach for the Meeting:

1. The Meeting will be held virtually (online) via an online platform, except for those members of the Board and Management who are able to attend in person in a safe and permissible manner. There will be no physical attendance at the Meeting. This is an important health and safety measure, given we have thousands of shareholders on our share register.
2. We encourage all shareholders and proxyholders to participate in the Meeting virtually via the online platform at <https://agmlive.link/CAN20>. To do this you will need a desktop or mobile/tablet device with internet access. When you log onto the online platform on the morning of the Meeting, you will need to provide your details (**including your Shareholder Reference Number (SRN) or Holder Identification Number (HIN)**) to be verified as a shareholder or proxyholder. Following this you will be given details as to how to vote and ask questions during the Meeting.
3. Once the Meeting commences at 11.00am, you will be able to listen to the Chairman of the Meeting talking live and in real-time.
4. Shareholders and proxyholders will be able to log in to the online platform at least 15 minutes prior to the scheduled start time for the Meeting using the instructions set out in the Notice and the enclosed Virtual General Meeting Online Guide. Shareholders and proxyholders are encouraged to participate in the Meeting virtually via the online platform.
5. Shareholders and proxyholders will have the ability to ask questions during the Meeting via the online platform, and to hear all of the discussion, subject to connectivity of their devices.
6. A detailed guide on how to participate virtually is set out in the enclosed Virtual General Meeting Online Guide. This Guide explains how to ensure your browser is compatible with the online platform, as well as a

step-by-step guide to successfully log in and navigate the site. This Guide will be lodged with the ASX and is available on the Company's website at <https://investors.canngrouplimited.com/Investors/>.

7. In addition to the above, shareholder/proxyholder participation (as relevant) is possible by shareholders lodging the enclosed Proxy Form electronically at Cann Group's Share Registry at www.linkmarketservices.com.au or, alternatively, returning it in the envelope provided or faxed to Cann Group's Share Registry on **02 9287 0309 (within Australia)** or **+61 2 9287 0309 (outside Australia)**, so that it is received by **11.00 am on Wednesday, 10 June 2020**, in order to be valid. The Proxy Form is available on the Company's website at <https://investors.canngrouplimited.com/Investors/>.
8. In accordance with the Determination, each resolution considered at the Meeting will be decided on a poll.

As the situation regarding the management of COVID-19 is evolving, shareholders are encouraged to monitor the Cann Group website for any further updates in relation to the arrangements for the Meeting. Cann Group appreciates the understanding of shareholders during this difficult time. We look forward to your virtual attendance and participation at the Meeting.

Your continued support is greatly appreciated.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Allan McCallum', followed by a period.

Allan McCallum
Chairman



Notice of General Meeting

Notice is hereby given that a General Meeting of Cann Group Limited ABN 25 603 949 739 (“the Company”) will be held at **11.00 am (Melbourne time) on Friday, 12 June 2020** to transact the special business set out below.

Shareholders should refer to the accompanying Explanatory Memorandum for further information concerning the special business to be transacted at this General Meeting.

Special Business of General Meeting

1. Resolution 1 – Ratification of Prior Issue of Shares to CSIRO

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, the shareholders of the Company approve and ratify the prior issue of 550,278 fully paid ordinary shares in the capital of the Company to Commonwealth Scientific and Industrial Research Organisation (“CSIRO”) pursuant to the Share Purchase Agreement dated 24 October 2018 between CSIRO and the Company on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting.”

A voting exclusion statement is set out below.

2. Resolution 2 – Ratification of Prior Issue of Convertible Notes

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, the shareholders of the Company ratify and approve the prior issue of 7,255,671 convertible notes to the investors specified in, and on the terms and conditions and in the manner set out in, the Explanatory Memorandum accompanying this Notice of General Meeting.”

A voting exclusion statement is set out below.

3. Resolution 3 – Approval of Issue of New Shares to CSIRO

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes, the shareholders of the Company approve the issue to Commonwealth Scientific and Industrial Research Organisation (“CSIRO”) of:

- (a) 325,272 fully paid ordinary shares in the capital of the Company 2019 pursuant to the terms and conditions of the Share Purchase Agreement dated 24 October 2018 between CSIRO and the Company (“Share Purchase Agreement”) in relation to the provision of research and development services to the Company from CSIRO under the Research Services Umbrella Agreement dated 24 October 2018 between CSIRO and the Company (“Research Services Agreement”) during the quarter ending on 31 December 2019;*
- (b) up to a maximum of 269,230 fully paid ordinary shares in the capital of the Company pursuant to the terms and conditions of the Share Purchase Agreement in relation to the provision of research and development services to the Company from CSIRO under the Research Services Agreement during the quarter ending on 31 March 2020; and*

(c) such number of fully paid ordinary shares in the capital of the Company (“New Shares”) pursuant to the terms and conditions of the Share Purchase Agreement, with such number of New Shares to be determined in accordance with the terms and conditions of the Share Purchase Agreement, in relation to the provision of research and development services to the Company from CSIRO under the Research Services Agreement during the quarter ending on 30 June 2020, on the terms and conditions and in the manner set out in the Explanatory Memorandum accompanying this Notice of General Meeting.”

A voting exclusion statement is set out below.

4. Resolution 4 – Approval of Issue of New Shares to Pure Cann NZ Limited

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes, the shareholders of the Company approve the issue to Pure Cann NZ Limited (proposed to be renamed “Zalm Therapeutics Limited”) (“Pure Cann”) of such number of fully paid ordinary shares in the capital of the Company (“New Shares”) pursuant to the Share Subscription Deed dated 21 April 2020 between Botanitech Pty Ltd, a wholly owned subsidiary of the Company, the Company and Pure Cann (“Share Subscription Deed”), with such number of New Shares to be determined in accordance with the terms and conditions of the Share Subscription Deed, on the terms and conditions and in the manner set out in the Explanatory Memorandum accompanying this Notice of General Meeting.”

A voting exclusion statement is set out below.

5. Resolution 5 – Amendments to Constitution

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

“That the Constitution of the Company be amended as set out in the amended Constitution tabled at the General Meeting convened by this Notice of General Meeting and signed by the Chairman of the meeting for the purposes of identification.”

By Order of the Board



Geraldine Farrell
Company Secretary
11 May 2020

HOW TO PARTICIPATE AND VOTE

Voting entitlement

The Board of the Company has determined in accordance with regulation 7.11.37 of the Corporations Regulations that for the purpose of voting at the General Meeting, shares will be taken to be held by those persons who hold them at **7.00pm (Melbourne time) on Wednesday, 10 June 2020**. This means that if you are not the registered holder of a share at that time you will not be entitled to vote at the General Meeting in respect of that share.

Virtual Attendance at the General Meeting

Due to health concerns and the current government-imposed restrictions on public gatherings arising from the COVID-19 pandemic, shareholders will not be able to attend the Meeting in person.

The Federal Treasurer has made a determination modifying the operation of provisions of the Corporations Act 2001 and the Corporations Regulations 2001 under Corporations (Coronavirus Economic Response) Determination (No. 1) 2020 ("Determination") to allow companies who are required or permitted to hold meetings to hold those meetings remotely as virtual meetings, instead of in person.

As a consequence of this Determination, the Meeting will be physically held virtually (online) via an online platform, except for those members of the Board and Management who are able to attend in person in a safe and permissible manner. There will be no physical attendance at the Meeting. This is an important health and safety measure, given the Company has thousands of shareholders on its share register.

The Meeting will be audio live (not visual) for participation by shareholders and proxyholders via the online platform at <https://agmlive.link/CAN20>. To participate you will need a desktop or mobile/tablet device with internet access. When you log onto the online platform at <https://agmlive.link/CAN20> on the morning of the Meeting, you will need to provide your details (including your Shareholder Reference Number (SRN) or Holder Identification Number (HIN)) to be verified as a shareholder or proxyholder. Proxyholders will need their login details which will be provided by Link Market Services no later than 24 hours before the Meeting. Following this you will be given details as to how to vote and ask questions during the Meeting.

More information about how to use the online platform (including how to vote and ask questions online during the Meeting) is available in the Virtual General Meeting Online Guide, which has been lodged with the ASX and is available at <https://investors.canngrouplimited.com/Investors/>. If you intend to use the online platform, we recommend that you test to see that it works on your device before the Meeting commencement at 11.00am. Shareholders and proxyholders will be able to log in to the online platform at least 15 minutes prior to the scheduled start time for the Meeting using the instructions set out in the Notice and the enclosed Virtual General Meeting Online Guide.

Further instructions on device configurations are provided in the enclosed Virtual General Meeting Online Guide, which is available on the Company's website at <https://investors.canngrouplimited.com/Investors/>.

Additional information about the proposed items of special business is set out in the Explanatory Memorandum that accompanies and forms part of this Notice of General Meeting.

Discussion will take place on all items of special business to be considered at the Meeting. Shareholders will have a reasonable opportunity to ask questions in respect of the special business of the Meeting during the Meeting via the online platform. To ensure that as many shareholders as possible have the opportunity to speak, shareholders are requested to observe the following requests:

- shareholder questions should be stated clearly and should be relevant to the special business of the Meeting; and
- shareholders should not ask questions at the Meeting relating to any matters that are personal to the shareholder or commercial in confidence or not relevant to the special business of the Meeting.

All Resolutions will be determined by Poll

In accordance with the Determination, each resolution considered at the Meeting will be decided by a poll.

Voting via online platform – During the Meeting

Shareholders participating in the Meeting via the online platform will be able to vote directly at any time between the start of the Meeting at 11.00am (Melbourne time) and the closure of voting as announced by the Chairman during the Meeting.

Voting by Proxy

If a shareholder is unable to participate virtually and vote at the Meeting, they are entitled to appoint a proxy to attend virtually and vote on their behalf. To do so, they can appoint the Chairman of the Meeting as their proxy or insert the name of their alternative proxy in the space provided in the enclosed Proxy Form. You can direct your proxy to vote for or against, or abstain from voting on, a resolution by marking '**For**', '**Against**' or '**Abstain**' for the item of special business in the appropriate box in the enclosed Proxy Form.

The Proxy Form is available on the Company's website at <https://investors.canngrouponlimited.com/Investors/>.

The following applies in terms of proxy appointments:

- a proxy need not be a shareholder, and may be an individual or a body corporate. If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with section 250D of the Corporations Act 2001 (*Cth*) to exercise its powers as proxy at the Meeting;
- a shareholder entitled to cast two or more votes may appoint two proxies; and
- where two proxies are appointed, each proxy may be appointed to represent a specified proportion of the shareholder's voting rights. If a shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of that shareholder's votes.

As noted earlier, Link Market Services will contact proxyholders at least 24 hours prior to the start of the Meeting to provide them with the proxyholder login information that they will need to enter into the online platform.

Directed and Undirected Proxies

If you choose to appoint a proxy, the Board encourages you to direct your proxy how to vote on each resolution, by marking either '**For**', '**Against**' or '**Abstain**' for the item of special business on the Proxy Form.

If you sign the enclosed Proxy Form and do not appoint the Chairman of the Meeting or specify an individual or body corporate as your proxy, you will have appointed the Chairman of the Meeting as your proxy by default. In that case, your shares will be voted on the proposed resolutions in accordance with your directions on the Proxy Form.

If you do not direct the Chairman of the Meeting how to vote your shares, the Chairman of the Meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions set out in this Notice of General Meeting. Where the Chairman of the Meeting is appointed as your proxy, you will be taken to have expressly authorised the Chairman of the Meeting to cast your votes on all of the proposed resolutions set out in the Notice of General Meeting.

You may appoint the Chairman of the Meeting as your proxy by nominating him in the Proxy Form. If you return your Proxy Form but do not nominate the identity of your proxy, the Chairman of the Meeting will automatically be your proxy. If you return your Proxy Form but your nominated proxy does not virtually attend the General Meeting, then your proxy will revert to the Chairman of the Meeting. As each resolution will be determined on

a poll, if your nominated proxy is either not recorded as virtually attending the General Meeting or does not vote on the resolution, the Chairman of the Meeting is taken, before voting on the resolution closes, to have been appointed as your proxy for the purposes of voting on the resolution.

If you do not direct the Chairman of the Meeting how to vote your shares, the Chairman intends to vote undirected proxies in favour of each item of special business.

To vote by proxy, please complete and sign the enclosed Proxy Form and return in accordance with the instructions set out on the Proxy Form. Completed Proxy Forms must be received by the Company's Share Registry by **11.00 am (Melbourne time) on Wednesday, 10 June 2020**.

Lodging your Proxy Form

A Proxy Form is enclosed in this Notice of General Meeting. For the appointment of a proxy to be effective for the General Meeting, the following documents must be received no later than 48 hours before the scheduled time for the General Meeting; that is by **11.00 am (Melbourne time) on Wednesday, 10 June 2020**:

- (a) the enclosed Proxy Form; and
- (b) if the enclosed Proxy Form is signed by the appointor's attorney - the authority under which the appointment was signed or a certified copy of the authority.

Documents may be lodged online, by posting, delivery or facsimile to the Company's Share Registry at:

Link Market Services Limited

Online: www.linkmarketservices.com.au

By Post:

Cann Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

Delivery to Link Market Services Limited*:

1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9.00am-5.00pm)

Facsimile:

(+61 2) 9287 0309

If you have any queries and wish to contact Link Market Services Limited, please call (+61) 1300 554 474.

Shareholders should consider lodging the Proxy Form electronically at Cann Group's Share Registry at **www.linkmarketservices.com.au** or, alternatively, returning it in the envelope provided or faxed to Cann Group's Share Registry on **02 9287 0309 (within Australia)** or **+61 2 9287 0309 (outside Australia)**, so that it is received by **11.00 am on Wednesday, 10 June 2020**, in order to be valid.

Bodies corporate

A body corporate may appoint an individual as its representative to exercise all or any of the powers the body corporate may exercise at the Meeting. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body corporate could exercise at the Meeting or in voting on a resolution. Unless it has previously been given to

the Company, the representative should bring evidence of their appointment to the meeting, together with any authority under which it is signed. The appointment must comply with Section 250D of the Corporations Act 2001 (Cth) (“Corporations Act”).

Attorneys

A shareholder may appoint an attorney to vote on their behalf. To be effective for the Meeting, the instrument effecting the appointment (or certified copy of it) must be received no later than 48 hours before the scheduled time for the General Meeting; that is by **11.00 am (Melbourne time) on Wednesday, 10 June 2020**.

VOTING EXCLUSION STATEMENTS

Resolution 1 – Ratification of Prior Issue of Shares to CSIRO

The Company will disregard any votes cast in favour of this Resolution by, or on behalf of, CSIRO or any associate of CSIRO.

However, the Company need not disregard a vote in favour of the Resolution by:

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

Resolution 2 – Ratification of Prior Issue of Convertible Notes to Investors

The Company will disregard any votes cast in favour of this Resolution by, or on behalf of, any person who participated in the issue of the convertible notes or any associate of those persons.

However, the Company need not disregard a vote in favour of the Resolution by:

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

Resolution 3 – Approval of Issue of New Shares to CSIRO

The Company will disregard any votes cast in favour of this Resolution by, or on behalf of, CSIRO or any associate of CSIRO.

However, the Company need not disregard a vote in favour of the Resolution by:

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

Resolution 4 – Approval of Issue of New Shares to Pure Cann NZ Limited

The Company will disregard any votes cast in favour of this Resolution by, or on behalf of, Pure Cann NZ Limited or any associate of Pure Cann NZ Limited.

However, the Company need not disregard a vote in favour of the Resolution by:

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

EXPLANATORY MEMORANDUM

This Explanatory Memorandum, which accompanies and forms part of the Notice of General Meeting, has been prepared to assist shareholders with their consideration of the resolutions set out in the Notice of General Meeting dated 11 May 2020 (“Notice of General Meeting” or “Notice”).

Resolution 1 – Ratification of Prior Issue of Shares to CSIRO

The Company entered into a Research Services Umbrella Agreement (“Research Services Agreement”) and a Share Purchase Agreement (“Share Purchase Agreement”) with Commonwealth Scientific and Industrial Research Organisation (“CSIRO”) on 24 October 2018, whereby 50% of the invoice amounts (exclusive of GST), quarterly, for research and development services provided to the Company by CSIRO under the Research Services Agreement are required to be settled by the Company issuing fully paid ordinary shares in the capital of the Company (“Shares”) to CSIRO under the Share Purchase Agreement and the balance settled by cash.

The term of the Research Services Agreement is 3 years from 1 October 2018 (“Term”). Under the Research Services Agreement:

- (a) during the Term the parties may carry out projects as agreed from time to time, and the parties agree that either party may at any time submit to the other party a proposal to carry out a project, and neither party is bound to carry out any proposed project unless and until they agree the terms of that particular project;
- (b) there are various provisions relating to project responsibilities, access to premises, provision of materials, use of IP and IP ownership, allocation of CSIRO’s resources, provisions for fees, project management, project reviews and reporting, delivery of project deliverables, confidentiality obligations, dispute resolution and certain other provisions usually contained in an agreement of this nature.

CSIRO or the Company may immediately terminate the Research Services Agreement by written notice to the other party if that other party:

- (i) commits a breach of the Research Services Agreement which is capable of remedy and is not remedied within 30 days of notice to do so by the first party;
- (ii) commits a breach of a material term of the Research Services Agreement which is not capable of remedy;
- or
- (iii) commits an Insolvency Event.

The duration of the Share Purchase Agreement is for as long as invoices are issued by CSIRO under the Research Services Agreement (which, as noted earlier, has a term of 3 years unless terminated earlier) and the Company is required to pay 50% of the invoice amounts (exclusive of GST) by the issue of Shares to CSIRO.

Each issue of Shares to CSIRO under the Share Purchase Agreement is conditional on:

- (a) if required under Listing Rule 7.1, the shareholders of the Company approving the issue of the Shares;
- (b) in principle approval being received by the Company from the ASX indicating that it will grant Official Quotation to the Shares; and
- (c) the Company providing the ASX with a notice in relation to the Shares in accordance with section 708A(5)(e) of the Corporations Act which complies with section 708A(6) of the Corporations Act.

The Share Purchase Agreement contains various provisions relating to completion, warranties given by each of the parties, confidentiality and certain other provisions usually contained in an agreement of this nature.

Under the Research Services Agreement, CSIRO will issue a tax invoice for its fee for its services to the Company in respect of the relevant quarter. Consequently, under the Share Purchase Agreement, 50% of the invoiced fee (exclusive of GST) in respect of that quarter will be payable in Shares, and the number of New Shares will be determined in accordance with the following formula:

$$NS = \frac{SP}{VWAP}$$

where:

- NS** is the number of Shares to be issued by the Company to CSIRO in respect of the relevant quarter;
- SP** is the subscription price, being 50% of the invoice amount (exclusive of GST) in respect of the relevant quarter; and
- VWAP** is the arithmetic average of the 10 daily volume weighted average market price (rounded to the nearest cent) for all Shares sold through a Normal Trade on the ASX automated trading system during the 10 days ending on the third Business Day prior to the last day of the relevant quarter.

Pursuant to the Share Purchase Agreement, but as also subsequently agreed by the parties, the Company issued to CSIRO 550,278 Shares ("Prior Shares") on 24 December 2019 in respect of the quarters ending 30 June 2019 and 30 September 2019, respectively, for 50% of the total invoice amounts (exclusive of GST) of \$253,128 (being \$126,564), at an issue price of \$0.46, for those two quarters. The actual number of the Prior Shares was determined in accordance with the formula specified in the Share Purchase Agreement, details of which are set out above, in respect of those two quarters.

Generally speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of the Prior Shares to CSIRO does not fit within any of these exceptions and, as it has not yet been approved by the Company's shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue date of the Prior Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 1 seeks shareholder approval to and ratification of the issue of the Prior Shares to CSIRO under and for the purposes of Listing Rule 7.4.

If Resolution 1 is passed, the issue of the Prior Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue date of the Prior Shares.

If Resolution 1 is not passed, the Prior Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue date of the Prior Shares.

In accordance with Listing Rule 7.5, the following information is set out below:

- (a) the Prior Shares were issued to Commonwealth Scientific and Industrial Research Organisation ("CSIRO");
- (b) 550,278 Shares were issued on 24 December 2019;
- (c) the Prior Shares were issued at \$0.46 per Share;
- (d) the Prior Shares were issued as fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (e) no funds were raised from the issue of the Prior Shares – pursuant to the Share Purchase Agreement, but as also subsequently agreed by the parties, 50% of the invoice amount (exclusive of GST) in respect of the quarters ending 30 June 2019 and 30 September 2019, for research and development services provided to the Company by CSIRO under the Research Services Agreement were settled by the Company issuing the Prior Shares to CSIRO and the balance settled by cash;

- (f) a summary of the other material terms of the Share Purchase Agreement is set out above;
- (g) a voting exclusion statement is included in the Notice of General Meeting.

The chairperson of the meeting intends to vote undirected proxies in favour of Resolution 1.

Directors' Recommendation

The Directors unanimously recommend that shareholders vote in FAVOUR of Resolution 1.

Resolution 2 – Ratification of Prior Issue of Convertible Notes to Investors

On 10 February 2020, the Company issued 8,000,000 convertible notes (“Convertible Notes”), with a face value of \$1.00 per note, as follows:

- 4,600,000 Convertible Notes to Flag Capital Pty Ltd;
- 1,500,000 Convertible Notes to Supernova Fund Pty Ltd as trustee for AM & EM Stella Benefit Fund;
- 900,000 Convertible Notes to Samada Street Nominees Pty Ltd as trustee for Giles Family Trust #2;
- 700,000 Convertible Notes to National Nominees Limited ANF Copia Investment Partners Ltd;
- 200,000 Convertible Notes to BNP Paribas Nominees Pty Ltd <IOOF INSMT SVCS LTD>;
- 100,000 Convertible Notes to RXC Pty Ltd,

pursuant to agreements between the Company and these Noteholders dated 6 February 2020 (“Note Agreements”).

A summary of the material terms and conditions of the Convertible Notes, contained in the Note Agreements, are set out below. The Convertible Notes will not be quoted on the ASX.

As a result of the prior issue of the Convertible Notes, the Company raised \$8,000,000, with the Company receiving net funds of \$7,560,000 (after costs) in aggregate at the time of issue for working capital.

The conversion price (i.e. the price per Share on conversion of a Convertible Note) that is the lower of:

- (a) \$0.70; or
- (b) the volume weighted average price of Company’s Shares during the 5 trading days following the most recent capital raise of more than \$5,000,000 through one or a series of connected capital raisings to any investor or multiple investors (“Qualified Capital Raise”); or
- (c) the issue price of a Qualified Capital Raise multiplied by 0.85 (“Issue Price”),
(excluding any share issues made pursuant to employee incentive arrangements, bonus issues, pro-rata issues and reorganisations of capital).

Accordingly, and given the Company is likely to undertake a Qualified Capital Raise in the near future, subject to market conditions, for partly or wholly funding the completion of the construction of its Mildura Facility, it is not possible to determine the applicable conversion price until the conversion of Convertible Notes and, consequently, it is not possible at this time to determine the maximum number of Shares to be issued on conversion of all Convertible Notes.

Given there is no “floor” (or minimum) price with respect to the conversion price, shareholders should note that the issue of the Convertible Notes could be highly dilutive to them if the market price of the Shares falls substantially over the period to when they are converted (assuming they are converted).

If the applicable conversion price is (a) above, then, assuming conversion of all Convertible Notes at the conversion price of \$0.70, on the latest possible date of conversion and no interest payments are made by the Company, the maximum number of Shares to be issued is 13,809,656.

Assuming conversion of all Convertible Notes and the applicable conversion price is (b) above, on the latest possible date of conversion and no interest payments are made by the Company, please see Table 1 below, which sets out various working examples of pricing scenarios where the conversion price is half of, equal to and twice the closing price for Shares traded on the ASX on 30 April 2020:

Table 1

Various Conversion Price scenarios	Conversion Price is equal to half of the closing Share price for 30 April 2020 (\$0.4625)	Conversion Price is equal to the closing Share price for 30 April 2020 (\$0.925)	Conversion Price is equal to twice the closing Share price for 30 April 2020 (\$1.85)
Number of Shares to be issued on conversion	20,583,783	10,291,891	5,145,945

In addition to the issue of Shares described in above Table 1, assuming up to 30 Business Days after the first issue of Shares by the Company to any investor or multiple investors as part of one or a series of connected capital raisings that together raise more than \$20,000,000 ("Capital Raising") Convertible Notes are converted, then the Company will also issue one option for each Share issued as a result of that conversion ("Option").

Assuming conversion of all Convertible Notes and the applicable conversion price is (c) above, on the latest possible date of conversion and no interest payments are made by the Company, please see Table 2 below, which sets out various working examples of pricing scenarios where the conversion price is half of, equal to and twice the closing price for Shares traded on the ASX on 30 April 2020, multiplied by 0.85:

Table 2

Various Conversion Price scenarios	Conversion Price is based on an issue price that is half of the closing Share price for 30 April 2020 multiplied by 0.85 (\$0.393125)	Conversion Price is based on an issue price that is equal to the closing Share price for 30 April 2020 multiplied by 0.85 (\$0.78625)	Conversion Price is based on an issue price that is equal to, say, a 10% discount on twice the closing Share price for 30 April 2020 multiplied by 0.85 (\$1.5725)
Number of Shares to be issued on conversion	24,216,216	12,108,108	6,054,054

In addition to the issue of Shares described in above Table 2, assuming up to 30 Business Days after the first issue of Shares by the Company under a Capital Raising Convertible Notes are converted, then the Company will also issue one Option for each Share issued as a result of that conversion.

Given the Company's need to raise funds for the completion of the construction of the Mildura Facility, it is likely that the Company will be seeking to raise equity funds in the near future by the offer and issue of new shares and/or other equity securities in the Company, subject to acceptable market conditions, to fund, in part or whole, the Mildura project.

As noted earlier, subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of the Convertible Notes did not fit within any of the exceptions in Listing Rule 7.2 and, as it had not been approved by the Company's shareholders, effectively used all of the 15% limit over any 12-month period in Listing Rule 7.1 (and, in fact, used 16.1%, thus having exceeded this 15% limit), thus taking up the whole of the Company's 15% capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 for the 12-month period following the date of issue of the Convertible Notes.

As also noted above, Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

As a result of the issue of 8,000,000 Convertible Notes, the Company exceeded its 15% limit in Listing Rule 7.1 by the issue of 744,329 Convertible Notes too many ("Excess Notes"), with the Company having used 16.1%. In order to have come within the 15% limit, 7,255,671 Convertible Notes should have been issued. Consequently, the Company breached Listing Rule 7.1, although it was not a material breach. In consultation with the ASX, the Company has excluded from Resolution 2 the Excess Notes, and the underlying Shares and Options that can be issued from the conversion of those Excess Notes and, therefore, shareholders are not being asked to ratify and

approve their issue under Resolution 2. Shareholders are being asked to ratify and approve the issue of 7,255,671 Convertible Notes under Resolution 2.

In consultation with the ASX, and having regard to its Guidance Note 21, the number of Excess Notes, being 744,329, was determined on the basis of a conversion price of \$0.70, being the applicable conversion price as at the date of issue of the Conversion Notes, and on the assumption that all interest payable on the Conversion Notes will be paid as and when due. On this basis, the number of the underlying Shares and Options, that can be issued from the conversion of those Excess Notes, is 1,063,328 Shares and 1,063,328 Options (“Underlying Excess Securities”). These Excess Notes are excluded for ratification and approval by the shareholders under Resolution 2.

On the basis of Resolution 2, the Company is seeking to “refresh” its capacity under the 15% limit in Listing Rule 7.1 by seeking your ratification and approval of the issue of the 7,255,671 Convertible Notes (which excludes the Excess Notes, and the Underlying Excess Securities that can be issued from the conversion of those Excess Notes) under and for the purposes of Listing Rule 7.4.

If Resolution 2 is passed, the 7,255,671 Convertible Notes, and the underlying Shares and Options that can be issued upon conversion of those Convertible Notes under their terms and conditions, will be excluded in calculating the Company’s 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue date of the Convertible Notes.

Consequently, the Company will be able to use the 15% limit under Listing Rule 7.1 (excluding the Excess Notes, and the Underlying Excess Securities that can be issued from the conversion of those Excess Notes), in addition to using its 10% capacity under Listing Rule 7.1A (limited to the issue of new shares), in order to undertake an offering and issue of new shares and/or other equity securities in the Company to fund, in part or whole, the Mildura project, without the need for such issue to be conditional upon the approval of the Company’s shareholders, should such issue not fall within any of the exceptions in Listing Rule 7.2.

If Resolution 2 is not passed, the Company’s 15% limit in Listing Rule 7.1 will remain wholly used, effectively preventing the Company to further issue equity securities, without shareholder approval, over the 12-month period following the issue date of the Convertible Notes, unless such an issue falls within one of the exceptions in Listing Rule 7.2. This would deprive the Company of flexibility in respect of its fundraising options and could be unduly restrictive, if not prohibitive, on the Company in respect of its future equity fundraising endeavours, especially should the current market conditions, as at the date of this Notice of General Meeting, continue to prevail at the time of the Company’s fundraising.

In accordance with Listing Rule 7.5, the following information is set out below in respect of the Convertible Notes and its underlying Shares and Options:

- (a) the Convertible Notes were issued to:
 - (i) Flag Capital Pty Ltd;
 - (ii) Supernova Fund Pty Ltd as trustee for AM & EM Stella Benefit Fund;
 - (iii) Samada Street Nominees Pty Ltd as trustee for Giles Family Trust #2;
 - (iv) National Nominees Limited ANF Copia Investment Partners Ltd;
 - (v) BNP Paribas Nominees Pty Ltd <IOOF INSMT SVCS LTD>;
 - (vi) RXC Pty Ltd;
- (b) 8,000,000 Convertible Notes were issued on 10 February 2020, in respect of which 7,255,671 Convertible Notes are the subject of ratification under Resolution 2;
- (c) the conversion price of a Convertible Note is discussed earlier – given the Company is likely to undertake a Qualified Capital Raise in the near future, subject to market conditions, for partly or wholly funding the completion of the construction of its Mildura Facility, it is not possible to determine the applicable conversion price until the conversion of Convertible Notes and, consequently, it is not possible, at this time, to determine the maximum number of Shares to be issued on conversion – assuming conversion of all Convertible Notes at a conversion price of \$0.70, on the latest possible date of conversion and no interest payments are made by the Company, the maximum number of Shares to be issued is 13,809,656 – please also see Tables 1 and 2 above, which set out various working examples of pricing scenarios with different conversion prices – to the extent that all (or 50% of the) Convertible Notes have been converted in the period from the Issue Date (being 10 February 2020) and up to 30 Business Days after the first issue of Shares by the Company under a Capital Raising, the Company will issue to the Noteholder one Option for each Share issued as a result of that conversion – assuming conversion of all Convertible Notes at a

conversion price of \$0.70, on the latest possible date of conversion and no interest payments are made by the Company, the maximum number of Shares to be issued is 13,809,656, and therefore, assuming the Capital Raising occurs and all Convertible Notes are converted up to 30 Business Days after the first an issue of Shares under that Capital Raising, the maximum number of Options to be issued to Noteholders is 13,809,656 – assuming this maximum number of 13,809,656 Options are issued and exercised, the maximum number of underlying Shares to be issued is 13,809,656;

- (d) the Convertible Notes can be converted at any time before their maturity date (being 24 months from their issue date of 10 February 2020);
- (e) on conversion, the Shares to be issued will be fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (f) the Shares to be issued as a result of conversion of the Convertible Notes must be issued by the Company within 5 Business Days of their conversion by the Noteholder;
- (g) a summary of the other material terms and conditions of the Convertible Notes are set out below;
- (h) in the event any Options are issued and these Options are subsequently exercised in accordance with their terms, the Company must then issue one Share for each Option exercised – if any Option is not exercised at or before 5pm (Melbourne time) on 31 March 2022, it will automatically lapse;
- (i) each Option to be issued will grant the holder of that Option the right but not the obligation to subscribe for and be issued by the Company one Share upon the payment of the exercise price per Option, calculated as the Conversion Price per Convertible Note in accordance with the terms and conditions of the Conversion Notes held by the holder of that Option on 10 February 2020, multiplied by 1.35;
- (j) assuming Options are issued and exercised, the underlying Shares to be issued will be fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (k) a summary of the material terms and conditions of the Options are set out in the Schedule to this Explanatory Memorandum;
- (l) no funds will be raised from the issue of the Options, and funds raised from the exercise of the Options are intended to be used for growth opportunities and working capital purposes;
- (m) as a result of the issue of the Convertible Notes, the Company raised \$8,000,000, with the Company receiving net funds of \$7,560,000 (after costs) in aggregate at the time of issue for working capital;
- (n) a voting exclusion statement is included in the Notice of General Meeting.

The following is a summary of the material terms and conditions of the Convertible Notes:

Maturity Date	24 months from the issue date.
Total face value	\$8,000,000
Interest	Accrues daily on the value of the Convertible Notes held by each Noteholder at the following rates: <ul style="list-style-type: none"> (a) 9.5% p.a for any month the Company does not make an interest payment; or (b) 7.5% p.a for any month the Company does make an interest payment.
Security	All Convertible Notes are unsecured.
Maximum number of Shares issued on conversion	Given the Company is likely to undertake a Qualified Capital Raise in the near future, subject to market conditions, for partly or wholly funding the completion of the construction of its Mildura Facility, it is not possible to determine the applicable conversion price until the conversion of Convertible Notes and, consequently, it is not possible, at this time, to determine the maximum number of Shares to be issued on conversion. Assuming conversion of all Convertible Notes at a conversion price of \$0.70, on the latest possible date of conversion and no interest payments are made by the Company, the maximum number of Shares to be issued is 13,809,656.

	Please see Tables 1 and 2 above, which set out various working examples of pricing scenarios with different conversion prices.
Conversion terms	<p>Noteholders may convert either 50% or 100% of Convertible Notes on issue to them:</p> <ul style="list-style-type: none"> (a) any time before the Maturity Date; (b) if the Company announces it has received a takeover offer; (c) if the Company announces it has entered into a scheme implementation agreement; or (d) if the Company suffers an insolvency event.
Issue of Shares	<p>On Conversion, a Noteholder is entitled to receive the number of Shares calculated in accordance with the following formula:</p> $N = \frac{B}{C}$ <p>Where:</p> <ul style="list-style-type: none"> N = the number of Shares to be issued to a Noteholder; B = the value of the Convertible Notes held by the Noteholder, plus any unpaid interest that has accrued on those Convertible Notes; and C = the Conversion Price. <p>If the number of Shares to be issued to any one Noteholder and its Associates would result in that Noteholder and/or its Associates having a Relevant Interest (as defined in section 9 of the Corporations Act) in greater than 19.90% of Shares on issue in the Company at that time, the Company may elect to:</p> <ul style="list-style-type: none"> (a) only convert such proportion of the principal outstanding that would result in the Noteholder and/or its Associates having a Relevant Interest in 19.90% of the Shares on issue in the Company and make a cash payment for the balance of the principal outstanding; or (b) permit the issuance of Shares to the Noteholder, that would result in a Noteholder and/or its Associates having a Relevant Interest in 19.90% of the Shares on issue in the Company, where the directors determine it is in the best interests of the Company to permit the conversion subject to the approval of the Company's shareholders in accordance with the Corporations Act and the ASX Listing Rules.
Conversion Price	<p>The Conversion Price means the price per Share that is the lower of:</p> <ul style="list-style-type: none"> (a) \$0.70; or (b) the volume weighted average price of Company's Shares during the 5 trading days following the most recent capital raise of more than \$5,000,000 through one or a series of connected capital raisings to any investor or multiple investors ("Qualified Capital Raise"); or (c) the issue price of a Qualified Capital Raise multiplied by 0.85, (excluding any share issues made pursuant to employee incentive arrangements, bonus issues, pro-rata issues and reorganisations of capital).
Redemption	<p>The Company must redeem all Convertible Notes that have not yet been converted on the Maturity Date.</p> <p>On the redemption date, the Company must pay to each Noteholder an amount equal to:</p> <ul style="list-style-type: none"> (a) the aggregate face value of the Convertible Notes held by the Noteholder multiplied by 1.05; and (b) any unpaid interest that has accrued on those Convertible Notes.

	<p>A majority of Noteholders may redeem all Convertible Notes that have not yet been converted if a Redemption Event occurs.</p> <p>A Redemption Event is any of:</p> <ul style="list-style-type: none"> (a) the Company suffers an insolvency event; (b) a takeover offer for the Company becomes unconditional; (c) a scheme of arrangement in respect of the Company is implemented; (d) the Company materially breaches the terms of the transaction documents for the Convertible Notes; (e) the Company fails to meet its material obligations under any Convertible Note transaction document; (f) the Company is removed from the official list of the ASX; or (g) an event of default occurs under the terms of any senior secured facility.
Participation in new issues of Shares	A Noteholder cannot participate in a new issue of capital offered to shareholders in respect of their Convertible Notes prior to Conversion of the Convertible Notes.
Bonus issues	If the Company makes a bonus issue to shareholders, then the number of Shares the Noteholder is entitled to receive on Conversion of the Convertible Notes is increased by the number of Shares which the Noteholder would have received under the bonus issue if the Noteholder had Converted its Convertible Notes prior to the record date for the bonus issue.
Pro-rata issues	If the Company makes a pro rata issue (except a bonus issue) to shareholders, the Conversion Price is adjusted in accordance with the formula set out in Listing Rule 6.22.2 (such that references to Options should be substituted as references to Convertible Notes and references to Exercise should be substituted as references to Conversion).
Reorganisation of capital	If there is a reorganisation of capital of the Company prior to Conversion, Redemption or Maturity of the Convertible Notes then the rights of the Noteholder are changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
Options	<p>If a Noteholder converts their Convertible Notes in the period from the Issue Date (being 10 February 2020) and up to 30 Business Days after the first issue of Shares by the Company to any investor or multiple investors as part of one or a series of connected capital raisings that together raise more than \$20,000,000 (“Capital Raising”), the Company will issue to that Noteholder one Option per Share issued as a result of that conversion.</p> <p>The Option is a right to take up one Share in the Company, at a price calculated as the Conversion Price multiplied by 1.35. The Option must be exercised on or before 5pm (Melbourne time) on 31 March 2022.</p> <p>The terms and conditions of the Options are set out in the Schedule to this Explanatory Memorandum.</p> <p>Assuming:</p> <ul style="list-style-type: none"> (a) all Convertible Notes are converted at a conversion price of \$0.70 on the latest possible date of conversion; and (b) no interest payments are made by the Company; and (c) a Capital Raising occurs and all Convertible Notes are converted up to 30 Business Days after the first issue of Shares under that Capital Raising, the maximum number of Shares to be issued is 13,809,656 and, consequently, the maximum number of Options to be issued is 13,809,656. If all these Options

	are then exercised, the maximum number of Shares to be issued is 13,809,656 as a result the exercise of those Options.
Noteholders rights	<p>The Convertible Notes will rank pari passu among themselves with all other unsecured and unsubordinated indebtedness of the Company, except indebtedness preferred solely by law.</p> <p>The Noteholders:</p> <ul style="list-style-type: none"> (a) are creditors of the Company and do not have rights as a member of the Company; and (b) must receive a copy of every notice convening a meeting of the Company's shareholders.
Debt and financing restrictions	<p>The Company may not, without approval from the majority of Noteholders, take out further indebtedness or create any security interest over the Company's assets, subject to certain permitted exceptions. The permitted exceptions include acquiring a senior secured facility for the purpose of funding the production facility in Mildura and certain other indebtedness incurred in the ordinary course, such as trade credit and lease financing.</p> <p>As long as the Convertible Notes are outstanding, the Company will consult with the Noteholders prior to issuing any Shares, equity security or debt securities for the primary purpose of raising capital or entering into debt financing agreements. The Noteholder's consent is not required for the Company to enter such transactions or agreements, except where Noteholder approval is required for further indebtedness (as described above).</p>
Transferability	Noteholders may assign or transfer their rights under the Note terms to any related bodies corporate with written notice to the Company, or otherwise only with the prior written consent of the Company.
Governing law	Victoria, Australia.

Issue of Underlying Options to Holders of Convertible Notes

The chairperson of the meeting intends to vote undirected proxies in favour of Resolution 2.

Directors' Recommendation

The Directors unanimously recommend that shareholders vote in FAVOUR of Resolution 2.

Resolution 3 – Approval of Issue of New Shares to CSIRO

As noted earlier, the Company entered into a Research Services Agreement ("Research Services Agreement") and a Share Purchase Agreement with CSIRO, whereby 50% of the invoice amounts (exclusive of GST), quarterly, for research and development services provided to the Company by CSIRO under the Research Services Agreement are to be settled by the Company issuing new fully paid ordinary shares in the capital of the Company ("New Shares") to CSIRO under the Share Purchase Agreement and the balance settled by cash.

Pursuant to the Share Purchase Agreement, the Company will issue to CSIRO 325,272 New Shares, subject to the shareholders of the Company passing this Resolution 3, in respect of the quarter ending on 31 December 2019 for 50% of an invoice amount (exclusive of GST) of \$279,734 (being \$139,867), at an issue price of \$0.43, for that quarter. This number of the New Shares was determined in accordance with the formula specified in the Share Purchase Agreement, details of which are set out below.

Similarly, pursuant to the Share Purchase Agreement, upon receipt of an invoice from CSIRO in respect of each of the quarters ending on 31 March 2020 and 30 June 2020, respectively, the Company will have to issue to CSIRO New Shares for each of those quarters.

In respect of the quarter ending on 31 March 2020, the issue price per New Share will be \$0.65. Given the Company has not as yet received the invoice for that quarter, it is not possible at this time to determine the maximum number of New Shares to be issued to CSIRO for that quarter. However, since 50% of the invoice fee (exclusive of GST) in respect of the quarter ending on 31 March 2020 will not exceed a maximum amount of \$175,000, the maximum number of New Shares to be issued to CSIRO is 269,230 in respect of that quarter.

In respect of the quarter ending on 30 June 2020, it is not possible to determine the applicable issue price of the New Shares at this time and, given also that the Company has not as yet received the invoice for that quarter, consequently, it is not possible at this time to determine the maximum number of New Shares to be issued to CSIRO for that quarter.

The actual number of the New Shares to be issued in respect of each of those quarters will be determined in accordance with the formula specified in the Share Purchase Agreement, details of which are set out below. Please also see below various working examples of different pricing scenarios and the number of New Shares to be issued to CSIRO under those various pricing scenarios.

As noted earlier, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. The issue of the New Shares to CSIRO will not fit within any of these exceptions.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval under Listing Rule 7.1.

To this end, Resolution 3 seeks shareholder approval of the issue of the New Shares to CSIRO under and for the purposes of Listing Rule 7.1.

If Resolution 3 is passed, the issue of the New Shares to CSIRO can proceed.

If Resolution 3 is not passed, but Resolution 2 (Ratification of Prior Issue of Convertible Notes) is passed, the issue of the New Shares to CSIRO can still proceed but it will reduce, to that extent, the Company's capacity to issue equity securities without shareholder approval under Listing Rule 7.1 for 12 months following the issue of the New Shares to CSIRO. Given the Company is likely to undertake a Capital Raising in the near future, subject to market conditions, for partly or wholly funding the completion of the construction of its Mildura Facility, such a capital raising will need to be reduced so as to allow for the issue of the New Shares to CSIRO within the limit under Listing Rule 7.1 the issue.

If Resolution 3 is not passed, and Resolution 2 (Ratification of Prior Issue of Convertible Notes) is also not passed, the Company will be unable to issue the New Shares to CSIRO, given that the Company has already used its 15% limit under Listing Rule 7.1. Consequently, and unless otherwise agreed with CSIRO, the Company will instead need to pay to CSIRO 50% component of the invoiced fees (excluding GST) for the quarters ending on 31 December 2019, 31 March 2020 and 30 June 2020.

In accordance with Listing Rule 7.3, the following information is set out below:

- (a) the New Shares will be issued to Commonwealth Scientific and Industrial Research Organisation ("CSIRO");
- (b) the New Shares to be issued to CSIRO will be fully paid ordinary shares in the capital of the Company – the number of New Shares to be issued in respect of the quarter ending on 31 December 2019 is 325,272 – the maximum number of New Shares to be issued to CSIRO in respect of the quarter ending on 31 March 2020 is 269,230 – the number of New Shares to be issued to CSIRO in respect of the quarter ending on 30 June 2020 will be determined in accordance with the formula specified in the Share Purchase Agreement^[1];
- (c) in respect of the quarter ending on 31 December 2019 the New Shares will be issued to CSIRO following and within two business days of completion of the General Meeting convened by the Notice of General Meeting – in respect of the quarter ending on 31 March 2020, the New Shares will be issued to CSIRO following receipt of its invoice for that quarter and no later than 3 months after the date of the General Meeting convened by the Notice of General Meeting – in respect of the quarter ending on 30 June 2020, the New Shares will be issued to CSIRO following receipt of its invoice for that quarter and no later than 3 months after the date of the General Meeting convened by the Notice of General Meeting;
- (d) in respect of the quarter ending on 31 December 2019, the New Shares will be issued at \$0.43 per Share – in respect of the quarter ending on 31 March 2020, the New Shares will be issued at \$0.65 per Share – following receipt of an invoice for the quarter ending 30 June 2020 from CSIRO, the New Shares will be issued at a price to be determined under the Share Purchase Agreement – please see below^[1];
- (e) the New Shares will be issued as fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;

- (f) no funds will be raised from the issue of the New Shares – pursuant to the Share Purchase Agreement, 50% of the invoice amount (exclusive of GST) in respect of the quarters ending 31 December 2019, 31 March 2020 and 30 June 2020, for research and development services provided to the Company by CSIRO under the Research Services Agreement, will be settled by the Company issuing New Shares to CSIRO and the balance settled by cash;
- (g) a summary of the other material terms of the Share Purchase Agreement is set out above and below;
- (h) a voting exclusion statement is included in the Notice of General Meeting.

Note^[1] Under the Research Services Agreement, CSIRO issues a tax invoice for its fee for its services to the Company in respect of a quarter. Under the Share Purchase Agreement, 50% of the invoiced fee (exclusive of GST) in respect of that quarter is payable in Shares, and the number of New Shares is determined in accordance with the following formula:

$$NS = \frac{SP}{VWAP}$$

where:

- NS** is the number of New Shares to be issued by the Company to CSIRO in respect of the relevant quarter;
- SP** is the subscription price, being 50% of the invoice amount (exclusive of GST) in respect of the relevant quarter; and
- VWAP** is the arithmetic average of the 10 daily volume weighted average market price (rounded to the nearest cent) for all Shares sold through a Normal Trade on the ASX automated trading system during the 10 days ending on the third Business Day prior to the last day of the relevant quarter.

In respect of the quarters ending on 31 March 2020 and 30 June 2020, 50% of the invoice fee (exclusive of GST) will be settled by the Company with the issue of the New Shares for each of those quarters. The “SP” (the subscription price) in the formula above, being 50% of the invoice fee (exclusive of GST), in respect of each quarter ending on 31 March 2020 and 30 June 2020 will not exceed a maximum of \$175,000. Accordingly, the SP will be an amount of up to a maximum amount of \$175,000, in respect of each of those two quarters.

As noted earlier, in respect of the quarter ending on 31 March 2020, the issue price per New Share will be \$0.65, being the “VWAP” in the formula above for that quarter. Consequently, and given the maximum amount of \$175,000 for that quarter, the maximum number of New Shares to be issued to CSIRO is 269,230.

In respect of the quarter ending on 30 June 2020, the table below also sets out various working examples of the number of New Shares to be issued to CSIRO based on various pricing scenarios where the issue price of the New Shares (being the “VWAP” in the formula detailed above) is half of, equal to and twice the closing price for Shares traded on the ASX on 30 April 2020 to settle a maximum amount of \$175,000 in respect of the quarter ending 30 June 2020:

Table 3

Various Issue Price (or VWAP) scenarios	Based on an Issue Price (or VWAP) equal to half of the closing Share price for 30 April 2020 (\$0.4625)	Based on an Issue Price (or VWAP) equal to the closing Share price for 30 April 2020 (\$0.925)	Based on an Issue Price (or VWAP) equal to twice the closing Share price for 30 April 2020 (\$1.85)
Number of New Shares to be issued to CSIRO	378,378	189,189	94,594

The chairperson of the meeting intends to vote undirected proxies in favour of Resolution 3.

Directors’ Recommendation

The Directors unanimously recommend that shareholders vote in FAVOUR of Resolution 3.

Resolution 4 – Approval of Issue of New Shares to Pure Cann NZ Limited

As announced to the market last year, the Company had agreed, through its wholly-owned subsidiary, Botanitech Pty Ltd (“Botanitech”) to acquire 20% of the issued share capital of Pure Cann NZ Limited (proposed to be renamed “Zalm Therapeutics Limited”) (“Pure Cann”) for NZ\$6,000,000, over three tranches of NZ\$1 million (resulting in holding 4% of the issued share capital of Pure Cann), NZ\$2 million (resulting, in aggregate, in holding 11.1% of the issued share capital of Pure Cann) and NZ\$3 million (resulting, in aggregate, in holding 20% of the issued share capital of Pure Cann), respectively, subject to the satisfaction of certain conditions (“Original Subscription Agreement”), with an accompanying Shareholders Agreement (“Shareholders Agreement”). Initially, Botanitech subscribed for NZ\$1,000,000 for 4% of the issued share capital of Pure Cann. The transaction also consisted of a Technical Services Agreement between the Company and Pure Cann for the mutual provision of certain of intellectual property and technical services between these parties until 31 March 2022 (“TSA”).

As recently announced to the market, the Company, Botanitech and Pure Cann have agreed to:

- terminate the Original Subscription Agreement and the mutual release of all liabilities and obligations of the parties to that agreement;
- with the agreement of all other shareholders, terminate the Shareholders Agreement and the mutual release of all liabilities and obligations of the parties to that agreement;
- certain terms and conditions of the TSA being varied pursuant to a variation agreement between the Company and Pure Cann, including the extension of the initial term of that agreement to 26 April 2024, with an option to renew that term until 29 October 2027;
- Cannoperations Pty Ltd (“Cannops”), a wholly owned subsidiary of the Company, manufacturing and supplying certain products to Pure Cann pursuant to a Manufacture and Supply Agreement for a term ending on 21 April 2025, being 5 years from the date of the New Subscription Agreement, with an option to renew that term until 29 October 2027 (“MSA”); and
- pursuant to the terms and conditions of a new subscription deed between the parties, Botanitech subscribing for such number of new fully paid ordinary shares in the capital of Pure Cann for the issue to Pure Cann of such number of new fully paid ordinary shares in the capital of the Company (“Shares”) or, if the shareholders of the Company at a general meeting do not approve the issue of those Company’s Shares to Pure Cann, the payment of NZ\$1,000,000 to Pure Cann (“New Subscription Agreement”).

New Subscription Agreement

Pursuant to the New Subscription Agreement dated 21 April 2020 between the Company, Botanitech and Pure Cann, subject to and conditional upon, and within 75 days from the date of the Company successfully completing a capital raising of funds of a minimum of AUD\$10,000,000 (whether by way of obtaining a loan or the issue of debt or equity securities or any combination of them, within 5 years of the date of the New Subscription Agreement) (“Capital Raising”):

- (a) Botanitech agrees to subscribe for such number of new fully paid ordinary shares in the capital of Pure Cann which, when added to the initial subscription shares which were issued to Botanitech under tranche 1 of the Original Subscription Agreement, constitute or represent 7.6924% of the issued capital of Pure Cann (and, for the avoidance of any doubt, if Pure Cann has completed a bona fide capital raise through the issue of new shares prior to the issue and allotment of those new fully paid ordinary shares to Botanitech, Botanitech will still be issued such number of new fully paid ordinary shares in Pure Cann that will result in Botanitech becoming the registered holder of 7.6924% of the issued capital of the Company on a diluted basis immediately following the issue and allotment of those new fully paid ordinary shares to Botanitech) (“Pure Cann Shares”) for the issue to Pure Cann of new Shares in the Company as determined in accordance with paragraph (b) below (or, if applicable as explained below, the payment of NZ\$1,000,000 to Pure Cann by Botanitech); and
- (b) Pure Cann agrees to subscribe for such number of new Shares in the Company which at the date of their allotment and issue is calculated as follows (“Cann Group Shares”):

$$\text{NCS} = \frac{\text{Total Subscription Amount}}{\text{VWAP Price}}$$

where:

“NCGS” = the number of Cann Group Shares to be issued to Pure Cann;

“Total Subscription Amount” = the Australian Dollar Equivalent of NZ\$1,000,000 (being the deemed total subscription amount for the Cann Group Shares in AUD) determined at 4.15pm on the final day of the VWAP Period (as defined below), rounded to 3 decimal places, where the Australian Dollar Equivalent is the amount in Australia dollars based on the New Zealand/Australia exchange price specified by the Reserve Bank of Australia (at the website

<https://www.rba.gov.au/statistics/frequency/exchange-rates.html>); and

“VWAP Price” = the volume weighted average market price of the fully paid ordinary shares of the Company (in AUD) in the ordinary course of trading on the ASX during the 7 full trading days on the ASX ending on the ASX trading day immediately prior to the Working Day on which the allotment and issue of the Cann Group Shares occurs (“VWAP Period”), rounded to 3 decimal places.

Completion of the issue and allotment of the Pure Cann Shares to Botanitech (“Pure Cann Shares Completion”) is conditional upon each of the shareholders of Pure Cann (other than Botanitech) waiving any applicable or relevant pre-emptive or similar rights that it has or that may arise at any time before the Pure Cann Shares Completion and the Pure Cann Shares Completion will take place on the date of, and simultaneously with, the allotment and issue of the Cann Group Shares to Pure Cann (or, if applicable as explained below, the payment of NZ\$1,000,000 to Pure Cann by Botanitech), with such date to be determined by the Company having regard to the 75 days’ period mentioned earlier and provided such date is not within 14 days from the date of completion of the Capital Raising.

At Pure Cann Shares Completion, Pure Cann must:

- (a) issue the Pure Cann Shares to Botanitech free from any Security Interest and which rank equally in all respects with all other existing fully paid ordinary shares in the capital of Pure Cann then on issue; and
- (b) enter Botanitech in its share register as the holder of the Pure Cann Shares.

If necessary or required under the ASX Listing Rules or the Corporations Act, the issue and allotment of the Cann Group Shares to Pure Cann (“Cann Group Shares Completion”) is conditional upon the shareholders of Cann Group at a general meeting approving the issue and allotment of the Cann Group Shares to Pure Cann and the satisfaction of any other requirements imposed or required by the ASX and/or the Australian Securities and Investments Commission (“ASIC”). Further, Cann Group Shares Completion (or, if applicable as explained below, the payment of NZ\$1,000,000 to Pure Cann by Botanitech) will take place on the date of, and simultaneously with, the allotment and issue of the Pure Cann Shares to Botanitech.

Unless Botanitech has to pay NZ\$1,000,000 to Pure Cann as explained below, at Cann Group Shares Completion, the Company must take all action reasonably required to allot and issue the Cann Group Shares to Pure Cann so that the Cann Group Shares will, on their issue:

- (a) rank equally in all respects with all other existing fully paid ordinary shares in the capital of the Company;
- (b) be fully paid and, subject to the constitution of the Company and the ASX Listing Rules and any related rules and the Corporations Act and all other applicable laws, free from any Security Interest; and
- (c) subject to the approval of the ASX, be listed for quotation on the official list of the ASX.

If the shareholders of the Company at a general meeting do not approve the issue of the Cann Group Shares to Pure Cann and, under the ASX Listing Rules or the Corporations Act, Cann Group is unable to issue and allot the Cann Group Shares to Pure Cann at the Cann Group Shares Completion without such shareholder approval:

- (a) the Company will be under no liability or obligation to issue to the Cann Group Shares to Pure Cann; and
- (b) in lieu of the issue of the Cann Group Shares to Pure Cann, Botanitech will pay to Pure Cann the amount of NZ\$1,000,000 as the total subscription amount for the Pure Cann Shares to be issued to Botanitech at

the Pure Cann Shares Completion, which payment is to be made simultaneously with the Pure Cann Shares Completion.

Various mutual warranties are provided in respect of the Pure Cann Shares and the Cann Group Shares and related matters which are customary for a transaction of this nature.

In relation to the Capital Raising, the parties acknowledge and agree that nothing in the New Subscription Agreement obliges or requires the Company to undertake, at any time after this Deed, a raising of funds of AUD \$10,000,000 or less (or more) or prevents or restricts the Company from endeavouring or seeking to raise funds of greater than AUD \$10,000,000.

The Company guarantees to Pure Cann the due and punctual performance by:

- (a) Botanitech of all Botanitech’s obligations under New Subscription Agreement; and
- (b) Cannops of all Cannops’ obligations under the MSA.

In the event that:

- (a) the MSA is lawfully terminated before the ‘Expiry Date’ by Pure Cann due to Cannops’ breach under the MSA (being 25 April 2024); or
- (b) the TSA is lawfully terminated before the ‘Expiry Date’ by Pure Cann due to the Company’s breach under the TSA,

where “Expiry Date” means 5 years from the date of the New Subscription Agreement (21 April 2020),

the Company must then sell to Pure Cann all the shares in Pure Cann that the Company holds at that time for a purchase price equal to a percentage, ranging from as low as 20% of the fair market value of those shares (based on the fair market value of all shares in Pure Cann then on issue), if the TSA or MSA is lawfully terminated by Pure Cann within 12 months of the date of the New Subscription Agreement, and up to 90% of the fair market value of those shares (based on the fair market value of all shares in Pure Cann then on issue), if the TSA or MSA lawfully terminated by Pure Cann during the period between 48 months after and within 60 months of the date of the New Subscription Agreement.

It is not possible to determine the applicable issue price of the Cann Group Shares at this time and, consequently, it is not possible at this time to determine the maximum number of Cann Group Shares to be issued to Pure Cann.

Given there is no “floor” (or minimum) price with respect to the Cann Group Shares, nor a limit on the number of the Cann Group Shares, to be issued to Pure Cann under the New Subscription Agreement, shareholders of the Company should note that the issue of the Cann Group Shares to Pure Cann under the New Subscription Agreement could be highly dilutive to them if the market price of the Shares falls enormously, and/or the value of the Australian dollar falls significantly as compared to the value of the New Zealand dollar, over the period to when they are required to be issued and allotted to Pure Cann.

Please see Table 5 below, which sets out various working examples of the number of Cann Group Shares to be issued to Pure Cann based on various pricing scenarios where the issue price of the Cann Group Shares (being the “VWAP Price” in the formula detailed above) is half of, equal to and twice the closing price for Shares traded on the ASX on 30 April 2020:

Table 4

Various Issue Price (or VWAP Price) scenarios	Issue Price (or VWAP Price) is half of the closing Share price for 30 April 2020 (\$0.4625)	Issue Price (or VWAP Price) is equal to the closing Share price for 30 April 2020 (\$0.925)	Issue Price (or VWAP Price) is twice the closing Share price for 30 April 2020 (\$1.85)
Number of Cann Group Shares to be issued to Pure Cann	2,024,496	1,012,248	506,124

ASX Listing Rule 7.1

As noted earlier, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. The issue of the Cann Group Shares to Pure Cann will not fit within any of these exceptions.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval under Listing Rule 7.1.

To this end, Resolution 4 seeks shareholder approval of the issue of the Cann Group Shares to Pure Cann under and for the purposes of Listing Rule 7.1.

If Resolution 4 is passed, the issue of the Cann Group Shares to Pure Cann can proceed, subject to the terms and conditions of the New Subscription Agreement.

If Resolution 4 is not passed, but Resolution 2 (Ratification of Prior Issue of Convertible Notes) is passed, the issue of the Cann Group Shares to Pure Cann can still proceed but it will reduce, to that extent, the Company's capacity to issue equity securities without shareholder approval under Listing Rule 7.1 for 12 months following the issue of the Cann Group Shares to Pure Cann. Given the Company is likely to undertake a Capital Raising in the near future, subject to market conditions, for partly or wholly funding the completion of the construction of its Mildura Facility, and the requirement for the Company to issue the Cann Group Shares to Pure Cann within 75 days after the successful completion of the Capital Raising, the issue of new equity securities under such a capital raising will need to be reduced so as to allow for the issue of the Cann Group Shares to Pure Cann within the limit under Listing Rule 7.1. If the Company does not allow for such issue to Pure Cann within the limit under Listing Rule 7.1, the Company will instead pay to Pure Cann the amount of NZ\$1,000,000 in cash for the Pure Cann Shares.

If Resolution 4 is not passed, and Resolution 2 (Ratification of Prior Issue of Convertible Notes) is also not passed, the Company will be unable to issue the Cann Group Shares to Pure Cann, given that the Company has already used its 15% limit under Listing Rule 7.1. Consequently, the Company will instead pay to Pure Cann the amount of NZ\$1,000,000 in cash for the Pure Cann Shares.

In accordance with Listing Rule 7.3, the following information is set out below:

- (a) the Cann Group Shares will be issued to Pure Cann NZ Limited ("Pure Cann");
- (b) the Cann Group Shares will be fully paid ordinary shares in the capital of the Company and the number of New Shares is to be determined in accordance with the formula specified in the New Subscription Agreement, as detailed above;
- (c) in order to obtain the benefit of the passing of Resolution 4, the Cann Group Shares will need to be issued no later than 3 months after the date of the General Meeting convened by the Notice of General Meeting;
- (d) the Cann Group Shares will be issued at a price to be determined in accordance with the formula specified in the New Subscription Agreement, as detailed above;
- (e) the Cann Group Shares will be issued as fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (f) no funds will be raised from the issue of the Cann Group Shares – pursuant to the New Subscription Agreement, the Company will receive and be issued and allotted the Pure Cann Shares, as explained above;
- (g) a summary of the other material terms of the New Subscription Agreement is set out above;
- (h) a voting exclusion statement is included in the Notice of General Meeting.

The chairperson of the meeting intends to vote undirected proxies in favour of Resolution 4.

Directors' Recommendation

The Directors unanimously recommend that shareholders vote in FAVOUR of Resolution 4.

Resolution 5 – Amendments to Constitution of Company

Resolution 5 is a special resolution proposing to amend the Company's Constitution. Section 136 of the Corporations Act allows a company to amend its constitution by special resolution. A special resolution must be passed by at least 75% of the votes cast by shareholders who are entitled to vote on the resolution.

The Company's Constitution has never been amended since it was first adopted in 2016. It is proposed that the provisions of the Company's Constitution relating to certain topics set out below be updated to reflect recent developments in or accord with market practices, requirements under the Corporations Act and the Listing Rules and certain matters of a drafting or technical nature.

A copy of the amended Constitution, marked up to show the proposed amendments, is available on the Company's website at <https://investors.canngrouponlimited.com/investors/?page=corporate-governance>. Copies may also be obtained by emailing the Company at contact@canngrouponlimited.com.

A summary of the key amendments is outlined below.

TOPIC	PROPOSED AMENDMENT
Restricted Securities	<p>The ASX made amendments to the Listing Rules, which came into effect on 1 December 2019. These amendments included changes to the escrow regime whereby a two-tier escrow regime was introduced to replace the previous requirement that all holders of restricted securities to enter into the ASX prescribed restriction agreements with the Company.</p> <p>These changes are required to be reflected in constitutions of ASX listed entities, under Listing Rule 15.12.</p> <p>Under the first tier of this new escrow regime, it is expected that substantial holders, related parties, promoters and service providers and their associates (and their controllers), who are issued and hold restricted securities, will still be required to enter into restriction agreements.</p> <p>However, under the second tier of this new escrow regime, less significant shareholders (i.e. who are not substantial holders, related parties, promoters or service providers and their associates), who are issued and hold restricted securities, will not be required to enter into restriction agreements with the Company, but instead, the restrictions will be reflected in, and imposed through, the Constitution of the Company and, accordingly, these restrictions are included in the Constitution.</p> <p>The Company, at present, does not have any restricted securities on issue.</p>
Hybrid General Meetings	<p>Whilst the Constitution facilitates in essence the holding of hybrid meetings (i.e. general meetings where shareholders can choose to participate in the meeting online rather than attend the main meeting), certain amendments to the Constitution have been proposed to provide greater clarity and certainty around the procedures that can be used to conduct and participate in and vote at hybrid meetings and to reflect recent developments in or accord with market practices.</p> <p>The Company does not currently intend to implement hybrid meetings but would like to be in the best position to do so in future should this be considered to be appropriate by the Board, especially given the uncertain circumstances with the COVID-19 virus and the consequential restrictions imposed in respect of gatherings and travel.</p>

<p>Regulating calling and admission, business, conduct and voting at general meetings</p>	<p>Certain provisions of the Constitution about calling and admission, business, conduct and voting at general meetings are proposed to be amended and updated to reflect recent developments in or accord with market practices, including:</p> <ul style="list-style-type: none"> • the use of technology; • the giving of notices to shareholders and also persons who are entitled to shares because of a Transmission Event, being a requirement under the Corporations Act where the Transmission Event is the death of a shareholder; • Transmission Event, which includes death of a shareholder, has been extended to a shareholder’s bankruptcy, or a shareholder becoming of unsound mind, or a person who, or whose estate, is liable to be dealt with in any way under the laws relating to mental health and, where the shareholder is a body corporate, the dissolution of the shareholder or the succession by another body corporate to the assets and liabilities of the shareholder; • the cancellations and postponements of general meetings; • greater detail about the Chairman’s powers to take appropriate action to ensure the safety of persons attending general meetings and the orderly conduct of the meeting, including acknowledgement of the Chairman’s power to require attendees to comply with appropriate safety and security measures; • the provisions for the permitted business and conduct at a general meeting have been updated; • the quorum provisions have been updated but a quorum of 3 shareholders present remains; and • the provisions relating to direct voting have been better clarified and updated and provision is made for parent or guardian of an infant shareholder to vote at any general meeting.
<p>Transmission of Securities</p>	<p>The provisions relating to the transmission of securities are proposed to be updated to reflect recent developments in or accord with market practices.</p>
<p>Definitions and Interpretation</p>	<p>For better clarity or where appropriate, certain definitions are proposed to be added, updated or replaced or, if unnecessary or irrelevant, deleted, and also certain interpretation provisions have been added to reflect recent developments in or accord with market practices.</p>

The chairperson of the meeting intends to vote undirected proxies in favour of Resolution 5.

Directors’ Recommendation

The Directors unanimously recommend that shareholders vote in FAVOUR of Resolution 5.

Schedule

Options Terms

1. Nature of Options

- (a) Each Option will grant the holder of that Option the right but not the obligation to subscribe for and be issued by the Company one (1) fully paid ordinary share in the capital of the Company ("Share") upon the payment of the exercise price per Option, calculated as the Conversion Price per Convertible Note in accordance with the terms and conditions of the Convertible Notes issued by the Company to the holder of that Option on 10 February 2020, multiplied by 1.35 ("Exercise Price").
- (b) Each Option will be exercisable by the Option holder complying with its obligations under these terms and conditions at any time after the time of the grant of the Option and at or before 5pm (Melbourne time) on 31 March 2022 ("Expiration Date"), after which time it will automatically lapse.

2. Exercise of Options

- (a) An Option holder may exercise any of its Options at any time after the time of the grant of the Option and at or before 5pm (Melbourne time) on the Expiration Date, by delivery of:
 - (i) a notice in writing from the Option holder ("Exercise Notice") to the Company, whether by hand, post, facsimile or email, and any Exercise Notice received by the Company will be deemed to be received at the time and on the date of receipt by the Company; and
 - (ii) payment of an amount equal to the Exercise Price multiplied by the number of Shares in respect of which the Options are being exercised at the time in Australian currency by electronic funds 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 a day that is not a Saturday, Sunday or public holiday or bank holiday in Melbourne ("Business Day") at the Company's registered office (or such other office or agency of the Company as it may designate by notice to the Option holder) or any other means of payment acceptable to the Company.
- (b) An Exercise Notice is only effective on and from the later of the date of receipt of the Exercise Notice and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds ("Exercise Date").
- (c) Within 15 Business Days after the later of the following:
 - (i) the Exercise Date; and
 - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the *Corporations Act 2001 (Cth)* ("Corporations Act")) (if any) ceases to be excluded information, but in any case no later than 20 Business Days after the Exercise Date,

the Company will:

- (A) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice and for which cleared funds have been received by the Company;
- (B) if required, give ASX Limited ("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
- (C) if admitted to the official list of ASX at the time, apply for official quotation on the financial market known as "ASX" operated by ASX of the Shares issued pursuant to the exercise of the Options.

- (d) If a notice delivered under clause 2(d)(ii)(B) 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.
- (e) The Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.
- (f) If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

3. Bonus Issues

If prior to an exercise of an Option, but after the grant 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, subject to the ASX Listing Rules, 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 and there will be no adjustment to the Exercise Price.

4. Pro-rata Issues

If prior to an exercise of an Option, but after the grant 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, there will be no adjustment to the Exercise Price.

5. Reorganisation of Capital

If at any time the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return):

- (a) the number of Options or the Exercise Price (or both) will be reorganised (as appropriate) in a manner consistent with the ASX Listing Rules with the intention that such reorganisation will not result in any benefits being conferred on the Option holders which are not conferred on shareholders of the Company; and
- (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a general meeting of shareholders of the Company approving a reorganisation of capital, in all other respects the terms for the exercise of the Options will remain unchanged.

6. Participation in New Issues

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

7. Assignability and Transferability

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

8. No quotation for Options

The Company will not apply for quotation of the Options on ASX.