

29 September 2016

MARKET UPDATE - ACQUISITION OF AUSCANN GROUP HOLDINGS LTD

- **TWH announces intention to make conditional off-market takeover bid for 100% of AusCann**
- **Shareholder meeting to approve change in the nature of TWH activities scheduled for 31 October 2016**
- **Prospectus to raise up to \$5 million to be lodged in early October 2016**

Conditional off-market takeover bid for AusCann

As part of its strategy to acquire 100% of the issued capital of AusCann Group Holdings Limited (**AusCann**), as previously announced to the market on 9 May 2016 (**Proposed Acquisition**), TWH will make a conditional off-market takeover bid for all the shares in AusCann (**Bid**).

TWH will offer:

- one (1) fully paid ordinary; and
- 0.1924 Performance Shares,

for every fully paid ordinary share in AusCann on issue as at the closing date of the Bid¹. TWH will also offer to acquire all AusCann options currently on issue on the basis of one TWH option for each AusCann option².

The capital structure of TWH³, on the assumption that the offer to acquire all of the AusCann shares and options is successful is set out in the schedule to this announcement.

¹ On a pre-consolidation basis. TWH proposes to consolidate its shares on the basis of one new share for every 20 existing shares on issue. The total number of AusCann shares currently on issue is 2,934,183,790. TWH will issue 2,934,183,790 TWH shares and 564,607,028 Performance Shares in consideration for these AusCann shares, such consideration to be consolidated on the basis of one new share for every 20 existing shares on issue.

² AusCann currently has 153,552,779 options on issue, each convertible into one fully paid ordinary share in AusCann.

³ All convertible notes previously issued by AusCann have now been converted into 805,333,333 AusCann shares on the basis of 242 AusCann shares for each note of \$1 face value. The consideration payable for AusCann shares issued to convertible noteholders (being 805,333,333 TWH shares and 154,965,364 Performance Shares, each on a pre-consolidation basis) is included in the total consideration in footnote 1 above and the capital structure set out on page 5 of this announcement.

AusCann Board Recommendation

TWH has been informed by the AusCann board of directors that:

- (a) subject to TWH shareholders approving all relevant resolutions at the General Meeting; and
- (b) in the absence of a superior proposal for AusCann,

they will unanimously recommend that AusCann shareholders accept the offers to be made to them under the Bid, and each AusCann director intends to accept, or procure the acceptance of, the Bid in respect of all the AusCann shares that they hold or in which they otherwise have a relevant interest.

Bid Conditions

The Bid is subject to a number of conditions, including:

- (a) TWH shareholders approving all relevant resolutions at the general meeting to be held on 31 October 2016 (**General Meeting**);
- (b) TWH's proposed public offer raising gross proceeds of not less than \$3 million;
- (c) on or before the end of the Bid offer period, TWH having a relevant interest in at least 90% of AusCann shares on issue, and being entitled to proceed to compulsory acquisition of all outstanding AusCann shares under the Corporations Act;
- (d) TWH receiving confirmation that ASX will terminate the suspension of TWH shares from official quotation, subject to the satisfaction of such terms and conditions (if any) as are prescribed by ASX or the ASX Listing Rules and such conditions being capable of being satisfied; and
- (e) completion of the sale and purchase or cancellation (as the case may be) of all of the:
 - (i) AusCann shares to be acquired under pre-existing share sale agreements (except to the extent that TWH is entitled to and does acquire such AusCann shares under the Bid); and
 - (ii) AusCann options.

TWH expects to despatch its bidder's statement to AusCann shareholders during the week commencing 3 October 2016.

Bid Implementation Agreement

A copy of the bid implementation agreement accompanies this announcement.

General meeting

A notice of meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Acquisition will be announced to ASX and sent to TWH shareholders shortly.

On the date of the General Meeting, TWH securities will be suspended and, subject to TWH shareholder approval being obtained, will remain suspended until the company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and the Proposed Acquisition has completed.

Capital raising

To enable TWH to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to support its growth strategy post-completion of the Proposed Acquisition, TWH plans, subject to shareholder approval, to conduct a capital raising of up to \$5 million, with a minimum subscription of \$3 million (**Public Offer**).

A prospectus setting out the terms of the Public Offer is expected to lodged with ASIC during the week commencing 3 October 2016.

Indicative Timetable

An indicative timetable for completion of the Proposed Acquisition is set out below:

Event	Date
Lodge notice of General Meeting with ASX and despatch to Shareholders	29 September 2016
Lodge prospectus with ASIC and ASX and Public Offer open (week commencing)	3 October 2016
Lodge bidder's statement with ASIC and despatch to AusCann shareholders (week commencing)	3 October 2016
Despatch of AusCann Target Statement	12 October 2016
Suspension of TWH securities from trading on ASX at opening	31 October 2016

of trading	
Hold General Meeting	31 October 2016
Public Offer closes	Early November 2016
Completion of Proposed Acquisition and issue of Shares	Mid November 2016
TWH to re-list as “AusCann Group Holdings Limited”	Late November 2016

Please note that this timetable is indicative only and the directors of TWH reserve the right to amend the timetable as required with the approval of AusCann.

Overview of AusCann

AusCann Group Holdings Ltd (“AusCann”) was established in 2014 to bring world’s best practice into Australia for the cultivation and manufacture of high value medicinal cannabis products. It’s founding shareholders and directors comprise a group of high profile and seasoned executives with backgrounds in government, medicine, law enforcement, bio-pharmaceuticals and capital markets.

The company’s approach is to build strong and long-lasting partnerships and collaborations with leading groups across the globe to ensure that AusCann remains at the forefront of the continually evolving medical cannabis landscape in Australia.

These collaborations include partnerships with European breeding companies, leading universities in Australia, clinical stage biotech companies and US-based groups dealing direct with patients and with a deep understanding of treatment regimes including dosing and protocols.

AusCann continues to play a leading role in the national debate around providing a regulated scheme for patients in need to access cannabis-based medicines.

More information can be found at www.auscann.com.au

For further information, please contact:

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 Non-Executive Chairman
 TW Holdings Limited
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Harry Karelis
 Executive Director
 AusCann Group Holdings Limited
 Phone: +61 413 056 328

TWH Capital Structure

An indicative table showing the capital structure of TWH after completion of the acquisition of AusCann is shown below:

Securities	Pre-Consolidation	Post-Consolidation (20:1) *
Shares already on issue	602,362,410	30,118,121
Ordinary Shares issued:		
- to AusCann Shareholders	2,934,183,790	146,709,190
- to Advisors	290,424,561	14,521,228
Performance Shares issued to AusCann Shareholders	564,607,028	28,230,351
Public Offer (if fully subscribed for \$5 million at a price of \$0.01 per Share pre-Consolidation)	500,000,000	25,000,000
Total Shares on issue (excl. Performance Shares)	4,326,970,761	216,348,538
Total Shares on issue (incl. Performance Shares)	4,891,577,789	244,578,889
Options issued to Directors and Canopy	156,552,779	7,827,639
Performance Rights issued to Advisors	55,884,621	2,794,231

* Post-Consolidation totals are subject to the rounding down of fractional entitlements to the nearest whole number.

REGISTERED OFFICE:

Level 3, 18 Richardson Street

WEST PERTH WA 6005

Telephone: +61 1300 503 085

Bid Implementation Agreement

BID IMPLEMENTATION AGREEMENT

TW Holdings Limited
AusCann Group Holdings Limited

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BID IMPLEMENTATION AGREEMENT

PARTIES

Name	TW Holdings Limited	Bidder
ACN	008 095 207	
Address	Level 3, 18 Richardson Street West Perth WA 6005	

Name	AusCann Group Holdings Limited	Target
ACN	601 953 860	
Address	85 Carabooda Road Carabooda WA 6033	

1. THE BID

1.1 The Bid

- (a) Bidder agrees to make the Bid.
- (b) Bidder and Target agree to make the Agreed Announcement to ASX as soon as practicable after the parties have executed this document.

1.2 Target's assessment of the Bid

Target represents and warrants to Bidder that:

- (a) the Target Board has met and considered the possibility of Bidder agreeing to make the Bid; and
- (b) all of the members of the Target Board have informed Target that, if Bidder complies with clause 1.1:
 - (i) the Target Board will unanimously recommend that:
 - (A) subject to Bidder Shareholders approving all Essential Resolutions by the requisite majorities at the Bidder Shareholders' Meeting; and
 - (B) in the absence of a Superior Proposal for Target, Target Shareholders accept the offers to be made to them under the Bid; and
 - (ii) each member of the Target Board will contemporaneously with the making of the Agreed Announcement under clause 1.1(b), publically state their intention to accept, or procure the acceptance of, the Bid Offer in respect of all the Target Shares that they hold or in which they otherwise have a Relevant Interest:
 - (A) subject to Bidder Shareholders approving all Essential Resolutions by the requisite majorities at the Bidder Shareholders' Meeting; and
 - (B) in the absence of a Superior Proposal for Target.

1.3 Bidder's recommendation of the Essential Resolutions

Bidder represents and warrants to Target that the Bidder Board has met and considered the Essential Resolutions and, subject to the requirements of the Corporations Act, the ASX Listing Rules and their duties as a director, each member of the Bidder Board:

- (a) will recommend that Bidder Shareholders vote in favour of the Essential Resolutions at the Bidder Shareholders' Meeting; and
- (b) will state that they intend to vote, or procure voting of, all Bidder Shares that they hold or in which they otherwise have a Relevant Interest in favour of the Essential Resolutions at the Bidder Shareholders' Meeting.

1.4 Acquisition Agreement

The parties agree that, on and from the date of this document, the Acquisition Agreement is terminated and the parties are released from their obligations under that document.

2. FACILITATING THE BID

2.1 Access to information

Each party agrees to provide the other party, on a timely basis, with information that may be reasonably required to assist in the preparation of the Bidder's Statement and the Target's Statement (as applicable).

2.2 Consultation regarding documents

- (a) Bidder will give Target a reasonable opportunity (as set out in the indicative timetable in Schedule 1) to review an advanced draft of the Bidder's Statement in respect of the Bid and the Notice of Meeting, and will consult in good faith with Target with respect to any comments Target may have on the Bidder's Statement or the Notice of Meeting.
- (b) Target will give Bidder a reasonable opportunity (as set out in the indicative timetable in **Schedule 1**) to review an advanced draft of the Target's Statement in respect of the Bid, and will consult in good faith with Bidder with respect to any comments Bidder may have on that Target's Statement.

2.3 Early despatch of offers

- (a) For the purposes of item 6 in section 633(1) of the Corporations Act and subject to complying with clause 2.3(b), Target agrees that the offers under the Bid may be sent to the holders of Target Shares on the day on which the finalised Bidder's Statement is sent to Target or within 28 days after that day.
- (b) Clause 2.3(a) is subject to Bidder providing Target with a final draft of its Bidder's Statement for review not less than 5 Business Days before it is lodged with ASIC under item 2 of section 633(1) of the Corporations Act.

2.4 Target's Statement

Target must use its reasonable endeavours to despatch the Target's Statement to Target Shareholders at the same time as the Bidder's Statement or as soon as practicable thereafter.

2.5 Bidder Shareholders' Meeting

Bidder must use its reasonable endeavours to convene the Bidder Shareholders' Meeting to consider the Essential Resolutions, as soon as reasonably practicable after the entering into of this document.

2.6 Indicative timetable

Without prejudice to the remainder of the obligations contained in this clause 2, each party agrees to use its reasonable endeavours to comply with the indicative timetable set out in Schedule 1.

2.7 Conduct of business

- (a) During the Exclusivity Period each party will continue to operate its and its subsidiaries' business in the usual and ordinary manner and take all reasonable efforts to maintain good relations with all of its employees, customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings.
- (b) Other than as contemplated in this document or disclosed prior to the date of this document, neither party will:
 - (i) enter into any material contract or incur any material liability (other than in relation to incurring expenses relating to the transactions contemplated in this document, including without limitation, entering into mandate agreements, engagement letters and commitment letters for the purposes of the Public Offer).
 - (ii) declare any dividend; or
 - (iii) vary its capital structure,without the prior written consent of the other party, not to be unreasonably withheld or delayed.

2.8 Target promote the Bid

In the absence of a Superior Proposal for Target, to the extent reasonably requested to do so by Bidder during the Exclusivity Period, Target will support the Bid and participate in efforts reasonably required by Bidder to promote the merits of the Bid.

2.9 Bidder promote the shareholder approvals

To the extent reasonably requested to do so by Target during the Exclusivity Period, Bidder will support the Essential Resolutions and participate in efforts reasonably required by Target to promote the merits of the Essential Resolutions.

2.10 Bid Conditions

- (a) Subject to **clause 2.10(b)**, Target agrees not to do (or omit to do) anything which will, or is reasonably likely to, result in any of the Bid Conditions not being, or not being capable of being, satisfied.
- (b) Nothing in this **clause 2** prevents Target or the Target Board from taking, or failing to take, action where to do otherwise would or is reasonably likely to, in the reasonable opinion of the Target Board, constitute a breach of the legal or fiduciary duties of the directors of Target. The reasonable opinion of the Target Board must be based on specific written legal advice given by senior counsel.
- (c) If any event occurs or becomes apparent to a party which would cause any of the Bid Conditions to be not satisfied, or no longer capable of being satisfied, that party must, to the extent that it is actually aware of such information, immediately notify the other party in writing of the event.

2.11 Target Options

- (a) Prior to the Takeover Bid becoming unconditional, Bidder must make an offer to acquire all of the Target Options (outstanding as at such date) from each holder of the Target Options or seek such holder's consent for the cancellation of its Target Options, for the Target Option Consideration. If accepted, the acquisition or cancellation of those Target Options must be completed within 21 days of the Takeover Bid becoming unconditional. The value of the Target Option Consideration must increase in an equivalent manner to any increase in the consideration offered under the Takeover Bid.
- (b) Target must ensure the Target Board does all things and takes all actions required by the terms of the Target Options, the Corporations Act and the Target Constitution in respect of the Target Options and any offer made under clause 2.11(a).

- (c) Bidder agrees that the Takeover Bid will extend to all Target Shares issued as a result of exercise of Target Options from the Record Date to the end of the Bid Offer Period.

2.12 Target Notes

- (a) Prior to the Takeover Bid becoming unconditional, Bidder must make an offer to acquire all of the Target Notes (outstanding as at such date) from each holder of the Target Notes or seek such holder's consent for the cancellation of its Target Notes, for the Target Note Consideration. If accepted, the acquisition or cancellation of those Target Notes must be completed within 21 days of the Takeover Bid becoming unconditional. The value of the Target Note Consideration must increase in an equivalent manner to any increase in the consideration offered under the Takeover Bid.
- (b) Target must ensure the Target Board does all things and takes all actions required by the terms of the Target Notes, the Corporations Act and the Target Constitution in respect of the Target Notes and any offer made under clause 2.12(a).
- (c) Bidder agrees that the Takeover Bid will extend to all Target Shares issued as a result of exercise of Target Notes from the Record Date to the end of the Bid Offer Period.

2.13 Board changes

Conditional upon Bidder declaring the Bid to be free from all Bid Conditions or the Bid otherwise becoming unconditional:

- (a) the Target Nominees will be appointed as directors on the Bidder Board; and
- (b) upon the acceptance by the Target Nominees of the invitation extended by Bidder in accordance with clause 2.13(a), Bidder must ensure that all existing members of the Bidder Board promptly resign, together with an acknowledgement by each of them that they have no claim of any kind against Bidder by way of compensation or entitlement for loss of office.

2.14 Target assistance with Public Offer

Target will provide on a timely basis any assistance and information that is reasonably requested by Bidder to enable Bidder to complete the Public Offer.

3. TAKEOVER OFFER

3.1 Variation

Bidder may vary the terms of the Bid in any manner permitted by the Corporations Act provided the varied terms are no less favourable to Target Shareholders than the Agreed Bid Terms.

3.2 Waiver of conditions and extension

Subject to the Corporations Act, Bidder may:

- (a) declare the Bid to be free from any Bid Condition, other than the conditions set out in sections 2(a) (Approval of Essential Resolutions), 2(b) (Public Offer condition), 2(c) (Minimum acceptance), 2(d) (ASX consent to re-admission) and 2(e) (Completion under other agreements), which may only be waived by Bidder with the written consent of Target, not to be unreasonably withheld; and
- (b) extend the Bid at any time provided the Bid Offer Period does not extend past 31 December 2016).

4. ASX ESCROW

- (a) The parties acknowledge that any:

- (i) Bidder Shares and/or Performance Shares issued to Target Shareholders on completion of the Bid;
 - (ii) Target Note Consideration; and
 - (iii) Target Option Consideration issued to Canopy;
- (including any Bidder Shares issued upon satisfaction of the performance hurdle(s) under the terms of the Performance Shares or the exercise of the Target Option Consideration or the Target Note Consideration), may be the subject of escrow by ASX.
- (b) Target agrees to use its reasonable endeavours to procure execution of all necessary ASX escrow agreements as soon as is reasonably practicable.

5. EXCLUSIVITY

5.1 Exclusivity fee

- (a) The parties acknowledge that under the Acquisition Agreement Bidder paid a non-refundable exclusivity fee of \$250,000 to the Target.
- (b) With effect from execution of this document (and for the good and valuable consideration provided herein), the parties agree to extend the period of exclusivity to the end of the Exclusivity Period.

5.2 No shop

During the Exclusivity Period, each party must not, and must ensure that each of its Related Persons does not, directly or indirectly, solicit, invite, encourage or initiate any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to do anything referred to in this clause 5.2, but nothing in this clause 5.2 prevents either party from making normal presentations to brokers, portfolio investors and analysts in the ordinary course of business or promoting the merits of the Bid or the Public Offer.

5.3 Bidder matching right

During the Exclusivity Period, the Target:

- (a) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, Target or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Proposal; and
- (b) must use its best endeavours to procure that none of the Target Board change their recommendation in favour of the Bid to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the Bid),

unless:

- (c) the Target Board acting in good faith and in order to satisfy what the members of the Target Board consider to be their statutory or fiduciary duties determines that the Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal for Target;
- (d) Target has provided Bidder with the material terms and conditions of the actual, proposed or potential Competing Proposal, including price and the identity of the Third Party making the actual, proposed or potential Competing Proposal;
- (e) Target has given Bidder at least five (5) Business Days after the date of the provision of the information referred to in clause 5.3(d) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and

- (f) Bidder has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the five (5) Business Day period specified in clause 5.3(e).

5.4 Provision of information

During the Exclusivity Period, each party must as soon as possible provide the other party with:

- (a) in the case of written materials, a copy of; and
- (b) in any other case, a written statement of,

any material non-public information about its business or affairs disclosed or otherwise provided to any Third Party in connection with an actual, proposed or potential Competing Proposal that has not previously been provided to the other party.

6. WARRANTIES

6.1 Mutual warranties

Each party represents and warrants that, subject to the terms of this document:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to enter into this document and perform and observe all its terms;
- (c) this document constitutes its legal, valid and binding agreement enforceable against it in accordance with its terms;
- (d) it is not bound by any contract which may restrict its right or ability to enter into or perform the agreement contained in this document; and
- (e) no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets and no regulatory action has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfill its obligations under this document.

6.2 Additional warranties by Target

Target represents and warrants to Bidder that:

- (a) Part A of Schedule 4 accurately records the total number and details of Target Shares, Target Options and Target Notes on issue as at the date of this document; and
- (b) there are no other shares, options, notes or other securities of Target on issue and no rights to be issued such shares, options, notes or other securities.

6.3 Additional warranties from Bidder

Bidder represents and warrants to Target that:

- (a) Part B of **Schedule 4** accurately records the total number and details of Bidder Shares on issue as at the date of this document;
- (b) other than as contemplated in the Notice of Meeting or in this document, there are no other shares, options, notes or other securities of Bidder on issue and no rights to be issued such shares, options, notes or other securities; and
- (c) it has complied and will continue to comply with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act and is not relying on ASX Listing Rule 3.1A to withhold any information from disclosure.

6.4 Reliance on representations and warranties

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document.
- (b) Each party acknowledges and confirms that it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document.
- (c) Bidder acknowledges and confirms that clauses 6.4(a) and 6.4(b) do not prejudice any rights Target may have in relation to information which has been filed by Bidder with ASIC or ASX.

6.5 Notification

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the representations and warranties given by it under this clause 6.

6.6 Release of officers

- (a) Subject to the Corporations Act, none of the directors or officers of the Target will be liable for anything done or purported to be done in connection with the Bid or any transaction contemplated by this document, but nothing in this clause excludes any liability that may arise from wilful misconduct, fraud, wilful misrepresentation (including by omission) or bad faith on the part of such a person. Target receives and holds the benefit of this clause as agent for its directors and officers.
- (b) Subject to the Corporations Act, none of the directors or officers of Bidder will be liable for anything done or purported to be done in connection with the Bid or any transaction contemplated by this document, but nothing in this clause excludes any liability that may arise from wilful misconduct, fraud, wilful misrepresentation (including by omission) or bad faith on the part of such a person. Bidder receives and holds the benefit of this clause as agent for its directors and officers.

7. ANNOUNCEMENTS

7.1 No announcement

Neither party may make an announcement relating to the subject matter of this document or its termination or make public this document (or any of its terms) unless the announcement or publication:

- (a) is required by this document;
- (b) has the prior approval of the other party; or
- (c) is required to be made by any applicable law or the listing rules applicable to the party.

7.2 Notice of announcement

If a party is required to make an announcement under clause 7.1(c), it must, to the extent practicable without that party breaching any applicable law, give to the other party:

- (a) such notice as is reasonable in the circumstances of its intention to make the announcement; and
- (b) a draft of the announcement and an opportunity, which is reasonable in the circumstances, to comment on the contents of the draft announcement.

7.3 Announcement in respect of non-related matters

If a party is required to make an announcement by any applicable law or the ASX Listing Rules applicable to the party in respect of any matter other than in respect of the Bid, that

party must, to the extent practicable without that party breaching any applicable law, give to the other party such notice as is reasonable in the circumstances of its intention to make the announcement.

8. TERMINATION

8.1 Termination rights

A party may terminate this document by written notice to the other party if at any time after the date on which the Bid is announced and before the end of the Bid Offer Period:

- (a) the Target Board changes its recommendation in relation to the Bid as a result of the Target Board determining that it has received a Superior Proposal for Target;
- (b) a member of the Bidder Board that has provided a recommendation in relation to the Essential Resolutions under clause 1.3 changes or withdraws that recommendation or fails to vote (or procure the vote) of its Bidder Shares in accordance with that clause;
- (c) the other party is in material breach of this document and, to the extent that the breach is capable of remedy, that breach is not remedied by that other party within five (5) Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;
- (d) a representation or warranty given by the other party under clause 6 is or becomes untrue in any material respect and the breach of the representation or warranty is of a kind that, had it been disclosed to the first party before its entry into this document, could reasonably be expected to have resulted in that first party either not entering into this document or entering into it on materially different terms;
- (e) a court or Public Authority has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Bid, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review; or
- (f) Bidder withdraws the Bid or the Bid lapses for any reason, including non-satisfaction of a Bid Condition.

8.2 Target specific termination rights

Target may terminate this document by written notice to Bidder if at any time after the date of this document and before the end of the Bid Offer Period, a Bidder Material Adverse Change occurs.

8.3 Effect of termination

If this document is terminated by a party under this clause 8:

- (a) each party will be released from its obligations under this document, except its obligations under clause 10;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this document; and
- (c) in all other respects, all future obligations of the parties under this document will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Bid.

9. AMENDMENT AND ASSIGNMENT

9.1 Amendment

This document can only be amended or replaced by another document executed by the parties.

9.2 Assignment

A party may only assign, declare a trust over or otherwise deal with its rights under this document with the written consent of the other party.

10. GENERAL

10.1 Governing law

- (a) This document is governed by the law of Western Australia.
- (b) Each party submits to the jurisdiction of the courts of Western Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document.

10.2 Liability for expenses

Each party must pay its own expenses incurred in negotiating, executing, stamping and registering this document.

10.3 Waiver of rights

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

10.4 No partnership or agency

Nothing in this document is to be treated as creating a partnership and, except as specifically provided in this document, no party may act as agent of or in any way bind another party to any obligation.

10.5 Operation of this document

- (a) This document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

10.6 GST

- (a) Words defined in *A New Tax System (Goods and Services Tax) Act 1999* (Cth) have the same meaning in this clause.
- (b) If a party provides a payment for or any satisfaction of a claim or a right to claim under or in connection with this document (for example, for a breach of any warranty or under an indemnity) that gives rise to a liability for GST, the provider must pay, and indemnify the recipient on demand against, the amount of that GST.
- (c) If a party has a claim under or in connection with this document for a cost on which that party must pay an amount for GST, the claim is for the cost plus the amount for GST (except any amount for GST for which that party is entitled to an input tax credit).

10.7 No merger

No provisions of this document merge on the Bid being publicly announced and made.

10.8 Time of the essence

Time is of the essence in this document.

10.9 Notices

- (a) A notice, consent or other communication under this document is only effective if it is:
- (i) in writing, signed by or on behalf of the person giving it;
 - (ii) addressed to the person to whom it is to be given; and
 - (iii) either:
 - (A) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
 - (B) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full; or
 - (C) sent by email to that person's email address.
- (b) A notice, consent or other communication that complies with this clause is regarded as given and received:
- (i) if it is delivered or sent by fax:
 - (A) by 5.00 pm (local time in the place of receipt) on a Business Day - on that day; or
 - (B) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day - on the next Business Day;
 - (ii) if it is sent by mail:
 - (A) within Australia - 5 Business Days after posting; or
 - (B) to or from a place outside Australia - 7 Business Days after posting.
 - (iii) if it is sent by email, when a delivery confirmation report is received by the sender which records the time that the email was delivered to the addressee's email address provided that the sender of the notice does not receive any system message indicating that the transmission of the notice has been delayed or has failed, and provided that notices in any way related to any change of address for notices to a party or any actual or potential breach, default or termination of this agreement may not be sent by electronic mail only.
- (c) A person's address, fax number and email address are those set out below, or as the person notifies the sender:

Target

Address: 85 Carabooda Road
Carabooda WA 6033

Email: shunter@huntercorporate.com.au

Attention: Company Secretary

Bidder

Address: Level 3, 18 Richardson Street
West Perth WA 6005

Email: david@pathwayscorporate.com.au

Attention: Company Secretary

10.10 Counterparts

This document may be executed in counterparts.

11. INTERPRETATION

11.1 Definitions

The following definitions apply in this document.

Acquisition Agreement means the binding heads of agreement dated 7 May 2016 between Bidder and Target.

Agreed Announcement means the joint announcement agreed by the parties in relation to the Bid.

Agreed Bid Terms means the terms set out in **Schedule 3**.

Announcement Date means the date of release of the Agreed Announcement.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12(2) of the Corporations Act.

ASX means ASX Limited or the Australian Securities Exchange, as appropriate.

ASX Listing Rules means the listing rules of the ASX.

Bid means a takeover bid under Chapters 6 to 6C of the Corporations Act under which Bidder offers to acquire all Target Shares on terms no less favourable to Target Shareholders than the Agreed Bid Terms.

Bid Conditions means the conditions to the Bid Offer which are set out in Schedule 2.

Bid Offer means each offer to acquire all Target Shares on issue during the Bid Offer Period to be made by Bidder to each Target Shareholder under the Bid on terms consistent with this document.

Bid Offer Period means the period during which the Bid Offer is open for acceptance.

Bidder Board means the board of directors of Bidder from time to time.

Bidder Material Adverse Change means any event or occurrence during the Condition Period, which is discovered or becomes public which has or could reasonably be expected to have a materially adverse effect on the:

- (a) assets, liabilities, financial position, performance, profitability or prospects of Bidder; or
- (b) status or terms of (or rights attaching to) any material approvals from a Public Authority applicable to Bidder,

including without limitation:

- (c) any creditor demanding repayment of a debt of \$100,000 or more; and
- (d) any person accelerating or adversely modifying the performance of any obligations of Bidder under any material agreements, contracts or other legal arrangements,

but does not include any change:

- (e) fairly disclosed to Target on or before the date of this document (including as a result of disclosures made to ASX);
- (f) occurring as a result of any matter, event or circumstance required by this document, the Bid Offer or the transactions contemplated by them; or
- (g) approved in writing by Target.

Bidder Option means an option to acquire a Bidder Share on the terms set out in Schedule 5.

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

Bidder Shareholder means a holder of a Bidder Share.

Bidder Shareholders' Meeting means the meeting of Bidder Shareholders to be held to approve the Essential Resolutions pursuant to the Notice of Meeting.

Bidder's Statement means the bidder's statement to be issued by Bidder in respect to the Bid.

Business Day means a day (other than Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth, Western Australia.

Canopy means Canopy Growth Corporation (formerly Tweed Marijuana Inc.), a company incorporated and existing in Canada and listed on the TSX Venture exchange as CGC.

Competing Proposal for Target means:

- (a) in relation to Target, a bona fide proposal or offer that, if successfully completed, would result in a person other than Bidder:
 - (i) directly or indirectly acquiring control of Target;
 - (ii) directly or indirectly acquiring or becoming the holder of any interest in all or a substantial part of the business or assets of Target; or
 - (iii) otherwise acquiring or merging with Target; and
- (b) in relation to Bidder, a bona fide proposal or offer that, if successfully completed, would result in a person:
 - (iv) directly or indirectly acquiring a relevant interest or an economic interest in 15% or more of the Bidder Shares or of the share capital;
 - (v) directly or indirectly acquiring control of Bidder; or
 - (vi) otherwise acquiring or merging with Bidder;

whether by way of takeover offer, scheme of arrangement, shareholder-approved acquisition, capital reduction, buy back, sale or purchase of shares or assets, joint venture, dual listed company structure (or other synthetic merger) or other transaction or arrangement.

Condition Period means the period beginning on the Announcement Date and ending at the end of the Bid Offer Period.

Constitution means the constitution of Bidder.

Corporations Act means the *Corporations Act 2001* (Cth) as modified by any relevant exemption or declaration by ASIC.

Essential Resolutions means resolutions 1-10 inclusive and 12-18 inclusive under the Notice of Meeting.

Exclusivity Period means the period commencing from the date of this document to the earlier of:

- (a) expiry of the Bid Offer Period;
- (b) the date that this document is terminated;
- (c) the time that Bidder Shareholders fail to pass any of the Essential Resolutions at the Bidder Shareholders' Meeting; or
- (d) 31 December 2016.

Notice of Meeting means the notice of meeting and accompanying explanatory statement to be issued by the Bidder in respect of the Bidder Shareholders' Meeting.

Performance Share means a performance share in Bidder issued on the terms set out in Schedule 6.

Pre-Existing Sale Agreement means an agreement between a Target Shareholder, Bidder and Target under which Bidder acquired a relevant interest in the Target Shareholder's Target Shares prior to the Target being subject to Chapter 6 of the Corporations Act.

Public Authority means any government or any governmental, semi-governmental, administrative, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

Public Offer means an offer by the Bidder of not more than 500,000,000 Bidder Shares (on a pre-consolidation basis) made pursuant to a prospectus under Chapter 6D of the Corporations Act to raise a minimum of \$3 million and up to \$5 million.

Record Date means the date set by Bidder pursuant to section 633(2) of the Corporations Act.

Related Person means in relation to a party:

- (a) a related body corporate;
- (b) its advisers or an adviser of a related body corporate; or
- (c) an officer or employee of any entity referred to in (a) or (b).

Relevant Interest has the same meaning as given in sections 608 and 609 of the Corporations Act.

Sale Agreement Shares means Target Shares the subject of a Pre-Existing Sale Agreement.

Security Interest has the same meaning as in Section 51A of the Corporations Act.

Share Purchase Agreements means the agreements entered into by the Purchaser with various Target Shareholders to acquire their Shares for consideration equal to the offer price set out in Schedule 3.

Superior Proposal for Target means a Competing Proposal for Target that in the determination of the Target Board acting in good faith:

- (a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal for Target and the person or persons making it; and
- (b) is more favourable to Target Shareholders than the Bid, taking into account all terms and conditions of the Competing Proposal for Target,

provided that a financial adviser, independent of the Target Board, has provided a written opinion to the Target Board which supports the determination of the matters in paragraphs (a) and (b) above.

Target Board means the board of directors of Target from time to time.

Target Nominees means each of Dr Mal Washer, Ms Elaine Darby, Mr Harry Karelis, Mr Bruce McHarrie, the Hon. Cheryl Edwards and Mr Bruce Linton.

Target Note Agreement means an agreement with a holder of Target Notes whereby Bidder will acquire or cancel the holder's Target Notes.

Target Note Consideration means for each Target Note held 242.42 Bidder Shares and 46.65 Performance Shares (each expressed on a pre-consolidation basis).

Target Notes means any outstanding convertible notes entitling the holder of those convertible notes to subscribe for Shares in the Company.

Target Option Consideration means, for each Target Option held, 1 Bidder Option (on a pre-consolidation basis).

Target Option Agreement means the agreement whereby Bidder will acquire or cancel the Target Options.

Target Options means the options to subscribe for Target Shares held by Canopy as at the date of this document.

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

Target Shareholder means a holder of a Target Share.

Target's Statement means the target's statement to be issued by Target in respect of the Bid.

Third Party means any party other than Bidder or Target.

11.2 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) Words and phrases which are defined by the Corporations Act have the same meaning in this document. If a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act the word or phrase has that meaning.
- (b) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person;
 - (v) anything (including a right, obligation or concept) includes each part of it; and
 - (vi) a reference to \$ is to the lawful currency in Australia unless otherwise stated.
- (c) A singular word includes the plural, and vice versa.
- (d) A word which suggests one gender includes the other genders.
- (e) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (g) All references to time are references to the time in Perth, Western Australia.

11.3 "Fairly disclosed"

A fact, matter or circumstance is fairly disclosed if it is disclosed to Bidder in writing and in a manner that enables Bidder to identify the fact, matter or circumstance and its consequences.

1. SCHEDULE 1 – INDICATIVE TIMETABLE

Date	Action
29 September 2016	Release of Agreed Announcement
29 September 2016	Notice of Meeting Lodged with ASX
3 October 2016 (week commencing)	Bidder lodges Bidder's Statement with ASIC and ASX and serves it on Target. Bid Offer opens.
3 October 2016 (week commencing)	Bidder despatches Bidder's Statement to Target Shareholders
31 October 2016	Bidder Shareholders' Meeting
11 November 2016	Close of Bid Offer (unless extended)

2. SCHEDULE 2 – BID CONDITIONS

(a) Approval of Essential Resolutions

Bidder Shareholders approve the Essential Resolutions in accordance with the Corporations Act, the ASX Listing Rules and the Constitution before the end of the Bid Offer Period.

(b) Public Offer condition

The Public Offer closes and, as at the close of the Public Offer, the Bidder receives or becomes entitled to receive, in immediately available funds, gross proceeds of not less than \$3 million (before the costs of the Public Offer) as a result of subscriptions made under the Public Offer.

(c) Minimum acceptance

On or before the end of the Bid Offer Period the Bidder has a relevant interest in at least 90% of the Target Shares on issue and is entitled to proceed to compulsory acquisition of all outstanding Target Shares under the Corporations Act.

(d) ASX consent to re-quotations

The Bidder receives from ASX written confirmation that ASX will terminate the suspension of Bidder Shares from official quotation, subject to the satisfaction of such terms and conditions (if any) as are prescribed by ASX or the ASX Listing Rules and such conditions being capable of being satisfied.

(e) Completion under other agreements

No later than at the same time as completion occurs with each Target Shareholder with respect to their Target Shares under the Bid, the Bidder also completes the sale and purchase or cancellation (as the case may be) of all of the:

- (i) Sale Agreement Shares under the Pre-Existing Sale Agreements (except to the extent that Bidder is entitled to and does acquire such Sale Agreement Share under the Bid);
- (ii) Target Options under the Target Option Agreement; and
- (iii) Target Notes then outstanding, by way of one or more Target Note Agreements (except to the extent that any Target Note has been converted into a Target Share by agreement between Target and the holder of the Target Note).

(f) Regulatory approvals

Before the end of the Bid Offer Period, all approvals or consents that are required by law, by any public authority, or by any other third party as are necessary to permit:

- (i) the Bid Offers to be lawfully made to and accepted by the Target Shareholders;
- (ii) the transactions contemplated by the Bidder's Statement to be completed; and
- (iii) Target to be in material compliance with each of its and its subsidiaries' contracts, permits, licences and other agreements,

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

(g) No regulatory action and consents

Between the Announcement Date and the end of the Bid Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to any Public Authority (other than by the Bidder or any associate of the Bidder),

in consequence of or in connection with the Bid Offers (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Bid Offers and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by the Bidder of any Target Shares or any material assets of Target or any subsidiary of Target.

(h) No material adverse change

Between the Announcement Date and the end of the Bid Offer Period (each inclusive) none of the following occurs:

- (i) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
- (ii) information is disclosed or announced by Target concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
- (iii) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to the Bidder (whether or not becoming public),

(each of (i), (ii) and (iii) a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- (iv) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Target; or
- (v) without limiting the generality of clause 2(h)(iv), the effect of a diminution in the value of the consolidated net assets of the Target, taken as a whole, by at least \$100,000 against what it would reasonably have been expected to have been but for such Specified Event,

other than:

- (vi) an event, matter, change or circumstance caused, or materially contributed to, by the Bidder;
- (vii) anything required or permitted to be done or not done under this document or otherwise required to be done in connection with the legal obligations for the implementation of the Bid;
- (viii) any event, matter, change or circumstance fairly disclosed by Target to Bidder or any Related Person of the Bidder at any time prior to the date of this document;
- (ix) an event, matter, change or circumstance in or relating to:
 - (A) economic, business, regulatory or political conditions in general;
 - (B) credit, financial or currency markets in general, or the state of securities markets in general (including any reduction in market indices);

- (C) any change affecting the industry in which Target operates generally;
 - (x) the portion of any event, matter, change or circumstances which is as a consequence of losses, expenses, damages or other costs covered by insurance which the Company's insurers have agreed to pay; or
 - (xi) anything done with the prior written consent of the Bidder.
- (i) No litigation on foot or pending**

Between the Announcement Date and the end of the Bid Offer Period (each inclusive), no litigation against Target which may reasonably result in a judgment of \$100,000 or more is commenced, is threatened to be commenced, is announced, or is made known to the Bidder (whether or not becoming public) or Target, other than that which is in the public domain as at the Announcement Date.
- (j) Equal access**

Between the Announcement Date and the end of the Bid Offer Period, Target promptly, and in any event within two Business Days, provides to the Bidder a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Target or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by Target or any of its directors, officers, agents or representatives to any person other than the Bidder, other than in the ordinary course of ordinary business, for the purposes of soliciting, encouraging or facilitating any proposal with respect to:

 - (i) a takeover bid for, or scheme of arrangement proposed by, Target, under the Corporations Act;
 - (ii) the acquisition by that person or an associate of substantially all the assets and operations of Target; or
 - (iii) any transaction having a similar economic effect.
- (k) No prescribed occurrences**

Between the Announcement Date and the date three business days after the end of the Bid Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

 - (i) Target converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) Target or a subsidiary of Target resolving to reduce its share capital in any way;
 - (iii) Target or a subsidiary of Target entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) Target or a subsidiary of Target making an issue of Target Shares or granting an option over the Shares or agreeing to make such an issue or grant such an option;
 - (v) Target or a subsidiary of Target issuing, or agreeing to issue, convertible notes;
 - (vi) Target or a subsidiary of Target disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Target or a subsidiary of Target granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
 - (viii) Target or a subsidiary of Target resolving that it be wound up;

- (ix) the appointment of a liquidator or provisional liquidator of Target or of a subsidiary of Target;
- (x) the making of an order by a court for the winding up of Target or of a subsidiary of Target;
- (xi) an administrator of Target or of a subsidiary of Target being appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Target or a subsidiary of Target executing a deed of company arrangement; or
- (xiii) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Target or of a subsidiary of Target.

(l) No distributions

Between the Announcement Date and the end of the Bid Offer Period (each inclusive), Target does not announce, make, declare or pay any distribution to the Target Shareholders (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

(m) Escrow

Each Target Shareholder, holder of Target Notes and Canopy entering into such form of restriction agreement in respect of the Bidder Shares, Performance Shares (including any Bidder Shares issued upon satisfaction of the performance milestone under the terms of the Performance Shares) and Bidder Options issued to them, as the case may be, as ASX may require.

3. SCHEDULE 3 – AGREED BID TERMS

3.1 Offer Price

Bidder offers to each Target Shareholder 1 Bidder Share and approximately 0.1924 Performance Shares for every 1 Target Share held (each expressed on a pre-consolidation basis).

3.2 Conditions

The Bid Offer may be subject only to conditions that are no less favourable to Target Shareholders than those described in Schedule 2 of this document.

4. SCHEDULE 4 - TARGET'S AND BIDDER'S CAPITAL

PART A

4.1 Target Shares

Target has 2,934,183,790 fully paid ordinary shares on issue.

4.2 Target Options

Target has 153,552,779 options on issue as follows:

Number of Options	Expiry Date	Exercise Price	Known Holders
153,552,779	36 months from date of Public Offer	\$0.01 (on a pre-Consolidation basis)	Canopy Growth Corporation

PART B

4.3 Bidder Shares

Bidder has 602,362,410 fully paid ordinary shares on issue.

5. SCHEDULE 5 – BIDDER OPTION TERMS

5.1 Definitions

In these terms and conditions, unless the context otherwise requires, terms defined in clause 11.1 shall have the meanings given to them therein.

5.2 Entitlement

- (a) Each Bidder Option will entitle the holder to subscribe for one Bidder Share.
- (b) All Bidder Shares issued upon the exercise of Bidder Options will rank equally in all respects with Bidder's then existing shares.

5.3 Exercise Price

Each Bidder Option shall entitle the holder to acquire one Bidder Share upon payment of the sum of \$0.20 per option (on a post-Consolidation basis) (**Exercise Price**) to the Company.

5.4 Exercise of Bidder Options

- (a) The Bidder Options may be exercised at any time prior to the date which is 36 months after their issue (**Expiry Date**) in whole or in part, by completing and delivering a duly completed form of notice of exercise to the registered office of Bidder together with the payment of the Exercise Price in immediately available funds for the number of Bidder Shares in respect of which the Bidder Options are exercised.
- (b) A Bidder Option not exercised on or before the Expiry Date will lapse.
- (c) Bidder Shares issued pursuant to the exercise of the Bidder Options will be issued, and a holding statement or share certificate provided to the holders of Bidder Options in respect of those Bidder Shares, on the above terms and conditions not more than 5 Business Days after the receipt of a duly completed form of notice of exercise and the Exercise Price in immediately available funds in Australian dollars in respect of the Bidder Options exercised.

5.5 Quotation

- (a) Application will not be made to ASX for official quotation of the Bidder Options.
- (b) Provided Bidder is listed on ASX at the time, application will be made for official quotation of the Bidder Shares issued upon exercise of Bidder Options not later than 5 Business Days after the date of issue.

5.6 Transfer

The Bidder Options are not transferable.

5.7 Participation and entitlements

- (a) There are no participating rights or entitlements inherent in the Bidder Options and holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the Bidder Options.
- (b) However, Bidder must give notice to the holders of Bidder Options of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules so as to give holders the opportunity to exercise their Bidder Options before the date for determining entitlements to participate in any issue.

5.8 Reorganisation of share capital

In the event of a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of Bidder, all rights of holders of Bidder Options shall be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

5.9 Bonus Issue

If, from time to time, before the expiry of the Bidder Options Bidder makes a pro-rata issue of Bidder Shares to shareholders for no consideration, the number of Bidder Shares over which a Bidder Option is exercisable will be increased by the number of Bidder Shares which the holder would have received if the Bidder Option had been exercised before the date for calculating entitlements to the pro-rata issue.

5.10 Pro-rata issue

If the Company makes a pro-rata issue of securities (except a bonus issue) to shareholders (other than an issue in lieu or in satisfaction of dividends or by way of a dividend reinvestment) the exercise price of a Bidder Option shall be reduced according to the following formula:

$$O' = O - (E(P - (S + D))) / (N + 1)$$

where:

- O' = the new exercise price for a Bidder Option
- O = the old exercise price for a Bidder Option
- E = the number of underlying securities into which a Bidder Option is exercisable.
- P = The average market price per security (weighed by reference to volume) of the underlying securities during the five trading days ending on the day before the ex-rights date or ex entitlements date.
- S = The subscription price for a security under the pro-rata issue.
- D = The dividend due but not yet paid under the existing underlying securities (except those to be issued under the pro-rata issue).
- N = The number of securities with rights or entitlements that must be held to receive a right to one new security.

6. SCHEDULE 6 – PERFORMANCE SHARES TERMS

6.1 Definitions

In these terms and conditions, unless the context otherwise requires, terms defined in clause 11.1 shall have the meanings given to them therein, and further, the following terms bear the following meanings:

(a) Holder

A holder of Performance Shares.

(b) Milestone Date

The date which is eighteen months after the date on which the Company achieves re-compliance.

6.2 Rights attaching

- (a) Each Performance Share shall be issued for nil cash consideration.
- (b) Each Performance Share is a share in the capital of Bidder.
- (c) A Performance Share:
 - (i) confers on the Holder:
 - (A) a right to receive notices of general meetings of shareholders and financial reports and accounts of Bidder that are circulated to shareholders; and
 - (B) a right to attend general meetings of shareholders; and
 - (ii) does not entitle a Holder:
 - (A) other than to the extent required by law, to vote at any meeting of shareholders;
 - (B) to any dividend;
 - (C) to a return of capital, whether in winding up upon a reduction of capital or otherwise;
 - (D) any right to participate in the surplus profits or assets of Bidder upon the winding up of Bidder; or
 - (E) to participate in new issues of securities.
- (d) A Performance Share is not transferrable.
- (e) Performance Shares do not confer on a Holder any rights other than those expressly provided in these terms and conditions, and those provided at law where such rights cannot be excluded by these terms and conditions.
- (f) The holder of a Performance Share (and any Bidder Share issued upon the conversion of a Performance Share under these terms and conditions) agrees to be bound by the Constitution.

6.3 Quotation

- (a) The Performance Shares will not be quoted on ASX.
- (b) Notwithstanding item (3(a), Bidder must:
 - (i) apply for quotation of any Bidder Shares issued upon conversion of a Performance share under item 5 in accordance with the ASX Listing Rules, and
 - (ii) use its best endeavours to obtain such quotation.
- (c) Holders must comply with any ASX requirement that Bidder Shares arising from a conversion under item 5 be escrowed and that a Holder enter into a restriction

agreement necessary to effect the escrow, and must do so prior to the issue of the converted Bidder Shares.

- (d) Upon issue of a Bidder Share pursuant to the conversion of a Performance Share under these terms and conditions Bidder will (if required) either:
- (i) give to ASX a notice under section 708A(5)(e) of the Corporations Act and such notice must confirm that Bidder is not withholding any 'excluded information' for the purposes of section 708A(6)(e) of the Corporations Act; or
 - (ii) if the notice under item 3.4(a) is not able to be issued by Bidder or for any reason is not effective to ensure that an offer for sale of the Bidder Shares does not require disclosure under the Corporations Act, then Bidder must, no later than 10 days after the date of the issue of the Bidder Shares, lodge 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 Bidder Shares does not require disclosure to investors under the Corporations Act.

6.4 Reorganisation

If at any time the capital of Bidder is reorganised, the Performance Shares shall be treated in the manner set out in Listing Rule 7.21 (or other applicable ASX Listing Rules), such that the number of Performance Shares or the conversion ratio under item 5 or both will be reorganised so that Holders will not receive a benefit that shareholders do not receive, and shareholders do not receive a benefit that Holders do not receive.

6.5 Conversion

- (a) Within seven (7) days of achievement of the Performance Milestone, each Performance Share shall convert to Bidder Shares at the rate of one (1) Bidder Share for every one (1) Performance share.
- (b) If a conversion under item 5.1 would cause a contravention of section 606 of the Corporations Act, the conversion shall be subject to the approval of shareholders under item 7, section 611 of the Corporations Act, and Bidder must:
 - (i) promptly convene a meeting of shareholders for the purposes of considering such approval; and
 - (ii) use its reasonable endeavours to procure that approval.
- (c) If the Performance Milestone has not occurred on or prior to the Milestone Date, each and every Performance share will be cancelled for nil or nominal consideration.
- (d) Upon the occurrence of either:
 - (i) a takeover bid under Chapter 6 of the Corporations Act being made in respect of Bidder, and:
 - (A) the bidder having received acceptances in respect of greater than 50% of the Bidder Shares on issue at that time; and
 - (B) the bid having been declared unconditional by the bidder; or
 - (ii) a court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of Bidder or its amalgamation with any other company or companies,

to the extent the Performance Shares have not yet converted under item 5.1 or been cancelled under item 5.3, those Performance Shares will automatically convert into Bidder Shares at the rate set out in item 5.1 up to a maximum number (when counted together with any other Bidder Shares being issued in respect of other classes of Performance share, if any) constituting ten percent (10%) of the

Bidder Shares then on issue. Any Performance Shares not converted in this manner will continue to be held by the Holder on the same terms and conditions.

- (e) Bidder will issue a Holder with a new holding statement for the Bidder Shares issued under items 5.1 or 5.3 as soon as practicable following the conversion of each Performance Share.
- (f) All Bidder Shares issued upon conversion of Performance Shares shall rank pari passu in all respects with all other Bidder Shares (including, without limitation, in respect of rights relating to dividends), and shall be issued free from all liens, charges and encumbrances whether or not known about and including statutory and other pre-emptive rights and transfer restrictions.

6.6 Performance Milestone

The Performance Milestone shall occur if, before the Milestone Date:

- (a) Target obtains a permit, licence, authority, registration or approval under the *Narcotics Drugs Act 1967* (as amended by the *Narcotic Drugs Act Amendment Act 2016*) and any associated regulations in respect of the cultivation and production of cannabis and cannabis resin for medicinal and related scientific purposes; or
- (b) Target obtains a permit, licence, authority, registration or approval for the cultivation and production of cannabis and cannabis resin for medicinal and related scientific purposes in another jurisdiction; or
- (c) Target is issued or acquires an interest of not less than 49% in a party or entity that holds a permit, licence, authority, registration or approval for the cultivation and production of cannabis and cannabis resin for medicinal and related scientific purposes in another jurisdiction; or
- (d) Bidder, having merged with Target, is granted a licence referred to in paragraph (a) or (b) above or is issued or acquires an interest referred to in paragraph (c) above.

6.7 Compliance

- (a) Notwithstanding anything contained in these terms and conditions, if the ASX Listing Rules, the Corporations Act or the Constitution prohibit an act from being done, that act shall not be done to the extent of that prohibition.
- (b) Nothing in these terms and conditions requires to be done anything that the ASX Listing Rules, the Corporations Act or the Constitution prohibit from being done to the extent of that prohibition.
- (c) Bidder may unilaterally amend these terms and conditions if and to the extent necessary to resolve any conflict between these terms and conditions and the ASX Listing Rules, the Corporations Act or the Constitution, or to make these terms and conditions compliant with the ASX Listing Rules, the Corporations Act or the Constitution.

Executed as a deed on 29 September 2016.

EXECUTED by **TW HOLDINGS LIMITED**
ACN 008 095 207 in accordance with section 127
of the Corporations Act by:



Director

David Wheeler

Name of Director (print)

EXECUTED by **TW HOLDINGS LIMITED**
ACN 008 095 207 in accordance with section 127
of the Corporations Act by:



Director

Nic Calder

Name of Director (print)

EXECUTED by **AUSCANN GROUP HOLDINGS**
LIMITED ACN 601 953 860 in accordance with
section 127 of the Corporations Act by:



Director

MALCOLM WASHER

Name of Director (print)



Director/Secretary

ELAINE DARBY

Name of Director (print)