

TW Holdings Limited

ACN 008 095 207

(to be re-named AusCann Group Holdings Limited)



REPLACEMENT PROSPECTUS

For an offer of up to 25 million Shares at an issue price of \$0.20 per Share to raise a minimum of \$3,000,000 and a maximum of \$5,000,000 (**Public Offer**).

This Prospectus also contains the following offers:

- (a) up to 47,885,925 Shares and 9,214,392 Performance Shares to AusCann Shareholders;
- (b) 14,521,228 Shares and 2,794,231 Performance Rights to the Advisors;
- (c) 150,000 Options to the Directors; and
- (d) 7,677,639 Options to Canopy,

(together, the **Offers**).

Refer to Section 3.2 of this Prospectus for more information about each of the offers.

The Offers are conditional on the Bid Conditions outlined in Section 8.2 being satisfied. In the event that the Bid Conditions are not satisfied, the Company will not proceed with the Offers and the Company will repay all application monies received.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.



Lead Manager

CPS Capital Group Pty Ltd
Level 45, 108 St Georges Terrace, Perth WA 6000

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered highly speculative.

CORPORATE DIRECTORY



Directors

David Wheeler (Non-Executive Chairman)
Nicholas Calder (Non-Executive Director)
Simon Taylor (Non-Executive Director)

Proposed Directors

Malcolm Washer (Chairman)
Elaine Darby (Managing Director)
Harry Karelis (Executive Director)
Cheryl Edwardes (Non-executive Director)
Bruce McHarrie (Non-executive Director)
Bruce Linton (Non-executive Director)

Company Secretary

Susan Hunter

Lead Manager

CPS Capital Group Pty Ltd
Level 45, 108 St Georges Terrace
Perth WA 6000

Solicitors to the Company

Blackwall Legal LLP
Level 6, 105 St Georges Terrace
Perth WA 6000

Auditors to the Company

BDO Audit (WA) Pty Ltd
38 Station St
Subiaco WA 6008

Solicitors to AusCann

Allion Partners
863 Hay Street
Perth WA 6000

Registered Office

Level 3, 18 Richardson Street
West Perth WA 6005
Telephone: 1300 133 921
Facsimile: +61 8 6160 5901
Email: nc@twholdings.com.au
Website: www.twholdings.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

Telephone: +61 1300 787 272
Facsimile: +61 03 9473 2408

Investigating Accountant

PKF Mack
Level 4, 35-37 Havelock Street
West Perth WA 6005

Current ASX code

TWH

Proposed ASX code

AC8

INDICATIVE TIMETABLE



	Date
Original Prospectus lodged with ASIC and ASX	Friday, 21 October 2016
Bidder's Statement lodged with ASIC	Monday, 31 October 2016
General Meeting (suspension of the Company's securities from trading on the ASX)	Monday, 31 October 2016
Record date of Consolidation	Friday, 4 November 2016
Takeover Bid opens	Monday, 7 November 2016
Target's Statement lodged with ASIC	Tuesday, 8 November 2016
Public Offer opens	Tuesday, 22 November 2016
Takeover Bid closes	Wednesday, 7 December 2016
Closing Date	Thursday, 22 December 2016
Settlement Date (securities issued to the AusCann Shareholders)	Wednesday, 4 January 2016
Securities issued under Prospectus	Wednesday, 4 January 2016
Despatch of holding statements	Friday, 6 January 2016
Expected Re-quotation Date	Wednesday, 11 January 2016

* The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Public Offer early without notice.

IMPORTANT NOTICE

This Prospectus is dated 21 November 2016 and was lodged with ASIC on that date. It replaces the Company's prospectus lodged with ASIC on 21 October 2016 (**Original Prospectus**). For the purposes of this document, this Replacement Prospectus will be referred to as "this Replacement Prospectus" or "this Prospectus".

This Replacement Prospectus has been issued to, amongst other things:

- address ASIC's concerns about disclosure in the Original Prospectus in respect of:
 - narcotic drugs regulation and licensing
 - the historical financial statements and cash flow statements
 - the proposed clinical trials
 - the use of photographs
 - the use of funds
 - AusCann's operations
 - material contracts
 - antecedents of the incoming directors
 - the Takeover Bid
 - the content of the Chairman's letter
 - information about the medicinal cannabis industry
 - the extent to which the Original Prospectus was clear, concise and effective
 - AusCann's consent to be named in the Prospectus
- provide disclosure about AusCann's binding heads of agreement with Chilean cannabis producer Fundación Daya dated 10 November 2016
- update the Prospectus to record that Shareholders have approved the Essential Resolutions at the General Meeting held on 31 October 2016
- "refreshing" the period for admission to quotation of Shares offered under the Original Prospectus so that the period will expire on the date which is 3 months after the date of this Replacement Prospectus under section 724 of the Corporations Act

ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities may be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

Application was made to ASX within seven days after the date of the Original Prospectus for Official Quotation of the Shares the subject of the Offers.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Refresh document

ASIC has varied the Corporations Act to allow companies to "refresh" the timing of the dates by which the minimum subscription amount must be raised (**Minimum Subscription Condition**) and securities must be quoted on ASX (**Quotation Condition**) under ASIC Corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70 (**LI 2016/70**), so that the respective 4 and 3 month periods re-commence from the date that a "refresh document" is lodged with ASIC, provided that the refresh document meets certain conditions (**Refresh Conditions**).

This Replacement Prospectus addresses the relevant Refresh Conditions and it is the Company's intention that this will effectively "refresh" the 3-month period relating to the Quotation Condition and the 4-month period relating to the Minimum Subscription Condition, such that the respective time periods will re-commence from the date this Replacement Prospectus is lodged with ASIC.

Set out below are the specific disclosures required in a "refresh document" by LI 2016/70.

Withdrawal rights

Any applicant who, prior to the date of this Replacement Prospectus, has lodged an application for Shares offered under the Public Offer (**Application**) will be issued a copy of this Replacement Prospectus and has the right to withdraw their Application and be repaid their subscription moneys without interest, provided that their request to withdraw their Application is received by the Company within 1 calendar month after the date of this Replacement Prospectus (**Withdrawal Period**) (i.e. on or before 18 December 2016).

A request to withdraw an Application should be in writing, signed by the applicant and sent to:

Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001

If you do not wish to withdraw your Application, you do not need to take any action. The Offers will remain open at least until the end of the Withdrawal Period (i.e. until 18 December 2016).

Applications received

The Company advises that 40 Applications have been received as at the date of this Replacement Prospectus, for a total of 2,250,000 Shares with a total value of \$450,000 banked as cleared funds. However, no Applications have been processed and no Shares have been issued under the Original Prospectus.

Minimum Subscription Condition

At the date of this Replacement Prospectus, the minimum subscription amount of \$3,000,000 or 15,000,000 Shares under the Public Offer detailed in the Original Prospectus has not been achieved. The minimum subscription amount specified in the Original Prospectus remains unchanged at the date of this Replacement Prospectus.

Upon lodgement of this Replacement Prospectus, and subject only to the lodgement of any future refresh document, the Minimum Subscription Condition must be satisfied by no later than 18 March 2017 (being 4 months after the date of this Replacement Prospectus).

Quotation Condition

The Company submitted its listing application to the ASX within 7 days from the date of the Original Prospectus. As at the date of this Replacement Prospectus:

- the Shares to be issued under the Public Offer have not yet been admitted to quotation on the ASX;
- ASX has not indicated that the Shares will not be admitted to quotation or will be admitted subject to certain conditions being satisfied.

Upon the lodgement of this Replacement Prospectus and, subject only to the lodgement of any future refresh document, the Quotation Condition must be satisfied by no later than 18 February 2016 (being 3 months after the date of this Replacement Prospectus).



IMPORTANT NOTICE

Consolidation

At a General Meeting of the Company held on 31 October 2016, Shareholders approved a consolidation of the Company's securities on a 20 for 1 basis (**Consolidation**). The effective date of the Consolidation was 3 November 2016 and the Directors intend to implement the Consolidation prior to completion of the Acquisition, but only if:

- (a) all conditions to the Acquisition (other than the Consolidation) are satisfied or waived; and
- (b) the Directors are of the view that all conditions to re-listing on ASX can be satisfied.

Unless stated otherwise, all references to securities of the Company as set out in this Prospectus are on a post-Consolidation basis.

In the event that completion of the Acquisition does not occur, the Public Offer will not proceed and investors will be refunded their application monies without interest.

Offers conditional

The issue of Shares, Options, Performance Shares and Performance Rights under the Offers is conditional on the Takeover Bid being declared unconditional on satisfaction or waiver of the Bid Conditions. Details of the Bid Conditions are set out in Section 8.2.

If any Bid Conditions are not satisfied or waived, the Company will not proceed with the Offers.

Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at <http://www.twholdings.com.au/>. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Website

Other than as otherwise stated in this Prospectus, no document or information included on our website is incorporated by reference into this Prospectus.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5 of this Prospectus.

Foreign jurisdictions

No action has been taken to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia. The distribution of this Prospectus outside Australia may be restricted by law and therefore persons into whose possession this Prospectus comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of any shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

Speculative investment

An investment in the Shares offered under this Prospectus should be considered highly speculative. Refer to section 5 for details of the key risks applicable to an investment in the Company. Persons wishing to apply for shares offered under this Prospectus should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to the shares offered pursuant to this Prospectus.

This Prospectus does not take into account the investment objectives, financial or taxation or particular needs of any applicant. Before making any investment in the Company, each applicant should consider whether such an investment is appropriate to his or her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons considering applying for shares offered pursuant to this Prospectus have any questions, they should consult their stockbroker, solicitor, accountant or other professional advisor.

There is no guarantee that the shares offered under this Prospectus will make a return on the capital invested, that dividends will be paid on the shares or that there will be an increase in the value of the shares in the future.

Exposure period

The Corporations Act prohibits the Company from processing applications for non-quoted securities in the seven-day period after the date of lodgement of this Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days. The Performance Shares to be issued under this Prospectus are non-quoted securities. Accordingly, applications for Performance Shares received during the Exposure Period will not be processed until after the expiry of that period.

Other matters

All financial amounts in this Prospectus are expressed as Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Defined terms and abbreviations italicised in this Prospectus are detailed in the glossary in Section 11.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker, or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offers, please call the Lead Manager on +61 8 9223 2252.



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CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors of TW Holdings Limited (to be renamed AusCann Group Holdings Limited) (**Company**), I am delighted to invite you to participate in an issue of Shares to raise up to \$5,000,000 through an issue of up to 25,000,000 Shares at an issue price of \$0.20 per Share (**Public Offer**).

This Public Offer is being made to provide funds to advance the development of the Company's objectives to produce high quality, economical and clinically validated cannabis medicines for Australian patients and international markets.

On 17 March 2016, the Company entered into a non-binding term sheet to acquire 100% of the issued share capital of AusCann Group Holdings Ltd ACN 601 953 860 (**AusCann**), an unlisted public company (**Acquisition**). On 9 May 2016 the parties entered into a binding heads of agreement in respect to the Acquisition.

The proposed acquisition of AusCann, described further in this Prospectus, signifies an important transforming event that will see the Company focus its business activities on the cultivation, manufacture and sale of high quality cannabis medicines for a range of medical conditions and symptoms.

Although the therapeutic use of cannabis has been cited going back thousands of years, recent clinical and observational studies into the potential therapeutic uses of cannabis, and the global legislative changes enabling medical use, is arguably one of the most exciting recent developments in medicine. The Company is well positioned to take advantage of this development by bringing together a strong team with relevant and complementary skill sets. The team includes the largest legal producer of medicinal cannabis in North America, Canopy Growth Corp and Chilean medicinal cannabis grower Fundación Daya.

Utilising the expertise and intellectual property of these partners, as well as its other domestic and international partners as outlined in Section 2.7(g), the Company aims initially to undertake relevant research and development activities that will enable it to produce high quality, economical and clinically validated cannabis medicines in Australia (subject to the risk factors summarised in Sections 2.8 and 5).

Using the funds obtained through the Public Offer, the Company proposes to undertake the activities outlined in Section 2.11 which include:

- applying for the relevant licences to cultivate, produce and manufacture medical cannabis in Australia;
- horticultural research and development to achieve optimal growing conditions and genetic strains with appropriate chemotypes;
- clinical trials to provide evidence of the efficacy of particular medical cannabis products in the areas of treatment-resistant childhood epilepsy and chronic pain; and
- cultivation and manufacture of medicinal cannabis products in Chile under the joint venture with Fundación Daya.

It will also continue to look to capitalise on other opportunities in the sector including the acquisition of, or investment in, other international plant breeders, producers and suppliers.

An investment in the Company involves a number of risks, as outlined in detail in Section 5 of this Prospectus. They include risks associated to the Public Offer, operational risks, risks in respect to potential growing and manufacturing facilities (and in particular the uncertainties associated with applying for a licence to grow cannabis and manufacture cannabis products under the recent amendments to the Narcotic Drugs Act 1967 – see Section 2.8(b)(i)), industry specific risks as well as other general risks – accordingly, any investment in the Company must be considered to be speculative. I do believe however the Public Offer represents an excellent opportunity to participate in the development of a new era in medicine based on clinically proven full spectrum cannabis extracts. I encourage you to read the Prospectus carefully and seek professional advice if required before making an investment decision.

On behalf of the Board, I commend the Public Offer to you and look forward to welcoming you as a Shareholder.

Yours sincerely



David Wheeler
Chairman

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INVESTMENT OVERVIEW

This Section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

2.1 The Company

TW Holdings Limited (to be renamed “AusCann Group Holdings Limited”) (**TWH** or **Company**) is an Australian public company listed on the Official List (ASX code: TWH) which has, in recent years, principally been focused on wine operations.

The Company has been seeking further investment opportunities outside of the wine industry. As announced to the ASX on 17 March 2016, the Company entered into a non-binding term sheet to acquire 100% of the issued share capital of AusCann Group Holdings Ltd ACN 601 953 860 (**AusCann**), an Australian unlisted public company (**Acquisition**). In addition, as announced to ASX on 9 May 2016, the Company and AusCann entered into a binding heads of agreement in respect of the Acquisition (**Heads of Agreement**).

AusCann was incorporated in September 2014 with the aim of producing high quality, economical and clinically validated cannabis medicines in Australia for Australian patients and for export to a range of importers who are licensed in accordance with the United Nations’ International Single Convention on Narcotic Drugs 1961.

Since incorporation AusCann has been undertaking research into the medicinal cannabis industry and entering into relationships that can assist in achieving the objectives set out above. The relationships with Canadian grower Canopy Growth Corp, Chilean grower Fundación Daya and Spanish plant breeders Phytoplant Research SL are examples of outcomes of AusCann’s work in this area.

For further information on AusCann, please refer to Section 4.

In exchange for the Company acquiring 100% of the issued share capital in AusCann, the Company will issue by way of consideration 146,709,190 Shares and 28,230,348 Performance Shares to the AusCann Shareholders (in proportion to their existing holdings in AusCann).

During the period May to July 2016 the Company and AusCann entered into share sale agreements with AusCann Shareholders representing approximately 32.6% of the AusCann Shares on issue in respect of the Acquisition (**Sale Agreements**). A summary of the Sale Agreements is set out in Section 8.1 of this Prospectus.

To the extent that the Company has not entered into share sale agreements with AusCann Shareholders, the acquisition of AusCann is to be effected by means of off-market takeover offers by the Company to acquire all of the AusCann Shares that it is not acquiring pursuant to Sale Agreements (**Takeover Bid**). The offers under the Takeover Bid (**Bid Offers**) are on the same terms as those under the Sale Agreements.

2.2 Effect of the Acquisition

The effect of the Acquisition is that the nature and scale of the activities of the Company will change as the Company proposes to focus on the following objectives after completion:

- (a) research into, and development of, new medicinal cannabis strains, cultivation and extraction techniques;
- (b) research into the clinical efficacy of medicinal cannabis products and delivery mechanisms for various medical conditions;
- (c) obtaining relevant licensing for the cost-effective cultivation and manufacture of high quality, clinically effective medicinal cannabis in Australia once regulations permit; and
- (d) the provision of relevant information to establish the Australian medical community's trust and confidence in the prescription of AusCann's medicinal cannabis products; and
- (e) the cultivation and manufacturing of medicinal cannabis products in Chile by way of a joint venture with Chilean entity Fundación Daya (**Daya**).

The acquisition of AusCann is an event which requires the Company to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules, including seeking Shareholder approval for the acquisition of AusCann, issuing a prospectus, consolidating its capital (on a ratio to be set at 20 for 1) and obtaining shareholder spread in accordance with those rules.

The effect of the Acquisition on the Company's capital structure is set out in the table in Section 2.12 below and the Investigating Accountant's Report in Section 6 of this Prospectus which provides the pro-forma balance sheet of the Company as at 30 June 2016.

2.3 Current legal position of medicinal cannabis in Australia

Recent amendments to the *Narcotic Drugs Act 1967* (Cth) (**ND Act**) provides for a licensing scheme for the cultivation, production and manufacture of cannabis for medical and scientific purposes. The Commonwealth will control all regulatory aspects of the cultivation of cannabis for medicinal purposes through one national scheme. Regulation of cannabis manufacture will be a joint responsibility between the Commonwealth and the States and Territories. Access to any cannabis products manufactured under the scheme is also a joint responsibility, with supply being controlled by provisions under the *Therapeutic Goods Act 1989* (Cth) working in tandem with State and Territory drugs and poisons legislation.

An applicant for a cultivation, production and/or manufacture licence must be a 'fit and proper person', according to criteria outlined in the ND Act, and demonstrate that they can adequately manage the physical security of the crop and manufactured products. There are provisions which enable the investigation of potential licence holders (and any relevant business associates) to ensure they do not have ties to criminal activity, have the financial resources to participate in the industry, and can satisfy security and other requirements of the conditions of the licence.

The combination of a licence and permit system will control the quantities and strains of cannabis that can be cultivated and manufactured. Where the cultivation is for production into medicinal cannabis products for supply to patients or clinical studies, these permits will be managed to ensure that the amounts of product manufactured are planned in advance, relative to proposed usage, and do not exceed permitted manufacturing limits.

Further details on the licensing and access regimes applicable to medicinal cannabis in Australia are provided in Section 4.2.

2.4 Business model

The board and management of AusCann believe that patients have the right to high quality, economical and clinically validated cannabis medicines.

AusCann has the ability to deliver high quality, economical and clinically validated cannabis medicines by:

- (a) having access to expertise and relevant intellectual property in respect to:
 - (i) plant genetics and breeding;
 - (ii) cultivation and production techniques;
 - (iii) manufacturing techniques;
 - (iv) cannabis medicines that are currently being prescribed for patients for a range of conditions internationally; and
 - (v) undertaking clinical studies in Australia;
- (b) having the expertise to operate under Australian strict cultivation and manufacturing requirements; and
- (c) being able to supply full spectrum plant extracts rather than synthetic or single molecule preparations.

The Company's business model will be based on:

- (a) securing access to leading medicinal cannabis plant genetics and establishing a genetics breeding program to develop further strains;
- (b) securing access to leading cultivation, production and manufacturing expertise and developing best practice in respect to full spectrum plant extracts; and
- (c) partnering with leading researchers for ongoing evaluation of the efficacy the Company's products for a range of medical conditions.

The Company's main objectives on completion of the Public Offer are:

- (a) having its securities reinstated to trading on the ASX;
- (b) undertaking research into, and development of, new medicinal cannabis strains, cultivation and extraction techniques;
- (c) undertaking research into the clinical efficacy of medicinal cannabis products and delivery mechanisms for various medical conditions;
- (d) obtaining relevant licensing for the cost effective cultivation and manufacture of high quality, clinically effective medicinal cannabis in Australia once regulations permit;
- (e) the provision of relevant information to establish the Australian medical community's trust and confidence in the prescription of AusCann's medicinal cannabis products; and
- (f) the cultivation and manufacturing of medicinal cannabis products in Chile.

2.5 Chilean cultivation joint venture

AusCann has entered into a binding heads of agreement with Daya, based in Santiago, Chile.

Daya has been awarded a medicinal cannabis grow permit by the Chilean Government for each of the last three years, up to and including 2016.

The proposal is to form a for-profit joint venture vehicle with AusCann holding a 50% stake (**DayaCann**). DayaCann is to hold the grow permit and derive income from sale of products both domestically in Chile and over time into other international markets.

DayaCann intends to utilise the pharmaceutical manufacturing services of a Chilean based certified manufacturer for the development of medicinal cannabis products.

2.6 Research and development

Clinical efficacy and analytical work

AusCann will support robust clinical trials that provide quality evidence of the efficacy of AusCann's medicinal cannabis products and delivery mechanisms on targeted medical conditions. These studies will assist in development of confidence by the medical community to prescribe these products and for regulators to allow products to be prescribed for targeted medical conditions. The initial focus for clinical research is treatment-resistant childhood epilepsy and chronic pain. Medicinal cannabis products will initially be sourced from AusCann's Canadian partner, Canopy Growth Corporation (**Canopy**). Once the cultivation, production and manufacture licensing regime is established in Australia, AusCann intends to supply clinical studies with its locally developed products. These latter clinical studies of domestic product will also be deemed a valid supply under the Narcotic Drugs Act 1967 (Cth) (**ND Act**) for domestic licensing purposes.

Further details on these clinical studies is provided at Section 4.6(b).

AusCann will undertake chemical analysis of produced and sourced medicinal cannabis extracts to support its clinical investigations. This analysis will be undertaken using AusCann analytical equipment and Murdoch University expertise and facilities.

Education/outreach

Another of the Company's key objectives after listing is to provide relevant information to the Australian medical community to establish trust and confidence in the prescription of AusCann's medicinal cannabis products. This will be done through the provision of information material as well as bringing in clinicians and researchers from overseas who have experience in either the prescription of medicinal cannabis for their patients or undertake research in the field. AusCann will arrange regular roadshow platforms in each capital city in which these international clinicians and researchers can engage with the Australian medical community.

New medicinal cannabis strains, cultivation and extraction techniques

Under the research alliance with Murdoch University/State Agriculture Biotechnology Centre, AusCann intends to undertake propagation investigation projects such as biosecurity, chemotyping and cultivation modelling.

AusCann and Murdoch University intend to undertake research into biosecurity issues pertaining to the importation of high value clonal propagation material of Cannabis species. Cultivation of clonal propagation medicinal cannabis material is required for the manufacture of full spectrum medicinal cannabis products. Full spectrum medicinal cannabis products are full spectrum extracts from the female flower buds of the cannabis plant. These products include the full spectrum of cannabinoids, flavonoids and other pharmacologically active compounds present in the female flower buds. To meet acceptable quality standards, phytomedicines, such as full spectrum medicinal cannabis, need to be cultivated using a standardised process which ensures a reproducible pharmaceutical quality product.

When pharmacologically active ingredients are extracted from botanical raw material, as with medicinal cannabis, consistency in the chemical profile of the individual plants that contribute to a particular batch is of importance. Detailed chemical analysis of plant chemical profiles will be undertaken in the specialist facilities of Murdoch University's State Agricultural Biotechnology Centre.

AusCann and Murdoch University intend to build greenhouses to model optimum conditions for yield and quality consistency of medical cannabis compounds.

Building upon the chemical characterisation expertise for the analysis of produced and sourced medicinal cannabis products, the collaboration team will also undertake chemotyping of cannabis plants to ascertain effectiveness of the modelling conditions.

AusCann will apply for a research and development cultivation licence under the ND Act and will, by drawing upon the University's expertise and AusCann's other relationships, build up the knowledge base in developing improved medicinal cannabis varieties. A key component of this research will be analytical techniques for resolution of the chemical components of the varieties, for profile characterisation and consistency.

The Company has not allocated funds to activities to be conducted under a research and development cultivation licence, if granted. If and when such a licence is granted, the Company will review its funding position and sources, and decide at that time the nature and scope of activities to be undertaken under the licence.

Further details on the project AusCann is to undertake with Murdoch University are provided in Section 4.6(a).

AusCann intends to enter into a breeding collaboration with Spanish plant breeding company PhytoPlant Research SL (**PhytoPlant**) to develop high yielding strains with desired medical chemotypes which also display environmental compatibility with Australian conditions. These chemotypes developed under the breeding collaboration are to be jointly owned by AusCann and PhytoPlant.

Under the current non-binding heads of agreement with PhytoPlant, AusCann is granted exclusivity in the Australian market over certain strains of interest to it including but not limited to high yielding strains containing particular cannabis compounds of medical interest. AusCann is also granted exclusivity in the Australian market for any relevant intellectual property and know-how in terms of extraction protocols that PhytoPlant has developed.

Licensing applications for growing and manufacturing operations

The Narcotic Drugs Amendment Bill 2016 was passed by the Commonwealth Parliament in February 2016 which amended the ND Act to provide for a licensing scheme for the cultivation, production and manufacture of cannabis for medical and scientific purposes. The provisions of the legislation and relevant regulations came into effect on 30 October 2016. Applicants are now able to apply for relevant licences to cultivate, produce and/or manufacture in Australia. Further details on requirements under the ND Act and regulations is provided in Section 4.2 of this Prospectus.

There is a significant commercial opportunity to establish one or more grow operations in Western Australia due to:

- (a) AusCann's collaboration with Murdoch University and the State Agricultural and Biotechnology Centre;
- (b) the ability to lease appropriate land; and
- (c) the potential to enter into lease agreements with existing Therapeutic Goods Administration (**TGA**) approved manufacturing sites.

In order to implement this strategy, AusCann intends to complete its current feasibility studies on establishing production operations in Western Australia. This will include an assessment of:

- (a) economic potential;
- (b) appropriate physical locations;
- (c) regulatory requirements;
- (d) security needs; and
- (e) infrastructure and personnel requirements.

On completion of the above and subject to satisfying all regulatory hurdles, the Company intends to immediately commence building one or more growing operations. This may require additional financing (debt, equity or third party) in the future.

AusCann has completed its assessment of appropriate physical locations, regulatory requirements, and infrastructure and personnel requirements. The Company has engaged consultants to undertake security assessments which are being currently undertaken. Investigation of the economic potential is ongoing.

It is noted in the use of funds table in Section 2.11 that the expenses in respect to licensing applications varies by \$50,000 depending upon the level of subscription of the Public Offer. If the maximum funds are raised it is proposed the scale of the initial facility may be larger. This may result in further work required for security assessments and determining infrastructure and personnel requirements.

Intellectual property

AusCann has a non-exclusive, irrevocable, royalty-free, non-transferable, non-sublicensable licence to access Canopy's intellectual property, proprietary materials, cannabis genetics and product materials as reasonably required by AusCann for use in development of AusCann's cannabis products and clinical studies.

Under the proposed breeding collaboration with PhytoPlant chemotypes developed are to be jointly owned by AusCann and PhytoPlant. AusCann is also to be granted exclusive licences in the Australian market over certain strains of interest to it that are currently held under plant breeders' rights by PhytoPlant. AusCann is also granted exclusivity in the Australian market for any relevant intellectual property and know-how in terms of extraction protocols that PhytoPlant has developed.

The Company may also, in the future, look to capitalise on other opportunities in the medical cannabis sector including, without limitation, acquisition or investment in other international plant breeders, producers and suppliers.

2.7 Key investment highlights

(Details of the reference sources included in this Section are set out in Section 12.)

(a) Business opportunity

Cannabis has been used therapeutically for some 5000 years and, like many other plant based medicines, such as opiates, salicylic acid, and quinine, its use has been investigated for a range of medical conditions. Many of the uses being evaluated through clinical studies today have been seen in observational studies dating back to the late 1800s (Notcutt & Clarke, 2014). A variety of social and technological developments led to the stigmatisation of cannabis by the 1920s and, by the 1940s, an international prohibition put an end to nearly all research into therapeutic uses of medicinal cannabis. Over the past decade however there has been an increased interest in therapeutic uses and a growing body of clinical research attests to the many potential uses for a range of diverse symptoms and conditions (Lucas, et al., 2015).

As outlined below, key indications for medical cannabis use, based upon research to date include alleviation of:

- (i) chronic pain;
- (ii) palliative care symptoms, i.e. nausea, pain, anorexia, anxiety;
- (iii) chemotherapy-induced nausea; and
- (iv) treatment-resistant epilepsy seizures.

(b) Chronic pain incidence in Australia

Chronic pain is a common condition that has a substantial economic impact on society due to its prevalence and its various impacts on people who suffer from it and those caring for them. In 2007, around 3.2 million Australians (1.4 million males and 1.7 million females) were estimated to have experienced chronic pain. The prevalence of chronic pain is projected to increase as Australia's population ages, from around 3.2 million Australians in 2007 to 5.0 million by 2050. Allocated health expenditure on chronic pain was estimated at around \$4.4 billion in 2000-01 (Access Economics Pty Limited in collaboration with University of Sydney Pain Management Institute, 2007).

(c) Palliative care incidence in Australia

There were over 62,000 palliative care-associated hospitalisations in Australia over 2013-14 with more than 51,200 palliative care-related prescriptions, of which 12,915 (25%) were analgesics (Australian Institute of Health and Welfare, 2014).

(d) Chemotherapy-induced nausea incidence in Australia

Although chemotherapy has enabled many patients to live longer, there are significant adverse effects, with patients frequently citing nausea and vomiting as the most distressing and associated with a reduced quality of life (Burke, Wisniewski, & Ernst, 2011). According to the Australian Institute of Health and Welfare there were over 129,000 individual occasions of service provided to Australian outpatients associated with chemotherapy over 2010-11 (Australian Institute of Health and Welfare, 2012), with chemotherapy accounting for 7% of all episodes of admitted outpatient care over that period. In a study based on community oncology practices, 33% of patients experienced delayed vomiting and 62% delayed nausea with chemotherapy treatment (Cohen, 2007), while the prestigious US National Institute of Health indicates that chemotherapy-induced nausea and vomiting can occur in up to 80% of patients (NIH National Cancer Institute, 2016).

Nausea and vomiting remain a significant adverse effect of chemotherapy impacting on a considerable patient population in Australia.

(e) Treatment-resistant epilepsy incidence in Australia

It is estimated that over 250,000 Australians are living with epilepsy (Epilepsy Action Australia, 2016). It has been reported that approximately one third of those with epilepsy do not respond to treatment (Kwan & Sander, 2004). If this data is applied to Australia, this would indicate that over 82,000 Australians live with epilepsy that is non-responsive to current treatments.

(f) Strong team

AusCann is well positioned to take advantage of this business opportunity by bringing together a strong team with relevant and complementary skill sets, experience and networks as outlined in section 7.

This team includes Canopy, the first publicly-traded, federally-regulated cannabis producer in North America and the largest and most diversified. Listed on the TSX, Canopy has a market capitalisation in excess of CAD\$400,000,000. Canopy was the first geographically diversified producer with dual licences under the Canadian medical cannabis regulatory regime.

Through its wholly-owned subsidiaries, Tweed, Tweed Farms, and Bedrocan, Canopy operates three state-of-the-art production facilities in Ontario and distributes cannabis across the country to Canadian patients managing a host of medical conditions. Canopy operates two indoor production facilities and a greenhouse with more than 46,400 square metres of production capacity. As of 30 June 2016 Canopy had 16,500 registered patients.

Canopy is dedicated to educating healthcare practitioners, providing consistent access to high quality medication, conducting robust clinical research, and furthering the public's understanding of how cannabis is used for medical purposes.

AusCann and Canopy have a strategic partnership that provides AusCann with access to Canopy's expertise and intellectual property in the cultivation, manufacture and supply of high quality medicinal cannabis products. Canopy's founder, Chairman and CEO is also a director on the AusCann board and will join the Company's board once the Acquisition is completed.

(g) Strategic relationships

AusCann also has entered into collaborations with:

(i) Fundación Daya (Daya)

Daya is a non-profit organisation based in Santiago, Chile. Its objective is research and promotion of therapies aimed at relieving human suffering as well as advising on the design of public policies that promote the physical and spiritual well-being of people. Daya has been granted medicinal cannabis grow permits by the Chilean Government for the last three years, up to and including 2016.

(ii) PhytoPlant Research SL (PhytoPlant)

PhytoPlant is a private Spanish company which is internationally regarded for producing high quality, proprietary medicinal plants. PhytoPlant specialises in techniques for the selection and genetic improvement of medicinal cannabis plants under "Good Agricultural Practice" standards. In addition, PhytoPlant has expertise in the extraction, isolation and purification of bioactive plant components.

(iii) Murdoch University and the Western Australia State Agricultural Biotechnology Centre

Based in Western Australia, Murdoch University undertakes world-class research in agricultural sciences, including genetics and biotechnology. The University is home to the Western Australian State Agricultural Biotechnology Centre (SABC) which has platform technologies, world-class facilities for, and world-class researchers in, agricultural research.

(iv) Aunt Zelda's Incorporated (Aunt Zelda's)

Aunt Zelda's is focussed upon the formulation of high quality cannabis-based medicines. Since inception, Aunt Zelda's has developed significant intellectual property around the appropriate formulations and protocols to treat specific medical conditions and amassed a valuable database of patient records.

(v) Zelda Therapeutics Pty Ltd (Zelda Therapeutics)

Zelda Therapeutics was established in August 2015 as a special purpose vehicle that has secured an exclusive global licence to a set of human patient data being treated with cannabinoid-based medicines. This data has been generated by a Californian group, Caziwell Inc, incorporating the activities of Aunt Zelda's. The focus of Zelda Therapeutics is to design certain human clinical trials leveraging the already existing anecdotal patient data.

(vi) *Hidden Garden Sustainable Farms Ltd (Hidden Garden)*

Hidden Garden is an Australian based company established to develop horticultural projects. It currently holds a 21-year agricultural lease over 55 acres of prime Commonwealth land on Christmas Island.

The benefits that each of these relationships provide to AusCann are outlined further in Section 4.3.

2.8 Key risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively be managed is limited.

Set out below are key specific risks that the Company is exposed to. Further details on risks associated with an investment in the Company are outlined in Section 5.

(a) Risks related to the Public Offer

(i) *Re-quotations of Shares on ASX*

The acquisition of AusCann constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List for the first time.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders will be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

(ii) *Dilution risk*

The Company currently has 602,362,410 Shares on issue (on a pre-Consolidation basis). Subject to completion of the Acquisition occurring, the Company proposes to issue Consideration Shares under the AusCann Shareholder Offer and the Takeover Bid, the Advisor Shares under the Advisor Offer, and Shares to raise up to \$5 million under the Public Offer.

If the minimum amount of \$3 million is raised under the Public Offer, the existing Shareholders will retain approximately 12.16% of the issued capital of the Company (on a fully diluted basis), with the AusCann Shareholders, AusCann Noteholders and the Advisors holding a total of 81.78%, and the investors under the Public Offer holding 6.06%.

If the maximum amount of \$5 million is raised under the Public Offer, the existing Shareholders will retain approximately 11.69% of the issued capital of the Company (on a fully diluted basis), with the AusCann Shareholders, AusCann Noteholders and Advisors holding a total of 78.61%, and the investors under the Public Offer holding 9.70%.

There is also a risk that the interests of Shareholders will be further diluted as a result of future raisings required in order to fund the development of the business.

(iii) *Liquidity risk*

On completion of the Acquisition, the Company proposes to issue 3,224,608,351 Shares (on a pre-Consolidation basis) to the AusCann Shareholders, AusCann Noteholders and the Advisors. Approximately 60% of these securities will be subject to escrow restrictions in accordance with Chapter 9 of the Listing Rules. Based on the post-Offers capital structure (on a post-Consolidation basis), these Shares will equate to approximately 47% of the post-Offers issued Share capital (assuming \$3 million is raised under the Public Offer). This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(b) Risks related to the Company's operations*(i) The Company's business model's reliance on approval under new licensing regime*

As set out in Section 2.3, the Company's objectives to undertake research and development work in new medicinal cannabis strains, cultivation and extraction techniques, and the cultivation and manufacture of medicinal cannabis in Australia, are reliant on the Company obtaining the necessary licences and approval to commence operations. The regulatory approval system for these particular activities came into effect on 30 October 2016. Subject to successful completion of the Public Offer, the Company will apply for the necessary licences under the recent amendments to the ND Act. At this stage the length of time for the licence process to reach a decision, and the specific nature of any conditions that may be applied to a licence, is uncertain. There is also a risk that the Commonwealth or States may change their regulatory approach generally. Further changes in governments, government policy and regulations may have an adverse impact on the Company activities.

(ii) Risk associated with clinical trials

Scientifically robust clinical trials have long lead-in times, can be expensive to conduct, and are, by definition of their purpose, uncertain as to outcome. Prior to conducting clinical trials involving cannabis extracts/derivatives, a number of approvals, licences and/or permits are required. Delays in obtaining all necessary authorisations can impact upon downstream activities, including the potential introduction of scheduling issues.

(iii) Risk of changes to laws and regulations

The Company's operations are subject to a variety of laws, regulations and guidelines. The medicinal cannabis industry is evolving in Australia and worldwide and has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that governments worldwide, including Australia, will continue to explore the benefits, risks, regulations and operations of companies involved in medical cannabis. While to the knowledge of management, the Company is currently in compliance with all current laws, changes to laws and regulations due to matters beyond the control of the Company may cause adverse effects to its operations.

(iv) Uncertainty of future profitability

AusCann's business is currently focussed on undertaking activities which assist in achievement of AusCann's key objectives. To date, it has funded its activities principally through issuing securities and other capital raising activities.

AusCann's profitability will be impacted by its ability to successfully obtain and comply with licences to cultivate and manufacture medical cannabis in Australia, its ability to execute its development and growth strategies, the ability to access key medical markets, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability are uncertain. Moreover, the level of such profitability cannot be predicted.

(v) Loss of key relationships

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm us in a number of ways, including:

- loss of strategic relationships if third parties with whom we have arrangements are acquired by or enter into relationships with a competitor (which could cause the Company to lose access to necessary resources);
- the relationship between the Company and third parties may deteriorate and have an adverse impact on the Company's business; and
- the Company's current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put us at a competitive disadvantage, which could cause us to lose access to markets. Consolidation could also force us to expend greater resources to meet new or additional competitive threats, which could also harm the Company's results.

(vi) Agricultural risks

The Company's business will involve the growing of medical cannabis, which is an agricultural product. As such the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events. Although the Company plans to have both indoor and outdoor growing operations under climate controlled conditions and employ trained personnel to carefully monitor the growing conditions, there can be no assurance that natural elements will not have a material adverse effect on the production of the growing operations.

(c) Industry specific*(i) Additional requirements for capital*

The funds to be raised under the Public Offer are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional funding will be required.

Following the Public Offer, the Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to Shareholders.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors in Section 5 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

2.9 The Public Offer

The Company invites applications for up to 25 million Shares at an issue price of \$0.20 per Share to raise a minimum subscription of \$3,000,000 and a maximum of \$5,000,000.

The issue of Shares under the Public Offer is conditional on:

- (a) the Company re-complying with Chapters 1 and 2 of the Listing Rules (including completion of the Consolidation and settlement of the Acquisition);
- (b) the Company raising the minimum subscription of \$3,000,000;
- (c) the Company receiving conditional approval for re-quotation of the Company's Shares on ASX; and
- (d) completion of the Acquisition.

If these conditions are not met, the Company will not proceed with the Public Offer and will repay all application monies received, without interest and in accordance with the Corporations Act.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

The key information relating to the Public Offer and references to further details are set out below.

2.10 Purpose of the Public Offer

The purpose of the Public Offer is to provide additional funds to enable the Company to:

- (a) complete the Acquisition of AusCann;
- (b) meet the requirements of the ASX and satisfy Chapters 1 and 2 of the Listing Rules; and
- (c) conduct the activities described in Section 2.4(f).

On completion of the Public Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

2.11 Use of funds

The Company intends to apply funds raised from the Public Offer, together with existing cash reserves of AusCann and the Company, over the first 2 years following admission of the Company to the Official List as follows:

Funds available	Minimum subscription (\$3,000,000)	Percentage of funds (%)	Maximum subscription (\$5,000,000)	Percentage of funds (%)
Source of funds				
Company existing cash reserves ¹	\$370,270	6%	\$370,270	4%
AusCann existing cash reserves ¹	\$2,960,890	47%	\$2,960,890	36%
Funds raised from the Public Offer	\$3,000,000	47%	\$5,000,000	60%
Total	\$6,331,160	100%	\$8,331,160	100%
Allocation of funds				
Horticultural R&D (incl. breeding, sourcing varieties) ²	\$1,200,000	19%	\$1,800,000	22%
Chilean joint venture ³	\$1,350,000	21%	\$1,350,000	16%
Analytical testing ⁴	\$300,000	5%	\$330,000	4%
Clinical trials ⁴	\$1,811,160	29%	\$2,771,160	33%
Medical Education	\$240,000	4%	\$330,000	4%
Licence applications ⁵	\$100,000	2%	\$150,000	2%
Licence fee	\$65,911	1%	\$65,911	1%
Termination fee	\$200,000	3%	\$200,000	2%
Costs of the Offers ⁶	\$482,620	8%	\$604,620	7%
General working capital ⁷	\$581,469	9%	\$684,089	9%
Total	\$6,331,160	100%	\$8,331,160	100%

Notes:

¹ These funds represent cash held by the Company and AusCann at 30 June 2016. The Company and AusCann have incurred and expect to incur further costs within the ordinary course of their respective businesses and in association with the Acquisition which will diminish this amount prior to Completion.

Refer to the Investigating Accountant's Report set out in Section 6 of this Prospectus for further details.

² Refer to the research alliance with Murdoch University set out in Section 4.4 of this Prospectus.

³ Refer to the joint venture agreement with Chilean company Fundación Daya provided at Section 8.4 of the Prospectus.

⁴ Refer to the Australian clinical trials information provided at Section 4.6 of this Prospectus for further details.

⁵ Refer to Section 2.5 of this Prospectus for further information on licensing applications for growing and manufacturing operations.

⁶ Refer to Section 9.10 of this Prospectus for further information on the expenses of the Offers.

⁷ General working capital costs may include general costs associated with the management and operation of the business including administration expenses, management salaries, directors' fees, rent and other associated costs.

⁸ Percentages are rounded to the nearest whole number.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

2.12 Capital structure

The capital structure of the Company on a post-consolidation basis following completion of the Public Offer is summarised below:¹

	Minimum subscription		Maximum subscription	
	Number	% ¹	Number	% ¹
Shares				
Shares ² currently on issue	30,118,121	12.16	30,118,121	11.69
Shares to be issued to AusCann Shareholders and Advisors under the Offers	62,407,152	25.19	62,407,152	24.22
Shares to be issued to AusCann Shareholders under the Takeover Bid	98,823,266	39.89	98,823,266	38.35
Public Offer	15,000,000	6.06	25,000,000	9.70
Total Shares	206,348,539	83.30	216,348,539	83.95
Performance Shares				
Performance Shares to be issued to AusCann Shareholders under the Offers	9,214,392	3.76	9,214,392	3.61
Performance Shares to be issued to AusCann Shareholders under the Takeover Bid	19,015,956	7.76	19,015,956	7.45
Total Performance Shares³	28,230,348	11.51	28,230,348	11.06
Options				
Options to be issued to Canopy	7,677,639	3.13	7,677,639	3.01
Options to be issued to the Directors	150,000	0.06	150,000	0.06
Total Options	7,827,639	3.19	7,827,639	3.07
Performance Rights				
Performance Rights to be issued to Advisors	2,794,231	1.14	2,794,231	1.10
Total Performance Rights⁴	2,794,231	1.14	2,794,231	1.10
Total Securities	245,200,757	100.0	255,200,757	100.0

Notes:

- ¹ Percentages are calculated on a fully diluted basis and are subject to rounding errors.
- ² Refer to the Investigating Accountant's Report set out in Section 6 of this Prospectus for further details.
- ³ This assumes that all performance milestones are achieved within the specified timeframe. Refer to Section 9.3 of this Prospectus for further details about the terms of the Performance Shares.
- ⁴ This assumes that all performance milestones are achieved within the specified timeframe. Refer to Section 9.4 of this Prospectus for further details about the terms of the Performance Rights.

Effect of conversion of Performance Shares and Performance Rights

As provided in Sections 9.4 (Rights attaching to Performance Shares) of the Prospectus, each Performance Share will convert into Shares at the rate of one (1) Share for every one (1) Performance Share within 7 days of achievement of the Performance Milestone. The Performance Milestone will be satisfied if, before the Milestone Date, AusCann 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.

As provided in Section 9.5 of the Prospectus (Rights attaching to Performance Rights), the Performance Rights are subject to the same Performance Milestone.

As provided in Section 8.4 of this Prospectus, under the Daya HoA, AusCann will acquire a 50% interest in DayaCann which is to become the holder of a grow permit to cultivate and produce cannabis and cannabis resin for medicinal and related scientific purposes in Chile. As a result, upon the establishment of DayaCann and the transfer of the grow permit from Daya to DayaCann, the Performance Milestone will be satisfied and all Performance Shares will automatically convert into Shares on a one for one basis. The Company understands that AusCann believes this to occur during the first quarter in 2017.

Upon the conversion of the Performance Shares into Shares, the capital structure of the Company on a post-consolidation basis will be as follows:

	Minimum subscription		Maximum subscription	
	Number	% ¹	Number	% ¹
Shares				
Shares currently on issue	30,118,121	12.28	30,118,121	11.80
Shares to be issued to AusCann Shareholders and Advisors under the Offers	62,407,152	25.45	62,407,152	24.45
Shares to be issued to AusCann Shareholders under the Takeover Bid	98,823,266	40.30	98,823,266	38.72
Shares to be issued upon conversion of the Performance Shares to be issued to AusCann Shareholders under the Offers	9,214,392	3.76	9,214,392	3.61
Shares to be issued upon conversion of the Performance Shares to be issued to AusCann Shareholders under the Takeover Bid	19,015,956	7.76	19,015,956	7.45
Shares to be issued upon conversion of the Performance Rights to be issued to Advisors	2,794,231	1.14	2,794,231	1.09
Public Offer	15,000,000	6.12	25,000,000	9.80
Total Shares	237,373,118	96.81	216,348,539	96.93
Options				
Options to be issued to Canopy	7,677,639	3.13	7,677,639	3.01
Options to be issued to the Directors	150,000	0.06	150,000	0.06
Total Options	7,827,639	3.19	7,827,639	3.07
Total Securities	245,200,757	100.0	255,200,757	100.0

Notes:

Percentages are calculated on a fully diluted basis and are subject to rounding errors

2.13 Change in nature and scale of activities

As outlined in more detail in Sections 8.1 and 8.2 of this Prospectus, the Company:

- (a) has entered into the Sale Agreements; and
- (b) will make offers under the Takeover Bid,

to acquire 100% of AusCann.

The purchase of AusCann is an event which requires the Company to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules, including seeking Shareholder approval for a change in the nature and scale of activities. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company's Shares have been suspended from Official Quotation from the date of the General Meeting and will not be reinstated until ASX approves the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements for re-quotations of its Shares on the ASX. In the event the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Public Offer and will repay all application monies received.

2.14 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offers (assuming full subscription under the Public Offer) are set out in the respective tables below.

As at the date of the Prospectus (on a post-Consolidation basis)

Substantial Shareholder	Shares	%
Jason Peterson ¹	2,625,000	8.72%

Notes:

¹ Held directly and indirectly through Celtic Capital Pty Ltd and Professional Payment Services Pty Ltd.

On completion of the Offers (assuming maximum subscription under the Public Offer) after the issue of the Shares under the Acquisition and on a post-Consolidation basis:

Substantial Shareholder	Shares	Performance Shares	Options	% (undiluted)	% (fully diluted)
Canopy	23,032,917	4,432,083	7,677,639	10.65	13.50
ACN 161 995 204 Pty Ltd	14,209,473	2,734,242	-	6.57	6.58
Golspie Pty Ltd	14,209,473	2,734,242	-	6.57	6.58
Gemelli Nominees Pty Ltd	13,226,331	2,545,062	-	6.11	6.12

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Public Offer) prior to the Shares commencing trading on ASX.

2.15 Restricted securities

Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules, certain securities issued by the Company will be classified by the ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement to Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the securities required to be held in escrow prior to the Shares commencing trading on ASX.

Refer to Section 3.8 of this Prospectus for further details of the escrow arrangements.

2.16 Financial information

The reviewed statement of financial position for the Company as at 30 June 2016 is set out in the Investigating Accountant's Report in Section 6 of this Prospectus.

Following the change in the nature of its activities, the Company will be focused on the production of high quality, economical and clinically validated cannabis medicines. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to future activities.

It is unlikely that the Company will generate significant revenue in the short term because it will be focused on establishment of operational facilities.

As a result, the Company is not in a position to disclose any key financial ratios other than its statement of financial position which is included in the Investigating Accountant's Report set out in Section 6 of this Prospectus.

The initial funding for the Company's future activities will be generated from the Public Offer and existing cash reserves of the Company. If the Company successfully progresses plans to cultivate, manufacture and supply medicinal cannabis, and/or the Company chooses to increase production, then the Company may also consider alternative forms of debt or quasi-debt funding.

2.17 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for securities under this Prospectus.

2.18 Dividend policy

It is anticipated that significant expenditure will be incurred in the evaluation and development of the Company's activities in relation to the cultivation, harvest and manufacture of high-quality, medicinal-grade cannabis products. These activities are expected to dominate at least the 2-year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

2.19 Directors and key personnel

Upon the completion of the Acquisition the existing Directors of the Company will resign and the following persons will be appointed to the Board of Directors:

(a) Dr Malcolm Washer (Proposed Chairman)

Dr Mal Washer was a Liberal member of the Australian House of Representatives from 1998 to 2013. He was educated at the University of Western Australia, graduating in 1970 with degrees in medicine and surgery. He was a general practitioner before entering politics and established a number of prominent medical centres in Western Australia. Dr Washer was also past chair of the Alcohol and Other Drugs Council of Australia. He has extensive experience in agricultural and horticultural activities and currently operates a commercial avocado plantation in Western Australia bringing highly relevant medical and horticultural expertise and experience to the Company. Dr Washer resides in Australia.

(b) Elaine Darby (Proposed Managing Director)

Ms Darby holds a Bachelor of Science in Biochemistry & Microbiology, with Honours in Molecular Biology, and a Bachelor of Laws. Previous roles have included project manager and investment director with Biologica Ventures, an advisory firm in the bio-medical sector, as a lawyer with top tier corporate law firm Clayton Utz, Media and Communications Officer for an Australian Federal Member of Parliament, and Managing Director and Senior Winemaker of Aquila Estate Winery where she was an award winning wine-maker and also involved in international business development and marketing in territories including Singapore, Japan, Canada, the United Kingdom and the United States. Ms Darby resides in Australia.

(c) Harry Karelis (Proposed Executive Director)

Mr Harry Karelis is the founder of Titan Capital Partners, a privately held investment group involved in a range of projects and has in excess of 23 years diversified experience in the financial services sector including fundamental analysis, funds management and private equity investing and has acted as a Director on several public and private companies in Australia, Singapore and the United Kingdom.

Mr Karelis graduated from the University of Western Australia with a Bachelor of Science (Hons) majoring in Biochemistry and Microbiology and an MBA. He is also a Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors and has qualified as a Chartered Financial Analyst (CFA) from the CFA Institute in the United States. Mr Karelis resides in Australia.

(d) The Hon Cheryl Edwardes (Proposed Non-Executive Director)

The Hon. Cheryl Edwardes was the former Attorney-General for Western Australia and Minister for the Environment. Ms Edwardes was most recently Executive General Manager for External Affairs, Government Relations and Approvals at Hancock Prospecting.

Ms Edwardes has extensive experience of successful negotiations to ensure that critical primary agreements and government approvals are obtained in a timely fashion. Such agreements and approvals include the *Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010* (WA) and the Special Railway Licence, port lease and licence, native title agreements; environmental approvals, and many other critical approvals for Hancock Prospecting Pty Ltd and Roy Hill Iron Ore and Infrastructure. Ms Cheryl Edwardes resides in Australia.

(e) Bruce Linton (Proposed Non-Executive Director)

Mr Bruce Linton is the founder, Chairman and CEO of Canopy, one of Canada's leading medical cannabis companies. Canopy, through its subsidiaries Tweed and Bedrocan Canada, is the world's largest producer of legal cannabis, and recently entered into a strategic partnership with AusCann.

Mr Linton has more than 10 years of senior executive experience in the high-tech sector as a founder, executive and board member. He has a proven track record of international success, working extensively with the World Bank and the Asia Development Bank.

Mr Linton enjoys a high profile in the global medicinal cannabis sector and has a demonstrable track record of raising the capital required to build large scale cannabis businesses. Mr Linton resides in Canada.

(f) Bruce McHarrie (Proposed Non-Executive Director)

Mr Bruce McHarrie is an experienced senior executive with a background in the life science industry focussed on finance, operations, business and investment management, and strategic planning.

Mr McHarrie is a non-executive director of Adherium Limited, an ASX listed digital health technology company, Chairman of the Animal Ethics Committee of the child health research organisation, Telethon Kids Institute, and undertakes corporate consulting activities.

Mr McHarrie has previously served as the Chief Financial Officer, Director of Operations and Director of Strategic Projects with the Telethon Kids Institute in Western Australia. Prior to joining the Institute, he was based in London as an Assistant Director at Rothschild Asset Management in the Bioscience Unit, a life sciences private equity group investing in early stage biotechnology, healthcare and agribusiness companies. He co-founded two Institute spin-outs including publicly listed drug discovery company, Phylogica Limited, and has held a number of other non-executive director positions in biotechnology and not-for-profit healthcare organisations.

Mr McHarrie is a Fellow of the Institute of Chartered Accountants (Australia and New Zealand) and a Graduate of the Australian Institute of Company Directors. Mr McHarrie resides in Australia.

Details on the current members of the Board of Directors are set out below. As noted above, each of these Directors will resign upon completion of the Acquisition.

(a) David Wheeler (Non-Executive Chairman)

Mr Wheeler has more than 30 years' executive management experience through general management, CEO and managing director roles across a range of companies and industries. He has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia and the Middle East. He has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990.

(b) Nicholas Calder (Non-Executive Director)

Mr Calder is a chartered accountant and registered company auditor. He was a partner of PKF Mack from 2006 to 2012 before commencing NK Advisory, which provides corporate, strategic and company secretarial services to a number of oil and gas, mining and manufacturing companies based in Perth, Western Australia. He graduated from the University of Western Australia with a Bachelor of Commerce degree.

(c) Simon Taylor (Non-Executive Director)

Mr Taylor is a geologist with over 25 years' experience in exploration, project assessment and development in the resources sector. He has had a diversified career as a resources professional, providing services to resource companies and financial corporations at both a technical and corporate level. Mr Taylor's experience has been predominantly overseas but has also covered projects in Australia. He is a member of the Australian Institute of Geoscientists and a graduate of Sydney University.

2.20 Corporate governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 7.2 and the Company's compliance and departures from the Recommendations are set out in Annexure A of this Prospectus.

In addition, the Company's full Corporate Governance Plan is available from the Company's website (<http://www.twholdings.com.au>).

2.21 Disclosure of interests

Directors are not required under the Constitution to hold any Shares. Details of the Directors' remuneration and relevant interests in the securities of the Company as at the date of this Prospectus are set out in the tables below:

Director	Remuneration for year ended 30 June 2016 \$	Proposed remuneration for current year ¹ \$	Shares	Options
David Wheeler	40,000	20,000	Nil ²	50,000
Nicholas Calder	96,000 ³	48,000	Nil	50,000
Simon Taylor	36,000	18,000	Nil	50,000

Notes:

¹ Assumes completion of the Acquisition occurring on or around 31 December 2016.

² Subject to completion of the Acquisition occurring, Mr Wheeler will have an indirect interest in 606,061 Shares and 116,621 Performance Shares through Pathways Corporate Pty Ltd, an entity controlled by him.

³ Includes fees for company secretarial services.

Subject to completion of the Acquisition occurring, details of the Proposed Directors' expected remuneration (exclusive of superannuation or GST) and interests in the securities of the Company are set out in the table below (on a post consolidation basis):

Proposed Director	Proposed remuneration for year ended 30 June 2017 ¹ \$	Proposed remuneration for year ended 30 June 2018 \$	Shares	Performance Shares	Options
Mal Washer	30,000	60,000	10,657,105 ²	2,050,681 ²	-
Elaine Darby ³	100,000	200,000	9,733,489	1,872,956	-
Harry Karelis ³	60,000	120,000	13,226,331 ⁴	2,545,062 ⁴	-
Cheryl Edwardes	20,000	40,000	50,000	-	-
Bruce Linton	20,000	40,000	23,032,917 ⁴	4,432,083 ⁴	7,677,639 ⁴
Bruce McHarrie	20,000	40,000	100,000	-	-

Notes:

¹ Assumes completion of the Acquisition occurring on or around 31 December 2016.

² Held indirectly through Mal Washer Nominees Pty Ltd.

³ Ms Darby's and Mr Karelis' remuneration will be paid pursuant to executive employment arrangements – see Section 8.11.

⁴ Held indirectly through Gemelli Nominees Pty Ltd.

⁵ Indirect interest. Securities held by Canopy. Bruce Linton is Chairman and CEO of Canopy.

2.22 Agreements with Directors or related parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Executive services agreement – Ms Darby

AusCann has entered into an employment agreement with Proposed Director, Ms Elaine Darby. Refer to Section 8.11 of this Prospectus for the material terms and conditions of the agreement.

Executive services agreement – Mr Karelis

AusCann has entered into a consultancy agreement with proposed Director, Mr Harry Karelis and his nominee corporate entity, Gemelli Nominees Pty Ltd. Refer to Section 8.11 of this Prospectus for the material terms and conditions of the agreement.

Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors and will enter such deeds with each of the Proposed Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers in certain circumstances.

Strategic Alliance Agreement – Bruce Linton

Bruce Linton is the Chairman and CEO of Canopy. Canopy has entered into the Strategic Alliance Agreement with AusCann. Refer to Section 8.3 of this Prospectus for the material terms and conditions of the agreement.

Supply agreement – Zelda Therapeutics

Mr Harry Karelis is a director and substantial shareholder of Zelda Therapeutics. AusCann and Zelda Therapeutics entered into a preferential supplier agreement. Refer to Section 8.8 of this Prospectus for the material terms and conditions of the agreement.

Aunt Zelda's Agreement

Mr Harry Karelis is a director and substantial shareholder of MJ Life Sciences Pty Ltd which holds a substantial interest in Aunt Zelda's parent entity Caziwell Inc, a privately owned, California-based company. AusCann has entered into a non-binding heads of agreement with Aunt Zelda's for exclusive access to the "Aunt Zelda's" brand and product range in the Australian and New Zealand market. Refer to Section 8.7 of this Prospectus for the material terms and conditions of the agreement.

3

DETAILS OF THE OFFERS

3.1 The Public Offer

Pursuant to this Prospectus, the Company invites applications for up to 25 million Shares at an issue price of \$0.20 per Share to raise a minimum of \$3,000,000 and a maximum of \$5,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Refer to Section 9.2 for a summary of the terms of the Shares.

The Directors may reject any application made under the Public Offer or allocate fewer Shares than that for which the applicant has applied.

3.2 Other Offers

This Prospectus also includes offers of:

- (a) up to 47,885,925 Shares and 9,214,392 Performance Shares to AusCann Shareholders under the Sale Agreements (**AusCann Shareholder Offer**);
- (b) 14,521,228 Shares and 2,794,231 Performance Rights to the Advisors (**Advisor Offer**);
- (c) 150,000 Options to the Directors (**Director Offer**); and
- (d) 7,677,639 Options to Canopy (**Canopy Offer**).

The AusCann Shareholder Offer and the Advisor Offer are included in the Prospectus to enable Shares issued under those Offers to be freely tradeable following completion of the Offers, and Performance Shares and Performance Rights issued under those Offers to be freely tradeable following conversion to Shares.

The Director Offer and the Canopy Offer are included in this Prospectus to enable Shares issued on exercise of Options to be freely tradable following exercise.

3.3 Conditional Offers

The Offers are conditional on the Takeover Bid being declared unconditional on satisfaction or waiver of the Bid Conditions. Details of the Bid Conditions are set out in Section 8.2.

3.4 Minimum subscription

If the minimum subscription to the Public Offer of \$3,000,000 has not been raised within 4 months after the date of this Prospectus, the Company will not issue any securities and will repay all application monies within the time prescribed under the Corporations Act, without interest.

3.5 Applications

Applications for Shares under the Public Offer must be made using the Public Offer Application Form.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 5,000 Shares and payment for the Shares must be made in full at the issue price of \$0.20 per Share.

Completed Application Forms and accompanying cheques, made payable to “**TW Holdings Limited**” and crossed “**Not Negotiable**”, must be mailed to the address set out on the Application Form so that it is received by no later than the Closing Date.

Applications for Shares by the AusCann Shareholders must be made using the AusCann Shareholder Offer Application Form.

The Company reserves the right to close the Offers early.

3.6 Re-compliance with Chapters 1 and 2 of the Listing Rules

The Company’s Shares have been suspended from quotation on ASX from the date of the General Meeting and will continue to be suspended from trading and will not be reinstated to Official Quotation until ASX approves the Company’s re-compliance with Chapters 1 and 2 of the Listing Rules and the Acquisition is completed.

In the event that the Company does not receive conditional approval for re-quotation on the ASX, it will not proceed with the Public Offer and will repay all application monies received, without interest.

3.7 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus was made on 28 October 2016.

If the Shares are not admitted to Official Quotation before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.8 Restricted securities

Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company’s Shares being reinstated to trading on the ASX, certain Shares, Performance Shares, Performance Rights and Options in the Company will be classified by the ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner.

None of the Shares to be issued under the Public Offer will be restricted securities.

The AusCann Shareholders and the Advisors have acknowledged that some or all of their Shares, Performance Shares, Performance Rights and Options may be escrowed in accordance with the requirements of ASX and have or will sign such form of escrow agreement as required by the ASX.

It is anticipated that the restricted securities will be comprised of 96,734,494 Shares, 15,819,796 Performance Shares, 2,794,231 Performance Rights and 7,335,460 Options to be issued to AusCann Shareholders and the Advisors. However, the restricted securities listed above are subject to change depending on the escrow requirements imposed by ASX in accordance with the Listing Rules. Prior to the Company’s Shares being reinstated on the ASX, the Company will enter into escrow agreements with the recipients of the restricted securities in accordance with Chapter 9 of the Listing Rules, and the Company will announce to ASX full details (quantity and duration) of the restricted securities required to be held in escrow.

3.9 Issue

Subject to the minimum subscription to the Public Offer being reached, completion of the Acquisition, and ASX granting conditional approval for the Company to be admitted to the Official List, the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

The Directors will determine the recipients of the Shares issued under the Public Offer in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number for which they applied. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

3.10 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the securities the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

3.11 Commissions payable

CPS has been appointed as lead manager to the Public Offer. CPS will receive 6% of the amount raised from the Shares placed to its clients under the Public Offer. Refer to Section 8.10 for a summary of the terms of the Lead Manager Agreement between the Company and CPS.

The Company reserves the right to pay a commission of 6% (exclusive of goods and services tax) of amounts successfully subscribed through any AFSL holder in respect of any valid applications lodged and accepted by the Company and bearing the stamp of AFSL holder. Payments will be subject to the receipt of a proper tax invoice from the AFSL holder.

COMPANY AND MEDICAL CANNABIS INDUSTRY OVERVIEW

4.1 Background

(A reference to “AusCann” in this Section 4 is a reference to the Company or AusCann in its capacity as a subsidiary of the Company following Completion, as the context requires.)

(Details of the reference sources included in this Section are set out in Section 12.)

The board and management of AusCann believes that patients have the right to high quality, economical and clinically validated cannabis medicines.

AusCann has the ability to deliver these medicines by:

- (a) having access to expertise and relevant intellectual property in respect to:
 - (i) plant genetics and breeding;
 - (ii) cultivation and production techniques;
 - (iii) manufacturing techniques;
 - (iv) cannabis medicines that are currently being prescribed for patients for a range of conditions internationally; and
 - (v) undertaking clinical studies in Australia;
- (b) having the expertise to operate under Australian strict cultivation and manufacturing requirements; and
- (c) being able to supply full spectrum plant extracts rather than synthetic or single molecule preparations.

The Company’s business model is based upon:

- (a) securing access to leading medicinal cannabis plant genetics and establishing a genetics breeding program to develop further strains;
- (b) securing access to leading cultivation, production and manufacturing expertise and developing best practice in respect to full spectrum plant extracts; and
- (c) partnering with leading researchers for ongoing evaluation of the efficacy the Company’s products for a range of medical conditions.

A short to medium term goal of the Company is to obtain the relevant licences to cultivate, produce, manufacture and supply medicinal cannabis in Australia.

The Company may also, in the future, look to capitalise on other opportunities in the medical cannabis sector including, without limitation acquisition or investment in other international plant breeders, producers and suppliers.

4.2 Current legal position of medicinal cannabis in Australia

Following is an overview of the current regulatory framework in respect to medical cannabis in Australia. Some of AusCann’s proposed activities under this Prospectus fall under this regulatory framework and require certain approvals on both a national and state level. This Section 4.2 covers the national regulatory framework. The particular approvals required on both a national and state level for the proposed activities under this Prospectus are set out in the table in Section 4.3.

Australia is a signatory to three international drug control treaties that aim to restrict production, manufacture, export, import, distribution, trade and possession of narcotic drugs (including cannabis) exclusively to medical and scientific purposes. The three treaties are:

- (a) Single Convention on Narcotic Drugs (1961);
- (b) Convention on Psychotropic Substances (1971); and
- (c) United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988).

Under the *Single Convention on Narcotic Drugs 1961* (**Convention**) Australia has the obligation to control, supervise and report on various stages of cannabis cultivation, production and manufacture. The purpose of the Convention is to establish a framework to both prevent abuse and diversion of controlled substances such as cannabis, and to facilitate the availability of these substances for medical and scientific purposes. The enabling legislation for these obligations is the *Narcotic Drugs Act 1967* (Cth) (**ND Act**).

On 29 February 2016, the Narcotic Drugs Amendment Bill 2016 (**Bill**) was given Royal Assent. The Bill amends the ND Act to establish a licensing scheme for the cultivation of cannabis for medical and scientific purposes. There were already mechanisms in place for the licensing of the manufacture of narcotics under the ND Act and access of medicinal cannabis for medical and scientific use through the *Therapeutic Drugs Act 1989* (Cth). Although access schemes have been available they have not been extensively used as accessing international cannabis for medical or scientific purposes is difficult and expensive. The amended ND Act will allow Australia to develop a safe, legal and sustainable local supply of medicinal cannabis products.

The deadline in which all provisions of the Act come into force, and relevant regulations and subsidiary legislation are to be implemented, is 30 October 2016. Applicants will then be able to apply for relevant licences to cultivate, produce and/or manufacture.

The Commonwealth Department of Health, through the newly established Office of Drug Control, will licence those who cultivate, produce and manufacture cannabis and cannabis products for medical and scientific use. The Therapeutic Goods Administration (**TGA**) regulates the manufacture, registration and supply of medicinal cannabis products as it does for other therapeutic goods.

The key features of the cannabis licensing scheme include:

(a) Cultivation, production and manufacture licence

There are two types of cultivation and production licences and permits, one that authorises the cultivation and production of cannabis for manufacture into medicinal cannabis products; the second that authorises research into the cannabis plant that is to be used for medicinal purposes. The broad approach to research licences includes research and related scientific purposes, such as growing conditions, development of phytochemical content of different strains, ensuring consistency in yields and other matters related to ensuring a safe, consistent raw material.

Licences authorise the cultivation of plants, the production of cannabis and the undertaking of activities related to cultivation or production. Production is the separation of the flowering tops of the cannabis plant and cannabis resin from the plant. Licences may be granted to undertake both cultivation and production or these can be separate licences. Individual permits will indicate the type or strain of plant that may be cultivated and the quantity. More than one permit can be granted in relation to a licence concurrently.

A manufacturing licence authorises the manufacture of cannabis products and related activities such as the supply, packaging, transport, storage, possession, control, disposal or destruction of the product. As with cultivation licences, a permit is required which specifies the quantity and period in which the product may be manufactured.

(i) Supply arrangements

Licence applicants need to demonstrate genuine supply arrangements. For example, a condition of granting a cultivation and production licence and permit may be the demonstration of a clear relationship between the cultivator and/or producer and a manufacturer. An applicant will not be able to apply based on speculation that they will be able to supply a market.

A manufacturing licence will not be granted unless the Office of Drug Control is satisfied that any manufactured product will be for patients in clinical trials, patients whose access to the product has been approved, for instance by a medical practitioner authorised under the Therapeutic Drugs Act, or where the product has been approved for general marketing in Australia by the TGA.

(ii) Fit and proper person

A strict 'fit and proper person' test will be applied to the licence applicant, directors, relatives and relevant business associates. Consideration of a range of matters including criminal history, connections, associates and family, financial status, business history, capacity to comply with licensing requirements and whether the relevant persons are of 'good repute' taking into account their character, honesty and professional and personal integrity. Licence holders will also be expected to remain 'fit and proper'.

(b) Export

Provision has been made to allow the Commonwealth to control the timing on exports subject to successful implementation of the domestically focussed system. This has been deemed necessary by the Commonwealth to ensure the system of controls are robust, demonstrating to the internationally community, in particular the International Narcotics Control Board and potential trading partners, that Australia has an appropriate system for managing the risks of diversion.

A comprehensive suite of regulatory controls, to assist in ensuring the integrity of the system, include: powers to give directions to licence holders; of inspection, monitoring and investigation; to issue infringement notices and seek civil penalties; to accept enforceable undertakings; and to seek injunctions.

(c) Access to medicinal cannabis in Australia

Australia has a national classification system that controls how medicines and poisons are made available to the public. Medicines and poisons are classified into schedules according to the level of regulatory control over the availability of the medicine or poison, required to protect public health and safety.

The schedules are published in the Standard for the *Uniform Scheduling of Medicines and Poisons (SUSMP)* and are given legal effect through State and Territory legislation. The SUSMP is legally referred to as the Poisons Standard.

Poisons are not scheduled on the basis of a universal scale of toxicity. Although toxicity is one of the factors considered, and is itself a complex interplay of factors, the decision to include a substance in a particular schedule with the Poisons Standard also takes into account many other criteria such as the purpose of use, potential for abuse, safety in use and the need for the substance.

The Poisons Standard lists poisons in ten schedules according to the degree of control recommended to be exercised over their availability to the public.

Poisons for therapeutic use (medicines) are mostly included in schedules 2, 3, 4 and 8 with progression through these schedules signifying increasingly restrictive regulatory controls.

Schedule 9 contains substances that should be available only for teaching, training, medical or scientific research including clinical trials conducted with the approval of Commonwealth and/or State and Territory health authorities.

On 1 November 2016, the TGA amended the SUSMP as follows:

- (i) new schedule 8 entries for cannabis (including seeds, extracts, resins and the plant, and any part of the plant) and a particular cannabis cannabinoid compound -tetrahydrocannabinols (when extracted from cannabis) for human therapeutic use,
- (ii) new appendix D Item 1 entries for cannabis and tetrahydrocannabinols; and
- (iii) new appendix K entries for cannabis and tetrahydrocannabinols.

For both cannabis and tetrahydrocannabinols the schedule 8 entries are further restricted to substances:

- (i) where the cultivation, production and manufacture of the substances in Australia is only under the *Narcotic Drugs Act 1967*; and
- (ii) where the substances are imported into Australia and/or supplied in accordance with the *Therapeutic Goods Act 1989*.

The new appendix D Item 1 entries for cannabis and tetrahydrocannabinols place an additional control on the substances such that the substances will only be "available from or on the prescription or order of an authorised medical practitioner" where the medical practitioner has been authorised by the "appropriate authority" as defined in Part 1 paragraph 1(1) of the SUSMP which are generally senior health executives of the States and Territories.

The new appendix K entries for cannabis and tetrahydrocannabinols are due to the potential sedation effect of these substances and place a requirement for products including these substances to be labelled with a warning regarding their sedation potential.

The schedule 8 entry of cannabis means individuals will be able to have appropriate cannabinoid products prescribed where the medical practitioner is appropriately authorised to prescribe them.

The schedule 8 entry for cannabis includes the plant, its seeds, its extracts and derivatives of the extracts, and the entry for tetrahydrocannabinols is for tetrahydrocannabinols extracted from, or derived from the extracts, of cannabis and does not include synthetic tetrahydrocannabinols.

Preparations containing another cannabis derived compound, cannabidiol (CBD), which contains ≤ 2 % of other cannabinoids, are already a schedule 4 entry. Other schedule 8 entries are two synthetic preparations used for chemotherapy-induced nausea and vomiting - Dronabinol (synthetic delta 9 tetrahydrocannabinol) and Nabilone (synthetic cannabinoid similar to tetrahydrocannabinol), and the botanical extract Nabiximols (containing tetrahydrocannabinol and CBD in approx. equal proportions - in a buccal spray for multiple sclerosis).

Overseas products containing schedule 8 substances can be imported under the Customs (*Prohibited Imports*) *Regulations 1956* (Cth) with the approval of the Commonwealth Office of Drug Control.

It should be noted that any supply and import of products containing these substances is still required to comply with the *Therapeutic Goods Act and the Therapeutic Goods Regulations 1990* (Cth). Any product containing these substances not on the Australian Register of Therapeutic Goods (**ARTG**) requires an exemption or approval to be legally supplied under the *Therapeutic Goods Act*.

On a national level there are a number of pathways for access to cannabis for medicinal use through the *Therapeutic Goods Act*:

- (i) medicines registered on the ARTG;
- (ii) clinical trials as outlined in Section 4.2(d); or
- (iii) the Special Access Scheme (**SAS**) and Authorised Prescribers Scheme (**APS**).

To be registered on the ARTG a robust dossier of clinical trial and other data is required. The SAS pathway has been used to prescribe imported medicinal cannabis product in Australia. Access under the SAS is undertaken by application to the TGA on an individual basis whereas under the APS the TGA approves a medical practitioner to prescribe medications that are not currently listed on the ARTG to patients.

(d) Clinical studies

To undertake a clinical study with schedule 8 substances, such as full spectrum cannabis plant extracts as proposed by AusCann, a State poisons permit is required under section 25 of the *Poisons Act 1964* (WA). This is applied for using a prescribed form.

Human Research Ethics Committees (**HRECs**) play a central role in the Australian system of ethical oversight of research involving humans. HRECs review research clinical study proposals involving human participants to ensure that they are ethically acceptable and in accordance with relevant standards and guidelines. There are more than 200 HRECs in institutions and organisations across Australia that can review and provide the necessary approval for a study to proceed.

As Australian medicinal cannabis may be unavailable until sometime in 2017, product would need to be imported into Australia under the Customs (*Prohibited Imports*) Regulations 1956 (Cth) for any clinical studies undertaken prior to this time. A copy of the State poisons permit is required for inclusion in the application to the Office of Drug Control for a licence and permit to import.

The study also needs to be registered with the TGA using either the Clinical Trial Notification (**CTN**) or Clinical Trial Exemption (**CTX**) schemes, as with all clinical studies. Whether the CTN or CTX scheme is used is a consideration of the sponsor of the study (such as the Company) and the HREC that reviews the protocol. A determining factor for a HREC may be whether the committee has access to appropriate scientific and technical expertise in order to assess the safety of the product.

To conduct a clinical trial in Australia, the trial must have an Australian sponsor. The sponsor may be an individual (for example a medical practitioner), a body or organisation (for example hospitals, area health services, non-government organisations), or a company (for example, the Company or a Contract Research Organisations (CROs)). The TGA would deal directly with the Australian sponsor on all matters relating to the trial.

The CTN Scheme is a notification scheme and the TGA does not review any data relating to the clinical trial. All material relating to the proposed trial, including the trial protocol is submitted directly to the HREC and the HREC is responsible for assessing the scientific validity of the trial design, the safety and efficacy of the medicine or device and the ethical acceptability of the trial process, and for approval of the trial protocol. The institution or organisation at which the trial will be conducted gives the final approval for the conduct of the trial at the site, having due regard to advice from the HREC.

The CTX Scheme is an approval process and a sponsor submits an application to conduct clinical trials to the TGA for evaluation and comment. A TGA delegate decides whether or not to object to the proposed usage guidelines for the product. The sponsor may conduct any number of clinical trials under the CTX application without further assessment by the TGA, provided use of the product in the trials falls within the original approved usage guidelines. The TGA must be notified of each trial conducted.

Access to unregistered medicines for clinical trials requires seeking the approval of a HREC and notifying the TGA, or seeking approval of both a HREC and the TGA, depending upon the risks associated with the clinical trial proposal.

4.3 Licensing and approvals required for AusCann’s proposed and future activities

Proposed Activities	Licensing requirements	Licence status
Horticultural R&D (incl. breeding, sourcing varieties)	There are state building, environmental and local government approvals and requirements in respect to the construction and use of greenhouse facilities at Murdoch University. These approval processes are procedural with standard conditions that would need to be complied with. As cannabis will not be grown in the greenhouse modelling activities specific licensing or permits in respect to cannabis under the ND Act are not required.	To be applied for upon completion of plans. Expected to be completed in the last quarter of 2016.
Analytical testing	The analytical testing of medicinal cannabis products for use in clinical trials will be covered by the same licences and permits required for undertaking clinical trials as outlined in Section 4.4.	<p>AusCann is in the process of obtaining relevant licences and permits to undertake this work. Working with clinicians it has commenced drafting of the clinical trial protocols required for the application process.</p> <p>AusCann expects to have the relevant licences and permits required to under this activity in the first half of 2017.</p>
Clinical trials	Please see outline of approvals and permits required for undertaking a clinical trial in Section 4.4.	<p>AusCann is in the process of obtaining relevant licences and permits to undertake this work. Working with clinicians it has commenced drafting of the clinical trial protocols required for the application process.</p> <p>AusCann expects to have the relevant licences and permits required to under this activity in the first half of 2017.</p>
Medical Education	No licencing or permits are required for the provision of education material to authorised medical clinicians.	Not applicable

In addition to the activities highlighted above, the Company intends to apply for Cultivation, Production and Manufacturing Licences under the ND Act to support future activities. The factors that will be relevant for obtaining these licences are provided below.

Licence under ND Act	Key Requirements	Company Response
Cultivation/Production and Manufacturing	Fit and proper persons	The Proposed Directors provide a strong leadership team. Due diligence has included National Police Checks on all Proposed Directors as required under the licence provisions
	Security arrangements to prevent diversion	The Company has engaged consultants to undertake security assessments which incorporate the requirements of the Narcotic Drugs Regulations. These are underway.
	Ability to demonstrate supply chain	The Company expects to manufacture medicinal cannabis from plant material cultivated and produced by the Company, providing an internal supply chain required under the cultivation and production licences. Manufactured products would be directed to the clinical trials of domestic product outlined in Section 2.6, providing legitimate supply chain for the manufacturing licence requirements.

The Company expects to be in a position to apply for licences under the ND Act within six months. In the event that ND Act licences are not granted, or the grant of licences is delayed for a material period of time, the Company will be in a position to undertake its other proposed activities, without disruption to those activities.

4.4 Clinical trials and analytical work

AusCann is in the process of obtaining relevant licences and permits to undertake this work. Working with clinicians it has commenced drafting of the clinical trial protocols required for the application process. AusCann intends to commence its clinical studies and analytical work in Western Australia in the first quarter of 2017.

West Australian State permits

A licence is required under the *Poisons Act 1964* (WA) to undertake the proposed clinical studies and analytical work.

The application process and licensing conditions are dependent upon whether the medicinal cannabis product being used is classed as a schedule 8 or schedule 9 substance in the Poisons Standard. As outlined in 4.2(c) the TGA rescheduled medicinal cannabis products to schedule 8 on 1 November 2016. The *Poisons Act 1964* (WA) provides that the Commonwealth Poison Standard scheduling is applied to the WA Poisons Standard. This means that the rescheduling by the TGA applies to WA Poisons Standard.

To undertake clinical efficacy and analytical work with schedule 8 substances a poisons permit is required under section 25 of the *Poisons Act 1964* (WA) and reg 10/10A of the *Poisons Regulations 1964* (WA). A permit under reg 10 authorises the purchase of schedule 8 substances for research purposes, the relevant permit being Form 8 in Appendix A of the Regulations. Government departments and/or hospitals apply under reg 10A and the relevant permit is Form 13 in Appendix A of the Regulations.

Permits are applied for using the prescribed form which is available on the WA Health website. AusCann considers the process to be procedural and standard conditions need to be complied with. In particular the safe requirements for storage of schedule 8 substances. Hospitals and other medical facilities where AusCann's clinical studies are to be undertaken already have the appropriate facilities for handling and storage of schedule 8 substances.

Commonwealth licensing requirements

As outlined above in Section 4.2(d) clinical trials need to be registered with the TGA using either the Clinical Trial Notification (CTN) or Clinical Trial Exemption (CTX) schemes, as with any clinical studies being undertaken in Australia.

Whether the CTN or CTX scheme is used will be dependent upon the HREC that reviews the protocol. A determining factor for a HREC may be whether the committee has access to appropriate scientific and technical expertise in order to assess the safety of the product. AusCann intends submitting its clinical trial protocols to HRECs for approval and using the CTN scheme.

The CTN Scheme is a notification scheme and the TGA does not review any data relating to the clinical trial they are simply notified that a HREC has approved the trial protocol. If the relevant HREC does not have access to appropriate scientific and technical expertise in order to assess the safety of the product it may recommend that the CTX Scheme is used. The CTX Scheme is an approval process and under this scheme AusCann would submit an application to conduct the proposed clinical trials to the TGA for evaluation and comment. A sponsor submits an application to conduct clinical trials to the TGA for evaluation and comment. A TGA delegate decides whether or not to object to the proposed usage guidelines for the product. If an objection is raised, trials may not proceed until the objection has been addressed to the delegate's satisfaction.

Importation licensing requirement

As AusCann intends to use Canadian product it will apply for a licence and permit to import under Reg 5 of the Customs (*Prohibited Imports*) Regulations 1956 (Cth). Licences are issued annually and do not grant approval to import but allows an applicant to apply for a permit to import. A permit is required for each specific consignment that is imported. Applications are reviewed and approved by the Office of Drug Control.

A WA state poison permit permitting the use of the product is required to obtain a licence and permit to import. A standard application form for a licence and permit are available through the Office of Drug Control website. This process is procedural and would require compliance with standard conditions in respect to a schedule 8 substance.

4.5 Strategic Relationships

(a) Canopy Growth Corporation

Canopy Growth Corporation was the first publicly traded, federally regulated cannabis producer in North America and remains the largest and most diversified. Listed on the TSX, Canopy has a market capitalisation in excess of CAD\$700,000,000. Core brands under Canopy are Tweed (a highly recognised cannabis brand) and Bedrocan Canada (a producer and seller of genetically standardised cannabis varieties). Canopy operates two (2) indoor production facilities and a large greenhouse with more than 46,400 square metres of production capacity.

The alliance provides AusCann with access to expertise and intellectual property in the cultivation, manufacture and supply of high quality medicinal cannabis products.

Refer to Section 8.3 of this Prospectus for the material terms of the agreement between AusCann and Canopy Growth Corporation.

(b) Fundación Daya

Fundación Daya (**Daya**) is a non-profit organisation based in Chile. Its objective is research and promotion of alternative therapies aimed at relieving human suffering as well as advising on the design of public policies that promote the physical and spiritual well-being of people. Daya has been awarded a medicinal cannabis grow permit by the Chilean Government for each of the last three years, up to and including 2016.

AusCann has entered into a heads of agreement with Daya to establish a joint venture company based in Chile for the cultivation of medicinal cannabis. Refer to Section 8.4 of this Prospectus for the material terms of the agreement between AusCann and Daya.

(c) Phytoplant Research

Established in 2008, Phytoplant Research is a private Spanish company which is internationally regarded for producing high quality, proprietary medicinal plants. Phytoplant specialises in techniques for the selection and genetic improvement of medicinal plants, under the standards of Good Agricultural Practice. In addition, Phytoplant has expertise in the extraction, isolation and purification of bioactive plant components.

AusCann has entered into a non-binding heads of agreement with Phytoplant focussed on securing plants with desired chemotypes which also display environmental compatibility with Australian conditions, and drawing upon expertise to produce commercially viable, quality products.

Under the agreement, AusCann is granted exclusivity in the Australian market over certain strains of interest to it including but not limited to high yielding strains containing particular cannabis compounds of medical interest. AusCann is also granted exclusivity in the Australian market for any relevant intellectual property and know-how in terms of extraction protocols that Phytoplant has developed. The parties will also collaborate on a joint breeding program under which AusCann will provide suitable growing conditions and analytical labs either directly or through its other partnerships including but not limited to Murdoch University. Refer to Section 8.4 of this Prospectus for the material terms of the agreement between AusCann and Phytoplant Research.

(d) Murdoch University and the Western Australia State Agricultural Biotechnology Centre

Based in Western Australia, Murdoch University undertakes world-class research in agricultural sciences, including genetics and biotechnology. The University is home to the Western Australian State Agricultural Biotechnology Centre which has platform technologies, world-class facilities for, and world-class researchers in, agricultural research.

AusCann has entered into a 5-year research alliance, focussed on cultivation and development of targeted medicinal cannabis strains for the effective treatment of various medical conditions, which are suited to Australian growing conditions. Refer to Section 8.6 of this Prospectus for the material terms of the agreement between AusCann and Murdoch University.

(e) Aunt Zelda's Incorporated

Aunt Zelda's Incorporated was established under California law in 2011 and is focussed upon the formulation of high quality cannabis-based medicines. Since inception, Aunt Zelda's has developed significant intellectual property around the appropriate formulations and protocols to treat specific medical conditions and amassed a valuable database of patient records. Considerable brand equity has been established in "Aunt Zelda's" brand with a growing profile in California.

AusCann has entered into a non-binding heads of agreement with Aunt Zelda's for exclusive access to their brand and product range in the Australian and New Zealand markets. In addition, the heads of agreement includes access to techniques and data around extraction and formulations for various medical conditions and symptoms.

Proposed Director Mr Harry Karelis is a director and substantial shareholder of MJ Life Sciences Pty Ltd which holds a substantial interest in Aunt Zelda's parent entity Caziwell Inc.

Refer to Section 8.7 of this Prospectus for the material terms of the agreement between AusCann and Aunt Zelda's Incorporated.

(f) Zelda Therapeutics Pty Ltd

Zelda Therapeutics Pty Ltd was established in August 2015 as a special purpose vehicle that has secured an exclusive, global licence to a set of human patient data being treated with cannabinoid-based medicines. This data has been generated by a Californian group, Caziwell Inc, incorporating the activities of Aunt Zelda's.

The focus of Zelda Therapeutics is to design certain human clinical trials leveraging the already existing anecdotal patient data.

Zelda Therapeutics intends to source medicinal cannabis plant and extract material for its Australian-based and international clinical trials from AusCann.

Proposed Director Mr Harry Karelis is a director and substantial shareholder of Zelda Therapeutics.

Refer to Section 8.8 of this Prospectus for the material terms of the agreement between AusCann and Zelda Therapeutics Pty Ltd.

(g) Hidden Garden Sustainable Farms Ltd

Hidden Garden Sustainable Farms Ltd is an Australian based company established to develop horticultural projects focussed on providing affordable, high quality, fresh produce to local communities. Hidden Garden has a focus on sustainable farming in remote communities.

AusCann has entered into a non-binding heads of agreement with Hidden Garden to explore the possibility of cultivation of medicinal cannabis on the Australian Commonwealth territory of Christmas Island for the export market. Hidden Garden has recently been granted a 21-year agricultural lease over 55 acres of prime Commonwealth land. Under the heads of agreement Hidden Garden is to provide suitable growing areas on Christmas Island, including open fields and greenhouses, for the growing of AusCann's genetics and to assist with growing expertise and on site management. Refer to Section 8.9 of this Prospectus for the material terms of the agreement between AusCann and Hidden Garden Sustainable Farms Ltd.

4.6 Research and development

(a) Murdoch University and the WA State Agricultural Biotechnology Centre

Under the research alliance with Murdoch University, AusCann intends to undertake various research projects.

(i) Propagation Investigation (biosecurity, chemotyping and greenhouse modelling)

AusCann and Murdoch University intend to undertake research into biosecurity issues pertaining to the importation of high value clonal propagation material of Cannabis species.

Cultivation of clonal propagation medicinal cannabis material is required for the manufacture of full spectrum medicinal cannabis. To meet acceptable quality standards, phytomedicines have to undergo a standardisation process, this being "the establishment of reproducible pharmaceutical quality by comparing a product with established reference substances and by defining minimum amounts of one or several compounds or groups of compounds (or in some cases) a maximum and minimum amount" (Heinrich, Barnes, Gibbons, & Williamson, 2004).

Studies have shown that when the ratios of cannabinoids in seed-sown and cloned plants were compared, the chemical profile of seeds-sown plants was significantly more variable than that those raised from cuttings. Statistical analysis showed certain cannabinoids to be significantly more variable in plants grown from seed. The conditions for the importation of cannabis seeds are established in the Biosecurity Import Conditions System of the Commonwealth Department of Agriculture and Water Resources (DAWR). However, other germplasm, such as cuttings and cultured plant tissue, are not covered (as of 30 May 2016). A review of the quarantine import conditions for cannabis germplasm is being conducted by DAWR to ensure that controls are in place to minimise risks associated with possible plant pathogens and requirements are expected to be released shortly. Murdoch University has relevant facilities and expertise in this space given their quarantine containment level 2 facilities and their participation in the Plant Biosecurity Cooperative Research Centre, coupled with the fact that they have DAWR Quarantine Approved Persons on staff, and are leaders in plant pathogen diagnostics.

Where active ingredients within a medicine act synergistically, alterations to the ratio of the synergists can have a greater effect than in a medicine where two or more active ingredients act additively.

When pharmacologically active ingredients are extracted from botanical raw material, as with medicinal cannabis, consistency in the chemical profile of the individual plants that contribute to a particular batch is of importance. Detailed chemical analysis of plant chemical profiles will be undertaken in the specialist facilities of the State Agricultural Biotechnology Centre.

AusCann intends to build a greenhouse to model optimum growth conditions for yield of medical cannabis compounds.

The Company is investigating combining the benefits of outdoor and indoor grow by utilising automated retractable roof greenhouses that can optimise growing conditions whilst protecting in-ground crops from adverse weather events. Weather stations and specially designed computer systems can automatically regulate the roof and wall positions to help prevent losses which can naturally occur in the open field due to extreme weather conditions.

The automated roof system will also enable them to control temperature and daylight hours to optimise yield and harvesting times.

AusCann proposes to establish a Cravo X-Frame: approximately 2,213m² (28.8m width by 76.81m length); controller; guttering; crop support and roll-up walls; irrigation systems; lighting systems. This system is modular, allowing expansion of activity.

(ii) *Harvest timing*

Cannabis is generally a 'short day plant' that by definition only commences to flower late in summer, once the day length starts to reduce (Clarke, 1981). When the critical day length is reached floral development is stimulated. More correctly, the plant is responding to the increasing length of the night, during which time a light-sensitive phytochrome protein slowly dimerises (combines with a smaller molecule) to a different form. Within seconds of light exposure, the protein reverts back to the original structure. It is only when the night time is sufficiently long that a required balance of the dimers is reached to signal commencement of flowering (Halliday & Fankouser, 2003). To reliably induce flowering in most varieties of cannabis, the night-length must be greater than the critical day length. The critical day length for an individual variety is greatly affected by its geographical origin and would generally be greatest in those plants derived well away from the equator (de Meijer & Keizer, 1994). Exceptions to this response occur in plants adapted to grow in equatorial regions, where there is minimal variation in day length. Flowering in tropical cannabis plants is more closely related to plant age. In contrast, rapid flowering ecotypes are found at latitudes of 60° or more (Callaway, 2002). These have typically adapted to survive in the very short growing season, and commence flowering early in the season irrespective of the day length.

In an outdoor grow environment with variable day length between summer and winter, there is generally one harvesting time which may yield between 451 – 728 g/m² depending upon the strains and region. This can be contrasted to an indoor grow environment where a crop may be grown and harvested in a 12-14 week period and provide a yield of 494 – 515 g/m² (Potter, 2006).

(iii) *Product Characterisation*

Building upon the chemical characterisation expertise outlined above for the chemotyping of plants, AusCann will undertake chemical analysis of produced and sourced medicinal cannabis extracts to support its clinical investigations.

(iv) *Breeding project*

Once AusCann and Murdoch University can apply for a research and development cultivation licence under the ND Act the parties will build up the knowledge base in developing improved medicinal cannabis varieties. A key component of this research will be analytical techniques for resolution of the chemical components of the varieties, for profile characterisation and consistency.

(b) Australian clinical studies

One of AusCann's key objectives after listing is undertaking research into the clinical efficacy of medicinal cannabis products and delivery mechanisms for various medical conditions.

AusCann will support robust clinical trials that will provide quality evidence of the efficacy of AusCann's medicinal cannabis products on targeted medical conditions. These studies will assist in the development of confidence by the medical community to prescribe these products and for regulators to allow products to be prescribed for targeted medical conditions. The initial focus for clinical research is treatment-resistant childhood epilepsy and chronic pain.

Supply of medicinal cannabis for treatment-resistant childhood epilepsy studies

It is estimated that over 250,000 Australians are living with epilepsy (Epilepsy Action Australia, 2016). It has been reported that approximately one third of those with epilepsy do not respond to treatment (Kwan & Sander, 2004). If this data is applied to Australia, this would indicate that over 82,000 Australians live with epilepsy that is non-responsive to current treatments.

The dosage range of cannabidiol in a medicinal cannabis full spectrum extract in a childhood epilepsy study may be between 2 - 30 mg/kg/day (Porter & Jacobson, 2013). The age range proposed for the studies is 5 to 18 years of age with an average weight range of 19 - 71kg (Victorian Department of Education, 2016).

AusCann intends to undertake studies involving a minimum of 50 children for an 8-month period and has allocated funds to supply these studies. These studies will be undertaken in Western Australia.

Undertaking chronic pain studies

An area where current treatments, opiates in particular, are lacking is in the area of chronic neuropathic pain. There are observational chronic pain studies that have shown medicinal cannabis may have potential therapeutic benefits in this area. A prospective study undertaken between 1 June 2010 and 1 January 2013 at the Pain Relief Unit, Hadassah-Hebrew University Medical Centre in Jerusalem involved 176 patients that were suffering from treatment-resistant chronic pain. The patients were prescribed medical cannabis which was added to the patients existing analgesic regime. Although the study did not have a requirement that patients discontinue other analgesics, there were encouraged to attempt gradual dose reduction and possible discontinuation of other analgesics, particularly chronic opiates. The study found that cannabis treatment in patients with treatment-resistant chronic pain resulted in improved pain and functional outcomes and significant reduction in opioid use (44% reduction in consumption) (Haroutounian, et al., Publish ahead of print).

Working with pain specialists, AusCann intends to undertake chronic pain studies to investigate these potential benefits further involving a minimum of 50 adult participants over a 12-month period and has allocated funds to undertake these studies.

Given the potential chronic pain market (see Section 2.7(b)) and the research to date (see Section 4.8), the AusCann board believes investment into establishing access to this market is justified.

(c) Phytoplant Research

Another of the AusCann's main objectives after listing is undertaking research into, and development of, new medicinal cannabis strains, cultivation and extraction techniques.

Refer to Section 8.4 of this Prospectus for further details about the arrangement with Phytoplant Research.

4.7 Medical Advisory Board

Following completion of the Acquisition, the Company will develop its Medical Advisory Board to include leading clinicians and researchers in the medicinal cannabis field to help guide and inform its research and clinical activities. Leading clinician, Dr Alex Wodak AM is currently on AusCann's Medical Advisory Board.

Dr Wodak is a physician and the director of the Alcohol and Drug Service, at St Vincent's Hospital in Sydney, Australia. He is a notable advocate of drug reform laws and helped establish the National Drug and Alcohol Research Centre, the NSW Users AIDS Association, and the Australian Society of HIV Medicine. Dr Wodak is President of the Australian Drug Law Reform Foundation and was President of the International Harm Reduction Association.

4.8 Overview of the medicinal cannabis industry

(a) Medicinal cannabis

Cannabis, also known as hemp and marijuana/marihuana, is believed to be one of humanity's first cultivated crops, with evidence of use for fibre, food, oil, medicine, an inebriant and for religious purposes since Neolithic times (Chopra & Chopra, 1957) (Schultes, 1973). Methods of cannabis cultivation are described back in the ancient literature of China (Li, 1974).

Cannabis is the genus name under the Family *Cannabaceae* and, while there is a lack of consensus amongst scientists, it is generally accepted that the genus consists of two species, *Cannabis sativa* (*C. sativa*) and *Cannabis indica* (*C. indica*), with possibly a third species *C. ruderalis*. The *C. sativa* includes hemp cultivars from Europe, Asia Minor and Central Asia, as well as weedy populations from Eastern Europe (Hillig, 2005). The *C. indica* includes the narrow leafleted drug strains, as well as the wide leafleted strains from Afghanistan and Pakistan, hemp cultivars from southern and eastern Asia, and feral populations from India and Nepal.

Cannabis contains over 500 chemical compounds with, as at 2014, 104 cannabinoids identified, together with a suite of flavonoids, terpenes, and other compounds (EISOHLY & Gul, 2014).

Cannabinoids, by definition, are those chemicals that act on the cannabinoid receptors of human cells (although their mode of effect is not necessarily limited to this), and consist of endocannabinoids (those produced in the body by humans and animals), phytocannabinoids (produced by plants such as cannabis) and synthetic cannabinoids (produced artificially). Of the phytocannabinoids, it is the main psychoactive compound of cannabis, Δ^9 -tetrahydrocannabinol (**THC**) that has received the most attention and been the subject of much of the research until recently. The other predominate cannabinoid that has been studied is cannabidiol (**CBD**).

Cannabinoids produce their effect, in part, through interaction with two receptors CB_1 and CB_2 located in the body. The CB_1 receptor is found in high levels in the central nervous system and along pain pathways, while CB_2 is found predominantly, but not exclusively, outside the central nervous system and within peripheral tissues with immune functions (Beaulieu, Boulanger, Desroches, & Clark, 2016). However, the biological activity of each of the cannabinoids, alone, in combination or together with other compounds (e.g. terpenes) within the cannabis plant, has not yet been fully elucidated.

Key areas of potential medicinal use, based upon the chemical properties of the plant, and research findings to date, include: epilepsy; chronic pain; palliative care and chemotherapy-induced nausea.

Epilepsy

The World Health Organisation provides the following key facts about epilepsy (WHO, Fact Sheet - Epilepsy, 2016):

- (i) it is a chronic, non-contagious, neurological disorder that can affect people of all ages;
- (ii) approximately 50 million people worldwide have the disorder;
- (iii) at a given time, between 4 and 14 per 1000 people have active epilepsy (continuing seizures with the need for treatment);
- (iv) globally it is estimated that 2.4 million people are diagnosed with epilepsy annually; and
- (v) people with epilepsy respond to treatment approximately 70% of the time.

Epilepsy has significant economic implications in terms of healthcare requirements, premature death and lost work productivity (WHO, Fact Sheet - Epilepsy, 2016).

Over the last decades, experimental studies *in vitro* (outside a living organism, e.g. culture dish) and *in vivo* (within a living organism) have demonstrated anticonvulsive properties of cannabinoids (Blair, Deshpande, & Delorenzo, 2015). Clinical trials on the efficacy of cannabinoids as an anticonvulsive have been conducted, although only a few have been deemed to be acceptable randomised control trials (Gloss & Vickrey, 2014).

There are indications that THC has CB₁-dependent anticonvulsive activity in experimental seizure and epilepsy models, and further, that blocking the CB₁ receptor exacerbates seizure activity indicating the potential involvement of CB₁ receptor in seizure control (Blair, Deshpande, & Delorenzo, 2015) (Braakman, van Oostenbrugge, van Kranen-Mastenbroek, & de Krom, 2009). However, there is also evidence of CB₁-independent anticonvulsive mechanisms, with phytocannabinoids (notably CBD) that do not react with CB₁, exhibiting anticonvulsive properties in experimental models (dos Santos R., Hallak, Leite, Zuardi, & Crippa, 2015). Interest in CBD in particular as a possible treatment for epilepsy was heightened with the media attention around a 5-year-old girl suffering from Dravet syndrome (a rare and catastrophic form of treatment-resistant epilepsy) who achieved a greater than 90% reduction in seizure frequency upon treatment with *C. sativa* with a high CBD:THC ratio (Maa & Figi, 2014). Two reports on data collected from parent surveys, representing a total of 94 children with treatment-resistant seizures who self-treated with CBD, indicated that in one group 42% had a greater than 80% reduction in seizure frequency (Porter & Jacobson, 2013), and in the second and larger group that 38% achieved a greater than 50% reduction in seizures (Press, Knupp, & Chapman, 2015). In these reports, the seizure disorders involved Lennox-Gastaut (a severe form of epilepsy), Dravet and Doose (Myoclonic-Astatic Epilepsy) syndromes.

Chronic pain

Cannabis also has a long history for the relief of pain. As early as 2600 BC the use of cannabis for the relief of pain was being advocated by the Chinese emperor Huang Ti (Di Marzo, Bifulco, & De Petrocellis, 2004).

In a paper on the public health implications of pain (Goldberg & McGee, 2011) it was stated that: approximately 60 million people globally endure chronic pain; that prevalence in the United States ranged from 12% to 25%; and that prevalence in Europe was noted at 20%. In a 2007 report by Access Economics the prevalence of chronic pain in Australia was estimated at 3.2 million Australians (with a projected increase to 5 million by 2050) and with a total cost estimated at \$34.3 billion (Access Economics Pty Limited, 2007). According to the Center for Disease Control and Prevention, 259 million prescriptions for painkillers were written in the United States in 2012 and 46 people each day die from an overdose of prescription painkillers in the United States (CDC, 2014). Opioid overdose mortality rates however were reported to be 24.8% lower in states with medical cannabis laws compared to states without medical cannabis laws, in an article published in 2014 in the Journal of the American Medical Association (Bachhuber, Saloner, Cunningham, & Barry, 2014).

In a review on the endocannabinoid system and neuropathic pain (Maldonado, Baños, & Cabañero, 2016) the authors noted that early systematic reviews of research reported that cannabinoids were no better than codeine in controlling pain, but also noted that the number of patients was small, limiting the validity of those conclusions; while more recent systematic reviews concluded that cannabinoids were modestly effective and safe in neuropathic pain. A recent review of 13 randomised clinical trials suggested that cannabinoids provide analgesia in patients with neuropathic pain who are refractory to other treatments (Boychuk, Goddard, Mauro, & Orellana, 2015). In a paper summarising the outcome of two systematic reviews of thirty randomised controlled trials examining the use of cannabinoids for treatment of chronic pain, the authors stated that 25 of the 30 trials found a significant analgesic effect for the cannabinoid under investigation (Lynch, 2015).

Several studies have identified pain relief as a prominent reason for using medicinal cannabis and cannabis has several potential advantages relative to widely used opiate analgesics including fewer side effects and a lower risk of dependency (Lucas, et al., 2015) (Ware, Wang, Shapiro, & Collet, Cannabis for the Management of Pain: Assessment of Safety Study (COMPASS), 2015). A nationwide survey of around 400 medical cannabis patients in Canada indicated that 83% of all respondents endorsed pain among the symptoms for which they used cannabis (Lucas, et al., 2015). It has also been shown that significant numbers of patients with pain-related conditions substitute medicinal cannabis for other prescribed analgesic substances. The most commonly endorsed reasons for substitution being 'less adverse side effects', followed closely by 'better symptom management' (Lucas, et al., 2015).

Palliative care

Management of pain is one of the aspects associated with palliative care.

The World Health Organisation defines palliative care as “an approach that improves the quality of life of patients and their families facing the problem associated with life-threatening illness, through the prevention and relief of suffering by means of early identification and impeccable assessment and treatment of pain and other problems, physical, psychosocial and spiritual (WHO, WHO Definition of Palliative Care, 2016). Palliative care:

- (i) provides relief from pain and other distressing symptoms;
- (ii) affirms life and regards dying as a normal process;
- (iii) intends neither to hasten or postpone death;
- (iv) integrates the psychological and spiritual aspects of patient care;
- (v) offers a support system to help patients live as actively as possible until death;
- (vi) offers a support system to help the family cope during the patient’s illness and in their own bereavement;
- (vii) uses a team approach to address the needs of patients and their families, including bereavement counselling, if indicated;
- (viii) will enhance quality of life, and may also positively influence the course of illness; and
- (ix) is applicable early in the course of illness, in conjunction with other therapies that are intended to prolong life, such as chemotherapy or radiation therapy, and includes those investigations needed to better understand and manage distressing clinical complications.”

Symptom research is complex in palliative care because of the different primary diseases, and their stages in patients identified as palliative. Nausea and vomiting, which is commonly associated with palliative care, may be less common and bothersome than originally thought although they do appear to be more common as death approaches (Glare, Miller, Nikolova, & Tickoo, 2011). A systematic review of symptom prevalence in palliative care patients found pain, breathlessness and fatigue were more common than nausea and vomiting (Solano, Gomes, & Higginson, 2006).

The potential impact of cannabinoids on pain treatment has been discussed above. Little research is available on cannabinoid impact on breathlessness. However, there is some data available for the efficacy of cannabinoids in chemotherapy-induced vomiting and the anorexia-cachexia syndrome (Bagshaw & Hagen, 2002) (Martin & Wiley, 2004), and the potential in treatment of chemotherapy-induced nausea is discussed below.

Chemotherapy-induced nausea

Chemotherapy-induced nausea and vomiting is a distressing side effect of cancer treatment and can occur in up to 80% of patients. Episodes of chemotherapy-induced nausea and vomiting are classified into distinct clinical phases: acute (within 24h treatment); delayed (following the first 24h treatment); and anticipatory (a learned response where refractory nausea has been previously experienced).

5-HT₃ receptor antagonists suppress acute vomiting, and in particular, combining with the corticosteroid dexamethasone, can reduce the incidence of acute vomiting by 70% (Hickok, et al., 2003). However, these products are less effective at suppressing acute nausea and are ineffective in reducing delayed and anticipatory nausea (Rock, Sticht, & Parker, Effect of phytocannabinoids on nausea and vomiting, 2014). In a systematic review of 23 randomised clinical trials (Smith, Azariah, Lavender, Stoner, & Bettiol, 2015), it was found that the particular cannabinoids tested were highly effective, with results that were similar to conventional anti-emetics. All trials used synthetic cannabinoids – either dronabinol (synthetic THC) or nabilone (a synthetic that mimics THC).

Research using rat models has indicated that particular cannabinoids, individually and in combination, can decrease nausea (Rock E. , et al., 2014) (Rock, Limebeer, & Parker, Effect of combined doses of Δ(9)-tetrahydrocannabinol (THC) and cannabidiolic acid (CBDA) on acute and anticipatory nausea using rat (Sprague- Dawley) models of conditioned gaping, 2015). A recent study supported cannabidiolic acid (CBDA) as a treatment for anticipatory nausea, while providing data that indicated it was unlikely to elicit the sedative effects of some of the current therapeutics (Brierley, Samuels, Duncan, Whalley, & Williams, 2016).

In a retrospective cohort study, it was indicated that chemotherapy-induced nausea and vomiting results in reduced quality of life and has an adverse functional impact, in addition to the economic cost. Calculations by the authors placed the cost of this side effect, for those receiving chemotherapy as an out-patient, as \$US5,300 per hospital visit for the first cycle of treatment or, averaged across all patients with and without a visit, at US\$730. There is a need, both economically and socially, to improve the pharmacological treatment of chemotherapy-induced nausea.

(b) Industry

In the recently released 4th edition of "The State of Legal Marijuana Markets" the national legal sales of cannabis in the United States grew in 2015 to US\$5.7 billion, up from US\$4.6 billion in 2014.¹ With increasing legalisation and support, sales are expected to continue to increase.

In Canada, where medicinal cannabis is sourced under the Marihuana for Medical Purposes Regulations (**MMPR**), there were approximately 40,000 clients registered as of 1 January 2016, up by just over 155% at the same time of the prior year. The MMPR has recently (24 August 2016) been replaced by the Access to Cannabis for Medical Purposes Regulations.

Australia has a nascent medicinal cannabis industry given only recent changes to the Federal Government legislation, the Narcotic Drugs Act (through the Narcotic Drugs Amendment Bill 2016) and the still developing regulatory framework which is to come into effect on 30 October 2016.

In Australia, cannabis is the most common illicit drug used both recently and over the lifetime; used by 10.2% and 35% respectively of people aged 14 and over. It is not possible to differentiate recreational use from medicinal use in this data. Nor would illegal medicinal cannabis sales necessarily represent the potential size of the market in Australia. Based upon research data from over 1,500 cannabis customers over the US, 30% of customers in states with legal cannabis indicated that they had only purchased the drug legally.

The range of dosing amounts of medicinal cannabis provided in surveys and studies varies, however an approximate average of 1-3 grams of dried cannabis per day, with a median dose of 1.5 - 2.0 grams per day has been reported by Health Canada.

(c) Legal position internationally

Global momentum around the use of cannabis for the treatment of numerous medical conditions continues to grow with many jurisdictions around the world now having passed legislation to provide a framework for patient access, or relaxed prosecution guidelines to deprioritise those accessing cannabis for medicinal reasons.

This trend is expected to continue and as such the pool of patients globally that will be able to access medicinal cannabis treatments is also expected to continue to grow over time. This overview of some of the jurisdictions is to provide an international context on where Australia is currently placed in respect to other regulatory regimes.

Canada

The Marijuana for Medical Purposes Regulations (**MMPR**) came into force in June 2013, replacing the Marihuana Medical Access Regulations.

On 11 August 2016, Health Canada announced the new Access to Cannabis for Medical Purposes Regulations (**ACMPR**) which came into force on 24 August 2016, replacing the MMPR as the regulations governing Canada's medical cannabis program. The ACMPR was implemented as a result of the Canadian Federal Court ruling in the case of *Allard v. Canada* (the Allard Decision). In the Allard Decision the Federal Court found the MMPR to be unconstitutional and of no force and effect, but suspended its declaration of invalidity for six months in order to give the government time to respond. As per Health Canada's statement and corresponding fact sheet released on 11 August 2016, the ACMPR will allow Canadians who have been authorised by their health care practitioner, and who are registered with Health Canada, to produce a limited amount of medical marijuana for their own medical purposes, or to designate someone who is registered with Health Canada to produce it for them. Starting materials such as plants or seeds are to be obtained from producers who have been licensed under the MMPR only. On 24 August 2016, the government released legislation to enact the policy announcement made on 11 August 2016.

¹The United States has a population of approximately 320 million. The population of Australia is 24 million.

The MMPR, and now the ACMPR, governs the production and distribution of cannabis for medical purposes. Licensed producers are overseen by Health Canada which ensures compliance with rigorous security and quality obligations. Producers are free to decide on strains of cannabis grown but are obliged to test and label each batch with the THC and CBD content.

The regulations impose limits upon the amount of cannabis that can be provided to a person at one time and within a 30-day period. Medical practitioners are required to individually assess patients as to whether medicinal cannabis would be appropriate.

The Canadian Minister for Health, Jane Philpott, announced that Federal legislation to legalise cannabis beyond medical use will be ready in 2017. The announcement was made at the United Nations General Assembly Special Session on the World Drug Problem (UNGASS 2016). Bill Blair, parliamentary secretary to the Canadian justice minister, also at UNGASS 2016, stated that the regulations will cover production, distribution, the retail and the consumption of cannabis.

Chile

In Chile, Law 20.000, which came into effect in February 2005 and was reformed in 2007, allows for personal use of any recreational drug, but penalises consumption in groups. The distinction between consumption and trafficking is left to the discretion of the judge as the law does not establish threshold quantities. Decree 867, which was published in 2007 by the Interior Ministry, places cannabis within the classification of hard-drugs and mandates maximum penalties for cannabis-related crimes. The law does not state which substances can be consumed recreationally but it does state that no personal consumption, in a private setting, will be subject to legal penalties. Cultivation is not penalised if the grower can justify that it is exclusively for personal consumption in the short-term.

Cultivation of medicinal cannabis can be undertaken as long as the person/entity has the relevant authorisation, restricted to location, purpose and time, from the Agricultural and Livestock National Service (SAG). The production and manufacture of products containing cannabis must be expressly authorised by the Public Health Institute (ISP), subject to compliance with stipulated procedures. Clinical trials may be undertaken in Chile using products containing cannabis as long as all requirements of Supreme Degree Number 404 are met and the activity is authorised by the ISP and the Ethics-Scientific Committee. Distribution of phytopharmaceuticals is possible with the relevant sanitary registration granted by the ISP.

Europe

The drug policies of European countries are largely centred on the United Nations Single Convention on Narcotics in 1961, particularly for the twelve European countries present: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, and the United Kingdom. Countries such as Spain and The Netherlands adopted lenient policies in relation to consumption-related activities. Some of the European models are discussed below.

The Netherlands differentiated between Schedule I hard drugs (heroin, cocaine, amphetamine, ecstasy and GHB) and Schedule II soft drugs (which includes cannabis) in the Opium Act amended in 1976. While soft drugs remain illegal, the Netherlands applies a toleration policy to the sale of cannabis in 'coffee shops' while taking rigorous action to suppress the sale of hard drugs. The position of the government is that the sale of soft drugs in licensed coffee shops shields the buyers from the criminal element trafficking in hard drugs.

Belgium makes no distinction between hard and soft drugs, however they do differentiate personal use. In 2003 personal possession of cannabis was differentiated from the possession of other controlled substances, enabling the public prosecutor to refrain from prosecuting possession if there was no evidence of problematic drug use or of public nuisance. In 2005 a further directive was issued which defined a user amount and indicating what would constitute a disturbance of public order or aggravating circumstances.

The German Federal Narcotics Act defines schedules of narcotic substances and use of drugs is not mentioned as an offence. Unauthorised possession of drugs is a criminal offence, but prosecution depended upon quantities and intended use (personal or otherwise). In 2011 cannabis was transferred from Schedule I to Schedule III of the Narcotic Act. Germany is introducing a bill to legalise cannabis for medicinal purposes from 2017. Hermann Groehe, the German Federal Health Minister, indicated that cannabis was "not an inoffensive substance" and stressed that it would be available from pharmacies only on prescription.

In the United Kingdom, the *Misuse of Drugs Act 1971* is the main law regulating drug control. Drug use is not an offence under the Act, rather it is the possession of the drug that constitutes an offence. The UK divides controlled substances into three classes (A, B, C) based on harm, with Class A being the most harmful (e.g. heroin or cocaine), and cannabis listed as a Class B. The Cannabis (Legislation and Regulation) Bill was introduced to the House of Commons by Norman Lamb on 23 March 2016 and was adopted unopposed. However, the Bill is unlikely to become law without the backing of Government.

Israel

The Dangerous Drugs Ordinance (New Version) 1973 and its associated Regulations provides the framework for cannabis use in Israel. Despite cannabis being listed as a “dangerous drug” and not being registered as a medicine, Israel recognised that there was evidence of medicinal properties. The Medical Cannabis Unit was established under Government Resolution 3609 to ensure compliance with the Ordinance, the Regulations and the United Nations Single Convention on Narcotic Drugs. The Medical Cannabis Unit oversees the use of cannabis for medical and research use, and is authorised by the Ministry of Health to issue patients with permits to use cannabis for medical purposes and to issue investigators and research bodies with permits for research into cannabis and cannabinoids.

Israel is world leading in cannabis research, with a long history. Israel is the home of Professor Raphael Mechoulam, who is known as “the father of medical cannabis,” at the Hebrew University of Jerusalem, and discoverer of THC and CBD in the 1960s.

United States of America

At the federal level, cannabis remains a Schedule 1 substance under the Controlled Substances Act. Schedule 1 substances are considered the most dangerous (of the five classifications) with no currently accepted medical use and a high potential for abuse. Distribution of cannabis is thus a federal offence. At a state level, a total of 24 states, the District of Columbia and Guam, allow for medicinal cannabis under a variety of legalisation models including adult use (grow, possess, consume), medical use (patients consume with doctor’s recommendation and either the model allows for patients to grow, or to purchase through licensed dispensary) or CBD only (medicinal use of products containing little to no THC; these jurisdictions normally also tightly control the conditions for which it may be prescribed). Several other states will consider the question of legalisation at some point in 2016.

In October 2009, the Obama Administration sent a memo to federal prosecutors encouraging them not to prosecute people who distribute cannabis for medical purposes under state laws. In August 2013, the US Department of Justice announced an update to the guidance regarding cannabis enforcement, in light of state-based legalisation, and identified eight enforcement priorities. Outside of these priorities the federal government relies upon state and local agencies for the enforcement of their own narcotic laws, and a clear expectation of robust systems to achieve enforcement, with a focus on priority areas, was expressed. In the August 2013 release all attorneys were advised that the primary question in all cases and in all jurisdictions should be whether the conduct at issue implicates one or more of the eight identified enforcement priorities.

In a 25-page letter dated 4 April 2016 from the US Drug Enforcement Agency (DEA) to senators, the DEA indicates that the US Food and Drug Administration (FDA) had completed a review on the safety and effectiveness of medicinal cannabis and forwarded its rescheduling recommendation to the DEA. The letter doesn’t reveal the FDA recommendation. On 11 August 2016 the DEA announced that it had denied two petitions to reschedule cannabis under the Controlled Substances Act. Concurrently the DEA announced a policy change to expand the number of registered manufacturers of cannabis in order to promote FDA-authorized research.

Uruguay

Uruguay became the first country in the world to legalise and regulate all aspects of the cannabis market, despite lack of public support at the time. This was not a radical departure from their more liberal drug policy as Uruguay decriminalised drug use or possession of drugs for personal use in 1974. The national drug policies also focus on prosecution of median and large-scale traffickers, rather than small-time dealers.

Uruguay, with a population of less than 4 million, is overshadowed by its neighbours, Argentina and Brazil, yet is often at the vanguard of social reform.

4.9 Business model and objectives

The over-riding business model is to produce high quality, economical and clinically validated cannabis medicines for the domestic and export markets.

AusCann's model is based on:

- (a) securing access to leading medicinal cannabis plant genetics and establishing a genetics breeding program to develop further strains;
- (b) securing access to leading cultivation, production and manufacturing expertise and developing best practice in respect to full spectrum plant extracts; and
- (c) partnering with leading researchers for ongoing evaluation of the efficacy the Company's products for a range of medical conditions.

AusCann has secured access to the above by entering into strategic partnerships with domestic and international leaders in the field as outlined in Section 4.3.

AusCann's main objectives are:

- (a) undertaking research into, and development of, new medicinal cannabis strains, cultivation and extraction techniques;
- (b) undertaking research into the clinical efficacy of medicinal cannabis products and delivery mechanisms for various medical conditions;
- (c) obtaining relevant licensing for the cost effective cultivation and manufacture of high quality, clinically effective medicinal cannabis in Australia once regulations permit; and
- (d) the provision of relevant information to establish the Australian medical community's trust and confidence in the prescription of AusCann's medicinal cannabis products.



RISK FACTORS

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

The following list is not intended to be an exhaustive list of risks to which the Company is exposed.

5.1 Risks related to the Public Offer

(a) Re-quotations of Shares on ASX

The acquisition of AusCann constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

(b) Dilution risk

The Company currently has 602,362,410 Shares on issue (on a pre-Consolidation basis). Subject to completion of the Acquisition occurring, the Company proposes to issue the Consideration Shares under the AusCann Shareholder Offer and the Takeover Bid, the Advisor Shares under the Advisor Offer, and Shares to raise up to \$5 million under the Public Offer.

If the minimum amount of \$3 million is raised under the Public Offer, the existing Shareholders will retain approximately 12.16% of the issued capital of the Company (on a fully diluted basis), with the AusCann Shareholders, the AusCann Noteholders and the Advisors holding a total of 81.78%, and the investors under the Public Offer holding 6.06%.

If the maximum amount of \$5 million is raised under the Public Offer, the existing Shareholders will retain approximately 11.69% of the issued capital of the Company (on a fully diluted basis), with the AusCann Shareholders, AusCann Noteholders and the Advisors holding a total of 78.61%, and the investors under the Public Offer holding 9.70%.

There is also a risk that the interests of Shareholders will be further diluted as a result of future raisings required in order to fund the development of the business.

(c) Liquidity risk

On completion of the Acquisition, the Company proposes to issue 3,224,608,351 Shares (on a pre-Consolidation basis) to the AusCann Shareholders and the Advisors. Approximately 60% of these securities will be subject to escrow restrictions in accordance with Chapter 9 of the Listing Rules. Based on the post-Offers capital structure (on a post-Consolidation basis), these Shares will equate to approximately 47% of the post-Offers issued Share capital (assuming \$3 million is raised under the Public Offer). This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) Contractual risk

Pursuant to the Sale Agreements and the Takeover Bid (summarised in Sections 8.1 and 8.2) the Company will have agreed to acquire 100% of AusCann, subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Sale Agreements. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

5.2 Risks related to the Company's operations**(a) The Company's business model's reliance on licensing approval under new regime**

As set out in Section 2.2, the Company's objectives to undertake research and development work in Australia in respect of new medicinal cannabis strains, cultivation and extraction techniques; and the cultivation and manufacture is reliant on the Company obtaining the necessary licences and approval to commence operations. The regulatory approval system for these particular activities will not, as at the date of this Prospectus, commence until 30 October 2016. At this time the Company will apply for the licences and undertake the necessary requirements for approval. At this stage the length of time for the licence process to reach a decision is unknown. There is a risk that the Commonwealth or States may amend or change their approach to the regulatory system. Further changes in governments, regulations and policies may have an adverse impact on the Company.

(b) Risk of adverse publicity

The cultivation, production, manufacture, possession and distribution of controlled substances by the Company and the regulatory approval needed to continue the enterprise may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, the Company's products. These pressures could also limit or restrict the introduction and marketing of the Company's products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by the Company's products. The nature of the Company's business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, the Company's reputation may be harmed.

(c) Risk associated with clinical trials

Scientifically robust clinical trials have long lead-in times, can be expensive to conduct, and are, by definition of their purpose, uncertain as to outcome. Prior to conduct of clinical trials involving cannabis extracts/derivatives, a number of approvals, licences and/or permits are required. Delays in obtaining all necessary authorisations can impact upon downstream activities, including the potential introduction of scheduling issues.

After commencement, clinical trials are also subject to suspension, delay or termination by regulatory bodies due to revocation of licences/permits to conduct research on unregistered medicinal products, and/or importation or sourcing of trial material, and/or handling of material classified as poisons. Issues that may impact upon the aforementioned include:

- (i) participant recruitment not meeting trial timelines;
- (ii) lower than expected rates of compliance with the trial protocol by the participants;
- (iii) low rate of participant retention for the duration of the trial;
- (iv) lack of availability of the trial product for the duration of the trial due to manufacturing constraints, or regulatory constraints (including importation);
- (v) unfavourable results from third party pre-clinical or clinical studies which regulatory or ethical bodies believe are relevant; and
- (vi) failure of any key trial partners (e.g. contract research organisation) to provide their services in a quality and timely manner.

In addition to the above, all clinical trials are monitored and may be suspended or terminated by the ethical review board of the clinical institution due to matters outlined above as well as:

- (i) lack of efficacy of the trial product;
- (ii) number or severity of serious adverse events or unexpected side effects;
- (iii) non-compliance by the company, the contract research organisation, the clinician or any other partner organisation in the trial, with the agreed protocol and/or all applicable regulatory requirements;
- (iv) mishandling of clinical trial product, including labelling, storage, security and inventory;
- (v) mishandling of trial data, including security of participant information;
- (vi) mishandling of trial records; and
- (vii) complaints received by participants.

Any of the issues raised above has the potential to have an adverse and material effect on the business.

(d) Risk of adverse events or other safety issues associated with product

If any of the products sold by the Company cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, a number of potentially significant negative consequences could result, including:

- (i) regulatory authorities may withdraw their approval, or require more onerous labelling statements for any product that is approved;
- (ii) the Company could be sued and held liable for harm caused to patients; or
- (iii) the Company's reputation may suffer.

We may voluntarily suspend or terminate the Company's cultivation, manufacture, production and sale if at any time we believe that they present an unacceptable risk to consumers, or that they are unlikely to receive regulatory approval or unlikely to be successfully commercialised.

(e) Loss of key relationships

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm us in a number of ways, including:

- (i) loss of strategic relationships if third parties with whom we have arrangements are acquired by or enter into relationships with a competitor (which could cause the Company to lose access to necessary resources);
- (ii) the relationship between the Company and third parties may deteriorate and have an adverse impact on the Company's business; and
- (iii) the Company's current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put us at a competitive disadvantage, which could cause us to lose access to markets. Consolidation could also force us to expend greater resources to meet new or additional competitive threats, which could also harm the Company's results.

(f) Risk of changes to laws and regulations

The Company's operations are subject to a variety of laws, regulations and guidelines. The medicinal cannabis industry is evolving in Australia and worldwide and has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that governments worldwide, including Australia, will continue to explore the benefits, risks, regulations and operations of companies involved in medical cannabis. While to the knowledge of management, the Company is currently in compliance with all current laws, changes to laws and regulations due to matters beyond the control of the Company may cause adverse effects to its operations.

The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial position and financial performance of the Company and its Shares. In addition, there is a risk that legal action may be taken against the Company in relation to commercial, legal, regulatory or other matters.

(g) Protection of proprietary technology

The Company's success will depend, in part, on the Company's ability to obtain patents, protect the Company's trade secrets and operate without infringing on the proprietary rights of others. We will rely upon a combination of patents, trade secret protection (i.e. know-how), and confidentiality agreements to protect the Company's intellectual property and licensing agreements to access third party intellectual property.

If we fail to adequately protect the Company's intellectual property, we may face competition from companies who attempt to create a product similar to the Company's proposed products. We may also face competition from companies who develop a substantially similar product to one of the Company's proposed products that is not covered by any of the Company's patents.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property rights, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of the Company's patents or marketing of competing products in violation of the Company's proprietary rights generally. Proceedings to enforce the Company's patent rights in foreign jurisdictions could result in substantial cost and divert the Company's efforts and attention from other aspects of the Company's business.

Patents

The strengths of patents in the pharmaceutical field involve complex legal and scientific questions and can be uncertain. Where appropriate, we will seek patent protection for certain aspects of the Company's products and technology. Filing, prosecuting and defending patents throughout the world would be prohibitively expensive, so the Company's policy is to patent technology with commercial potential in jurisdictions with significant commercial opportunities. However, patent protection may not be available for some of the products we are developing. If we must spend significant time and money protecting or enforcing the Company's patents, the Company's business and financial condition may be harmed.

Trade secrets

Trade secrets are difficult to protect. We rely in part on confidentiality agreements with the Company's employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect the Company's trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover, or reverse engineer, the Company's trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Company's proprietary rights. Failure to adequately protect the confidentiality of the Company's trade secrets, could enable competitors to develop products that compete with the Company's products or have additional and material adverse impact upon the Company's business, results of operations and financial condition.

Plant Breeders' Rights

The International Convention for the Protection of New Varieties of Plants was put in place in 1961 to provide a sui generis form of intellectual property protection specifically developed for plant breeds. While the Convention is intended to provide exclusive rights to the plant breeder for propagating material, only 74 countries are members, and excepted are acts for the purpose of breeding other plant varieties. Therefore, plant varieties developed by the Company may, if available to an outside party, be used for development of a new plant variety – different enough to be considered a new variety, but similar enough to compete with the Company.

The Convention extends to derived varieties and therefore it is possible that a protected plant breed is derived from plants protected by a patent on a process or gene. If this is not understood or declared by the holder of the plant breeding rights upon making the material available, the Company could be infringing third party patent rights when commercially using the product, including the derivation of new varieties to be registered by the Company.

(h) Uncertainty of future profitability

AusCann's business is currently focussed on undertaking activities which assist in achievement of AusCann's key objectives. To date, it has funded its activities principally through issuing securities and other capital raising activities.

AusCann's profitability will be impacted by its ability to successfully obtain and comply with licences to cultivate and manufacture medical cannabis in Australia, its ability to execute its development and growth strategies, the ability to access key medical markets, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability are uncertain. Moreover, the level of such profitability cannot be predicted.

5.3 Risks related to the Company's growing and manufacturing facilities

(a) Agricultural risks

The Company's business will involve the growing of medical cannabis, which is an agricultural product. As such the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events. Although the Company plans to have both indoor and outdoor growing operations under climate controlled conditions and employ trained personnel to carefully monitor the growing conditions, there can be no assurance that natural elements will not have a material adverse effect on the production of the growing operations.

(b) Dependency on key inputs and their related costs

Our ability to grow medical cannabis will be dependent on a number of key inputs and their related costs. The key inputs include raw material and supplies related to growing operation as well as electricity, water and other local utilities. Any significant interruptions or negative changes in the availability of economics of the supply chain for the inputs could materially impact the business, financial condition and operating results of the Company. Due to the nature of the product some of these inputs may only be available from single suppliers or a limited group of suppliers. Any restrictions on the ability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact of the business, financial condition and operating results of the Company.

(c) Exposure to product liability claims, regulatory action and litigation

These risks will arise if the Company's product is alleged to have caused significant loss or injury. In addition, the manufacture of medical cannabis involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reaction resulting from human consumption of medical cannabis alone or in combination with other medication or substances could occur. The Company may be subject to various product liability claims, including among others that the Company's products caused injury or illness, inadequate instructions for use or warnings concerning possible side effects. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally and could have a material adverse effect on the Company's results of operations and financial conditions.

5.4 Industry Specific

(a) Insufficient working capital risk

The Directors believe the funds raised from the Public Offer will give the Company sufficient working capital to achieve its objectives as stated in Section 4.9. However, these funds may not be sufficient to enable the Company to realise the full potential of these activities.

(b) Product liability and uninsured risks

Through its intended business, the Company is exposed to potential product liability risks which are inherent in undertaking research into the clinical efficacy of, and the manufacture and supply of medicinal cannabis products. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavours to work to rigorous standards there is still the potential for adverse events as outlined in section 5.2(d) and 5.3(c). These events could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

Further, the Company is exposed to the risk of catastrophic loss to necessary equipment or facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

(c) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in Section 2.11. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(d) Management of growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Public Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

(e) Additional requirements for capital

The funds to be raised under the Public Offer are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional funding will be required.

Following the Public Offer, the Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to Shareholders.

5.5 General risks**(a) Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest rates, inflation and currency exchange rates may have an adverse effect on the Company's production activities, as well as on its ability to fund those activities.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Insurance risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(d) Loss of key personnel

The responsibility to oversee the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance that the Company will be no detrimental effect on the Company if one or more of these employees cease their employment.

(e) Funding risk

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of development or research. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position. Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

The Company is exposed to risks associated with its financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations; the risk that the Company will not be able to meet its financial obligations as they fall due; and the risk that market prices may which will affect the Company's income

(f) New market

The market for the Company's Shares is relatively new, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Public Offer. The price at which the Company's Shares trade on ASX after listing may be higher or lower than the Public Offer Price and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as exchange rates, changes to government policy, legislation or regulation and other events or factors.

There can be no guarantee that an active market in the Company's Shares will develop or that the price of the Shares will increase.

There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid.

(g) Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

INVESTIGATING ACCOUNTANT'S REPORT

18 November 2016

The Directors
TW Holdings Limited
Level 3
18 Richardson Street
WEST PERTH WA 6005



Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT – TW HOLDINGS LIMITED

INTRODUCTION

PKF Mack has been engaged by TW Holdings Limited ('TW Holdings' or 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to certain financial information of TW Holdings, for inclusion in a replacement prospectus to be issued by the Company on or around 18 November 2016.

The replacement prospectus is being issued to raise capital to assist the Company with its acquisition of AusCann Group Holdings Limited (AusCann), an unlisted public company and to generate working capital. The acquisition of AusCann by the Company will involve the issue of ordinary shares, performance shares, performance rights and options for consideration as detailed in Note 2 and the pro forma to this Report. The replacement prospectus will offer 15 million ordinary shares at an issue price of \$0.20 per share to raise \$3,000,000 (minimum and before costs) (public offer). Oversubscriptions of up to a further 10,000,000 ordinary shares at an issue price of \$0.20 each to raise an additional \$2,000,000 (maximum and before costs) may be accepted under the Public Offer.

This Report has been prepared to provide information on the historical results of the Company for the years ended 30 June 2015 and 30 June 2016 and on pro forma financial information as at 30 June 2016. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than for which it was prepared.

BASIS OF PREPARATION

This Report does not address the rights attaching to the ordinary shares to be issued in accordance with the replacement prospectus, the risks associated with the investment, nor form the basis of an expert's opinion with respect to the value of the Company.

In addition this Report does not provide an expert's opinion on the consideration (in the form of ordinary shares, performance shares, performance rights and options) to be issued as consideration for the acquisition of AusCann.

PKF Mack has not been requested to consider the risks of becoming a shareholder and does not purport to do so.

PKF Mack takes no responsibility for these matters or any matter or omission in the replacement prospectus other than responsibility for this Report.

SCOPE OF REPORT

You have requested PKF Mack to perform a limited assurance engagement in relation to the historical and pro forma historical information described below and disclosed in the replacement prospectus.

The historical and pro forma historical financial information is presented in the replacement prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested PKF Mack to review the following historical financial information (together the 'Historical Financial Information') of TW Holdings included in the replacement prospectus;

- The audited historical Statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015 and 30 June 2016;
- The audited historical Statement of Financial Position as at 30 June 2015 and 30 June 2016; and
- The audited historical Statement of Cash Flows for the years ended 30 June 2015 and 30 June 2016.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Historical Financial Information has been extracted from the financial reports of TW Holdings Limited for the financial years ended 30 June 2015 and 30 June 2016 which was audited by BDO Audit (WA) Pty Ltd ('BDO'). BDO issued an unmodified audit opinion for the year ended 30 June 2015, and an unmodified audit opinion with an emphasis of matter in relation to going concern being dependent on the success of the fundraising under this replacement prospectus for the year ended 30 June 2016.

Pro Forma Historical Financial Information

You have requested PKF Mack to review the following pro forma historical financial information (the 'Pro Forma Historical Financial Information') of TW Holdings included in the replacement prospectus:

- The pro forma historical Statement of Financial Position as at 30 June 2016.

The Pro Forma Historical Financial Information has been derived from the historical financial information of TW Holdings as at 30 June 2016 after adjusting for the effects of the pro forma adjustments detailed in Note 2 to this Report.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Note 2 to this Report, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

DIRECTORS' RESPONSIBILITY

The directors of TW Holdings are responsible for the preparation and presentation of the Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagement (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our limited assurance procedures consisted of making enquiries, primarily to the Directors and management who are persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express an audit opinion.

CONCLUSION

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in this Report, and comprising:

- The Statements of Profit or Loss and Other Comprehensive Income of TW Holdings for the years ended 30 June 2015 and 30 June 2016;
- The Statements of Financial Position of TW Holdings as at 30 June 2015 and 30 June 2016; and
- The Statements of Cash Flows of TW Holdings for the years ended 30 June 2015 and 30 June 2016.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 2 to this Report.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in this Report, and comprising:

- The pro forma historical Statement of Financial Position of TW Holdings as at 30 June 2016,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 2 to this Report.

SUBSEQUENT EVENTS

On 31 August 2016, AusCann held a General Meeting for Shareholders at which an ordinary resolution was passed that the existing issued capital of AusCann be split on the basis that every share be divided into 1,420,947.2923 fully paid ordinary shares, and where this division results in a fraction of a share being held, the Company authorised to round that fraction up to the nearest whole share. The issued capital was effectively split on 19 September 2016. This resulted in the existing fully paid ordinary shares converting from 1,497 shares to 2,127,158,097 shares. In addition, the 75 outstanding options to Canopy Growth Corporation were also converted on the same basis to 153,552,779 options with an exercise price of \$0.01.

On 15 September 2016, AusCann entered into a deed of termination and release with Gemelli Nominees Pty Ltd (Termination Deed). The Termination Deed terminated the Consultancy Agreement dated January 2015 between AusCann and Gemelli Nominees Pty Ltd trading as Titan Capital Partners (Titan). Under the Consultancy Agreement Titan was to assist in the securing of investment funds and the ultimate public flotation or other capital market event to further the Company's development. The Termination Deed provided for a termination fee of \$200,000 plus GST.

On 28 September 2016, AusCann having secured all required approvals, issued shares upon conversion of the existing convertible notes amounting to \$3,322,000 that were issued 17 March 2016. This resulted in an additional 805,333,333 shares being issued.

Further to the conversion of all convertible notes on 28 September 2016, AusCann issued 1,692,360 in shares to Canopy on 28 September 2016. The terms of the Strategic Alliance Agreement between AusCann and Canopy dated 9 May 2016, requires that Canopy hold shares constituting 15% of the issued capital in AusCann as well as options to acquire a further 5% of that issued capital.

These have been recorded as pro forma transactions within Note 2 to this Report.

On 10 November 2016 AusCann and the Fundación Daya entered into a binding heads of agreement to establish a for-profit joint venture to cultivate medicinal cannabis in Chile and develop and distribute cannabis-based medicinal products (Daya HoA). The joint venture will be operated through a newly established joint-venture company (DayaCann) based in Chile to pursue various opportunities in the medicinal cannabis sector both within Chile specifically and Latin America and other export opportunities in general. The Daya HoA key terms which relate to future financial commitments are as follows:-

- (a) AusCann paid an exclusive due diligence option fee of \$US 30,000 which gave AusCann exclusivity whilst it undertook its due diligence activities;
- (b) AusCann is to provide working capital to DayaCann for an amount up to US\$90,000 for a period of up to three months. Payments are to be made in three equal monthly instalments of US\$30,000; and
- (c) Upon receipt of the transfer of rights to DayaCann, AusCann is to provide additional funding sufficient to cover operating costs and working capital for the grow as well as to pursue other international business development activities - initially in Latin America. This amount, to total up to US\$880,000 over a 12-month period, is to be payable in monthly instalments.

(a) above has been disclosed within the pro forma transactions within Note 2 to this Report, and (b) and (c) has been disclosed as a commitment within the Note 11 to this Report.

Other than the above and apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or events outside the ordinary business of TW Holdings, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

INDEPENDENCE

PKF Mack does not have any interest in the outcome of this Offer, other than in connection with the preparation of this Report for which normal professional fees will be received.

DISCLOSURES

This Report has been prepared, and included in the replacement prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to the purpose of the financial information which is for inclusion in the replacement prospectus. As a result the financial information may not be suitable for use for another purpose.

PKF Mack has consented to the inclusion of this Report in the replacement prospectus in the form and context in which it is included. At the date of this report this consent has not been withdrawn. However, PKF Mack were not involved in the preparation of any part of the replacement prospectus, and accordingly, make no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the replacement prospectus.

Yours faithfully



Shane Cross
Partner

HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Audited Year Ended 30 June 2016 \$	Audited Year Ended 30 June 2015 \$
Revenue			
Interest revenue		5,482	12,557
Expenses			
Administration expenses		(235,908)	(161,279)
Employee benefits and director fees		(172,000)	(152,176)
Depreciation expense		-	(1,552)
Exclusivity fee		(250,000)	-
Loss before income tax		(625,426)	(302,450)
Income tax expense		-	-
Loss for the year		(625,426)	(302,450)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(625,426)	(302,450)

This statement should be read with the accompanying notes.

HISTORICAL & CONSOLIDATED PRO-FORMA STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed Pro Forma 30 June 2016 \$ (minimum)	Reviewed Pro Forma 30 June 2016 \$ (maximum)	Audited As at 30 June 2016 \$	Audited As at 30 June 2015 \$
ASSETS					
Current Assets					
Cash and cash equivalents	3	5,543,083	7,421,083	370,270	376,143
Trade and other receivables		10,281	10,281	10,281	12,673
Other current assets		16,638	16,638	-	-
Total current assets		5,570,002	7,448,002	380,551	388,816
Non-Current Assets					
Plant and equipment		363	363	-	-
Other financial assets	4	-	-	-	-
Total non-current assets		363	363	-	-
Total Assets		5,570,365	7,448,365	380,551	388,816
LIABILITIES					
Current Liabilities					
Trade and other payables	5	151,324	151,324	60,604	29,127
Provisions		12,165	12,165	-	-
Total current liabilities		163,489	163,489	60,604	29,127
Total Liabilities		163,489	163,489	60,604	29,127
Net Assets		5,406,876	7,284,876	319,946	359,689
EQUITY					
Capital & Reserves					
Issued capital	6	19,939,398	21,819,398	81,099,059	80,486,376
Reserves	7	1,290,348	1,290,348	-	-
Accumulated losses	8	(15,822,870)	(15,824,870)	(80,779,113)	(80,126,687)
Total Equity		5,406,876	7,284,876	319,946	359,689

This statement should be read with the accompanying notes.

HISTORICAL STATEMENT OF CASH FLOWS

	Audited Year ended 30 June 2016 \$	Audited Year ended 30 June 2015 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	5,482	12,557
Payment of exclusivity fee	(250,000)	-
Payments to suppliers and employees	(374,038)	(421,345)
Net cash used in operating activities	(618,556)	(408,788)
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	-	-
Net cash used in investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares (net of transaction costs)	612,683	-
Net cash from financing activities	612,683	-
Net decrease in cash and cash equivalents	(5,873)	(408,788)
Cash and cash equivalents at the beginning of the financial year	376,143	784,931
Cash and cash equivalents at the end of the financial year	370,270	376,143

This statement should be read with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The significant accounting policies that have been adopted in the preparation of the financial information are:

(a) Basis of Preparation

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure, requirements specified by all Australian Accounting Standards and Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

The financial information is presented in Australian dollars, unless otherwise noted.

(b) Accounting Estimates and Judgements

In the application of the accounting policies the directors are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the directors in the application of the accounting policies that have a significant effect on the financial information are disclosed, where applicable, in the relevant notes to the financial information.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(d) Trade and Other Receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for impairment is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(e) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

Note 1. Summary of significant accounting policies (cont'd)**(f) Income Tax**

The income tax expense or revenue for the period is the tax payable or recoverable on the current period's taxable income or tax loss based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial information, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Acquisition of Subsidiaries and Businesses

Acquisitions of subsidiaries and business are accounted for using the acquisition method. The consideration for each acquisition is measure at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, Company previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Company attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Company of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- Assets (or disposable groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Note 1. Summary of significant accounting policies (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

The acquisition of AusCann Group Holdings Limited ('AusCann') has been reflected in the pro forma Statement of Financial Position as at 30 June 2016. In accounting for the acquisition, the Consolidated Entity has taken guidance from the principles of AASB 3 Business Combinations ("AASB 3") and determined that AusCann would be deemed to be the acquiror for accounting purposes. Accordingly, the transaction is accounted for as a reverse asset acquisition. As a result, the pro forma consolidated Statement of Financial Position as at 30 June 2016 has been prepared as a continuation of the AusCann financial statements, with AusCann (as the accounting acquiror) accounting for the acquisition as from 30 June 2016 (for the purposes of the pro forma consolidated Statement of Financial Position). As the activities of the legal acquirer (TW Holdings) would not constitute a business based on the requirements of AASB 3, any excess of the deemed consideration over the fair value of the acquisitions, as calculated in accordance with the reverse acquisition accounting principles, cannot be taken to goodwill and has been expensed.

(h) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Investments & Financial Instruments***Recognition***

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measure at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised as an expense.

Note 1. Summary of significant accounting policies (cont'd)

(j) Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity. The amounts are unsecured and are usually paid within 30 days.

(k) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(l) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits. Contributions to defined contribution super plans are expensed when the employees have rendered the services entitling them to the contributions.

(m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(n) Share-Based Payments

The fair value of the equity to which employees (including Directors) become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Binomial Option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(o) Foreign Currency Translation

The financial statements are presented in Australian dollars, which is TW Holding's functional and presentation currency.

i. Foreign Currency Transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 1. Summary of significant accounting policies (cont'd)**(p) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables in the Financial Information are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Financial Information.

Note 2. Summary of Pro Forma Adjustments

The pro-forma financial information has been included for illustrative purposes to reflect the position of TW Holdings Limited on the assumption that the following transactions had occurred as at 30 June 2016:

- The issue of 2,934,183,790 fully paid ordinary shares (pre consolidation) at a fair value of \$0.01 each (the last closing price on the ASX prior to the transaction being announced) to the holders of securities in AusCann pursuant to the Bid Implementation Agreement dated 29 September 2016, for the acquisition of AusCann. The acquisition of AusCann has been accounted for as a reverse acquisition as detailed in note 1 (g).
- The issue of 564,607,028 Performance Shares (pre consolidation) at an independently valued \$0.007 each to holders of securities in AusCann pursuant to the Bid Implementation Agreement dated 29 September 2016 for the acquisition of AusCann. These have been independently fair valued at \$0.01 per share, and management has assessed that the probability of achieving the performance milestones is 70%. On this basis these are valued at a total of \$3,952,249.
- The issue of 3,000,000 unlisted options (pre consolidation) exercisable at \$0.0105 each on or before 36 months after their issue date to the existing TWH directors in consideration for their services. These have been independently valued at a total of \$16,919.
- The issue of 290,424,561 fully paid ordinary shares (pre consolidation) and 55,884,620 Performance Rights (pre consolidation) to certain advisors for facilitating the AusCann transaction. The Performance Rights have been independently fair valued at \$0.01 per right, and management has assessed that the probability of achieving the performance milestones is 70%. These have been fair valued at \$2,904,246 and \$391,192 respectively.
- The issue of 153,552,779 unlisted options (pre consolidation) exercisable at \$0.01 each on or before 36 months after their issue date to Canopy Growth Corporation in consideration for the exchange of the AusCann options that they hold which were issued to them relating to the Strategic Alliance Agreement signed on 9 May 2016 as set out in the Bid Implementation Agreement. These have been independently valued at a total of \$882,237. These options are issued to acquire the existing Canopy options that were issued in AusCann, resulting in the existing reserve of \$601,827 being transferred to accumulated losses upon cancellation.
- The consolidation of TW Holdings securities on a 20:1 basis.
- The payment of \$US50,000 to Aunt Zelda in relation to an up-front exclusive licensing fee upon the receipt of necessary approvals to begin the manufacture and/or sale of Aunt Zelda products or becoming listed on a public exchange, whichever comes first. The exchange rate used to convert US dollars into Australian dollars is 0.7586.
- Upon the successful satisfaction of the completion conditions set out in the Bid Implementation Agreement dated 29 September 2016 between AusCann and TWH Holdings, the exclusivity fee \$250,000 paid can be recognised as revenue.
- As a result of the assumed acquisition of AusCann as detailed in (a) above, the audited Statement of Financial Position of AusCann at 30 June 2016 has been included in the pro-forma financial information. The Statement of Financial Position is summarised in note 13.
- The issue of a minimum 15,000,000 fully paid ordinary shares at \$0.20 each with allowance for oversubscriptions of 10,000,000 fully paid ordinary shares at \$0.20 pursuant to this Replacement prospectus, raising a total of \$3,000,000 (minimum) or \$5,000,000 (maximum) respectively before costs.

Note 2. Summary of Pro Forma Adjustments (cont'd)

- (k) The payment of a lead manager, a management fee of 6% of the total funds raised in (j) above to the corporate advisor totalling \$180,000 (based on obtaining a minimum subscription) or totalling \$300,000 (based on obtaining maximum subscription).
- (l) Payment of costs associated with the AusCann acquisition and costs of the offer for the minimum and maximum subscription of \$302,620 and \$304,620 excluding management fee respectively.

Subsequent Events

- (m) AusCann and Fundación Daya entered into a non-binding heads of agreement on 26 August 2016 to establish a for-profit joint venture to cultivate medicinal cannabis in Chile and develop and distribute cannabis-based medicinal products. AusCann paid an exclusive due diligence option fee of US\$30,000 which gave AusCann exclusivity whilst it undertook its due diligence activities. The exchange rate used to convert US dollars into Australian dollars is 0.7586.
- (n) On 31 August 2016, AusCann held a General Meeting for Shareholders at which an ordinary resolution was passed that the existing issued capital of AusCann be split on the basis that every share be divided into 1,420,947.2923 fully paid ordinary shares, and where this division results in a fraction of a share being held, the Company authorised to round that fraction up to the nearest whole share. The issued capital was effectively split on 19 September 2016. This resulted in the existing fully paid ordinary shares converting from 1,497 shares to 2,127,158,097 shares. In addition, the 75 outstanding options to Canopy Growth Corporation were also converted on the same basis to 153,552,779 options with an exercise price of \$0.01.
- (o) On 15 September 2016, AusCann entered into a deed of termination and release with Gemelli Nominees Pty Ltd (Termination Deed). The Termination Deed terminated the Consultancy Agreement dated January 2015 between AusCann and Gemelli Nominees Pty Ltd trading as Titan Capital Partners (Titan). The Termination Deed provided for a termination fee of \$200,000 plus GST payable to Titan and Dr Washer's nominee on a pro rata basis and has been paid by AusCann.
- (p) On 28 September 2016, AusCann having secured all required approvals, issued shares upon conversion of the existing convertible notes amounting to \$3,322,000 that were issued 17 March 2016. This resulted in an additional 805,333,333 shares being issued.
- (q) Further to the conversion of all convertible notes on 28 September 2016, AusCann issued 1,692,360 in shares to Canopy on 28 September 2016. The terms of the Strategic Alliance Agreement between AusCann and Canopy dated 9 May 2016, requires that Canopy hold shares constituting 15% of the issued capital in AusCann as well as options to acquire a further 5% of that issued capital.

	Reviewed Pro Forma 30 June 2016 \$ (minimum)	Reviewed Pro Forma 30 June 2016 \$ (maximum)	Audited as at 30 June 2016 \$	Audited as at 30 June 2015 \$
Note 3. Cash and cash equivalents				
Balance at 30 June 2016	370,270	370,270	370,270	376,143
<i>Pro Forma Adjustments:</i>				
- AusCann cash and cash equivalents at 30 June 2016	2,960,890	2,960,890	-	-
- Funds raised from Replacement prospectus	3,000,000	5,000,000	-	-
Sub total	6,331,160	8,331,160	-	-
- Payment of costs associated with AusCann acquisition and offer	(482,620)	(604,620)	-	-
- Aunt Zelda exclusive licence fee	(65,911)	(65,911)	-	-
- Fundación Daya exclusive due diligence option fee	(39,546)	(39,546)	-	-
- Termination payment to Gemelli Nominees	(200,000)	(200,000)	-	-
Closing balance	5,543,083	7,421,083	370,270	376,143

Note 3. Cash and cash equivalents (cont'd)

The effect of maximum and minimum subscriptions has been accounted for. In the event that oversubscriptions do not occur the Company's total raising would fall between the minimum subscription of \$3,000,000 and the maximum oversubscription up to \$5,000,000, the pro-forma cash balance and issued capital would be decreased to the extent of the shortfall on the oversubscription (adjusted for any decrease in lead manager and management fees arising from the oversubscription to a minimum amount of \$180,000).

	Reviewed Pro forma 30 June 2016 \$ (minimum)	Reviewed Pro forma 30 June 2016 \$ (maximum)	Audited as at 30 June 2016 \$	Audited as at 30 June 2015 \$
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Note 4. Other financial assets

Balance at 30 June 2016	-	-	-	-
<i>Pro Forma Adjustments:</i>				
- Issue of fully paid ordinary shares issued to acquire AusCann	29,341,838	29,341,838	-	-
- Issue of performance shares to acquire AusCann	3,952,249	3,952,249	-	-
- Issue of unlisted options to certain AusCann option holders upon acquisition	882,237	882,237	-	-
Sub total	34,176,324	34,176,324	-	-
- Elimination of TW Holdings as part of the reverse acquisition transaction	(34,176,324)	(34,176,324)	-	-
Closing balance	-	-	-	-

Note 5. Trade and other payables

Balance at 30 June 2016	60,604	60,604	60,604	29,127
<i>Pro Forma Adjustments:</i>				
- AusCann trade and other payables at 30 June 2016	90,720	90,720	-	-
Closing balance	151,324	151,324	60,604	29,127

	Reviewed Pro forma 30 June 2016 \$ (minimum)	Reviewed Pro forma 30 June 2016 \$ (maximum)	Reviewed Historical 30 June 2016 \$	Audited as at 30 June 2015 \$
Note 6. Issued capital				
Balance at 30 June 2016	81,099,059	81,099,059	81,099,059	80,486,376
<i>Pro Forma Adjustments:</i>				
- Elimination of TW Holdings capital on consolidation	(81,099,059)	(81,099,059)	-	-
- AusCann issued capital as at 30 June 2016	5,219,448	5,219,448	-	-
- AusCann convertible noteholders convert into AusCann fully paid ordinary shares	2,972,080	2,972,080	-	-
- Consideration for the acquisition	6,023,624	6,023,624	-	-
- Shares issued pursuant to capital raising	3,000,000	5,000,000	-	-
- Shares issued to advisors	2,904,246	2,904,246	-	-
- Share issue costs	(180,000)	(300,000)	-	-
Closing balance	19,939,398	21,819,398	81,099,059	80,486,376

TW Holdings issued the following on a pre consolidation basis, 3,224,608,351 fully paid ordinary shares, 564,607,028 performance shares, 55,884,620 performance rights and 153,552,779 unlisted options exercisable at \$0.01 each on or before 36 months from the issue date for the 100% acquisition of AusCann.

In accordance with reverse asset acquisition accounting principles the consideration is deemed to have been incurred by AusCann in the form of equity instruments issued to TW Holdings shareholders. The acquisition date fair value of this consideration has been determined with reference to the fair value of the issued shares of TW Holdings immediately prior to the acquisition and has been determined to be \$6,023,624.

The consideration fair value has been determined using the values at the Binding Heads of Agreement dated 9 May 2016. At the actual acquisition date the fair value will be required to be determined again, therefore the fair value and consideration could be materially different which will impact the excess consideration on acquisition.

Fully Paid Ordinary Shares	Reviewed Pro Forma 30 June 2016 No (minimum)	Reviewed Pro Forma 30 June 2016 No (maximum)	Audited as at 30 June 2016 No	Audited as at 30 June 2015 No
Balance at 30 June 2016	602,362,410	602,362,410	602,362,410	410,258,865
- Consideration shares issued	2,934,183,790	2,934,183,790	-	-
- Advisor shares issued	290,424,561	290,424,561	-	-
- Consolidation on 20:1 basis	(3,635,622,222)	(3,635,622,222)	-	-
- Shares issued pursuant to capital raising	15,000,000	25,000,000	-	-
Closing balance	206,348,539	216,348,539	602,362,410	410,258,865
Performance Shares				
Balance at 30 June 2016	-	-	-	-
- Consideration shares issued	564,607,028	564,607,028	-	-
- Consolidation on 20:1 basis	(536,376,680)	(536,376,680)	-	-
Closing balance	28,230,348	28,230,348	-	-

Note 6. Issued capital (cont'd)

The performance shares issued above have been independently valued at 20 cents per share (post consolidation) before incorporating management's assessment of the probability of 70%, in which the achieving of the following performance milestones 18 months after achieving re-compliance:

- (a) AusCann 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) AusCann 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) AusCann 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) the Company, having merged with AusCann, 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.

Each performance share converts to one fully paid ordinary share upon reaching the performance milestones mentioned above.

Note 7. Reserves

	Reviewed Pro forma 30 June 2016 \$ (minimum)	Reviewed Pro forma 30 June 2016 \$ (maximum)	Audited as at 30 June 2016 \$	Audited as at 30 June 2015 \$
Reserves at 30 June 2016	-	-	-	-
<i>Pro Forma Adjustments:</i>				
- AusCann reserves as at 30 June 2016	601,827	601,827	-	-
- Transfer AusCann option reserve to accumulated losses on cancellation of AusCann options per Bid Implementation Agreement	(601,827)	(601,827)	-	-
- Fair value of options issued on acquisition of AusCann	882,237	882,237	-	-
- Fair value of performance rights issued to advisors	391,192	391,192	-	-
- Fair value of options issued to existing TW Holding directors	16,919	16,919	-	-
Closing balance	1,290,348	1,290,348	-	-

Note 7. Reserves (cont'd)
a. Option Reserve

	TW Holdings Limited 30 June 2016	Fair Value	Pro Forma 30 June 2016
	#	\$	\$
Option reserve			
TW Holdings opening balance	-	-	-
<i>Pro Forma Adjustments:</i>			
- AusCann reserves balance as at 30 June 2016	153,552,779		601,827
- Transfer AusCann option reserve to accumulated losses on cancellation of AusCann options per Bid Implementation Agreement	(153,552,779)		(601,827)
- Options to be issued to TWH existing directors (Note 7A)	3,000,000	0.0056	16,919
- Options to be issued on acquisition of AusCann (Note 7B)	153,552,779	0.0057	882,237
- Consolidation on 20:1 basis	(148,725,140)		-
Closing balance	7,827,639		899,156
Performance Rights reserve			
TW Holdings opening balance	-	-	-
<i>Pro Forma Adjustments:</i>			
- Fair value of performance rights issued to advisors	55,884,620	0.007	391,192
- Consolidation on 20:1 basis	(53,090,389)		-
Closing balance	2,794,231		391,192

The performance rights issued above have been independently valued at 20 cents per share (post consolidation) before incorporating management's assessment of the probability of 70%, in which the achieving of the following performance milestones 18 months after achieving re-compliance:

- AusCann 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
- AusCann 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
- AusCann 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
- the Company, having merged with AusCann, 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.

Management has assessed this probability at 70%. Each performance right converts to one fully paid ordinary share upon reaching the performance milestones mentioned above.

Note 7. Reserves (cont'd)**A. Valuation of TWH Existing Directors Options**

The options issued to TWH existing directors were deemed to be valued at \$0.11279 per option (post consolidation) using the Binomial option pricing model based on the following inputs:

Underlying share price	20 cents per share
Option exercise price	21 cents per share
Option expiry date	3 years from date of issue
Share price volatility	90%
Risk free interest rate	1.58%.

B. Valuation of AusCann Acquisition Options

The options issued upon the AusCann acquisition were deemed to be valued at \$0.11491 per option (post consolidation) using the Binomial option pricing model based on the following inputs:

Underlying share price	20 cents per share
Option exercise price	20 cents per share
Option expiry date	3 years from date of issue
Share price volatility	90%
Risk free interest rate	1.58%.

	Reviewed Pro Forma 30 June 2016 \$ (minimum)	Reviewed Pro Forma 30 June 2016 \$ (maximum)	Audited as at 30 June 2016 \$	Audited as at 30 June 2015 \$
Note 8. Accumulated losses				
Accumulated losses at 30 June 2016	(80,779,113)	(80,779,113)	(80,779,113)	(80,126,687)
<i>Pro Forma Adjustments:</i>				
- Elimination of TW Holdings accumulated losses on consolidation	80,779,113	80,779,113	-	-
- Recognition of AusCann accumulated losses at 30 June 2016	(6,168,349)	(6,168,349)	-	-
- Equity based payment expense relating to shares issued to corporate advisor	(3,295,438)	(3,295,438)	-	-
- Transfer AusCann option reserve to accumulated losses on cancellation of AusCann options per Bid Implementation Agreement	601,827	601,827	-	-
- Expenses associated with the acquisition of AusCann	(302,620)	(304,620)	-	-
- Excess deemed consideration on acquisition	(6,585,914)	(6,585,914)	-	-
- Options issued to TWH existing directors	(16,919)	(16,919)	-	-
- Exclusive licence fee payable to Aunt Zelda	(65,911)	(65,911)	-	-
- Recognition of exclusive fee income upon listing	250,000	250,000	-	-
- Fundación Daya exclusive due diligence option fee	(39,546)	(39,546)	-	-
- Termination fee payable by AusCann	(200,000)	(200,000)	-	-
Closing balance	(15,822,870)	(15,824,870)	(80,779,133)	(80,126,687)

Note 9. Related Parties

Refer to Section 2.22 of the Replacement prospectus for details of related party agreements.

Note 10. Contingent Liabilities

AusCann has entered into a non-binding heads of agreement with privately owned, California-based company, Caziwell Inc./ Aunt Zelda's Group (**Aunt Zelda's**) for exclusive access to the "Aunt Zelda's" brand and product range in the Australian and New Zealand market. Under the key terms of this agreement, AusCann must pay an ongoing royalty to Aunt Zelda's of 5% of sales revenue generated through the sale of the Aunt Zelda's branded products. For further details relating to this agreement refer to Section 8.7 of the Replacement prospectus.

Note 11. Commitments

On 7 July 2016, TW Holdings entered into a capital raising and corporate advisory mandate with CPS Capital under which CPS Capital was appointed lead manager to the Public Offer. Under the key terms of this agreement, TW Holdings must pay to CPS Capital a corporate advisory fee of \$5,000 per month for a period of 12 months from the date of the Lead Manager Mandate. For further details relating to this agreement refer to Section 8.10 of the Replacement prospectus.

On 10 November 2016 AusCann and the Fundación Daya entered into a binding heads of agreement to establish a for-profit joint venture to cultivate medicinal cannabis in Chile and develop and distribute cannabis-based medicinal products (Daya HoA). The joint venture will be operated through a newly established joint-venture company (DayaCann) based in Chile to pursue various opportunities in the medicinal cannabis sector both within Chile specifically and Latin America and other export opportunities in general. The Daya HoA key terms which relate to future financial commitments are as follows:

- (a) AusCann is to provide working capital to DayaCann for an amount up to US\$90,000 for a period of up to three months. Payments are to be made in three equal monthly instalments of US\$30,000; and
- (b) Upon receipt of the transfer of rights to DayaCann, AusCann is to provide additional funding sufficient to cover operating costs and working capital for the grow as well as to pursue other international business development activities - initially in Latin America. This amount, to total up to US\$880,000 over a 12-month period, is to be payable in monthly instalments.

For further details relating to this agreement refer to Section 8.4 of the Replacement Prospectus.

Note 12. Subsequent Events

At the date of this report there have been no material events subsequent to reporting date that we are aware of, other than the following:

On 26 August 2016 AusCann and Fundación Daya entered into a non-binding heads of agreement to establish a for-profit joint venture to cultivate medicinal cannabis in Chile and develop and distribute cannabis-based medicinal products. AusCann paid an exclusive due diligence option fee of US\$30,000 which gave AusCann exclusivity whilst it undertook its due diligence activities. The exchange rate used to convert US dollars into Australian dollars is 0.7586.

On 31 August 2016, AusCann held a General Meeting for Shareholders at which an ordinary resolution was passed that the existing issued capital of AusCann be split on the basis that every share be divided into 1,420,947.2923 fully paid ordinary shares, and where this division results in a fraction of a share being held, the Company authorised to round that fraction up to the nearest whole share. The issued capital was effectively split on 19 September 2016. This resulted in the existing fully paid ordinary shares converting from 1,497 shares to 2,127,158,097 shares. In addition, the 75 outstanding options to Canopy Growth Corporation were also converted on the same basis to 153,552,779 options with an exercise price of \$0.01.

On 15 September 2016, AusCann entered into a deed of termination and release with Gemelli Nominees Pty Ltd (Termination Deed). The Termination Deed terminated the Consultancy Agreement dated January 2015 between AusCann and Gemelli Nominees Pty Ltd trading as Titan Capital Partners (Titan). Under the Consultancy Agreement Titan was to assist in the securing of investment funds and the ultimate public flotation or other capital market event to further the Company's development. The Termination Deed provided for a termination fee of \$200,000 plus GST.

On 28 September 2016, AusCann having secured all required approvals, issued shares upon conversion of the existing convertible notes amounting to \$3,322,000 that were issued 17 March 2016. This resulted in an additional 805,333,333 shares being issued.

Note 12. Subsequent Events (cont'd)

Further to the conversion of all convertible notes on 28 September 2016, AusCann issued 1,692,360 in shares to Canopy on 28 September 2016. The terms of the Strategic Alliance Agreement between AusCann and Canopy dated 9 May 2016, requires that Canopy hold shares constituting 15% of the issued capital in AusCann as well as options to acquire a further 5% of that issued capital.

These have been recorded as pro forma transactions within Note 2 to this Report.

Note 13. AusCann Group Holdings Limited Financial Information

The below financial information has been extracted from the audited financial reports of AusCann Group Holdings Ltd for the year ended 30 June 2016 and the period from incorporation (22 September 2014) to 30 June 2015. The audits were conducted by PKF Mack. PKF Mack issued an unmodified audit opinion for both reporting periods.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Year Ended 30 June 2016 \$	Audited Period Ended 30 June 2015 \$
Revenue		
Interest revenue	57,257	7,285
Expenses		
Employee benefits expense	(194,136)	-
Finance costs	-	(601)
Impairment expense	(56,221)	-
Depreciation expense	(181)	(155)
Share based payments expense ⁽¹⁾	(5,001,065)	-
Consulting fees - directors	(152,500)	(135,000)
Consulting fees - other	(123,590)	(126,353)
Legal expenses	(173,579)	(10,893)
Other expenses	(167,057)	(91,560)
Total expenses	(5,868,329)	(364,562)
Loss before income tax	(5,811,072)	(357,277)
Income tax expense	-	-
Loss for the year	(5,811,072)	(357,277)
Other comprehensive income		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss for the year	(5,811,072)	(357,277)

⁽¹⁾ On 9 May 2016 in accordance with the Strategic Alliance Agreement with Canopy Growth Corporation (Canopy), AusCann Group Holdings Ltd issued Canopy 460,658,336 shares (post-split) fair valued at \$4,399,238, and 153,522,779 unlisted options exercisable \$0.0067 (post-split) with an expiry date 9 May 2019 fair valued at \$601,827. The total fair value recognised for these equity instruments is \$5,001,065.

Note 13. AusCann Group Holdings Limited Financial Information (Cont'd)
STATEMENTS OF FINANCIAL POSITION

	Audited as at 30 June 2016 \$	Audited as at 30 June 2015 \$
Assets		
Current Assets		
Cash and cash equivalents	2,960,890	486,563
Other current assets	16,638	36,118
Total Current Assets	2,977,528	522,681
Non-current Assets		
Intangible assets	-	56,221
Plant and equipment	363	544
Total Non-current Assets	363	56,765
Total Assets	2,977,891	579,446
Current Liabilities		
Trade and other payables	90,720	16,254
Provisions	12,165	-
Other current liabilities	250,000	100,259
Total Current Liabilities	352,885	116,513
Total Liabilities	352,885	116,513
Net Assets	2,625,006	462,933
Equity		
Contributed equity	5,219,448	820,210
Convertible notes ⁽¹⁾	2,972,080	-
Reserves	601,827	-
Accumulated losses	(6,168,349)	(357,277)
Total Equity	2,625,006	462,933

⁽¹⁾ Convertible notes to value of \$3,322,000 were issued during the year ended 30 June 2016. Issue cost relating to these convertible notes totalled \$349,920. The convertible notes cannot be redeemed by the subscriber and can only be converted into equity.

Note 13. AusCann Group Holdings Limited Financial Information (Cont'd)

STATEMENTS OF CASH FLOWS

	Audited Year ended 30 June 2016 \$	Audited Period ended 30 June 2015 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	51,190	7,285
Receipt of exclusivity fee	250,000	-
Payments to suppliers and employees	(698,943)	(384,012)
Net cash used in operating activities	(397,943)	(376,727)
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	-	(699)
Payments for intellectual property	-	(21,221)
Net cash used in investing activities	-	(21,920)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	835,010
Proceeds from issue of convertible notes	3,322,000	-
Payments for share/convertible note issue transaction costs	(349,920)	(49,800)
Receipt of advance from shareholders	-	100,000
Repayment of shareholder funds	(100,000)	-
Net cash from financing activities	2,872,080	885,210
Net increase in cash and cash equivalents	2,474,327	486,563
Cash and cash equivalents at the beginning of the financial period	486,563	-
Cash and cash equivalents at the end of the financial period	2,960,890	486,563

BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

7.1 Directors, Proposed Directors and key personnel

Biographies for the Directors and Proposed Directors are set out in Section 2.19 above. As discussed in Section 2.19, Ms Elaine Darby and Mr Harry Karelis are proposed to be Executive Directors of the Company. Other than Ms Darby and Mr Karelis, it is not anticipated that there will be any other key executives appointed in the immediate future.

In summary, the Directors and Proposed Directors and their respective status (including independence) are:

(a) Existing Directors

Mr David Wheeler	Non-Executive Chairman - Independent
Mr Nicholas Calder	Non-Executive Director - Independent
Mr Simon Taylor	Non-Executive Director - Independent

(b) Proposed Directors

Malcolm Washer	Chairman – Not Independent
Elaine Darby	Managing Director - Not independent
Harry Karelis	Executive Director - Not independent
Cheryl Edwardes	Non-executive Director - Independent
Bruce McHarrie	Non-executive Director – Independent
Bruce Linton	Non-executive Director – Not Independent

The independence of each Proposed Director has been determined in taking into account the relevant factors suggested in The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**) (**Independence Factors**). The following table offers a brief explanation of how the Independence Factors have been applied to the Proposed Directors in anticipation of their respective appointments.

Dr Malcolm Washer	Dr Washer is not considered to be independent in accordance with the Independence Factors because he has close family ties with a senior executive of the Company (his daughter Ms Elaine Darby is the CEO-designate). However, the Company has determined that any risks to the Company and its shareholders associated with Dr Washer's lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Dr Washer's specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.
Ms Elaine Darby	Applying the Independence Factors, Ms Darby will not be independent because she will be an executive of the Company. She is also a substantial shareholder in AusCann who intends to accept the Takeover Bid from TWH for her AusCann Shares. However, the Company has determined that any risks to the Company and its shareholders associated with Ms Darby's lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Ms Darby's specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with her lack of independence in accordance with the Independence Factors.

Mr Harry Karelis	Applying the Independence Factors, Mr Karelis will not be independent because he will be an executive of the Company. He is also substantial shareholder in AusCann who intends to accept the Takeover Bid from TWH for his AusCann Shares. However, the Company has determined that any risks to the Company and its shareholders associated with Mr Karelis' lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Mr Karelis' specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.
The Hon. Cheryl Edwardes	Ms Edwardes is considered to be independent in accordance with the Independence Factors, and there are no other factors that the Company considers affect Ms Edwardes' capacity to exercise independent judgment with respect to the affairs of the Company.
Mr Bruce McHarrie	Mr McHarrie is considered to be independent in accordance with the Independence Factors, and there are no other factors that the Company considers affect Mr McHarrie's capacity to exercise independent judgment with respect to the affairs of the Company.
Mr Bruce Linton	Mr Linton is not considered to be independent in accordance with the Independence Factors because he is the Chairman and CEO of Canopy. Canopy will be a substantial shareholder in TWH post the acquisition as well having a material contractual relationship with AusCann under the Strategic Alliance Agreement. However, the Company has determined that any risks to the Company and its shareholders associated with Mr Linton's lack of independence in the areas identified can be mitigated with appropriate management in accordance with the Company's conflicts of interest procedure. Moreover, the Company considers that Mr Linton's specific expertise is a key factor for the future success of the Company, and this outweighs any risk that may be perceived to be associated with his lack of independence in accordance with the Independence Factors.

7.2 Directors' declarations

The Company discloses that Mr Harry Karelis was a director of XRT Limited ACN 076 348 000 (XRT) which was placed in voluntary administration in January 2012 and creditors' voluntary liquidation on 14 February 2012. XRT was a privately-funded technology company involved in high-resolution x-ray imaging and due to the inability to raise sufficient follow-up funding as a result of a combination of the global financial crisis and insufficient demand for XRT's products, XRT was placed in voluntary administration by the directors and eventually deregistered on 22 May 2015. Mr Karelis had a role as a non-executive director of XRT.

Mr Karelis was also a director of Continara Limited ACN 105 040 793 (Continara) which was placed in voluntary administration on 7 June 2011. Continara was a medical device company involved in designing, developing and commercialising treatments for continence care in Australia and due to an inability to raise necessary funds to progress clinical trials Continara was placed in voluntary liquidation by creditors and deregistered on 21 February 2013. Mr Karelis had a role as a non-executive director of Continara.

7.3 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted the Recommendations.

The Company's compliance with the Recommendations as at the date of this Prospectus are set out in Annexure A, which also contains an overview of the Company's main corporate governance policies and practices as against each Recommendation. The various corporate governance policies referred to in Annexure A are available in a dedicated corporate governance information section of the Company's website (<http://www.twholdings.com.au/>).

The Company will be required to report any departures from the Recommendations in (or at the time of lodging) its annual financial report.

MATERIAL CONTRACTS

All contracts which may be material in terms of the Public Offer or the operation of the business of the Company are summarised below.

8.1 Sale Agreements

The company has entered into sale agreements with 23 holders of AusCann Shares representing approximately 32.6% of the issued capital of AusCann as at the date of this Prospectus (**Sale Agreements**).

The material terms of the Sale Agreements are:

- (a) **(Acquisition)**: In each case, the Company agrees to acquire the relevant securities from the AusCann Shareholder in exchange for the issue of Shares;
- (b) **(Conditions precedent)**: Completion under each Sale Agreement is effectively conditional on and subject to satisfaction of the Offer Conditions.
- (c) **(Consideration)**: The consideration payable to each AusCann Shareholder varies according to the number of AusCann Shares they hold. The combined total consideration is 957,718,474 Shares and 184,287,904 Performance Shares (on a pre-consolidation basis).
- (d) **(Warranties and indemnities)**: Each Sale Agreement contains some standard warranties and indemnities by the AusCann Shareholders.

The Sale Agreements otherwise contain clauses typical for agreements of this nature.

8.2 Bid Implementation Agreement

The Company and AusCann have entered into an agreement for the purpose of facilitating the Takeover Bid under which the Company will make a conditional off-market offer for all of the shares in AusCann (**Bid Implementation Agreement** or **BIA**). The BIA replaces the binding heads of agreement entered into by the Company and announced to ASX on 9 May 2016.

The Bid Implementation Agreement contains terms and conditions customary for agreements of that nature as they relate to facilitation of the Takeover Bid, exclusivity, announcements, termination and the satisfaction of the following conditions precedent (**Bid Conditions**):

- (a) *Approval of Essential Resolutions*
Shareholders approve the Essential Resolutions in accordance with the Corporations Act, the 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 Company 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 Company has a relevant interest in at least 90% of the AusCann Shares then on issue and is entitled to proceed to compulsory acquisition of all outstanding AusCann Shares under the Corporations Act.

(d) *ASX consent to re-quotation*

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

(e) *AusCann Options offer*

The Company entering into an Option Purchase Agreement with Canopy to acquire all of the AusCann Options.

(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 AusCann shareholders to whom Bid Offers are made;
- (ii) the transactions contemplated by the Bidder's Statement to be completed; and
- (iii) AusCann 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 Company or any associate of the Company),

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 Company of any AusCann Shares or any material assets of AusCann or any subsidiary of AusCann.

(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 AusCann 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 Company (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 AusCann; or

- (v) without limiting the generality of clause 1.1(h)(iv) above, the effect of a diminution in the value of the consolidated net assets of the AusCann, 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 Company;
 - (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 AusCann to Company or any Related Person of the Company 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 AusCann 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 Company.
- (i) *No litigation on foot or pending*
Between the Announcement Date and the end of the Bid Offer Period (each inclusive), no litigation against AusCann 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 Company (whether or not becoming public) or AusCann, 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, AusCann promptly, and in any event within two Business Days, provides to the Company a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to AusCann or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by AusCann or any of its directors, officers, agents or representatives to any person other than the Company, 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, AusCann, under the Corporations Act;
 - (ii) the acquisition by that person or an associate of substantially all the assets and operations of AusCann; 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) AusCann converting all or any of the AusCann Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) AusCann or a subsidiary of AusCann resolving to reduce its share capital in any way;
 - (iii) AusCann or a subsidiary of AusCann 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) AusCann or a subsidiary of AusCann making an issue of AusCann Shares or granting an option over the AusCann Shares or agreeing to make such an issue or grant such an option;
 - (v) AusCann or a subsidiary of AusCann issuing, or agreeing to issue, convertible notes;

- (vi) AusCann or a subsidiary of AusCann disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (vii) AusCann or a subsidiary of AusCann granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (viii) AusCann or a subsidiary of AusCann resolving that it be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of AusCann or of a subsidiary of AusCann;
- (x) the making of an order by a court for the winding up of AusCann or of a subsidiary of AusCann;
- (xi) an administrator of AusCann or of a subsidiary of AusCann being appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) AusCann or a subsidiary of AusCann 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 AusCann or of a subsidiary of AusCann.

(l) *No distributions*

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

(m) *Escrow*

Each AusCann Shareholder and Canopy entering into such form of restriction agreement in respect of the Shares, Performance Shares and Options issued to them on completion of the Bid (including any Shares issued upon satisfaction of the Performance Milestone or on exercise of Options) as ASX may require.

The BIA provides that the Company will offer 1 Share and approximately 0.1924 Performance Shares for every 1 AusCann Share held. Bid Offers will only be made to AusCann Shareholders who have not entered into Sale Agreements, although the terms of the Bid Offers are identical to the terms of acquisition of AusCann Shares under the Sale Agreements.

8.3 Strategic Alliance Agreement

As announced by the Company on 9 May 2016, AusCann entered into a strategic alliance agreement with Canopy (**Strategic Alliance Agreement**). Under the arrangement, Canopy will offer its expertise in a number of areas including production, quality assurance and operations, and provide strategic advisory services to AusCann in exchange for 460,658,336 AusCann Shares (on a pre-Consolidation basis) 153,552,779 AusCann options (pre-Consolidation) at an exercise price per option of \$0.01 (pre-Consolidation) with an expiry date of 36 months from the date of the Prospectus.

Canopy is listed on the TSX and has a market capitalisation in excess of A\$750,000,000. Canopy's headquarters are in Ontario, Canada. Canopy is the largest legal cannabis producer in the world.

The material terms of the Strategic Alliance Agreement are as follows:

- (a) **(Consulting services)** Canopy will provide consulting services to AusCann for an initial term of 3 years, utilising its vast range of expertise and intellectual property in cultivation, manufacturing and supply of high quality medicinal cannabis.
- (b) **(Licence)** Canopy has agreed to grant to AusCann a non-exclusive, irrevocable, royalty-free, non-transferable, non-sublicensable licence to access Canopy's intellectual property, proprietary materials, cannabis genetics and product materials as reasonably required by AusCann for use in development of AusCann's cannabis products and clinical studies.
- (c) **(Board nominee)** During the term of the Strategic Alliance Agreement, Canopy shall have the right to nominate 1 non-executive Director to the Board who shall be subject to retirement and rotation in accordance with the Listing Rules. Mr Bruce Linton is the nominee of Canopy in this regard.
- (d) **(Intellectual property)** The intellectual property generated or improved upon as a result of the services provided by Canopy shall be the sole and exclusive property of Canopy. The intellectual property related

to the cannabis product, being the physical cannabis plant, extracts, oils and any other physical cannabis derived products shall be the sole and exclusive property of AusCann.

The Strategic Alliance Agreement otherwise contains clauses typical for agreements of this nature.

8.4 Fundación Daya

AusCann and the Fundación Daya (**Daya**) entered into a binding heads of agreement on 10 November 2016 to establish a for-profit joint venture to cultivate medicinal cannabis in Chile and develop and distribute cannabis-based medicinal products (**Daya HoA**).

Daya has been awarded a medicinal cannabis grow permit by the Chilean Government for each of the last three years, up to and including 2016 (**Grow Permit**). Daya remains the only group in Chile to have been granted approvals and grown medicinal cannabis. Daya and AusCann believe it to be of mutual benefit to establish a new joint venture company (**DayaCann**) based in Chile to pursue various opportunities in the medicinal cannabis sector both within Chile specifically and Latin America and other export opportunities in general. This joint venture is to be exclusive between the parties and neither party may enter into similar relationships with other groups in Chile.

The general terms of the Daya HoA are as follows:

- (a) AusCann and Daya are to hold a 50% stake each in DayaCann.
- (b) Upon being awarded the 2016 grow permit (which was awarded on 11 November 2016), Daya will transfer the 2016 grow permit to DayaCann.
- (c) Daya founders own the land and existing infrastructure which DayaCann will access under an operating agreement which eliminates the need to spend capital on land and related infrastructure.
- (d) AusCann has already provided an exclusive due diligence option fee of US\$30,000 which gave AusCann exclusivity whilst it undertook its due diligence activities.
- (e) AusCann is to provide working capital to DayaCann for an amount up to US\$90,000 for a period of up to three months. Payments are to be made in three equal monthly instalments of US\$30,000.
- (f) Upon receipt of the transfer of rights to DayaCann, AusCann is to provide additional funding sufficient to cover operating costs and working capital for the grow as well as to pursue other international business development activities - initially in Latin America. This amount, to total up to US\$880,000 over a 12-month period, is to be payable in monthly instalments.
- (g) DayaCann is to cultivate the crop, sell production to customers and pursue international expansion opportunities.
- (h) DayaCann is to apply for and hold future production licences directly.
- (i) The relationship is exclusive and neither party may enter into a similar arrangement with another party in Chile without the explicit written consent of the other party.
- (j) AusCann and Daya are to appoint two directors each with a mechanism to be put in place to deal with deadlock decisions.
- (k) The parties are now working in good faith to do all that is necessary to establish DayaCann, including to enter into a shareholders agreement in respect of DayaCann. If the terms of the shareholders agreement is not agreed by 31 January 2017 (or such later date as the parties agree, acting reasonably), the Daya HoA will terminate and DayaCann will not be established.

8.5 Phytoplant Research Agreement

In November 2015 AusCann entered into a non-binding research heads of agreement with Phytoplant Research S.L. (**Phytoplant**), a Spanish company that is active in the field of phytotherapy research and specialises in developing industrial chain medicinal plants.

Under the agreement AusCann is to be granted exclusivity in the Australian market over certain cannabis strains and intellectual property rights at no up-front cost to AusCann. Further, Phytoplant will provide know-how and support in establishing the particular varieties with the aim of securing Plant Breeder's Rights in Australia.

In consideration, AusCann will provide to Phytoplant suitable growing conditions including open fields, greenhouses and analytical labs. Further, Phytoplant will be entitled to end-point royalties based on net sales to be negotiated and agreed upon by the parties.

8.6 Murdoch University Research Agreement

AusCann and Murdoch University are parties to a memorandum of understanding for a 5-year research and development alliance focused upon:

- (a) The development and cultivation of strains of medicinal cannabis specific to Australian growing conditions using the expertise of the State Agricultural Biotechnology Centre.
- (b) Production of full spectrum plant extracts, and testing of therapeutic products to meet the needs of Australian patients.

8.7 Aunt Zelda's Agreement

AusCann has entered into a non-binding heads of agreement with privately owned, California-based company, Caziwell Inc./ Aunt Zelda's Group (**Aunt Zelda's**) for exclusive access to the "Aunt Zelda's" brand and product range in the Australian and New Zealand market. The key terms of the Aunt Zelda's Agreement are as follows:

- (a) **(Intellectual property rights)** AusCann is granted exclusive rights to the Australian and New Zealand markets for the production of Aunt Zelda's branded medicinal cannabis products.
- (b) **(Term)** The initial term is 5 years, and is automatically extended a further 5 years' subject to minimum key performance indicators being achieved.
- (c) **(Consideration)** AusCann will pay an up-front exclusive licensing fee of \$US50,000 upon receipt of necessary approvals to begin the manufacture and/or sale of Aunt Zelda's products or becoming listed on a public exchange, whichever comes first.
- (d) **(Royalty)** AusCann must pay an ongoing royalty to Aunt Zelda's of 5% of sales revenue generated through the sale of the Aunt Zelda's branded products.
- (e) **(Exclusivity)** AusCann is permitted the exclusive jurisdiction of the areas of Australia and New Zealand, however, upon the change in control of AusCann either at a shareholder or board level, exclusivity will be maintained at Aunt Zelda's's discretion. Further, to maintain exclusivity, AusCann must generate minimum annual income to Aunt Zelda's of US\$50,000.
- (f) **(Preferred supplier)** Subject to agreement as to pricing, the parties agree to collaborate on extraction and manufacturing operations so that AusCann is the preferred global supplier of input materials and/or finished product of Aunt Zelda's products to other Aunt Zelda's licensees in international markets where it is legal to do so.

8.8 Zelda Therapeutics Agreement

On or around 6 May 2016, AusCann entered into a preferential supplier agreement with Zelda Therapeutics Pty Ltd (**Zelda Therapeutics**) (**Zelda Therapeutics Agreement**). Zelda Therapeutics is a specialist clinical-trials focused bio-pharmaceutical company intending to fast-track pre-clinical research and clinical trial activities using cannabinoid-based medicines. They wish to secure a stable supply of pharmaceutical grade cannabinoid-based medicines for use in these activities.

The key terms of the Zelda Therapeutics Agreement are as follows:

- (a) **(Preferential supplier)** The parties agree for AusCann to be Zelda Therapeutics' preferred supplier of cannabinoid-based medicines for Zelda's research and clinical activities.
- (b) **(Regulatory standard)** AusCann is to produce medicines to the required regulatory standards.
- (c) **(Global markets)** Subject to formalising pricing agreements between the parties, AusCann is to be Zelda Therapeutics' preferred supplier of cannabinoid-based medicines for research and clinical activities conducted by Zelda Therapeutics in other global markets.

The Zelda Therapeutics Agreement otherwise contains clauses typical for an agreement of this nature.

8.9 Hidden Garden Agreement

AusCann and Hidden Garden Sustainable Farms Ltd (**Hidden Garden**) have entered into a non-binding heads of agreement to explore the possibility of cultivation of medicinal cannabis on the Australian Commonwealth territory of Christmas Island for the export market. Hidden Garden is an Australian based company established to develop horticultural projects focussed on providing affordable, high quality, fresh produce to local communities. Hidden Garden has a focus on sustainable farming in remote communities.

Hidden Garden has been granted a 21-year agricultural lease over 55 acres of prime Commonwealth land. The key terms of the Hidden Garden agreement are as follows:

- (a) **(Growing areas and expertise)** Hidden Garden is to provide suitable growing areas to AusCann on Christmas Island, including open fields and greenhouses, for the growing of AusCann's genetics. Hidden Garden will also assist with growing expertise and on site management of AusCann's crops.
- (b) **(Contract grower)** Hidden Garden will be AusCann's contract grower of AusCann's genetics on Christmas Island for any growing activities not directly conducted by AusCann.
- (c) **(Exclusive supply)** Hidden Garden will exclusively supply to AusCann all medicinal cannabis grown on Hidden Garden leases.

The terms of the Hidden Garden agreement serve to establish the framework for further negotiations and a definitive, binding legal agreement between the parties.

8.10 Lead Manager Mandate

On 7 July 2016 the Company entered into a capital raising and corporate advisory mandate with CPS Capital under which CPS Capital was appointed lead manager to the Public Offer (**Lead Manager Mandate**).

The material terms of the Lead Manager Mandate are as follows:

- (a) CPS Capital has been engaged to provide corporate advisory and capital raising services on an exclusive basis, including acting as lead manager to the Public Offer.
- (b) CPS Capital has agreed to place, on a best endeavours basis, up to 15,000,000 Shares at an issue price of \$0.20 (on a post-Consolidation basis), to raise up to \$3,000,000, which amount may be increased to \$5,000,000 should there be sufficient demand.
- (c) The Company must pay the following fees to CPS Capital:
 - (i) a capital raising fee equal to 6% on all funds raised under the Public Offer; and
 - (ii) a corporate advisory fee of \$5,000 per month for a period of 12 months from the date of the Lead Manager Mandate for the provision of general ongoing corporate, strategic and marketing advice.

The Lead Manager Mandate otherwise contains terms and conditions considered typical for agreements of this nature.

8.11 Agreements with Executives

Mr Harry Karelis

On 1 March 2016 AusCann entered into a consultancy service agreement with Gemelli Nominees Pty Ltd (**Gemelli Nominees**) (**Consultancy Agreement**). Under the Consultancy Agreement, Gemelli Nominees Pty Ltd has nominated Executive Director, Mr Harry Karelis, as the nominated person to perform the services set out in the agreement. The material terms of the Consultancy Agreements are as follows:

- (a) **Term, position and duties**
Gemelli Nominees has been engaged for a term of 12 months, from 1 March 2016, unless the agreement is validly terminated by either party earlier. Mr Harry Karelis has been appointed as an executive director of AusCann. During the term of the agreement, Mr Karelis is able to provide services of any kind to any other person provided that those services do not conflict with the best interests of AusCann or adversely affect his ability to provide his services to the AusCann.

(b) **Remuneration**

Gemelli Nominees will be paid a monthly consultancy fee of \$10,000 (exclusive of GST) for the provision of at least 16 hours work each week. The fee will be reviewed annually. Gemelli Nominees and Mr Karelis are not entitled payment by AusCann of salary, holiday pay, sick pay, severance pay, long service leave or any other entitled which an employee has in respect of their employment.

Gemelli Nominees is entitled to reimbursement of reasonable expenses and expenditure.

(c) **Termination**

AusCann may terminate the Consultancy Agreement at any time upon certain occurrences, including but not limited to, Gemelli Nominees going into liquidation, or Mr Karelis being convicted of a major criminal offence. Further, AusCann may also terminate the Consultancy Agreement by giving written notice. Gemelli Nominees may also terminate the Consultancy Agreement without cause.

Ms Elaine Darby

AusCann has entered into an employment agreement with Proposed Director, Ms Elaine Darby (**Employment Agreement**). The material terms of the Employment Agreement are as follows:

(a) **Term, position and duties**

From 3 December 2015 until such time as she resigns or the Employment Agreement is terminated, Ms Darby is employed by AusCann in the position of Managing Director. During the term of her employment, Ms Darby must render her services exclusively for AusCann.

(b) **Salary**

Ms Darby receives a base salary of \$200,000 per annum as compensation for her services (**Base Salary**). The Base Salary is subject to annual review by AusCann.

Ms Darby's Base Salary is inclusive of director's fees and is intended to cover all the services that she may perform for AusCann.

Ms Darby is entitled to receive all reasonable expenses incurred in the fulfilment of her duties, in addition to compulsory superannuation contributions up to the maximum salary cap.

(c) **Termination**

Ms Darby's position may be terminated at any time by either party giving 3 months' written notice. AusCann may end her employment at any time without notice if she engages in extremely serious misconduct that is shown to demonstrably impact on AusCann's share price.

If AusCann terminates Ms Darby's employment involuntarily, she will be entitled to a severance payment for past services rendered equal to 6 months' base salary, which will be in addition to any payment made in lieu of notice or for redundancy.

(d) **Change in control**

If a change occurs in the control of AusCann, the Employment Agreement shall continue. Should Ms Darby's position change as a result of a change in control, the Employment Agreement will no longer apply to her employment unless Ms Darby and the Company agree to enter a new written employment agreement or to vary the Employment Agreement in writing.

8.12 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors and will enter such deeds with each of the Proposed Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers in certain circumstances.

ADDITIONAL INFORMATION

9.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

9.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares under the Constitution. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, which is available for review by Shareholders at the Company's website <http://www.twholdings.com.au/Prospectus> and at the office of the Company during normal business hours. A copy of the Constitution can also be sent to Shareholders upon request to the Company Secretary on +61 1300 503 085.

(a) **General Meeting**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

(b) **Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative, proxy or attorney has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

(c) **Issues of further shares**

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

(d) **Variation of rights**

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by a special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

(e) **Transfer of shares**

Subject to the Constitution, the Corporations Act, the ASX Settlement Operating Rules and the Listing Rules, ordinary shares are freely transferable. The shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act.

The Company may decline to register a transfer of shares in the circumstances described in the Constitution and where permitted to do so under the Listing Rules. If the Company declines to register a transfer, the Company must give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules or by the ASX Settlement Operating Rules.

(f) **Partly paid shares**

The Directors may, subject to compliance with the Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

(g) **Dividends**

Subject to the Corporations Act, the Listing Rules, the Constitution and the rights of any person entitled to shares with special rights to dividend, the Directors may determine that a dividend is payable. The Company in general meeting may declare a dividend if the Directors have recommended a dividend and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends. Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

(h) **Winding up**

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

(i) **Dividend plans**

The Directors may establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of shares.

(j) **Directors**

The Constitution states that the minimum number of Directors is three.

(k) **Powers of the Board**

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution.

9.3 Rights attaching to Options

The following is a summary of rights attaching to Options:

(a) **Entitlement**

- (i) Each Option will entitle the holder to subscribe for one Share.
- (ii) All Shares issued on exercise of Options will rank equally in all respects with the Company's then existing Shares.

(b) **Exercise price**

Each Option shall entitle the holder to acquire one Share upon payment of the sum of:

- (i) in the case of Canopy Options, \$0.20 per Option; and
- (ii) in the case of Director Options, \$0.21 per Option,

(on a post-Consolidation basis) (**Exercise Price**) to the Company.

(c) **Exercise of Options**

- (i) 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 the Company together with the payment of the exercise price in immediately available funds for the number of Shares in respect of which the Options are exercised.
- (ii) An Option not exercised on or before the Expiry Date will lapse.
- (iii) Shares issued pursuant to the exercise of the Options will be issued, and a holding statement or share certificate provided to the holders of Options in respect of those Shares, on the above terms and conditions not more than five 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 Options exercised.

(d) **Quotation**

- (i) Application will not be made to ASX for Official Quotation of the Options.
- (ii) Provided the Company is listed on ASX at the time, application will be made for Official Quotation of Shares issued on exercise of Options not later than five Business Days after the date of issue.

(e) **Transfer**

Options are not transferable.

(f) **Participation and entitlements**

- (i) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of Securities offered to shareholders during the currency of the Options.
- (ii) However, the Company must give notice to the holders of 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 Options before the date for determining entitlements to participate in any issue.

(g) **Reorganisation of share capital**

In the event of a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of holders of 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.

(h) **Bonus issues**

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

(i) **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 an option shall be reduced according to the following formula:

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

where:

O' = the new exercise price for an Option

O = the old exercise price for an Option

E = the number of underlying Securities into which an 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.

9.4 Rights attaching to Performance Shares

The following is a summary of rights attaching to Performance Shares:

(a) **Rights attaching**

(i) Each Performance Share shall be issued for nil cash consideration.

(ii) Each Performance Share will, on vesting, convert into one Ordinary Share.

(iii) A Performance Share:

(A) confers on the holder:

- (1) a right to receive notices of general meetings of shareholders and financial reports and accounts of the Company that are circulated to shareholders; and
- (2) a right to attend general meetings of shareholders; and

(B) does not entitle a Holder, other than to the extent required by law, to:

- (1) vote at any meeting of shareholders;
- (2) to any dividend;
- (3) to a return of capital, whether in winding up upon a reduction of capital or otherwise;
- (4) any right to participate in the surplus profits or assets of the Company upon the winding up of the Company; or
- (5) to participate in new issues of Securities.

(iv) A Performance Share is not transferrable.

(v) 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.

(vi) The holder of a Performance Share (and any Share issued upon the vesting of a Performance Share under these terms and conditions) agrees to be bound by the Constitution.

(b) **Quotation**

- (i) The Performance Shares will not be quoted on ASX.
- (ii) Notwithstanding sub-paragraph (b)(i), the Company must:
 - (A) apply for Official Quotation of any Shares issued upon vesting of a Performance Share under sub-paragraph (d) below in accordance with the Listing Rules; and
 - (B) use its best endeavours to obtain such Official Quotation.
- (iii) Holders must comply with any ASX requirement that Shares issued on vesting under sub-paragraph (d) below be escrowed and that a holder enter into a restriction agreement necessary to affect the escrow, and must do so prior to the issue of the Shares.
- (iv) Upon issue of a Share pursuant to vesting of a Performance Share under these terms and conditions the Company will (if required) either:
 - (A) give to ASX a notice under section 708A(5)(e) of the Corporations Act and such notice must confirm that the Company is not withholding any 'excluded information' for the purposes of section 708A(6)(e) of the Corporations Act; or
 - (B) if the notice under Item 3.4(a) is not able to be issued by the Company or for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure under the Corporations Act, then the Company must, no later than 10 days after the date of the issue of the 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 Shares does not require disclosure to investors under the Corporations Act.

(c) **Reorganisation**

If at any time the capital of the Company is reorganised, the Performance Shares shall be treated in the manner set out in Listing Rule 7.21 (or other applicable Listing Rules), such that the number of Performance Shares or the conversion ratio under sub-paragraph (d) 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.

(d) **Vesting**

- (i) Within seven (7) days of achievement of the Performance Milestone, each Performance Share shall convert to Shares at the rate of one (1) Share for every one (1) Performance Share.
- (ii) If an issue under sub-paragraph (d)(i) would cause a contravention of section 606 of the Corporations Act, the issue shall be subject to the approval of shareholders under Item 7, section 611 of the Corporations Act, and the Company must:
 - (A) promptly convene a meeting of shareholders for the purposes of considering such approval; and
 - (B) use its reasonable endeavours to procure that approval.
- (iii) If the Performance Milestone has not occurred on or prior to the Milestone Date, each and every Performance Share will be forfeited.
- (iv) Upon the occurrence of either:
 - (A) a takeover bid under Chapter 6 of the Corporations Act being made in respect of the Company, and;
 - (B) the bidder having received acceptances in respect of greater than 50% of the Company's Ordinary Shares on issue at that time; and
 - (C) the bid having been declared unconditional by the bidder; or

- (D) 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 the Company or its amalgamation with any other company or companies,

to the extent the Performance Shares have not yet vested under sub-paragraph (d)(i) or been forfeited under sub-paragraph (d)(iii), those Performance Shares will automatically convert into Shares at the rate set out in sub-paragraph (d)(i) up to a maximum number (when counted together with any other Shares being issued in respect of other classes of securities, if any) constituting ten percent (10%) of the Shares then on issue. Any Performance Shares not vested in this manner will continue to be held by the holder on the same terms and conditions.

- (v) The Company will issue a holder with a new holding statement for the Shares issued under sub-paragraphs (d)(i), (d)(ii) or (d)(iv) as soon as practicable following the vesting of each Performance Share.
- (vi) All Shares issued upon vesting of Performance Shares shall rank *pari passu* in all respects with all other 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.

(e) **Performance Milestone**

The Performance Milestone shall be satisfied if, before the Milestone Date:

- (i) AusCann 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
- (ii) AusCann 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
- (iii) AusCann 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
- (iv) the Company, having merged with AusCann, is granted a licence referred to in sub-paragraph (i) or (ii) above or is issued or acquires an interest referred to in sub-paragraph (iii) above.

(f) **Compliance**

- (i) Notwithstanding anything contained in these terms and conditions, if the 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.
- (ii) Nothing in these terms and conditions requires to be done anything that the Listing Rules, the Corporations Act or the Constitution prohibit from being done to the extent of that prohibition.
- (iii) The Company may unilaterally amend these terms and conditions if and to the extent necessary to resolve any conflict between these terms and conditions and the Listing Rules, the Corporations Act or the Constitution, or to make these terms and conditions compliant with the Listing Rules, the Corporations Act or the Constitution.

9.5 Rights attaching to Performance Rights

The rights attaching to Performance Rights are the same as those set out for Performance Shares in Section 9.4 above.

9.6 Proposed employee share option plan

Shareholder approval having been obtained at the General Meeting, the Directors propose to adopt an employee share option plan (**Plan**) to enable eligible employees to be granted Options, the principle terms of which are summarised below.

- (a) **(Eligibility)** The Board may, in its absolute discretion, invite any director, senior executive, contractor, consultant or employee of the Company to participate in the Plan (**Eligible Employee**).
- (b) **(Terms of Options):**
 - (i) Each option will be granted to eligible employees under the Plan for no more than nominal consideration;
 - (ii) Each Option will entitle its holder to subscribe for and be issued one Share (on vesting and exercise of that Option);
 - (iii) Options will not be listed for quotation on ASX, however the Company will apply for Official Quotation of Shares issued upon the exercise of any vested Options;
 - (iv) The grant date and expiry date of the Option shall be as determined by the Board when an offer to participate in the Plan is made;
 - (v) A participant is not entitled to participate in or receive any dividend or other shareholder benefits until its Options have vested and been exercised and Shares have been allocated to the participant as a result of the exercise of those Options;
 - (vi) There are no participating rights or entitlements inherent in the Options and participants will not be entitled to participate in new issues of Securities offered to shareholders of the Company during the currency of the Options;
 - (vii) Following the issue of Shares following the exercise of vested Options, participants will be entitled to exercise all rights of a shareholder attaching to the Shares, subject to any disposal restrictions advised to the participant at the time of the grant of the Options;
 - (viii) If there is a reconstruction of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each participant is entitled or the exercise price of his or her Options or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.
- (c) **(Performance conditions)** When granting Options, the Board may make their vesting conditional on the satisfaction of a performance condition within a specified period. The Board may at any time waive or change a performance condition or performance period in accordance with the Plan rules if the Board (acting reasonably) considers it appropriate to do so.
- (d) **(Vesting):**
 - (i) The Options will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
 - (ii) Subject to the Plan rules, the Board may declare that all or a specified number of any unvested Options granted to a participant which have not lapsed immediately vest if, in the opinion of the Board a change of control in relation to the Company has occurred, or is likely to occur, having regard to the participant's pro rata performance in relation to the applicable performance conditions up to that date.
 - (iii) Subject to the Plan rules, the Board may in its absolute discretion, declare the vesting of an Option where the Company is wound up or passes a resolution to dispose of its main undertaking.
 - (iv) If there is any internal reconstruction or acquisition of the Company which does not involve a significant change in the identity of the ultimate shareholders of the Company, the Board may declare in its sole discretion whether and to what extent Options, which have not vested by the date the reconstruction takes place, will vest.
- (e) **(Disposal restrictions)** The Board may, in its sole and absolute discretion, determine whether there will be any restrictions on the disposal of, the granting (or purporting to grant) of any security interest in or over, or otherwise on dealing with (or purporting to dispose or deal with), Shares issued or transferred to any participant under the Plan.

- (f) **(Overriding restrictions)** No issue of allocation of Options and/or Shares will be made to the extent that it would contravene the Constitution, Listing Rules, the Corporations Act or any other applicable law. At all times participants must comply with any share trading policy of the Company.
- (g) **(Lapse):**
- (i) An Option will immediately lapse upon the first to occur of:
 - (A) the cessation of employment, engagement or office of the participant;
 - (B) if the Board and the participant agrees, the day the Board makes a determination that the ESOP Options lapse;
 - (C) if any applicable conditions are not achieved by the relevant time;
 - (D) if the Board determines in its sole and absolute discretion that any applicable conditions have not been met and cannot be met prior to the expiry date; or
 - (E) its expiry date.
 - (ii) Where a participant ceases to be employed or engaged by the Company and is not a “bad leaver” (as that term is defined in the Plan), and the Options have vested, the will remain exercisable until the Options lapse in accordance with the Plan rules or if they have not vested, the Board will determine as soon as reasonably practicable after the date the participant ceases to be employed or engaged, how many (if any) of those participant’s Options will be deemed to have vested and exercisable.
 - (iii) Where a participant becomes a “bad leaver” (as that term is defined in the Plan), all Options, unvested, or vested, will lapse on the date of the cessation of employment, engagement or office of that participant.

9.7 Interests of Directors

Other than as set out in this Prospectus, no Director or Proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or Proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offers.

9.8 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offers.

PKF Mack has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 6 of this Prospectus. The Company estimates it will pay PKF Mack a total of \$25,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, PKF Mack has received \$42,500 in fees in its capacity as AusCann's auditor.

CPS Capital has acted as Lead Manager of the Public Offer set out in this Prospectus. The Company estimates it will pay CPS a total of approximately \$300,000 (excluding GST and assuming the maximum amount of \$5,000,000 is raised pursuant to the Public Offer) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, CPS has received approximately \$41,300 in capital raising fees from the Company.

Blackwall Legal LLP has acted as the Company's solicitors in relation to the Acquisition and the Offers. The Company estimates it will pay Blackwall Legal LLP approximately \$170,000 (excluding GST and disbursements) for these services. Blackwall Legal LLP has not otherwise provided any professional services to the company during the 2 years prior to the lodgement of this Prospectus with ASIC.

Allion Partners has acted as the solicitors to AusCann in relation to the Acquisition and the Offers. AusCann estimates it will pay Allion Partners Pty Limited approximately \$150,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Allion Partners Pty Limited has received approximately \$130,000 (excluding GST and disbursements) for the provision of other legal services to AusCann.

9.9 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

AusCann has given its written consent to the inclusion of the statements attributed to it in this Prospectus in the form and context in which those statements are included. AusCann has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

PKF Mack has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 6 of this Prospectus in the form and context in which the information and report is included. PKF Mack has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as the Company's auditor in this Prospectus and the inclusion of the audited financial information of the Company in the Investigating Accountant's Report in Section 6 of this Prospectus in the form and context in which it appears. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

CPS has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the Public Offer under this Prospectus in the form and context in which it is named.

Computershare Investor Services Pty Limited has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Blackwall Legal LLP has given its written consent to being named as the solicitors to the Company in this Prospectus. Blackwall Legal LLP has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Allion Partners Pty Limited has given its written consent to being named as the solicitors to AusCann in this Prospectus. Allion Partners Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

9.10 Expenses of the Public Offer

The total expenses of the Public Offer (excluding GST) are estimated to be approximately \$482,620 for minimum subscription or \$604,620 for full subscription and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum subscription (\$)	Full subscription (\$)
ASIC fees	2,350	2,350
ASX fees	96,270	98,270
Broker Commissions and Advisory Fees*	180,000	300,000
Legal Fees	170,000	170,000
Investigating Accountant's Fees	25,000	25,000
Printing and Distribution	2,500	2,500
Miscellaneous	6,500	6,500
TOTAL	482,620	604,620

9.11 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

9.12 Electronic prospectus

Chapter 6D of the Corporations Act allows distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, free of charge, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at <http://www.twholdings.com.au/>.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.13 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

9.14 Clearing House Electronic Sub-Register System (CHES) and issuer sponsorship

The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

9.15 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors and separately consented to by each of the Proposed Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.



David Wheeler
Director

For and on behalf of TW Holdings Limited



GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

Acquisition means the acquisition of AusCann by the Company.

Advisors means each or all of:
 (a) CPS;
 (b) Gemelli Nominees Pty Ltd; and
 (c) Stewart Washer,
 as the context requires.

Advisor Offer has the meaning in Section 3.2(b) of this Prospectus.

Advisor Shares means the Shares and Performance Shares to be issued under the Advisor Offer.

Announcement Date means the date on which the Takeover Bid is announced.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

AusCann means AusCann Group Holdings Ltd (ACN 601 953 860).

AusCann Share a fully paid ordinary share in the capital of AusCann.

AusCann Shareholder means the holder of an AusCann Share.

AusCann Shareholder Offer has the meaning in Section 3.2(a) of this Prospectus.

Bid Implementation Agreement or **BIA** has the meaning given in Section 8.2.

Bid Offer means each offer to acquire AusCann Shares on issue during the Bid Offer Period to be made by the Company to each AusCann shareholder under the Bid on terms consistent with the BIA.

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

Bidder's Statement means document to be issued by the Company in respect to the Bid and in accordance with section 633(1) of the Corporations Act.

Board means the board of Directors as constituted from time to time.

Canopy means Canopy Growth Corporation of Ontario, Canada.

Canopy Offer has the meaning in Section 3.2(d) of this Prospectus.

Closing Date means the closing date of the Public Offer as set out in the indicative timetable on page 2 of this Prospectus (subject to the Company reserving the right to extend the closing date or close the Public Offer early).

Company means TW Holdings Limited (to be renamed "AusCann Group Holdings Limited") ACN 008 095 207.

Consideration Shares means Shares and Performance Shares to be issued under the AusCann Shareholder Offer.

Consolidation means the consolidation of its issued share capital by the Company on the basis of one (1) new Share for every 20 existing Shares.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

CPS means CPS Capital Group Pty Ltd ACN 088 055 636 AFSL 294848.

Director Offer has the meaning in Section 3.2(c) of this Prospectus.

Directors means the directors of the Company at the date of this Prospectus and the Proposed Directors.

Essential Resolutions means resolutions 1-10 inclusive and 12-18 inclusive as approved at the General Meeting.

General Meeting means the general meeting of the Company held on 31 October 2016.

Listing Rules means the official listing rules of ASX.

Milestone Date means the date which is eighteen months after the date on which the Company achieves re-compliance with Listing Rules.

ND Act means the *Narcotic Drugs Act 1967* (Cth).

Official List means the official list of ASX.

Official Quotation means quotation of the Company's securities by ASX in accordance with the Listing Rules.

Option means an option to acquire a Shares.

Original Prospectus means the Company's prospectus dated 21 October 2016.

Performance Milestone has the meaning given in Section 9.4(e).

Performance Share means the shares to be issued by the Company on the terms set out in Section 9.4.

Performance Right means a right to subscribe for a Share.

Proposed Directors means those persons named as such in Section 2.19 of this Prospectus.

Prospectus or **Replacement Prospectus** means this replacement prospectus dated 21 November 2016 which replaces the Original Prospectus.

Public Offer means the offer of Shares to the public pursuant to this Prospectus as set out in Section 3.1 of this Prospectus.

Public Offer Period means the period from the date of this Prospectus until the Closing Date.

Sale Agreements means the agreements for the acquisition of AusCann Shares by the Company which are summarised in Section 8.1 of this Prospectus.

Section means a section of this Prospectus.

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

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

Shareholder means a holder of Shares.

Takeover Bid or **Bid** has the meaning given in Section 2.1.

TGA means the Commonwealth Therapeutic Goods Administration.

Therapeutic Goods Act means the *Therapeutic Goods Act 1989* (Cth).

TSX means the Toronto Stock Exchange.



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ANNEXURE A – COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose the respective roles and responsibilities of its board and management; and those matters expressly reserved to the board and those delegated to management.	Yes	<p>The Board has adopted a Board Charter, which discloses the specific responsibilities of the Board, including detailing those responsibilities which are reserved expressly to the Board and those which are delegated to management.</p> <p>The Company's Board Charter is published on the Company's website.</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	Yes	<p>The Company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a director. A director that has been appointed during the year must stand for election at the next Annual General Meeting (AGM). The Company provides to shareholders in the Notice of AGM relevant information for the shareholder's consideration.</p> <p>The Company intends to appoint the Proposed Directors to the Board on listing. In preparation for these appointments, the Company has conducted all appropriate checks on each of the Proposed Directors.</p> <p>In addition, the Company's Nomination Committee Charter (see recommendation 2.1) establishes accountability for requiring appropriate checks of potential directors to be carried out before appointing that person or putting them forward as a candidate for election, and this will be undertaken with respect to all future appointments.</p>
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Each director and senior executive has a written agreement setting out the terms of their appointment.

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.	Yes	The Company Secretary is appointed under a written agreement under which the Company Secretary is accountable to the Board in relation to matters to do with the proper functioning of the Board.
1.5	A listed entity should have a diversity policy and should disclose at the end of each reporting period the measurable objectives for achieving gender diversity and the progress towards achieving those objectives.	No	The Company recognises the importance of equal employment opportunity, however, has determined to not initially adopt a formal policy and establish measurable objectives for achieving gender diversity (and accordingly, will not initially be in a position to report against measurable objectives). The Board considers that its approach to gender diversity and measurable objectives is justified by the current nature, size and scope of the business, but will consider in the future, once the business operations of the Company mature, whether a more formal approach to diversity is required.
1.6	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; (b) and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	No	The Board has not adopted any formal procedures for the review of its performance, however to date it has applied an on-going self-evaluation process. The Company anticipates that this recommendation will become an area of focus as the Company's operations mature.
1.7	A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	No	As from the date of listing, it is not anticipated that the Company will in the short term have any senior executives that are not members of the Board. Accordingly, the Board has not adopted any formal procedures for the review of the performance of senior executives. The Board will, as required, adopt in the future an assessment process to measure senior executive performance, with outcomes utilised to determine senior executive remuneration.

ANNEXURE A – COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
2. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
2.1	<p>The Company should have a Nomination Committee which has at least 3 members a majority of whom are independent and is chaired by an independent director.</p> <p>If it does not have a nomination committee, the Board should disclose that fact and the processes it employs to address board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	Yes	<p>The Board has not established a separate Nomination Committee. Given the scale of the Company's proposed post-listing operations, it is anticipated that the full Board will be able to continue adequately discharge the functions of a Nomination Committee for the short to medium term. The Board will consider establishing a Nomination Committee when the size and complexity of the Company's operations and management warrant it. In the meantime, the Company has adopted a Nomination Committee Charter, which includes specific responsibilities to be carried out by that committee when it is established, but which are in the meantime carried out by the full Board.</p> <p>The Company's Nomination Committee Charter is available on the Company's website.</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	No	<p>The proposed Board will be specifically constituted with the mix of skills and experience that the Company requires to move forward in implementing its strategic objectives. The composition of the Board and the performance of each Director will be reviewed from time to time to ensure that the Board continues to have a mix of skills and experience necessary for the conduct of the Company's activities as the Company's business matures and evolves. Currently, and in view of the current composition of the Board to suit the Company's clear short to medium term strategic objectives, the Company does not consider that a specific Board skills matrix would add any separate or additional value or benefit to the Company or its shareholders. The Board will re-consider whether a formal Board skills matrix is appropriate in due course.</p>

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship which may otherwise be seen as a conflict to the director's obligation to the company but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service for each director</p>	Yes	Details of the Proposed Directors, their interests in the Company and their independence status are identified in Sections 2.19, 2.21 and 7.1 respectively.
2.4	A majority of the board of a listed entity should be independent directors	No	As disclosed in Section 7.1 of this Prospectus, 2 of the 6 Proposed Directors will be independent directors for the purposes of the Recommendations. The Board considers that the benefits brought to the Board by the skills and experience of the Proposed Directors outweigh any perceived sub-optimal governance arrangements arising out of the collective non-independence of the Board.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity	No	The proposed chairman of the Board, Dr Mal Washer, is not independent due to close family ties with a senior executive of the Company (his daughter, Ms Elaine Darby, is the CEO-designate). Notwithstanding this lack of independence, the Board considers Dr Washer to be the director best qualified to lead the Board.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	No	Commensurate with the Board's small size and the scale of the Company's operations, the induction process for new directors is currently informal. Directors are supported in undertaking their own continuing professional development.



ANNEXURE A – COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING			
3.1	<p>A listed entity should have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.</p>	Yes	<p>The Company has adopted a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in business. All of the Company's directors and employees are required to comply with the standards of behaviour and business ethics in accordance with the law and the Code of Conduct.</p> <p>The Code of Conduct is disclosed on the Company's website.</p>
4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING			
4.1	<p>The Board of a listed entity should have an audit committee which consists of at least 3 members all of whom are non- executive directors and a majority of whom are independent directors and the committee should be chaired by an independent director who is not the chair of the board.</p> <p>If it does not have an audit committee, the Board should disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Yes	<p>The Board has not established a separate audit committee. Given the present size of the Company and the scale of its operations, the Board has decided that the full Board can adequately discharge the functions of an audit committee. The Board will establish an Audit Committee when the size and complexity of the Company's operations and management warrant it.</p> <p>In the meantime, the Board has adopted an Audit and Risk Committee Charter, which includes specific responsibilities relating to audit and risk, and which the Board uses as a guide when acting in the capacity of the Audit Committee.</p> <p>The Company's Audit and Risk Committee Charter is available on the Company's website.</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Yes	<p>The Board will require a conforming declaration from the relevant key executive or executives before it approves the entity's financial statements for each financial period, consistent with practice to date.</p>

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	The Company's external auditor will be invited to attend all Annual General Meetings of the Company and will be available to answer questions from security holders relevant to the audit.
5. MAKE TIMELY AND BALANCED DISCLOSURES			
5.1	A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.	Yes	<p>The Company has a Continuous Disclosure Policy which includes processes to ensure compliance with ASX Listing Rule 3.1 disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.</p> <p>The Continuous Disclosure Policy is disclosed on the Company's website.</p>
6. RESPECTS THE RIGHTS OF SHAREHOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company has established a website on which it maintains (or will maintain upon listing as applicable) information in relation to corporate governance, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	<p>The Company has adopted a Shareholder Communications Policy, which establishes principles to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.</p> <p>The Shareholder Communications Policy is disclosed on the Company's website.</p>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	The Company encourages shareholders to participate in general meetings of the Company as a means by which feedback can be given to the Company.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	<p>The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Ltd at www.computershare.com.au.</p>

ANNEXURE A – COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
7. RECOGNISE AND MANAGE RISK			
7.1	<p>The Board should establish a risk management committee made up of at least 3 members, a majority of whom are independent directors, and chaired by an independent director.</p> <p>If it does not have a risk committee, the Board should disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Yes	<p>The Board has not established a separate risk committee. Given the present size of the company, the Board has decided that the full Board can adequately discharge the functions of a risk committee for the time being. The Board will consider establishing a separate Risk Committee when the size and complexity of the Company's operations and management warrant it.</p> <p>In the meantime, the Company's Audit and Risk Committee Charter includes principles to guide the Board's oversight of the Company's risk function.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	<p>As part of the strategic transition to becoming a listed entity, the identification and management of risk has been continually at the forefront of the Company's recent activities. The material risks associated with the proposed future operations of the Company are discussed fully in Sections 2.8 and 5 of this Prospectus.</p> <p>Moving forward, in accordance with the Audit and Risk Committee Charter, the Board will review the Company's risk management framework on an annual basis and will disclose in its annual report or elsewhere as appropriate whether such review has taken place.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Yes	<p>Given the present size of the company, the Board has decided that a formal internal audit function is not required for the time being.</p> <p>The risk management functions employed by the Board are summarised above.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	<p>The Company has disclosed all material risks facing the Company in Sections 2.8 and 5 of this Prospectus, including exposure to economic, environmental and social sustainability risks. The Company will continue to disclose these material risks in the future in its annual report or elsewhere as appropriate.</p>

No.	PRINCIPLES AND RECOMMENDATIONS (Summary)	COMPLIES?	COMMENT
8. REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board should establish a remuneration committee which has at least three members, a majority of whom are independent and which is chaired by an independent director.</p> <p>If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive</p>	Yes	<p>The Board has not established a separate remuneration committee. Given the present size of the company, the Board has decided that the full Board can adequately discharge the functions of a remuneration committee for the time being.</p> <p>The Board will establish a Remuneration Committee when the size and complexity of the Company's operations and management warrant it.</p> <p>In the meantime, the Board has adopted a Nomination and Remuneration Committee Charter, which includes principles for setting and reviewing the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. Until such time as the Remuneration Committee is established, the functions of this committee will continue to be carried out by the full Board.</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Yes	<p>Each director and senior executive has entered a separate employment or consultancy agreement with the Company.</p> <p>The remuneration of directors and senior executives is generally reviewed annually. As discussed under Recommendation 8.1 above, a Nomination and Remuneration Committee Charter is in place, and it is anticipated that the re-constituted Board (in its capacity as the Remuneration Committee) will consider its approach to remuneration in due course once execution of the Company's proposed strategic objectives is underway.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	No	<p>As at the date of this Prospectus, the Company does not have an equity-based remuneration scheme in place. In the event that such a scheme is implemented, the Board will consider amending the Company's Share Trading Policy accordingly.</p>







TW Holdings Limited
ACN 008 095 207