

AUSCANN AND CANNPAL ENTER INTO SCHEME OF ARRANGEMENT

Highlights

- AusCann Group Holdings Ltd (AusCann) has entered into a scheme implementation deed to acquire 100% of CannPal Animal Therapeutics Limited (CannPal or CP1) for approximately \$17.5m¹
- The Offer values each CP1 share at \$0.184 (54% premium to CP1's 1-week VWAP of \$0.119)¹
- Expanded and complementary product portfolio of 2 in market products, 2 products expected to be launched within 12 months, and a medium-term product pipeline across human and animal health
- Expanded geographical footprint across Australia, the US and other key markets
- The combined business will have a strong balance sheet and significant infrastructure to facilitate rapid commercialisation and expansion of existing pipeline
- Strengthened and complementary R&D capabilities to accelerate commercialisation
- Increased influence in shaping the reimbursement and regulatory landscape
- CannPal's largest and founding shareholder, Merchant Opportunities Fund, which holds 19.9% of CannPal, has indicated its intention to vote in favour of the Scheme.²

Perth, Australia, 16 November 2020: AusCann Group Holdings Ltd (ASX:AC8) (**AusCann** or the **Company**), an Australian based pharmaceutical company focused on the development, production and distribution of cannabinoid-based medicines within Australia and internationally, is pleased to announce that it has entered into a scheme implementation deed (**SID**) with CannPal Animal Therapeutics Limited (ASX:CP1) (**CannPal**) under which AusCann will acquire 100% of the issued share capital of CannPal under a scheme of arrangement (**Transaction** and **Scheme**).

The terms of the Scheme provide that CannPal shareholders will be offered 1.3 new fully paid ordinary shares in AusCann for every fully paid ordinary share in CannPal (**Offer**), valuing each CannPal share at \$0.184 per share and CannPal at approximately \$17.5 million on a fully diluted basis¹. The Scheme is subject to customary conditions, including CannPal shareholder approval and court approvals in accordance with the requirements of Part 5.1 of the *Corporations Act 2001* (Cth).

¹ Based on AusCann's and CannPal's 1-week volume-weighted average prices up to and including 12 November 2020, being \$0.1415 and \$0.1195 respectively. The offer value reflects 1,875,000 CannPal Performance Rights which will vest and convert to ordinary CannPal shares on change of control.

² Subject to no superior offer and the independent expert opining that the scheme is in the best interest of shareholders.

AusCann believes that the combination of these two complementary businesses presents an attractive opportunity for both CannPal and AusCann shareholders due to the strengthened leadership, opportunity to leverage research, technology and know-how across human and animal health, strengthened financial position and economies of scale that better position the merged group to generate long-term sustainable growth.

The Offer³ represents compelling value for CannPal shareholders:

- 47.2% premium to CannPal's last close of \$0.125 per share⁴;
- 54.0% premium to CannPal's one-week VWAP of \$0.1195 per share⁴; and
- 54.6% premium to CannPal's one-month VWAP of \$0.1190 per share⁴.

Transaction rationale

The Transaction is expected to create:

- an expanded and complementary product portfolio and pipeline across both human and animal health comprising 2 products in market, 2 products expected to be launched within 12 months and beyond this a medium term pipeline of both Animal and Human products being researched and developed against specific unmet needs;
- an expanded geographical footprint across the US, Australia, MEA, Germany and other key markets;
- a strengthened and complementary R&D capabilities;
- a significant combined balance sheet, infrastructure and existing AusCann R&D facility to accelerate development and commercialisation of both companies' pipelines and market penetration of existing products;
- opportunities to extract synergies through shared R&D, staff and administration, intellectual property, and procurement synergies;
- a strengthened and expanded leadership team; and
- a larger ASX-listed company with enhanced liquidity, better placed to attract strategic and institutional investors, pursue growth opportunities and increase shareholder value.

³ Based on AusCann's 1 week VWAP up to and including 12 November 2020, being \$0.1415.

⁴ Based on CannPal's share price up to and including 12 November 2020, being CannPal's last trading day prior to this announcement.

CannPal Chairman, Geoff Starr, said: *“There is a great logic to combining Cannpal Animal Therapeutics Ltd with AusCann Group Holdings Ltd with the new business having enhanced capability to exercise the potential for new and stronger commercial pathways. The synergies around local and overseas market knowledge and research and development know-how will enable faster to market solutions. It represents a unique and compelling value proposition for both companies.”*

AusCann Chairman, Max Johnston, added: *“The combined business is expected to have the financial resources and technical expertise to accelerate the growth, commercialisation and market penetration of its pipeline products in Australia and offshore. The complementary nature of developing new health solutions for both human and animal and creating a much larger addressable market makes this combination a game changer for both companies. The combined resources position the new company well to take a leadership position within this new health industry sector”*

Unanimous recommendation of CannPal board

The board of CannPal unanimously recommends that CannPal shareholders vote in favour of the Scheme at the scheme meeting, in the absence of a superior proposal and subject to the independent expert to be retained by CannPal concluding that the Scheme is in the best interest of CannPal shareholders. Each Director of CannPal intends to vote in favour of the Scheme in respect of all the CannPal shares controlled or held by or on behalf of that Director, subject to those same qualifications.

Voting Intention and Escrow of CannPal’s largest shareholder, Merchant Opportunities Fund

The Trust Company (Australia) Limited as custodian for the Merchant Opportunities Fund which is CannPal’s largest and a founding shareholder, holding 19.88% of CannPal’s shares, is supportive of the Scheme and has indicated to Cannpal its intention to vote all of its CannPal shares in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is in the best interest of CannPal.

Additionally, the Merchant Opportunities Fund has agreed to escrow for 12 months all AusCann shares it receives on implementation of the Scheme.

Customary terms

The Scheme is not subject to finance and is subject only to conditions and provisions customary for transactions of this type, including exclusivity arrangements (with relevant fiduciary carve outs) and provisions for payment of reciprocal break fees of \$150,000 in certain circumstances, no material adverse change, court approval, FIRB approval (if required) and the requisite shareholder approvals. A copy of the SID (excluding certain schedules) is attached.

Indicative Timetable

An explanatory booklet containing information relating to the proposed acquisition, reasons for CannPal directors' recommendation, an independent expert's report and details of the scheme meeting and timetable will be prepared and is expected to be dispatched to CannPal shareholders in January 2021.

CannPal shareholders will then have the opportunity to vote on the Scheme at a Court convened shareholder meeting. Subject to shareholder approval being obtained and the other conditions of the Scheme being satisfied or waived, the Scheme is expected to be implemented in March 2020.

AusCann is being advised by Kidder Williams Ltd as financial adviser and MinterEllison as legal adviser.

This announcement lifts the previous trading halt requested by AusCann with immediate effect, with shares in AusCann recommencing trading from the commencement of trading today.

- ENDS -

This ASX announcement was authorised for release by the AusCann Board of Directors.

For more information, please contact:

Max Johnston

Chairman

info@auscann.com.au

+61 8 6305 0705

ABOUT CANNPAL

CannPal Animal Therapeutics Limited (ASX: CP1) is an animal health Company with a mission to provide pet owners and veterinarians with access to high quality, evidence based, plant derived therapeutic products to promote better health and well-being for animals.

Presently, the Company is focused on the development of pharmaceutical and nutraceutical products for dogs, for commercialisation in various markets around the world, using compounds derived from the hemp and cannabis plant.

To learn more please visit: www.cannpal.com

ABOUT AUSCANN

AusCann Group Holdings Limited (ASX: AC8) is an Australian-based pharmaceutical company focused on the development, production, and distribution of cannabinoid-based medicines within Australia and internationally. AusCann transforms the way medicinal cannabis is dispensed today by making standardised, controlled dose products, providing educational support to healthcare professionals and generating clinical evidence that is accessible to patients, physicians and healthcare providers. AusCann is developing a pipeline of proprietary differentiated cannabinoid-based pharmaceutical products. The Company's first product was successfully launched in Australia in 2020 and is available under special access provisions for medicines.



Scheme Implementation Deed

CannPal Animal Therapeutics Limited (**CannPal**)
AusCann Group Holdings Ltd (**AusCann**)

Scheme Implementation Deed

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Details

Date 14 November 2020

Parties

Name **CannPal Animal Therapeutics Limited**
ACN 612 791 518
Short form name **CannPal**
Notice details Level 3, 45a Bay Street, Double Bay NSW 2028
Email: layton@cannpal.com
Attention: Layton Mills

Name **AusCann Group Holdings Ltd**
ACN 008 095 207
Short form name **AusCann**
Notice details Level 5, 35 Havelock Street, West Perth WA 6005
Email: nick.woolf@auscann.com.au
Attention: Nick Woolf

Background

- A CannPal and AusCann have agreed to implement the Proposed Transaction on and subject to the terms and conditions of this deed.
- B CannPal and AusCann have agreed certain other matters in connection with the Proposed Transaction as set out in this deed.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed, unless the context otherwise requires, the following words and expressions have meanings as follows:

Acceptable Confidentiality Deed means a confidentiality deed which contains obligations on the recipient of confidential information which are no less onerous in any material respect than the obligations of AusCann under the Confidentiality Deed.

Accounting Standards means:

- (a) the accounting standards made by the Australian Accounting Standards Board in accordance with the Corporations Act, and the requirements of that Act relating to the preparation and content of accounts; and
- (b) generally accepted accounting principles that are consistently applied in Australia, except those inconsistent with the standards or requirements referred to in paragraph (a);

Adviser means in relation to an entity:

- (a) a financier to the entity in connection with the Proposed Transaction; or
- (b) a financial, corporate, legal, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Proposed Transaction by the entity.

Announcement means the announcement in relation to the Proposed Transaction in the form agreed by CannPal and AusCann (both acting reasonably), prior to signing of this deed.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this deed and CannPal was the designated body.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market known as the Australian Securities Exchange operated by it.

AusCann Board means the board of directors of AusCann (or any committee of the board of directors of CannPal constituted to consider the Proposed Transaction on behalf of AusCann).

AusCann Break Fee has the meaning given to that term in clause 15(a).

AusCann Consideration Share means an AusCann Share to be issued under the terms of the Scheme as Scheme Consideration.

AusCann Data Room means the AusCann 'Project Neptune' data room hosted by Ansarada at the URL address <https://dataroom.ansarada.com/neptune.dr>.

AusCann Director means a director of AusCann.

AusCann Due Diligence Material means the written information disclosed by or on behalf of AusCann and its Subsidiaries (including any management presentations and all written responses provided to written questions or requests for information) to CannPal, or any of its Authorised Persons prior to the date of this deed in the AusCann Data Room as at 11.59pm, on the day immediately preceding the date of this deed. AusCann undertakes to provide a USB evidencing the contents of the AusCann Data Room to CannPal as soon as reasonably practicable following the execution of this deed.

AusCann Group means AusCann and each of its Subsidiaries (excluding, at any time, CannPal and its Subsidiaries to the extent that CannPal and its Subsidiaries are Subsidiaries of AusCann

at that time). A reference to a member of the **AusCann Group** or an **AusCann Group Member** is a reference to AusCann or any such Subsidiary.

AusCann Information means such information regarding AusCann that is provided by or on behalf of AusCann, or any of their Advisers, to CannPal, the Independent Expert or the Investigating Accountant:

- (a) to enable the Explanatory Booklet to be prepared and completed in compliance with all applicable laws;
- (b) to enable applications for Regulatory Approvals to be made; and
- (c) otherwise in compliance with AusCann's obligations under clause 7.2(a),

and, for the avoidance of doubt, does not include the CannPal Information, the Independent Expert's Report or the Investigating Accountant's Report.

AusCann Nominee has the meaning given to that term in clause 2(c).

AusCann Parties means the members of the AusCann Group and their respective Authorised Persons.

AusCann Prescribed Occurrence means the occurrence of any of the following on or after the date of this deed:

- (a) AusCann converts all or any of its shares into a larger or smaller number of shares (see section 254H of the Corporations Act);
- (b) AusCann resolves to reduce its share capital in any way;
- (c) AusCann:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) any member of the AusCann Group issues securities, or grants a performance right, or an option over its securities, or agrees to make such an issue or grant such a right or an option other than:
 - (i) under the valid exercise of an option or performance right on issue immediately before the date of this deed; or
 - (ii) an issue or grant of a security or a performance right under an employee incentive scheme in place as the date of this deed, where such issue or grant has been Fairly Disclosed in the AusCann Due Diligence Material;
- (e) any member of the AusCann Group issues, or agrees to issue, convertible notes;
- (f) any member of the AusCann Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property which represents or contributes more than 50% of the EBITDA of the AusCann Group;
- (g) any member of the AusCann Group creates or agrees to create, any security interest over the whole, or a substantial part, of its business or property;
- (h) an Insolvency Event occurs in relation to any member of the AusCann Group;
- (i) any member of the AusCann Group makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any member of the AusCann Group;
- (j) any member of the AusCann Group ceases, or threatens to cease to, carry on the business conducted as at the date of this deed;
- (k) any member of the AusCann Group (other than a dormant, non-operating member of the AusCann Group) being deregistered as a company or being otherwise dissolved;

- (l) any disposal of shares or securities by a member of the AusCann Group in any member of the AusCann Group other than to a member of the AusCann Group; or
- (m) any member of the AusCann Group directly or indirectly authorises, commits or agrees to take or announces any of the actions referred to in paragraphs (a) to (m) inclusive above insofar as it applies to the member of the AusCann Group the subject of such direct or indirect authorisation, commitment, agreement or announcement,

provided that an AusCann Prescribed Occurrence will not include any matter:

- (n) required to be done or procured by the AusCann Group under this deed or the Scheme;
- (o) required by law or by an order of a court or Governmental Agency;
- (p) to the extent it is Fairly Disclosed in filings of AusCann with ASX in the 24 months prior to the date of this deed;
- (q) to the extent it is Fairly Disclosed in the AusCann Due Diligence Material; or
- (r) the undertaking of which CannPal has previously approved in writing.

AusCann Related Person means, in respect of AusCann:

- (a) a Related Body Corporate of AusCann; and
- (b) any director, officer, member or employee of AusCann or of a Related Body Corporate of AusCann.

AusCann Share means an issued fully paid ordinary share in the capital of AusCann.

AusCann Warranties means the representations and warranties of AusCann set out in clause 10.1.

Authorised Person means, in respect of a person:

- (a) a director, officer or employee of the person;
- (b) an Adviser of the person; and
- (c) a director, officer or employee of an Adviser of the person.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales or Perth, Western Australia.

CannPal Board means the board of directors of CannPal (or any committee of the board of directors of CannPal constituted to consider the Proposed Transaction on behalf of CannPal).

CannPal Break Fee has the meaning given to that term in clause 14.3(a).

CannPal Director means a director of CannPal.

CannPal Group means CannPal and its Subsidiaries.

CannPal Information means information to be included by CannPal in the Explanatory Booklet that explains the effect of the Scheme and sets out the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth), and any other information that is material to the making of a decision by CannPal Shareholders whether or not to vote in favour of the Scheme, being information that is within the knowledge of the CannPal Board and has not previously been disclosed to CannPal Shareholders, other than the AusCann Information, the Independent Expert's Report and the Investigating Accountant's Report.

CannPal Convertible Security means a CannPal Option or CannPal Performance Right.

CannPal Option means an option granted by CannPal under the CannPal Option Plan to acquire by way of issue one or more CannPal Shares.

CannPal Optionholder means the person who is recorded in the register maintained by CannPal under section 168(1) of the Corporations Act as the holder of at least one CannPal Option.

CannPal Option Plan means the CannPal Incentive Option Plan in the form as Fairly Disclosed in the Due Diligence Material.

CannPal Parties means each member of the CannPal Group and and their respective Authorised Persons.

CannPal Performance Right means a performance right on the terms set out in CannPal's prospectus dated 28 August 2017.

CannPal Prescribed Occurrence means the occurrence of any of the following on or after the date of this deed:

- (a) CannPal converts all or any of its shares into a larger or smaller number of shares (see section 254H of the Corporations Act);
- (b) any member of the CannPal Group resolves to reduce its share capital in any way;
- (c) any member of the CannPal Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- (d) any member of the CannPal Group issues securities, or grants a performance right, or an option over its securities, or agrees to make such an issue or grant such a right or an option other than under the valid exercise of an option or performance right on issue immediately before the date of this deed that has been Fairly Disclosed in the Due Diligence Material;
- (e) any member of the CannPal Group issues, or agrees to issue, convertible notes;
- (f) any member of the CannPal Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) any member of the CannPal Group creates or agrees to create, any security interest over the whole, or a substantial part, of its business or property;
- (h) an Insolvency Event occurs in relation to any member of the CannPal Group;
- (i) CannPal pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution;
- (j) any member of the CannPal Group makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any member of the CannPal Group;
- (k) any member of the CannPal Group ceases, or threatens to cease to, carry on the business conducted as at the date of this deed;
- (l) any member of the CannPal Group (other than a dormant, non-operating member of the CannPal Group) being deregistered as a company or being otherwise dissolved;
- (m) any disposal of shares or securities by a member of the CannPal Group in any member of the CannPal Group other than to a member of the CannPal Group; or
- (n) any member of the CannPal Group directly or indirectly authorises, commits or agrees to take or announces any of the actions referred to in paragraphs (a) to (m) inclusive above insofar as it applies to the member of the CannPal Group the subject of such direct or indirect authorisation, commitment, agreement or announcement,

provided that a CannPal Prescribed Occurrence will not include any matter:

- (o) required to be done or procured by the CannPal Group under this deed or the Scheme;
- (p) required by law or by an order of a court or Governmental Agency;
- (q) to the extent it is Fairly Disclosed in filings of CannPal with the ASX in the 24 months prior to the date of this deed;
- (r) to the extent it is Fairly Disclosed in the Due Diligence Material; or

(s) the undertaking of which AusCann has previously approved in writing.

CannPal Register means the register of shareholders maintained by CannPal under section 168(1) of the Corporations Act.

CannPal Share means an issued fully paid ordinary share in the capital of CannPal.

CannPal Shareholder means a person who is registered in the register maintained by CannPal under section 168(1) of the Corporations Act as a holder of one or more CannPal Shares.

CannPal Warranties means the representations and warranties of CannPal set out in clause 10.4.

Claim means, in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.

Competing Proposal means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly:

- (a) acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the CannPal Shares or of the share capital of any material CannPal Group Member;
- (b) acquire control of CannPal, within the meaning of section 50AA of the Corporations Act;
- (c) acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of CannPal or any member of the CannPal Group (based on the value of the CannPal Group's total consolidated assets as at 30 June 2020);
- (d) acquire or merge with CannPal or amalgamate with any member of CannPal Group;
- (e) result in CannPal ceasing to be admitted to the official list of ASX or the Shares ceasing to be officially quoted on the market operated by ASX (except in circumstances where such cessation is as a result of the implementation of the Scheme); or
- (f) require CannPal to abandon, or otherwise fail to proceed with, the Proposed Transaction, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for CannPal or other synthetic merger or any other transaction or arrangement. Each successive material modification or variation of a Competing Proposal will constitute a new Competing Proposal.

Conditions means the conditions set out in clauses 3.1 and **Condition** means any one of them.

Confidentiality Deed means the Confidentiality and Exclusivity Deed between CannPal and AusCann dated 22 September 2020.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Western Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Data Room means the CannPal data room hosted by iManage Share at the URL address 'https://www.imanageshare-au.com/#hl_p0jp62/folder/rDVXrCRII5CeOriOTxgxDfiRd84t9F4sxF7D1IZyv4'.

Delivery Time means in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Disclosure Letter means the letter so entitled from CannPal provided to AusCann on or prior to the execution of this deed.

Due Diligence Material means the written information disclosed by or on behalf of CannPal and its Subsidiaries (including any management presentations and all written responses provided in response to written questions or requests for information) to AusCann, or any of its Authorised Persons prior to the date of this deed in:

- (a) the Data Room, as evidenced by the documents in the Data Room as at 11.59pm, on the day immediately preceding the date of this deed. CannPal undertakes to provide a USB evidencing the contents of the Data Room to AusCann as soon reasonably practicable following the execution of this deed; and
- (b) the Disclosure Letter.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means:

- (a) 31 March 2021, if:
 - (i) the Explanatory Booklet is dispatched to CannPal Shareholders prior to 31 December 2020; or
 - (ii) the Explanatory Booklet is not dispatched to CannPal Shareholders between 31 December 2020 and 31 January 2021 (inclusive);
- (b) 30 April 2021, if the Explanatory Booklet is dispatched to CannPal Shareholders between 31 December 2020 and 31 January 2021 (inclusive); or
- (c) such other date and time agreed in writing between AusCann and CannPal.

Exclusivity Period means the period commencing on the date of this deed and ending on the earliest of:

- (a) the End Date;
- (b) the Effective Date of the Scheme; and
- (c) the date this deed is terminated in accordance with its terms.

Explanatory Booklet means the explanatory booklet to be prepared by CannPal in respect of the Proposed Transaction in accordance with the terms of this deed and to be dispatched to CannPal Shareholders.

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth);

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation including under or in respect of any:

- (a) borrowing from any bank or other financial institution;
- (b) bill, bond, debenture, note or similar instrument;
- (c) acceptance, endorsement or discounting arrangement;
- (d) guarantee;
- (e) finance or capital lease;
- (f) swap, hedge arrangement, option, futures contract, derivative or analogous transaction;
- (g) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or business;

- (h) agreement for the deferral of a purchase price of other payment in relation to the provision of services other than in the ordinary course of business of the CannPal Group; or
- (i) obligation to deliver goods or provide services paid for in advance by any financier.

First Court Date means the date the Court first hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Foreign Scheme Shareholder means a Scheme Shareholder whose address as shown in the CannPal Register (as at the Record Date) is located outside of:

- (a) Australia and its external territories;
- (b) New Zealand; and
- (c) any other jurisdictions as may be agreed in writing by CannPal and AusCann,

unless AusCann determines (in its absolute discretion), that AusCann is permitted to allot and issue AusCann Consideration Shares to that Scheme Shareholder by the laws of that place either unconditionally or after compliance with conditions that AusCann considers are not unduly onerous or impracticable.

Governmental Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX and any regulatory organisation established under statute or any stock exchange.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of CannPal Shareholders present and voting, either in person or by proxy.

Deed Poll means the deed poll to be executed by AusCann prior to the First Court Date in relation to the Scheme, in the form set out in Schedule 2 or in such other form as is acceptable to CannPal acting reasonably, provided that where AusCann nominates an AusCann Nominee in accordance with clause 2(c), the Deed Poll must provide for the AusCann Nominee to have the primary obligations under the Deed Poll (subject to clause 2(d)(iii)).

Implementation Date means, with respect to the Scheme, the later of:

- (a) the fifth Business Day following the Scheme Record Date (as relevant); and
- (b) such other Business Day as the parties agree.

Independent Expert means an expert, independent of the parties, engaged by CannPal in good faith to prepare the Independent Expert's Report.

Independent Expert's Report means the report from the Independent Expert commissioned by CannPal for inclusion in the Explanatory Booklet, which includes a statement or opinion from the Independent Expert on whether the Scheme is in the best interest of CannPal Shareholders and includes any update of that report by the Independent Expert.

Insolvency Event means in relation to a person:

- (a) **insolvency official**: the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) **arrangements**: the entry by the person into a scheme of arrangement (other than the Scheme) or composition with its creditors or takes similar actions as a result of which the entity's assets are, or are proposed to be, submitted to the control of its creditors;
- (c) **winding up**: the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to

lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;

- (d) **suspends payments:** the person suspends or threatens to suspend payment of its debts as and when they become due;
- (e) **ceasing business:** the person ceases or threatens to cease to carry on business;
- (f) **insolvency:** the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (g) **deregistration:** the person being deregistered as a company or otherwise dissolved;
- (h) **deed of company arrangement:** the person executing a deed of company arrangement;
- (i) **person as trustee or partner:** the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:
 - (i) a breach of trust or obligation as partner by the person;
 - (ii) the person acting outside the scope of its powers as trustee or partner;
 - (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability;
 - (iv) the assets of the trust or partnership being insufficient to discharge the liability; or
- (j) **analogous events:** anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction,

and a person shall be **Insolvent** if any event specified in paragraphs (a) to (j) inclusive occurs in respect of that person.

Interest Rate means the Bank Bill Swap Reference Rate as published as at the relevant due date for payment by the Australian Financial Markets Association.

Investigating Accountant's Report means the report prepared by the Investigating Accountant for inclusion in the Explanatory Booklet.

Listing Rules means the official listing rules of ASX as amended from time to time.

Material Adverse Change means a change, event, circumstance or occurrence (singularly or in combination) which results in or has the effect of (or which with the lapse of time is reasonably likely to result in or have the effect of):

- (i) a reduction in the value of the consolidated net assets of CannPal by more than 20% compared with the consolidated net assets reported as at 30 June 2020 calculated in accordance with the accounting policies and practices applied at the date of this deed;
- (ii) the business of the CannPal Group being unable to be carried on in substantially the same manner as it is carried on at the date of this deed, including as a result of an adverse effect on the status or terms of any licences, permits or authorisations from any Government Agency applicable to CannPal;
- (iii) materially impacting the reputation of the CannPal Group, including in relation to its good standing with any Governmental Agency having jurisdiction over the conduct of business of the CannPal Group (including any regulatory investigation, legal proceeding or class action);
- (iv) materially reducing the revenue potential of the CannPal Group; or
- (v) the CPAT-01, DermaCann or max product no longer being considered commercially viable or able to be commercialised,

other than an event, circumstance or occurrence which:

- (i) was Fairly Disclosed in the Due Diligence Materials;
- (ii) was Fairly Disclosed in documents that were publicly available prior to the date which is 2 Business Days prior to the date of this deed from public filings of CannPal with ASX or ASIC or public registers;
- (iii) results from a change in applicable accounting standards or principles;
- (iv) results from a change in any applicable law or policy required by law or general economic, political or regulatory conditions in Australia or that otherwise affects or otherwise has an impact on Australia;
- (v) results from any acts of war or terrorism;
- (vi) results from any change or disruption to the financial markets in Australia; or
- (vii) which result from a general deterioration in equity markets, interest rates, exchange rates or credit spreads that impacts the CannPal Group and its competitors in a similar manner.

Material Contracts means the contracts identified as such in the Disclosure Letter.

Proposed Transaction means:

- (a) the proposed acquisition by AusCann in accordance with the terms and conditions of this deed, of all of the CannPal Shares through the implementation of the Scheme; and
- (b) all associated transactions and steps contemplated by this deed.

Regulatory Approvals means the approvals set out in clause 3.1(a).

Related Body Corporate of a person, means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.

Relevant Interest has the meaning given in the Corporations Act.

RG 60 means Regulatory Guide 60 issued by ASIC on 22 September 2011.

Scheme Share means a CannPal Share on issue as at the Record Date.

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard.

Senior Manager means Layton Mills and Margaret Curtis.

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between CannPal and Scheme Shareholders in respect of all Scheme Shares, substantially in the form set out in Schedule 3 or in such other form as the parties agree in writing, subject to any alterations or conditions that are:

- (a) agreed to in writing by CannPal and AusCann, and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by each party.

Scheme Consideration means 1.3 AusCann Consideration Share(s) per one Scheme Share.

Scheme Meeting means the meeting of CannPal Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Record Date means, in respect of the Scheme, 7.00pm on the second Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.

Share Splitting means the splitting by a holder of CannPal Shares into two or more parcels of CannPal Shares whether or not it results in any change in beneficial ownership of the CannPal Shares.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Superior Proposal means a bona fide Competing Proposal which in the determination of the CannPal Board acting in good faith in order to satisfy what the CannPal Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and (if applicable) financial advisers):

- (a) is likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to CannPal Shareholders as a whole than the Proposed Transaction, taking into account all of the terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty and timing.

Tax means any tax, levy, charge, impost, fee, deduction, offset (including research and development tax offsets), goods and services tax, payroll tax, superannuation guarantee, fringe benefits tax, compulsory loan, PAYG instalment and withholding, that is assessed, levied, imposed or collected by any Government Agency and includes any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of any of the above, but excludes Duty.

Timetable means the indicative timetable in relation to the Proposed Transaction set out in Schedule 1 with such modifications as may be agreed in writing by the parties.

1.2 Interpretation

In this deed, except where the context otherwise requires:

- (a) the singular includes the plural, and the converse also applies;
- (b) gender includes other genders;
- (c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this deed, and a reference to this deed includes any schedule or annexure;
- (e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (f) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (g) a reference to time is to Perth, Western Australia time;
- (h) a reference to a party is to a party to this deed, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (j) a reference to legislation or to a provision of legislation (including a listing rule or operating rule of a financial market or of a clearing and settlement facility) includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;
- (k) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act unless it is otherwise defined in this deed;
- (l) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;

- (m) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this deed or any part of it;
- (o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day; and
- (p) a reference to **Fairly Disclosed** means disclosed to a party or any of their respective Authorised Persons to a sufficient extent and in sufficient detail so as to enable a reasonable and sophisticated recipient of the relevant information who is experienced in transactions similar to the Proposed Transaction to identify the nature and scope of the relevant matter, event or circumstance.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Consents or approvals

If the doing of any act, matter or thing under this deed is dependent on the consent or approval of a party or is within the discretion of a party, the consent or approval may be given or the discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion unless provided otherwise.

1.6 Listing requirements included as law

A listing rule or operating rule of a financial market or of a clearing and settlement facility will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.7 Reasonable endeavours

Any provision of this deed which requires a party to use reasonable endeavours or best endeavours to procure that something is performed or occurs or does not occur does not include any obligation:

- (a) to pay any money or provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person except for payment of any applicable fee for the lodgement or filing of any relevant application with any Governmental Agency; or
 - (b) to commence any legal action or proceeding against any person,
- except where that provision specifies otherwise.

2. Agreement to propose Scheme

- (a) CannPal agrees to propose and implement the Scheme on and subject to the terms and conditions of this deed, and substantially in accordance with the Timetable.
- (b) Subject to clauses 2(c) and 2(d), AusCann agrees to assist CannPal in proposing and implementing the Scheme on and subject to the terms and conditions of this deed, and substantially in accordance with the Timetable.
- (c) AusCann expects that the entity that acquires the Scheme Shares under the Scheme will be AusCann, but may nominate any wholly-owned Subsidiary of AusCann (**AusCann Nominee**) to acquire the Scheme Shares by giving written notice to CannPal on or before the date that is 5 Business Days before the First Court Date.

- (d) If AusCann nominates the AusCann Nominee to acquire the Scheme Shares under the Scheme, then:
- (i) references in this deed to AusCann are to be read as references to the AusCann Nominee;
 - (ii) AusCann must procure that the AusCann Nominee complies with the obligations of AusCann under this deed and under the Scheme and enter into a deed of accession on terms acceptable to the CannPal, acting reasonably; and
 - (iii) any such nomination will not relieve AusCann of its obligations under this deed, including the obligation to provide (or procure the provision by the AusCann Nominee of) the Scheme Consideration in accordance with the terms of the Scheme.

3. Conditions precedent and pre-implementation steps

3.1 Conditions to Scheme

Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of the parties in relation to the implementation of the Scheme will not be binding, until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in this clause 3:

- (a) **(Regulatory Approvals):**
- (i) **(ASIC and ASX)** before the Delivery Time on the Second Court Date, ASIC and ASX issue or provide such consents or approvals as are necessary or which CannPal and AusCann agree are necessary or desirable to implement the Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date; and
 - (ii) **(Other Governmental Authorities)** before the Delivery Time on the Second Court Date, each other relevant Governmental Agency issue or provide such consents, waivers, approvals which AusCann and CannPal consider are necessary or desirable to implement the Scheme (noting that if such consents waivers/and/or approvals are subject to conditions those conditions must be acceptable to the parties (each acting reasonably)) and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date;
- (b) **(FIRB)** Before the Delivery Time on the Second Court Date, either:
- (i) AusCann has received a written notice under FATA from the Treasurer (or his delegate) stating that, or to the effect that, the Commonwealth Government does not object to the acquisition of all the Scheme Shares by AusCann pursuant to the Scheme, either without condition or on terms that are acceptable to AusCann (acting reasonably); or
 - (ii) following notice of the proposed acquisition of all the Scheme Shares by AusCann pursuant to the Scheme having been given by AusCann to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Part 3 of FATA;
- (c) **(No CannPal Prescribed Occurrence)** no CannPal Prescribed Occurrence occurs between the date of this deed and the Delivery Time on the Second Court Date;
- (d) **(No AusCann Prescribed Occurrence)** no AusCann Prescribed Occurrence occurs between the date of this deed and the Delivery Time on the Second Court Date;
- (e) **(CannPal Warranties)** the CannPal Warranties being true and correct in all material respects on the date of this deed and at the Delivery Time on the Second Court Date;
- (f) **(AusCann Warranties)** the AusCann Warranties being true and correct in all material respects on the date of this deed and at the Delivery Time on the Second Court Date;

- (g) (**Shareholder approval**) the Scheme is approved by CannPal Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (h) (**Court approval**) the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably); and
- (i) (**No Material Adverse Change**) no Material Adverse Change occurs between the date of this deed and the Delivery Time on the Second Court Date;
- (j) (**AusCann cash balance**) no change, event, circumstance or occurrence (singularly or in combination) occurs which results in or has the effect of (or which with the lapse of time is reasonably likely to result in or have the effect of) reducing, or being reasonably likely to reduce, the AusCann Group's consolidated available cash to:
 - (i) less than \$12,480,000 as at 31 January 2021; or
 - (ii) (if the Explanatory Booklet is dispatched to CannPal Shareholders after 31 January 2020) less than \$11,580,000 as at 28 February 2021;
- (k) (**Restraining orders**) no judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency of competent jurisdiction in Australia remains in effect as at the Delivery Time on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme; and
- (l) (**Third party consents**) all consents, approvals or waivers of rights by parties other than CannPal under any Material Contracts are necessary or desirable are obtained in a form and subject to conditions acceptable to AusCann (acting reasonably), and such consents, approvals or waivers have not been withdrawn, cancelled or revoked before the Delivery Time on the Second Court Date.

3.2 Benefit and waiver of conditions precedent

- (a) The Conditions in clauses 3.1(a) (Regulatory Approvals) and 3.1(k) (No restraining orders) are for the benefit of each party and any breach or non-fulfilment of it may only be waived (if capable of waiver) with the written consent of both parties, which consent either party may give or withhold in its absolute discretion.
- (b) The Conditions in clauses 3.1(b) (FIRB), 3.1(c) (No CannPal Prescribed Occurrences), 3.1(e) (CannPal Warranties) and 3.1(i) (No Material Adverse Change) and 3.1(l) (Third party consents) are for the sole benefit of AusCann and any breach or non-fulfilment of them may only be waived by AusCann giving its written consent.
- (c) The Conditions in clauses 3.1(d) (No AusCann Prescribed Occurrences), 3.1(f) (AusCann Warranties) and 3.1(j) (AusCann cash balance) are for the sole benefit of CannPal and any breach or non-fulfilment of them may only be waived by CannPal giving its written consent.
- (d) A party entitled to waive a Condition under this clause 3.2 may do so in its absolute discretion. Any waiver of a Condition by a party for whose benefit the condition applies must take place on or prior to the Delivery Time on the Second Court Date. The Conditions in clauses 3.1(g) (Shareholder approval) and 3.1(h) (Court approval) cannot be waived.
- (e) If a party waives the breach or non-fulfilment of any of the Conditions in clause 3.1, that waiver will not preclude it from suing the other party for any breach of this deed including a breach that resulted in the non-fulfilment of the Condition that was waived.

3.3 Reasonable endeavours

- (a) CannPal and AusCann will use their respective reasonable endeavours to procure that each of the Conditions (as applicable) is satisfied as soon as reasonably practicable after

the date of this deed or continues to be satisfied at all times until the last time they are to be satisfied (as the case may require).

- (b) Without limiting clauses 3.4 and 3.5 below, each of CannPal and AusCann must:
- (i) consult and co-operate fully with the other party in relation to the satisfaction of the Conditions, including in relation to all material communications with any Governmental Agency in relation to Regulatory Approvals;
 - (ii) promptly apply for all relevant Regulatory Approvals and provide the other party with a copy of all applications for Regulatory Approvals and all material communications with any Governmental Agency in relation to Regulatory Approvals;
 - (iii) take all the steps for which it is responsible as part of the Regulatory Approvals process;
 - (iv) respond to all requests for information in respect of the applications for Regulatory Approvals as soon as reasonably practicable;
 - (v) provide the other with all information and assistance reasonably requested in connection with the applications for Regulatory Approvals; and
 - (vi) so far as it is reasonable to do so, allow the other and its Authorised Persons the opportunity to be present and make submissions at any meetings with any regulatory body relating to the Regulatory Approvals in respect of the Scheme,
- provided that:
- (vii) the party applying for a Regulatory Approval may withhold or redact information or documents from the other party if and to the extent that they are either confidential to a third party or commercially sensitive and confidential to the applicant; and
 - (viii) neither party is required to consent to the disclosure by the other party of materially commercially sensitive information of the first mentioned party to any Governmental Agency.

3.4 Notifications

Each of AusCann and CannPal must:

- (a) keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
- (b) promptly notify the other in writing if it becomes aware that any Condition has been satisfied; and
- (c) promptly notify the other in writing if it becomes aware that any Condition is or has become incapable of being satisfied (having regard to the respective obligations of each party under clause 3.3).

3.5 Certificate

At or before the hearing on the Second Court Date, in respect of the Scheme:

- (a) AusCann and CannPal will provide a joint certificate to the Court confirming whether or not the Conditions set out in clause 3.1(a) (Regulatory Approvals) and 3.1(k) (No restraining orders) have been satisfied or waived in accordance with the terms of this deed;
- (b) CannPal will provide a certificate to the Court confirming whether or not the Conditions set out in clauses 3.1(c) (No CannPal Prescribed Occurrences), 3.1(e) (CannPal Warranties), 3.1(g) (Shareholder approval) and 3.1(l) (Third party consents) have been satisfied or waived in accordance with the terms of this deed;
- (c) AusCann will provide a certificate to the Court confirming whether or not the Conditions set out in clauses 3.1(b) (FIRB), 3.1(d) (No AusCann Prescribed Occurrences), 3.1(f)

(AusCann Warranties) and 3.1(j) (AusCann cash balance) have been satisfied or waived in accordance with the terms of this deed;

- (d) CannPal will provide a certificate to AusCann confirming whether or not CannPal has breached any of its obligations under this deed (including a breach of a representation or warranty), and if it has, giving details of such breaches; and
- (e) AusCann will provide a certificate to CannPal confirming whether or not AusCann has breached any of its obligations under this deed (including a breach of a representation or warranty), and if it has, giving details of such breaches.

3.6 Scheme voted down

If the Scheme is not approved by CannPal Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and AusCann and CannPal consider, acting reasonably, that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied then CannPal must:

- (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- (b) make such submissions to the Court and file such evidence as Counsel engaged by CannPal to represent it in Court proceedings related to the Scheme, in consultation with AusCann, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Act by making an order to disregard the Headcount Test.

3.7 Conditions not capable of being fulfilled

- (a) If:
 - (i) any Condition is not satisfied or (where capable of waiver) waived by the date specified in this deed for its satisfaction (or an event occurs which would or is likely to prevent a condition precedent being satisfied by the date specified in this deed);
 - (ii) a circumstance occurs with the result that a Condition is not capable of being fulfilled and, if the Condition is able to be waived by a party under clause 3.2 the party does not waive the Condition within 5 Business Days after the occurrence of the circumstance; or
 - (iii) it becomes more likely than not that the Scheme does not become Effective by the End Date,

then CannPal and AusCann must consult in good faith with a view to determining whether:

- (i) the Scheme may proceed by way of alternative means or methods;
 - (ii) to extend the relevant time or date for satisfaction of the Condition; or
 - (iii) to change the date of the application to be made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the parties.
- (b) Subject to clause 3.7(c), if a Condition becomes incapable of being satisfied before the End Date and CannPal and AusCann are unable to reach agreement under clause 3.7(a) within 10 Business Days of the date on which they both become aware that the Condition has become incapable of being satisfied (or, if earlier, by the Delivery Time on the Second Court Date), then unless the relevant Condition (where capable of waiver) is waived:
 - (i) in relation to the Conditions in clauses 3.1(a) (Regulatory Approval), 3.1(b) (FIRB), 3.1(g) (Shareholder approval), 3.1(k) (No restraining orders), either AusCann or CannPal may terminate this deed by giving the other notice without any liability to any party by reason of that termination alone;

- (ii) in relation to the Conditions in clauses 3.1(c) (No CannPal Prescribed Occurrences), 3.1(e) (CannPal Warranties), 3.1(i) (No Material Adverse Change), and 3.1(l) (Third party consents), AusCann may terminate this deed by giving CannPal notice without any liability to any party by reason of that termination alone; and
 - (iii) in relation to the Conditions in clauses 3.1(d) (No AusCann Prescribed Occurrences), 3.1(f) (AusCann Warranties) and 3.1(j) (AusCann cash balance), CannPal may terminate this deed by giving AusCann notice without any liability to any other party by reason of that termination alone.
- (c) A party will not be entitled to terminate this deed under clause 3.7(b) if the relevant Condition has not been satisfied as a result of:
- (i) a breach of this deed by that party; or
 - (ii) a deliberate act or omission of that party which either alone or together with other circumstances prevents that Condition being satisfied.

3.8 Interpretation

For the purposes of this clause 3, a Condition will be incapable of satisfaction, or incapable of being fulfilled if:

- (a) in the case of a Condition relating to a Regulatory Approval – the relevant Governmental Agency makes or has made a final adverse determination in writing to the effect that it will not provide the Regulatory Approval; and
- (b) in all other cases – there is an act, failure to act or occurrence that will prevent the Condition being satisfied by the End Date (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this deed).

4. Scheme Structure

4.1 Scheme

- (a) CannPal must, as soon as reasonably practicable after the date of this deed and substantially in compliance with the Timetable, propose the Scheme under which, subject to the Scheme becoming Effective, all of the Scheme Shares will be transferred to AusCann and the Scheme Shareholders will be entitled to receive, for each Scheme Share held at the Record Date, the Scheme Consideration.
- (b) CannPal must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of the Scheme without the prior written consent of AusCann.

4.2 Scheme Consideration

AusCann covenants in favour of CannPal (in CannPal's own right and separately as trustee for each Scheme Shareholder) that, in consideration of the transfer to AusCann of the Scheme Shares under the terms of the Scheme), on the Implementation Date, AusCann will:

- (a) accept that transfer; and
 - (b) provide each Scheme Shareholder the Scheme Consideration,
- in accordance with the Scheme.

4.3 Allotment and issue of AusCann Consideration Shares

- (a) Subject to the Scheme becoming Effective, AusCann must:
 - (i) in accordance with the Deed Poll, issue the AusCann Consideration Shares to the Scheme Shareholders in accordance with the Scheme on terms that each

AusCann Consideration will rank equally in all respects with each other AusCann Share then on issue;

- (ii) ensure that on issue each AusCann Consideration Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of AusCann); and
 - (iii) use all reasonable endeavours to ensure that such AusCann Consideration Shares are, from the Business Day following the date the Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.
- (b) To facilitate the issue of the AusCann Consideration Shares to Scheme Shareholders, CannPal must provide to AusCann, or procure the provision to AusCann of, a complete copy of the CannPal register of members as at the Record Date (which must include the name, address and registered holding of each Scheme Shareholder as at the Record Date together with details of all valid Elections received from Scheme Shareholders), within one Business Days after the Record Date. The details and information to be provided under this clause must be provided in such form as AusCann, its Advisers or share registry may reasonably require.
- (c) AusCann will not issue any AusCann Consideration Shares to Foreign Scheme Shareholders, and instead will issue the AusCann Consideration Shares that would otherwise have been issued to the Foreign Scheme Shareholders to a nominee appointed by AusCann. AusCann will procure that the nominee sells those AusCann Consideration Shares on-market and remits the proceeds from that sale (after deducting any selling costs and taxes) to AusCann. AusCann will then remit the proceeds it receives to the Ineligible Shareholders in accordance with their entitlement.
- (d) Any fractional entitlement of the Scheme Shareholder to a part of an AusCann Consideration Share will be rounded down to the nearest whole number of AusCann Consideration Shares.

4.4 Deed Poll

AusCann covenants in favour of CannPal (in CannPal's own right and separately as trustee for each of the Scheme Shareholders) to execute, deliver and perform the Deed Poll prior to the dispatch of the Explanatory Booklet.

5. Treatment of convertible securities

- (a) AusCann acknowledges and agrees that the CannPal Performance Rights will vest and convert into CannPal Shares on the Scheme becoming Effective.
- (b) As soon as reasonably practicable after the date of this deed but in any event within 25 Business Days of that date, CannPal must use all reasonable endeavours to obtain the written agreement of each person who is a holder of CannPal Options to have those CannPal Options cancelled and issued a reasonably equivalent value of options in AusCann, subject to the Scheme becoming Effective and with effect from the Implementation Date, under private treaty agreements between AusCann, CannPal and each CannPal Option holder. The form of agreement to be used for this purpose must be agreed to by AusCann (acting reasonably). CannPal agrees to seek a waiver as soon as reasonably practicable after the date of this deed from ASX Listing Rule 6.23.2 to allow for the cancellation of up to all CannPal Options (if required).
- (c) If, within 25 Business Days of the date of this deed, CannPal has not obtained the agreement of each person who is a holder of CannPal Options to have their CannPal Options exchanged in accordance with clause 5(b), after the Implementation Date AusCann will initiate the compulsory acquisition of any of the CannPal Convertible Securities that remain on issue as at that date, under Part 6A.2 (Div 2) of the Corporations Act.

6. Recommendation, intentions and announcements

6.1 CannPal Board Recommendation and Voting Intention

- (a) Subject to clause 6.2, CannPal must ensure that the Announcement and the Explanatory Booklet state that each CannPal Director:
- (i) recommends that CannPal Shareholders vote in favour of the Scheme (**Recommendation**); and
 - (ii) intends to cause any CannPal Shares in which they have a Relevant Interest to be voted in favour of the Scheme (**Voting Intention**),
- in each case qualified only by words to the effect of:
- (iii) *'in the absence of a Superior Proposal'*; and
 - (iv) other than in respect of the Explanatory Booklet, *'subject to the Independent Expert concluding that the Scheme is in the best interest of CannPal Shareholders'* and in respect of the Explanatory Booklet and any public document issued after the Explanatory Booklet, *'subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of CannPal Shareholders'*.
- (b) Subject to clause 6.2, CannPal must ensure that the CannPal Board collectively, and the members of the CannPal Board individually, do not change, withdraw or modify his or her Recommendation or Voting Intention unless:
- (i) CannPal has received, other than as a result of a breach of clause 16, a Superior Proposal and (i) has entered into a legally binding agreement to undertake or give effect to that proposal or (ii) in the case of a proposal by way of takeover bid which is not subject to an agreement with CannPal, an announcement has been made which attracts section 631(1) of the Corporations Act; or
 - (ii) the Independent Expert concludes in the Independent Expert's Report (either in its initial report or any subsequent update of its report) that the Scheme is not in the best interest of the CannPal Shareholders,
- and CannPal has complied with its obligations under clause 16 (including ensuring that all of AusCann's rights under clause 16.8 have been exhausted).

6.2 Exclusion from Recommendation

The obligation of CannPal under clause 6.1 to ensure that each CannPal Director provides and maintains the Recommendation is qualified to the extent that any CannPal Director considers, acting reasonably (including after having taken legal advice) and in good faith, that he or she should not provide or continue to maintain any recommendation (positive or adverse) because that CannPal Director has an interest in the Scheme that is so materially different from other CannPal Shareholders which would properly preclude or render it inappropriate for him or her to provide any such recommendation.

6.3 Confirmation

CannPal represents and warrants to AusCann that each CannPal Director has confirmed his or her agreement not to do anything inconsistent with their Recommendation and Voting Intention (including withdrawing, changing or in any way qualifying their Recommendation or Voting Intention) other than in the circumstances referred to in clause 6.1(b).

6.4 Promotion of Scheme

During the Exclusivity Period, CannPal must procure that the Senior Managers, as reasonably requested by AusCann and as agreed by CannPal, participate in efforts to promote the merits of the Scheme, including:

- (a) meeting with key CannPal Shareholders;

- (b) communicating with CannPal's employees, customers and suppliers and the employees, customers and suppliers of CannPal's Related Bodies Corporate; and
- (c) communicating with the public to promote the merits of the Scheme, subject only to:
 - (i) the Independent Expert not having concluded in the Independent Expert's Report that the Scheme is not in the best interest of CannPal Shareholders; and
 - (ii) there being no Superior Proposal.

7. Proposed Transaction – parties' respective implementation obligations

7.1 CannPal's obligations

CannPal must take all steps reasonably necessary to propose and (subject to all of the Conditions being satisfied or waived in accordance with their terms) implement the Scheme as soon as reasonably practicable and after the date of this deed and substantially in accordance with the Timetable, including without limitation taking each of the following steps:

- (a) **(Explanatory Booklet)** prepare the Explanatory Booklet in accordance with clause 7.3;
- (b) **(Independent Expert)** promptly appoint the Independent Expert to prepare the Independent Expert's Report and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (c) **(review of draft Independent Expert's Report)** on receipt from the Independent Expert, provide AusCann with the draft report received from the Independent Expert for factual accuracy review (noting in each case that any draft of the Independent Expert's Report provided to AusCann for review will not include those sections containing the Independent Expert's opinion), and promptly give to the Independent Expert any comments that AusCann provides CannPal in relation to factual matters regarding AusCann in any draft of the Independent Expert's Report;
- (d) **(approval of draft for ASIC and ASX)** as soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC and ASX, procure that a meeting of the CannPal Board, or of a committee of the CannPal Board appointed for the purpose, is held to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act and to ASX for its review and approval for the purposes of Appendix 7A to the Listing Rules;
- (e) **(liaison with ASIC and ASX)** as soon as reasonably practicable after the date of this deed and otherwise in accordance with the Timetable:
 - (i) provide an advanced draft of the Explanatory Booklet, in a form approved in accordance with clauses 7.1(d) and 7.2(e), to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act and to ASX for its review and approval for the purposes of Appendix 7A to the Listing Rules; and
 - (ii) liaise with ASIC and ASX during the period of their respective consideration of that draft of the Explanatory Booklet and keep AusCann reasonably informed of any matters raised by ASIC or ASX in relation to the Explanatory Booklet and use reasonable endeavours, in consultation with AusCann, to resolve any such matters (provided that, where any matters relate to AusCann Information, CannPal must not take any steps to address them without the prior written consent of AusCann, not to be unreasonably withheld or delayed);
- (f) **(approval of Explanatory Booklet)** as soon as reasonably practicable after the conclusion of the reviews by ASIC and ASX of the Explanatory Booklet, procure that a meeting of the CannPal Board, or of a committee of the CannPal Board appointed for the purpose, is held to consider approving the Explanatory Booklet for dispatch to the

CannPal Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;

- (g) **(section 411(17)(b) statements)** apply to ASIC for the production of statements in writing under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (h) **(confirmation of no objection from ASX)** request ASX to confirm that it has no objection to the draft Explanatory Booklet;
- (i) **(first Court hearing)** lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approvals in clauses 7.1(f) and 7.2(f) have been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing CannPal to convene the Scheme Meeting;
- (j) **(registration of explanatory statement)** request ASIC to register the explanatory statement included in the Explanatory Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- (k) **(information):**
 - (i) provide reasonable information about the Scheme and CannPal Shareholders to AusCann and its Related Bodies Corporate, which AusCann requests and reasonably requires in order to:
 - (A) canvass views on the Scheme by CannPal Shareholders;
 - (B) facilitate the provision by, or on behalf of, AusCann of the Scheme Consideration; or
 - (C) review the tally of proxy appointments and directions received by CannPal before the Scheme Meeting;
 - (ii) within 5 Business Days after the date of this deed, provide AusCann with:
 - (A) a copy of the CannPal Register as at the date of this deed to the extent doing so does not breach applicable privacy laws; and
 - (B) the most recently available information in CannPal's possession regarding the beneficial ownership of CannPal Shares including a copy of the most recent beneficial ownership analysis report received by CannPal (which, for the avoidance of doubt, may be as at a date prior to the date of this deed); and
 - (iii) provide AusCann:
 - (A) on a fortnightly basis, a copy of the latest CannPal Register; and
 - (B) on a fortnightly basis, the most recently available information in CannPal's possession regarding the beneficial ownership of CannPal Shares including a copy of the most recent beneficial ownership analysis report received by CannPal,

provided that if the CannPal Register or any beneficial ownership analysis report is received by CannPal more frequently than on a fortnightly basis CannPal must provide AusCann with a copy of each such report after it is received by CannPal;
- (l) **(convene Scheme Meeting)** take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Explanatory Booklet to the CannPal Shareholders and convening and holding the Scheme Meeting;
- (m) **(Court approval application if parties agree that conditions are capable of being satisfied)** if the resolution submitted to the Scheme Meeting is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act or, where clause 3.6 applies, the majority required under section 411(4)(a)(ii)(B) of the Corporations Act) and, if necessary, the parties agree on the Business Day immediately following the Scheme Meeting that it can be reasonably expected that all of the Conditions will be satisfied or

waived prior to the proposed Second Court Date and apply to the Court for orders approving the Scheme;

- (n) **(appeal process)** if the Court refuses to make any orders directing CannPal to convene the Scheme Meeting or approving the Scheme, CannPal and AusCann must consult with each other in good faith as to whether to appeal the Court's decision;
- (o) **(implementation of Scheme)** if the Scheme is approved by the Court:
 - (i) subject to the Listing Rules, promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act;
 - (ii) determine entitlements to the Scheme Consideration as at the Record Date in accordance with the Scheme;
 - (iii) execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares to AusCann on the Implementation Date; and
 - (iv) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (p) **(Regulatory notifications)** in relation to the Regulatory Approvals, lodge with any Governmental Agency within the relevant periods all documentation and filings required by law to be so lodged by CannPal in relation to the Proposed Transaction;
- (q) **(AusCann Information)** without the prior written consent of AusCann, not use the AusCann Information for any purposes other than those contemplated by this deed or the Scheme;
- (r) **(Documents)** consult with AusCann in relation to the content of the documents required for the purpose of the Scheme including originating process, affidavits, submissions and draft minutes of Court orders;
- (s) **(Shareholder support)** in consultation with AusCann, promote to its shareholders the merits of the Scheme and encourage CannPal Shareholders to vote on the Scheme in accordance with the recommendation of the CannPal Board, including, if requested to do so by AusCann and at AusCann's expense, engage a proxy solicitation firm to assist in soliciting proxy votes (and CannPal may independently decide to appoint a proxy solicitation firm after consulting in good faith with AusCann);
- (t) **(quotation of CannPal Shares and ASX listing)** apply to ASX:
 - (i) to have trading in CannPal Shares suspended from the close of trading on the Effective Date;
 - (ii) to have CannPal removed from the official list of ASX from:
 - (A) the close of trading on the Business Day immediately following the Implementation Date; or
 - (B) such other later date after the Implementation Date to be determined by AusCann; and
- (u) **(Compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

7.2 AusCann's obligations

AusCann must take all steps reasonably necessary to assist CannPal to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable including, without limitation, taking each of the following steps:

- (a) **(AusCann Information)** provide to CannPal, in a form appropriate for inclusion in the Explanatory Booklet, all AusCann Information that is required by all applicable law, the

Listing Rules and ASIC Regulatory Guides for inclusion in the Explanatory Booklet, which information must without limiting the above:

- (i) contain all information necessary to enable CannPal to ensure that the Explanatory Booklet complies with the requirements of RG 60;
 - (ii) not be misleading or deceptive in any material respect (whether by omission or otherwise) including in the form and context in which it appears in the Explanatory Booklet; and
 - (iii) be updated by all such further or new material information which may arise after the Explanatory Booklet has been dispatched until the date of the Scheme Meeting which is necessary to ensure that it is not misleading or deceptive in any material respect (whether by omission or otherwise);
- (b) (**Regulatory notifications**) in relation to the Regulatory Approvals, lodge with any regulatory authority within the relevant time periods all documentation and filings required by law to be so lodged by AusCann in relation to the Proposed Transaction;
 - (c) (**Independent Expert**) promptly provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report;
 - (d) (**review of Explanatory Booklet**) as soon as reasonably practicable after delivery, review the drafts of the Explanatory Booklet prepared by CannPal and provide comments on those drafts in good faith;
 - (e) (**approval of draft for ASIC and ASX**) as soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC and ASX, procure that a meeting of the appropriate representatives of AusCann is held to consider approving those sections of that draft that relate to AusCann as being in a form appropriate for provision to ASIC and ASX for review;
 - (f) (**approval of Explanatory Booklet**) as soon as reasonably practicable after the conclusion of the review by ASIC and ASX of the Explanatory Booklet, procure that a meeting of the appropriate representatives of AusCann is held to consider approving those sections of the Explanatory Booklet that relate to AusCann as being in a form appropriate for dispatch to CannPal Shareholders, subject to approval of the Court;
 - (g) (**Representation**) procure that AusCann is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act;
 - (h) (**promote the Proposed Transaction**) if requested by CannPal, participate in reasonable efforts to promote the merits of the Proposed Transaction and the Scheme Consideration;
 - (i) (**CannPal Information**) without the prior written consent of CannPal, not use CannPal Information for any purposes other than those contemplated by this deed and the Scheme; and
 - (j) (**Compliance with laws**) do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

7.3 Explanatory Booklet – preparation principles

- (a) As soon as reasonably practicable after the date of this deed and substantially in accordance with the Timetable, CannPal must prepare the Explanatory Booklet in compliance with:
 - (i) all applicable laws, in particular with the Corporations Act, RG 60 and the Listing Rules; and
 - (ii) this clause 7.3.

- (b) The Explanatory Booklet will include:
 - (i) the terms of the Scheme;
 - (ii) the notice of Scheme Meeting and any other notice of meeting in respect of any resolution that is necessary, expedient or incidental to give effect to the Scheme, together with proxy forms for the Scheme Meeting and for any ancillary meeting;
 - (iii) the CannPal Information;
 - (iv) the AusCann Information;
 - (v) a copy of this deed (without the schedules or annexures);
 - (vi) a copy of the executed Deed Poll; and
 - (vii) a copy of the Independent's Expert Report.
- (c) The Explanatory Booklet must include a statement that:
 - (i) other than the AusCann Information and the Independent Expert's Report, the Explanatory Booklet has been prepared by CannPal and is the responsibility of CannPal, and that AusCann assumes no responsibility for the accuracy or completeness of the Explanatory Booklet (other than AusCann Information); and
 - (ii) the AusCann Information has been provided by AusCann and is the responsibility of AusCann, and CannPal assumes no responsibility for the accuracy or completeness of the AusCann Information.
- (d) CannPal must make available to AusCann drafts of the Explanatory Booklet (excluding any part of the draft of the Independent Expert's Report which contains the Independent Expert's opinion), consult with AusCann in relation to the content of those drafts (other than the AusCann Information), and consider in good faith, for the purpose of amending those drafts, comments from AusCann on those drafts. AusCann acknowledges and agrees that CannPal has ultimate discretion with respect to the preparation, form and content of the Explanatory Booklet, other than as provided in this deed with respect to the AusCann Information.
- (e) CannPal must seek approval from AusCann for the form and context in which the AusCann Information appears in the Explanatory Booklet, which approval AusCann must not unreasonably withhold or delay, and CannPal must not lodge the Explanatory Booklet with ASIC until such approval is obtained from AusCann.
- (f) If CannPal and AusCann disagree on the form or content of the Explanatory Booklet, they must consult in good faith to try to settle an agreed form of the Explanatory Booklet. If complete agreement is not reached after reasonable consultation, then:
 - (i) if the disagreement relates to the form or content of any information appearing in the Explanatory Booklet other than the AusCann Information, the CannPal Board will, acting in good faith, decide the final form or content of the disputed part of the Explanatory Booklet; and
 - (ii) if the disagreement relates to the form or content of the AusCann Information, CannPal will make such amendments to the form or content of the disputed part of the AusCann Information as AusCann requires (acting reasonably and in good faith).
- (g) CannPal must take all reasonable steps to ensure that the Explanatory Booklet (other than the AusCann Information) is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date it is dispatched to CannPal Shareholders.
- (h) AusCann must take all reasonable steps to ensure that the AusCann Information is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date on which the Explanatory Booklet is dispatched to CannPal Shareholders.
- (i) CannPal must provide to AusCann all such further or new information of which CannPal becomes aware that arises after the Explanatory Booklet has been dispatched until the

date of the Scheme Meeting where this is or may be necessary to ensure that the Explanatory Booklet continues to comply with the Corporations Act, RG 60 and the Listing Rules.

- (j) AusCann must provide to CannPal all such further or new information of which AusCann becomes aware that arises after the Explanatory Booklet has been dispatched until the date of the Scheme Meeting where this is or may be necessary to ensure that the AusCann Information continues to comply with the Corporations Act, RG 60 and the Listing Rules.
- (k) CannPal and AusCann each agree that the efficient preparation of the Explanatory Booklet and the implementation of the Scheme are in the interests of CannPal Shareholders and AusCann and that they will use all reasonable endeavours and utilise all reasonably necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under this clause 7.3 and to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable.

8. Conduct of business before the Implementation Date

8.1 Conduct of CannPal business

- (a) Subject to clause 8.2(a), from the date of this deed up to and including the Implementation Date, CannPal must conduct and must cause each of its Subsidiaries to conduct their businesses in the ordinary and usual course of business and:
 - (i) operate those businesses consistent with past practice, in substantially the same manner as previously conducted in the 12 month period prior to the date of this deed and use its reasonable endeavours to operate those businesses generally and materially consistent with the business plan and budget for the CannPal Group for the 2021 financial year, disclosed in the Due Diligence Material;
 - (ii) use reasonable endeavours to preserve their relationships with customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;
 - (iii) use reasonable endeavours to ensure that all assets are maintained in the normal course consistent with past practice;
 - (iv) use reasonable endeavours to comply in all material respects with all material contracts to which a member of the CannPal Group is a party, and with laws, authorisations and licences applicable to each member of the CannPal Group; and
 - (v) not take or fail to take any action that constitutes a CannPal Prescribed Occurrence or that could reasonably be expected to result in a CannPal Prescribed Occurrence.
- (b) Without limiting clause 8.1(a) but subject to clause 8.2(a), CannPal must not, and must procure that its Subsidiaries do not, from the date of this deed up to and including the Implementation Date, do any of the following (or agree or offer to do any of the following):
 - (i) incur any additional Financial Indebtedness (except for draw-downs on existing banking facilities or utilisation of existing securitisation programs) or guarantee or indemnify the obligations of any person other than a member of the CannPal Group, other than in the usual and ordinary course of business and consistent with past practice;
 - (ii) other than as approved in writing by AusCann (not to be unreasonably withheld or delayed), amend or take any action that:
 - (A) seeks or causes a financier (or person acting on its behalf) to consent to or waive (whether or not such consent or waiver is conditioned) any provision under; or

(B) would be reasonably likely to give rise to a financier (or person acting on its behalf) being capable of exercising a right that would pose a risk to the continuity of,

any Financial Indebtedness to which one or more members of the CannPal Group are a party

- (iii) make any change to its constitution;
- (iv) (except as required by law or as provided in an existing contract in place as at the date of this deed) enter into or make any material change to the terms of employment of (including increasing the remuneration or compensation of), any person, including an officer, director, executive or other employee, whose total employment cost exceeds \$100,000 per annum (**Key Person**);
- (v) increase the remuneration or compensation of any person, including an officer, director, executive or other employee of the CannPal Group that would result in an increase by 5% of their total remuneration from the year ended 30 June 2020, other than pursuant to contractual arrangements in effect on the date of this deed and which are Fairly Disclosed in the Due Diligence Material,
- (vi) amend the terms of the CannPal Option Plan or any option, performance right, incentive or share plan;
- (vii) accelerate the rights of any of their employees to compensation or benefits of any kind (including under the CannPal Option Plan, any option, performance right, incentive or share plan);
- (viii) terminate or encourage the resignation of a Key Person, except for cause (acting reasonably) in accordance with contractual arrangements in effect on the date of this deed or otherwise in accordance with current personnel practices;
- (ix) pay any of its officers, directors, executives or other employees a bonus payment, a severance, termination or retention payment in excess of \$25,000 (in aggregate), other than pursuant to contractual arrangements in effect on the date of this deed and which are Fairly Disclosed in the Due Diligence Material;
- (x) make any concession or acknowledgment in respect of, or vary any pattern of work of, any employee or group of employees that is reasonably expected to give rise to a future potential claim, dispute or liability for the CannPal Group that may reasonably give rise to potential costs or liability of more than \$25,000 in aggregate for all such potential costs or liabilities;
- (xi) settle or compromise any dispute, audit on inquiry in relation to tax or duty or amends any tax return, other than in the ordinary course of its business;
- (xii) commence, threaten in writing, settle or offer to settle any legal proceedings, claim, dispute, investigation, arbitration or other like proceeding that relates to potential costs or liability of more than \$50,000 (after allowing for insurance recoveries), other than pursuing debts in the ordinary course of business;
- (xiii) (except under contractual arrangements in effect on the date of this deed and which are Fairly Disclosed in the Due Diligence Material) enter into any enterprise bargaining agreement or similar collective employment agreement;
- (xiv) in respect of any single transaction or series of related or similar transactions, acquire or dispose of any interest in a business, real property, entity or undertaking, the value of which exceeds \$50,000, individually or when aggregated with all such businesses, real property, entities or undertakings the subject of the transaction or series of related or similar transactions;
- (xv) incur or enter into commitments involving capital expenditure of more than \$50,000 whether in one transaction or a series of related transactions;

- (xvi) enter into, vary or terminate any contract, joint venture, partnership or commitment involving total expenditure greater than \$50,000, individually or when aggregated with all such contracts, joint ventures, partnerships or commitments;
- (xvii) enter into, vary or terminate any contract, joint venture, partnership or commitment (or any series of related contracts, joint ventures, partnerships or commitments):
 - (A) waiving any third party default which has a financial impact upon the CannPal Group, or accepting as a compromise anything less than the full compensation due to the CannPal Group, in each case where the applicable expenditure or impact is or will be in excess of \$10,000 in any financial year;
 - (B) restraining any material member of the CannPal Group from competing with any person or conducting activities in any market; or
 - (C) with any related entity of any member of the CannPal Group (other than a member of the CannPal Group);
- (xviii) enter into any new financing arrangement, agreement or otherwise provide financial accommodation other than with members of the CannPal Group (irrespective of what form that accommodation takes), or amend the terms of any existing financing arrangement, agreement or instrument;
- (xix) write-down any of its material assets other than in accordance with the Accounting Standards;
- (xx) enter into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges or interest rate hedges (including basis swaps on interest rates, such that the net period for the floating interest on the swaps is the same period as the net floating interest period on the relevant loan) made in the ordinary course of business consistent with past practice and in accordance with existing policy as at the date of this deed;
- (xxi) pay, incur or agree to pay or incur transaction costs (being any investment banking, financial adviser, legal, accounting, share registry and other costs payable to other advisers or third party service providers, and any payments to employees that relate directly to the Proposed Transaction such as deal or retention bonuses) other than in accordance with arrangements Fairly Disclosed in the Due Diligence Material prior to the date of this deed;
- (xxii) issue, or agree to issue, or grant an option to subscribe for, debentures (as defined in section 9 of the Corporations Act) other than under an existing financing arrangement which has been Fairly Disclosed in the Due Diligence Materials;
- (xxiii) alter in any material respect any accounting policy of any member of the CannPal Group other than any change required by the Accounting Standards; or
- (xxiv) amend in a material respect or terminate any existing shareholders agreement, joint venture agreement or other similar investor agreements or arrangements, or enter into any shareholders agreement, joint venture agreement or other similar investor agreement or arrangement.

8.2 Permitted activities

- (a) The obligations of CannPal under clause 8.1 do not apply in respect of any matter:
 - (i) undertaken by a member of the CannPal Group in conducting its businesses in the usual and ordinary course and consistent with past practice;
 - (ii) required to be done or procured by CannPal or its Subsidiaries under, or which is otherwise contemplated by, this deed, the Scheme;

- (iii) required by law or by an order of a court or Governmental Agency;
 - (iv) subject to clause 8.2(b), Fairly Disclosed in the Due Diligence Material or in documents that were publicly available in the 24 months prior to the date of this deed from public filings of CannPal with ASX, ASIC or public registers as being actions that the CannPal Group may carry out between the date of this deed and the Implementation Date;
 - (v) the undertaking of which AusCann has approved in writing (which approval must not be unreasonably withheld or delayed);
 - (vi) required in order to comply with any Law relating to Tax, including to pay any Tax when due; or
 - (vii) which, in the reasonable opinion of CannPal, is a reasonable and prudent response to an emergency or disaster (including, but not limited to an epidemic or pandemic or the impact arising from such an event or a situation giving rise to a risk of personal injury or damage to property) and it is impractical to seek the approval of AusCann prior to giving effect to the response.
- (b) CannPal must, in respect of any matter referred to in clause 8.2(a)(iv) above that it proposes to undertake:
- (i) if the Disclosure Letter permits the carrying out of the action only in accordance with certain conditions, ensure those conditions are met; and
 - (ii) promptly provide AusCann with any information regarding the matter reasonably requested by AusCann.

Clause 8.2(b) does not operate to provide AusCann with a veto right in respect of any matter referred to in clause 8.2(a)(iv).

8.3 Access

- (a) In the period from the date of this deed to the Implementation Date, CannPal must:
- (i) procure that at least two members of CannPal's executive management team meet regularly with representatives of AusCann on at least a fortnightly basis (unless otherwise agreed by the parties) to assist with, among other things:
 - (A) keeping AusCann fully informed of the matters contemplated by clause 8.3(a)(ii) below; and
 - (B) providing AusCann with access to information and people it has requested under clause 8.3(a)(iii) below;
 - (ii) keep AusCann fully informed of all material developments relating to the CannPal Group and provide to AusCann monthly management, financial and operational reports provided to the CannPal Board;
 - (iii) promptly following a reasonable request by AusCann, provide AusCann (and its Authorised Persons) with access to:
 - (A) documents and information relating to the CannPal Group; and
 - (B) executives and Senior Managers of the CannPal Group (as agreed with CannPal from time to time),
 for the purpose of or in connection with:
 - (C) planning the transition of the CannPal Group and other matters relating to the conduct of the CannPal Group following the Implementation Date;
 - (D) the financing arrangements in respect of the Proposed Transaction, including any refinancing of existing financial indebtedness of the CannPal Group;

- (E) holding discussions with third parties, with the consent of CannPal (such consent not to be unreasonably withheld or delayed) that AusCann and its Authorised Persons reasonably wish to enter into with respect to the Proposed Transaction prior to the Implementation Date, including procuring that employees of any member of CannPal Group participate in such discussions; and
- (F) otherwise facilitating the Proposed Transaction;
- (iv) provide AusCann with complete copies of monthly accounts of the CannPal Group prepared by management of the CannPal Group to the extent such accounts are prepared (which must be prepared in accordance with IFRS, AIFRS or GAAP (as applicable) applied to the entities on a basis consistent with past practice) as soon as reasonably practicable after those materials have been provided to the CannPal Board.
- (b) Nothing in this clause 8.3 obliges CannPal to do anything, or to provide to AusCann or its Authorised Persons any information:
 - (i) which would cause undue disruption to the operation of its business in the ordinary course;
 - (ii) concerning the CannPal Directors' consideration of the Scheme; or
 - (iii) which would breach any applicable law (including privacy and competition laws), or any obligation of confidentiality to any person or result in the loss of legal professional privilege.
- (c) CannPal will provide reasonable assistance to AusCann for the purpose of satisfying CannPal's obligations under this clause 8.3 but nothing in this clause 8.3 requires CannPal to provide access to its people or documentation or to take any other action which would involve refreshing or updating the Due Diligence Material or which would disrupt the usual and ordinary course of CannPal's businesses and operations.

8.4 Change of control rights

In respect of Material Contracts:

- (a) the parties will seek to identify any change of control or similar provisions, or any consent, approval or notification requirements in any Material Contract which would be triggered by the implementation of the Proposed Transaction;
- (b) the parties will use their reasonable endeavours to agree a proposed strategy to obtain any approvals or consents required pursuant to clause 8.4(a) and, if agreed, CannPal will then contact the relevant counterparties to these contracts to request that they provide any consent required in relation to the Proposed Transaction (including confirmation that they will not terminate those contracts due to a change in control of CannPal as a result of the implementation of the Proposed Transaction); and
- (c) the parties must use reasonable endeavours to obtain the consents referred to in clause 8.4(a) in accordance with the agreed strategy as expeditiously as possible and, in any event, prior to the Second Court Date and to ensure that once obtained, the consents are not withdrawn, cancelled or revoked, including by:
 - (i) cooperating with, and doing all things reasonably requested by, CannPal, AusCann or the counterparty to a Material Contract;
 - (ii) promptly provide any information reasonably required by a counterparty to a Material Contract, including providing any information requested by CannPal or those counterparties from AusCann or in relation to an AusCann Related Person; and
 - (iii) make representatives of CannPal or AusCann available, where necessary, to meet with counterparties to Material Contracts to deal with issues arising in relation to the change of control of CannPal.

- (d) AusCann must cooperate with, and provide any assistance (including providing factual information regarding AusCann and attending relevant meetings), reasonably requested by CannPal for the purposes of CannPal complying with its obligations under this clause 8.4, except that AusCann is not responsible for any costs incurred in connection with any application for or granting of consent from the counterparties to the Material Contracts.
- (e) CannPal must not, without the prior written consent of AusCann which must not be unreasonably withheld or delayed, incur any costs other than reasonable travel and legal expenses in connection with performing its obligations under this clause. CannPal is not obliged to incur any costs that it considers in good faith to be material and unreasonable or uncommercial in connection with any application for or granting of consent from the counterparties to the Material Contracts.

8.5 Provision of information by AusCann prior to the Effective Date

In the period from the date of this deed to the Effective Date, AusCann must promptly following the end of each calendar month (and in any event no later than 5 Business Days after the end of the calendar month):

- (a) provide CannPal with confirmation of the AusCann Group's consolidated available cash as at the end of the relevant month; and
- (b) provide CannPal with details of any commitment of any AusCann Group Member or Members involving expenditure of more than \$100,000 whether in one transaction or a series of related transactions which is incurred, authorised, committed to or agreed to during the relevant month,

on condition that CannPal keeps the above information confidential in accordance with the Confidentiality Deed but does not disclose it to any third party adviser or consultant (including any independent expert engaged to opine on the Scheme), other than its lawyers and only on the basis that those lawyers maintain similar confidentiality.

9. Actions on and following Implementation Date

9.1 Reconstitution of the board of each member of the CannPal Group

- (a) On the Implementation Date, but subject to the Scheme Consideration having been paid in full to CannPal or provided by AusCann and receipt by CannPal of signed consents to act, CannPal must take all actions necessary (and in accordance with the constitution of the CannPal Group member, the Corporations Act and the Listing Rules) to appoint the persons nominated by AusCann as new CannPal Directors and new directors of each Subsidiary.
- (b) Without limiting clause 9.1(a), on the Implementation Date, but subject to receipt by CannPal of written notices of resignation to the effect that the outgoing directors have no claim outstanding against any member of the CannPal Group, CannPal must procure that:
 - (i) all outgoing CannPal Directors resign from the CannPal Board; and
 - (ii) all outgoing directors of each Subsidiary of CannPal resigns from their office.

9.2 Sequence of actions on the Implementation Date

On the Implementation Date, the transactions which form part of the Scheme will be implemented in the following sequence:

- (a) AusCann will issue the Scrip Consideration to relevant Scheme Shareholders in accordance with the Scheme;
- (b) AusCann and CannPal will deal with CannPal Convertible Security holders in accordance with clause 5;

- (c) the CannPal Board and the board of each Subsidiary of CannPal will be reconstituted in accordance with clause 9.1;
- (d) AusCann will acquire all of the Scheme Shares in accordance with the Scheme; and
- (e) CannPal will apply to ASX to be removed from the official list of ASX (to the extent this has not been done prior to the Implementation Date).

10. Representations and warranties

10.1 AusCann representations

- (a) AusCann represents and warrants to CannPal (on CannPal's own behalf and separately as trustee for each of the other CannPal Parties) each of the matters set out in clause 10.1(b) as at the date of this deed and on each subsequent day until the Delivery Time on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- (b) AusCann represents and warrants that:
 - (i) AusCann is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery of this deed has been properly authorised by all necessary corporate action and AusCann has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;
 - (iii) this deed constitutes legal, valid and binding obligations on it and this deed does not result in a breach of or default under any deed or any writ, order or injunction, rule or regulation to which AusCann is a party or is bound;
 - (iv) the AusCann Information provided to CannPal in accordance with clause 7.2(a) for inclusion in the Explanatory Booklet will:
 - (A) comply in all material respects with the requirements of the Corporations Act, the Listing Rules and RG 60; and
 - (B) be provided on the understanding that each of the CannPal Indemnified Parties will rely on that information for the purposes of preparing the Explanatory Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act;
 - (v) all information provided by or on behalf of AusCann to the Independent Expert to enable the Independent Expert's Report to be included in the Explanatory Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purposes of preparing the Independent Expert's Report;
 - (vi) as at the date the Explanatory Booklet is dispatched to CannPal Shareholders, the AusCann Information, in the form and context in which that information appears in the version of the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act will not be misleading or deceptive in any material respect (whether by omission or otherwise);
 - (vii) AusCann will, as a continuing obligation, provide to CannPal all such further or new information which may arise after the Explanatory Booklet has been dispatched until the date of the Scheme Meeting which is necessary to ensure that the AusCann Information, in the form and context in which that information appears in the version of the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act, is not misleading or deceptive in any material respect (whether by omission or otherwise);

- (viii) all factual information AusCann has provided to CannPal prior to this deed is, to the best of AusCann's knowledge, accurate in all material respects and not misleading in any material respect;
- (ix) AusCann's financial statements as disclosed to the ASX have been prepared in accordance with the Accounting Standards on a basis consistent with past practice financial statements and, so far as AusCann is aware, there has not been any event, change, effect or development which would require AusCann to restate its financial statements as disclosed to the ASX;
- (x) since 3 February 2017 there has been no material breach by AusCann or any of its Authorised Persons of any Australian or foreign law or regulation applicable to them or order of any Australian or foreign Governmental Agency having jurisdiction over them that:
 - (A) has or could reasonably be expected to have a materially adverse implication in relation to:
 - (I) the conduct of the business of the AusCann Group;
 - (II) the value of the AusCann Group; or
 - (III) the reputation of the AusCann Group, including any implication in relation to its good standing with any Governmental Agency having jurisdiction over the conduct of business of the AusCann Group; or
 - (B) has resulted or could reasonably be expected to result in any criminal liability of any member of the AusCann Group involving proof of intention or any criminal penalty exceeding \$5,000;
- (xi) since 3 February 2017 and so far as the AusCann Board and senior management are aware after due and diligent inquiry, there is no material breach by AusCann or any of its Authorised Persons of any Australian or foreign law or regulation applicable to them or order of any Australian or foreign Governmental Agency having jurisdiction over them, which breach, alone or together with any other breaches of law, has or could reasonably be expected to have the effect of causing:
 - (A) any material contract to be terminable or terminated; or
 - (B) AusCann or any of its Authorised Persons to be restricted in doing business in any jurisdiction or with any customer or supplier, or being subject to criminal liability;
- (xii) each member of the AusCann Group has all material licenses and permits necessary for it to conduct its business;
- (xiii) as at the date of this deed, neither ASIC nor ASX (as applicable) has commenced court proceedings against any member of the AusCann Group for any contravention of the requirements of the Corporations Act or the Listing Rules;
- (xiv) no AusCann Prescribed Occurrence has occurred;
- (xv) as at the date of this deed, no shareholder approval of AusCann is required to complete the Proposed Transaction;
- (xvi) as at the date of this deed, the total issued capital of AusCann is:
 - (A) 317,047,357 AusCann Shares;
 - (B) 19,087,503 issued options; and
 - (C) 1,636,400 performance rights,
 and there are no other AusCann options, warrants, performance rights, shares, convertible notes or other securities (or offers or agreements to issue any of the foregoing);

- (xviii) at the date of this deed, there is no judgment, injunction, order or decree binding on any member of the AusCann Group that has or would be likely to have the effect of prohibiting, materially restricting or materially impairing after the Effective Date any material business of AusCann Group as presently being conducted;
- (xvii) as at the date of this deed, no member of the AusCann Group, nor the assets, properties or business of any member of the AusCann Group, is subject to any judgment, order, writ, injunction or decree of any court, Governmental Agency or arbitration tribunal and so far as AusCann is aware:
 - (A) there are no material actions, suits, arbitrations, legal or administrative proceedings pending against any member of the AusCann Group; and
 - (B) no member of the AusCann Group is the subject of any pending investigation,
 - other than as Fairly Disclosed in the AusCann Due Diligence Materials;
- (xviii) as at the date of this deed, AusCann is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Proposed Transaction or as disclosed in writing to CannPal on or before the date of this deed that a reasonable person would expect to have a material effect on the price or value of AusCann Shares;
- (xix) from 9 December 2016 to the date of this deed, no member of the AusCann Group nor, to the AusCann Group's knowledge, any of the officers, directors, employees, agents, intermediaries, representatives, suppliers or joint venture partners of any member of the AusCann Group has, directly or indirectly, in connection with the business of the AusCann Group:
 - (A) requested, received, made, offered, authorised, solicited or promised to make or offer any unlawful payment, loan or transfer of anything of value or advantage to or for the benefit of or from any person, including any government official, candidate for public office, political party or political campaign;
 - (B) requested, received, paid, offered or promised to make or offer any bribe, payoff, influence payment, kickback, unlawful rebate, or other similar unlawful payment of any nature;
 - (C) requested, received, made, offered or promised to make or offer any unlawful contributions (including political or charitable contributions), gifts, entertainment or other unlawful expenditures;
 - (D) established or maintained any unlawful fund of corporate monies or other properties;
 - (E) created or caused the creation of any false or inaccurate books and records of any member of the AusCann Group related to any of the foregoing;
 - (F) otherwise directly or indirectly violated any local or international anti-corruption or anti-bribery law (including, without limitation, the US Foreign Corrupt Practices Act of 1977 as amended and the UK Bribery Act of 2010) applicable to the AusCann Group; or
 - (G) have sold or purchased goods or services from, or otherwise engaged in any such transaction with, any person in Cuba, Iran, the Democratic Republic of Korea, Syria, Sudan or the Crimea Region of Ukraine and no such sales, purchases or other transactions are pending or have any outstanding obligations involving any person in Cuba, Iran, the Democratic Republic of Korea, Syria, Sudan or the Crimea Region of Ukraine;

- (xx) from 3 February 2017 to the date of this deed, no current or former director or officer of any member of the AusCann Group is or was a Sanctioned Person and, so far as AusCann is aware, no member of the AusCann Group or any of their respective current or former employees or their respective intermediaries is or was a Sanctioned Person. For the purposes of this representation, a **Sanctioned Person** means:
- (A) any person listed in any sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, the United Nations Security Council, the European Union, any Member State of the European Union, the United Kingdom, Canada, or Australia;
 - (B) any person operating organised or resided in a U.S. Sanctioned Country (including Iran, Syria, Sudan, Cuba, the Democratic Republic of Korea, or the Crimea Region of Ukraine); or
 - (C) any person owned or controlled by any such person;
- (xxi) except as Fairly Disclosed in the AusCann Due Diligence Material, there is no security interest over all or any of its or its Subsidiaries' present or future assets or revenues of its business or its Subsidiaries' businesses;
- (xxii) AusCann has provided all material information relating to the expected availability, terms likely to apply to and any material development that would be reasonably likely to materially adversely affect any Financial Indebtedness or debt arrangements of the AusCann Group, from or after the date of this deed;
- (xxiii) AusCann has provided complete and accurate information regarding fee levels in all retainers and mandates with Advisers and fee estimates for other advisers in relation to the Proposed Transaction and any other transaction where such retainer or mandate is current, or under which the AusCann Group still has obligations;
- (xxiv) the AusCann Due Diligence Materials have been collated and disclosed in good faith for the purposes of a due diligence process and in this context and, so far as AusCann is aware after due enquiry, the AusCann Due Diligence Materials are true, complete and accurate and not misleading or deceptive in any material respect, including by omission;
- (xxv) as at the date of this deed, AusCann is not aware of any facts or circumstances that will cause a third party, as a result of the entry into this document and the implementation of either the Proposed Transaction to exercise a right to terminate a contract which is material to the business of the AusCann Group or vary the performance of any material obligation of AusCann under any such contract or exercise a right to acquire, or require the disposal of, any material assets of the AusCann Group;
- (xxvi) as at the date of this deed, no Insolvency Event has occurred or is reasonably likely to occur in the near term in relation to AusCann or another AusCann Group Member, nor has any regulatory action of any nature of which it is aware been taken that would reasonably be likely to prevent or restrict its ability to fulfil its obligations under this deed or under the Scheme.

10.2 AusCann's indemnity

AusCann agrees with CannPal (on CannPal's own behalf and separately as trustee or nominee for each of the other CannPal Parties) to indemnify and keep indemnified the CannPal Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the CannPal Parties may suffer or incur by reason of any breach of any of the representations and warranties in clause 10.1(a) or 10.1(b).

10.3 Qualifications on AusCann's representations, warranties and indemnities

The representations and warranties in clause 10.1 and the indemnity in clause 10.2 are each subject to matters which:

- (a) are expressly provided for in this deed;
- (b) have been Fairly Disclosed in:
 - (i) the AusCann Due Diligence Material; and
 - (ii) AusCann's announcements to ASX in the 24 month period on or prior to the date of this deed; or
- (c) are within the actual knowledge of CannPal, which for these purposes is taken to include (and be limited to) the facts, matters and circumstances of which a CannPal Director is actually aware as at the date of this deed.

10.4 CannPal representations

- (a) CannPal represents and warrants to AusCann (on its own behalf and separately as trustee for each of the AusCann Parties) each of the matters set out in clause 10.4(b) as at the date of this deed and on each subsequent day until the Delivery Time on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- (b) CannPal represents and warrants that:
 - (i) CannPal is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery of this deed by CannPal has been properly authorised by all necessary corporate action and CannPal has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;
 - (iii) this deed constitutes legal, valid and binding obligations on CannPal and the execution of this deed of itself does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which CannPal or any of its Subsidiaries is a party or to which they are bound;
 - (iv) the CannPal Information contained in the Explanatory Booklet will comply in all material respects with the requirements of the Corporations Act, Listing Rules and RG 60;
 - (v) as at the date the Explanatory Booklet is dispatched to CannPal Shareholders, the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act (excluding the AusCann Information and the Independent Expert's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
 - (vi) as at the date of this deed, CannPal is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Proposed Transaction or as disclosed in writing to AusCann on or before the date of this deed) that a reasonable person would expect to have a material effect on the price or value of CannPal Shares;
 - (vii) as at the date of this deed, the total issued capital of CannPal is:
 - (A) 93,125,000 CannPal Shares;
 - (B) 7,250,000 CannPal Options with an exercise price of \$0.20 each and expiring on 24 March 2022;
 - (C) 250,000 CannPal Options with an exercise price of \$0.20 each and expiring on 9 November 2022;

(D) 500,000 CannPal Options with an exercise price of \$0.20 each and expiring on 31 December 2024; and

(E) 1,875,000 CannPal Performance Rights,

and there are no other CannPal options, performance rights, shares, convertible notes or other securities (or offers or agreements to issue any of the foregoing);

(viii) between 30 June 2020 and the date of this deed CannPal has not taken any action, or failed to take any action which if it had taken, or failed to take (as applicable) after the date of this deed it would have been a breach of clause 8 (subject to any matter permitted under clause 8.2) or constituted either a CannPal Prescribed Occurrence or a Material Adverse Change;

(ix) at the date of this deed, there is no judgment, injunction, order or decree binding on any member of the CannPal Group that has or would be likely to have the effect of prohibiting, materially restricting or materially impairing after the Effective Date any material business of CannPal Group as presently being conducted;

(x) as at the date of this deed, no member of the CannPal Group, nor the assets, properties or business of any member of the CannPal Group, is subject to any judgment, order, writ, injunction or decree of any court, Governmental Agency or arbitration tribunal and so far as CannPal is aware:

(A) there are no material actions, suits, arbitrations, legal or administrative proceedings pending against any member of the CannPal Group; and

(B) no member of the CannPal Group is the subject of any pending investigation,

other than as Fairly Disclosed in the Due Diligence Materials;

(xi) since 19 October 2017, there has been no material breach by CannPal or any of its Authorised Persons of any Australian or foreign law or regulation applicable to them or order of any Australian or foreign Governmental Agency having jurisdiction over them that:

(A) has or could reasonably be expected to have a materially adverse implication in relation to:

(I) the conduct of the business of the CannPal Group;

(II) the value of the CannPal Group; or

(III) the reputation of the CannPal Group, including any implication in relation to its good standing with any Governmental Agency having jurisdiction over the conduct of business of the CannPal Group; or

(B) has resulted or could reasonably be expected to result in any in criminal liability of any member of the CannPal Group involving proof of intention or any criminal penalty exceeding \$5,000;

(xii) since 19 October 2017 and so far as the CannPal Board and the senior management of any member of the CannPal Group are aware after due and diligent inquiry, there is no material breach by CannPal or any of its Authorised Persons of any Australian or foreign law or regulation applicable to them or order of any Australian or foreign Governmental Agency having jurisdiction over them, which breach, alone or together with any other breaches of law, has or could reasonably be expected to have the effect of causing:

(A) any contract to be terminable or terminated;

(B) CannPal or any of its Authorised Persons to be restricted in doing business in any jurisdiction or with any customer or supplier, or being subject to criminal liability; or

(C) any other material adverse effect on the CannPal Group;

- (xiii) each member of the CannPal Group has all material licences and permits necessary for it to conduct its business;
- (xiv) as at the date of this deed, neither ASIC nor ASX (as applicable) has made a determination against any member of the CannPal Group for any contravention of the requirements of the Corporations Act or the Listing Rules or any rules, regulations or policy statements under the Corporations Act or the Listing Rules;
- (xv) from 19 October 2017 to the date of this deed, no member of the CannPal Group nor, to the CannPal Group's knowledge, any of the officers, directors, employees, agents, intermediaries, representatives, suppliers or joint venture partners of any member of the CannPal Group has, directly or indirectly, in connection with the business of the CannPal Group:
 - (A) requested, received, made, offered, authorised, solicited or promised to make or offer any unlawful payment, loan or transfer of anything of value or advantage to or for the benefit of or from any person, including any government official, candidate for public office, political party or political campaign;
 - (B) requested, received, paid, offered or promised to make or offer any bribe, payoff, influence payment, kickback, unlawful rebate, or other similar unlawful payment of any nature;
 - (C) requested, received, made, offered or promised to make or offer any unlawful contributions (including political or charitable contributions), gifts, entertainment or other unlawful expenditures;
 - (D) established or maintained any unlawful fund of corporate monies or other properties;
 - (E) created or caused the creation of any false or inaccurate books and records of any member of the CannPal Group related to any of the foregoing;
 - (F) otherwise directly or indirectly violated any local or international anti-corruption or anti-bribery law (including, without limitation, the US Foreign Corrupt Practices Act of 1977 as amended and the UK Bribery Act of 2010) applicable to the CannPal Group; or
 - (G) have sold or purchased goods or services from, or otherwise engaged in any such transaction with, any person in Cuba, Iran, the Democratic Republic of Korea, Syria, Sudan or the Crimea Region of Ukraine and no such sales, purchases or other transactions are pending or have any outstanding obligations involving any person in Cuba, Iran, the Democratic Republic of Korea, Syria, Sudan or the Crimea Region of Ukraine;
- (xvi) from 19 October 2017 to the date of this deed, no current or former director or officer of any member of the CannPal Group is or was a Sanctioned Person and, so far as CannPal is aware, no member of the CannPal Group or any of their respective current or former employees or their respective intermediaries is or was a Sanctioned Person. For the purposes of this representation, a Sanctioned Person means:
 - (A) any person listed in any sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, the United Nations Security Council, the European Union, any Member State of the European Union, the United Kingdom, Canada, or Australia;
 - (B) any person operating organised or resided in a U.S Sanctioned Country (including Iran, Syria, Sudan, Cuba, the Democratic Republic of Korea, or the Crimea Region of Ukraine); or

- (C) any person owned or controlled by any such person;
- (xvii) CannPal's financial statements as disclosed to ASX have been prepared in accordance with the Accounting Standards on a basis consistent with past practice financial statements and, so far as CannPal is aware, there has not been any event, change, effect or development which would require CannPal to restate its financial statements as disclosed to ASX;
- (xviii) except as disclosed in the Disclosure Letter, there is no security interest over all or any of its or its Subsidiaries' present or future assets or revenues of its business or its Subsidiaries' businesses;
- (xix) CannPal has provided all material information relating to the expected availability, terms likely to apply to and any material development that would be reasonably likely to materially adversely affect any Financial Indebtedness or debt arrangements of the CannPal Group, from or after the date of this deed;
- (xx) CannPal has provided complete and accurate information regarding fee levels in all retainers and mandates with Advisers and fee estimates for other advisers in relation to the Proposed Transaction, any Competing Proposals as at the date of this deed and any other transaction where such retainer or mandate is current, or under which the CannPal Group still has obligations;
- (xxi) the Due Diligence Materials have been disclosed in good faith and, so far as the CannPal Board and the senior management of CannPal are aware after due enquiry, CannPal has not knowingly or recklessly:
 - (A) omitted anything from such information such as to make any part of that information materially false or misleading; or
 - (B) included anything materially false or misleading in such information;
- (xxii) so far as CannPal is aware, the Due Diligence Materials contain sufficient information for AusCann to identify each third party to whom a member of the CannPal Group is required to give notice, or from whom a member of the CannPal Group is required to obtain consent or approval under a contract to which a member of the CannPal Group is a party, in connection with this deed or the transactions contemplated by it (including in respect of the change of control of CannPal resulting from the implementation of the Proposed Transaction), except where the failure to give such notice to or obtain such consent or approval from (as applicable) the relevant third party could not reasonably be expected to give rise to a material liability on the part of any member of the CannPal Group;
- (xxiii) as at the date of this deed, CannPal is not aware of any facts or circumstances that will cause a third party, as a result of the entry into this document and the implementation of either the Proposed Transaction to exercise a right to terminate a contract which is material to the business of the CannPal Group or vary the performance of any material obligation of CannPal under any such contract or exercise a right to acquire, or require the disposal of, any material assets of the CannPal Group;
- (xxiv) as at the date of this deed, no Insolvency Event has occurred or is reasonably likely to occur in the near term in relation to CannPal or another CannPal Group Member, nor has any regulatory action of any nature of which it is aware been taken that would reasonably be likely to prevent or restrict its ability to fulfil its obligations under this deed or under the Scheme; and
- (xxv) CannPal is not aware of any information relating to the CannPal Group or its respective businesses or operations (having made reasonable enquiries) as at the date of this deed that has or could reasonably be expected to give rise to a Material Adverse Change that has not been Fairly Disclosed in an announcement by CannPal to ASX or in the Due Diligence Materials.

10.5 CannPal's indemnity

CannPal agrees with AusCann (on AusCann's own behalf and separately as trustee for each of the AusCann Parties) to indemnify and keep indemnified the AusCann Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the AusCann Parties may suffer or incur by reason of any breach of any of the representations and warranties in clause 10.4(a) or 10.4(b).

10.6 Qualifications on CannPal's representations, warranties and indemnities

The representations and warranties in clause 10.4 and the indemnity in clause 10.5 are each subject to matters which:

- (a) are expressly provided for in this deed;
- (b) have been Fairly Disclosed in:
 - (i) the Due Diligence Material; and
 - (ii) CannPal's announcements to ASX in the 24 month period prior to the date of this deed; or
- (c) are within the actual knowledge of AusCann, which for these purposes is taken to include (and be limited to) the facts, matters and circumstances of which an AusCann Director (other than Chris Mews) is actually aware as at the date of this deed and other than information known to Max Johnston which he has not passed or will not pass on to AusCann because it is information obtained in his capacity as a director of CannPal and he considered or considers that his statutory and fiduciary duties prevented or prevent him from sharing that information with AusCann.

10.7 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 10.

10.8 Survival of representations

Each representation and warranty in clauses 10.1 and 10.4:

- (a) is severable;
- (b) will survive the termination of this deed; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

10.9 Survival of indemnities

Each indemnity in this deed (including those in clauses 10.2 and 10.5) will:

- (a) be severable;
- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and
- (d) survive the termination of this deed.

11. Releases

11.1 CannPal Parties

- (a) Without limiting AusCann's rights under clause 10, AusCann (for itself and as agent of every member of the AusCann Group) releases all rights against and agrees with CannPal that it will not make a Claim against, any CannPal Party (other than CannPal) in connection with:
- (i) CannPal's execution or delivery of this deed;
 - (ii) any breach of any representation, covenant and warranty of CannPal in this deed;
 - (iii) the implementation of the Scheme; or
 - (iv) any disclosure made by any CannPal Party including in the Due Diligence Material or the Disclosure Letter that contains any statement which is false or misleading whether in content or by omission,
- except to the extent the relevant CannPal Party has not acted in good faith or has engaged in wilful misconduct.
- (b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly. CannPal receives and holds the benefit of this clause as trustee for each other CannPal Party.

11.2 AusCann Parties

- (a) Without limiting CannPal's rights under clause 10, CannPal releases its rights against, and agrees with AusCann that it will not make a Claim against any AusCann Party (other than AusCann) in connection with:
- (i) AusCann's execution or delivery of this deed;
 - (ii) any breach of any representation, covenant and warranty of AusCann in this deed;
 - (iii) the implementation of the Scheme; or
 - (iv) any disclosure made by any AusCann Party that contains any statement which is false or misleading whether in content or by omission,
- except to the extent that the relevant AusCann Party has not acted in good faith or has engaged in wilful misconduct.
- (b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly. AusCann receives and holds the benefit of this clause as trustee for each other AusCann Party.

11.3 Deeds of indemnity

- (a) Subject to the Scheme becoming Effective, AusCann undertakes in favour of CannPal and each other person who is a CannPal Party that it will:
- (i) subject to clause 11.3(d), for 7 years from the Implementation Date, ensure that the constitutions of CannPal and each other member of the CannPal Group continue to contain such rules as are contained in those constitutions at the date of this deed that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the CannPal Group; and
 - (ii) procure that CannPal and each other member of the CannPal Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time.

- (b) The undertakings contained in clause 11.3(a) are subject to any Corporations Act restriction, or any restriction in the law of a jurisdiction in which an entity is incorporated, and will be read down accordingly.
- (c) CannPal receives and holds for the benefit of clause 11.3(a), to the extent it relates to the other CannPal Parties, as trustee for them.
- (d) The undertakings contained in clause 11.3(a) are given:
 - (i) in the case of clause 11.3(a)(i), until the earlier of 7 years from the Implementation Date or the relevant member of the CannPal Group ceasing to be part of the AusCann Group; or
 - (ii) in the case of clause 11.3(a)(ii), until the earlier of 7 years from the retirement of each director and officer or the relevant member of the CannPal Group ceasing to be part of the AusCann Group.

11.4 Directors' and officers' insurance

AusCann acknowledges that CannPal will in respect of CannPal and all other members of the CannPal Group:

- (a) prior to the Effective Date, arrange for the cover currently provided under the directors' and officers' insurance policy for CannPal and all other members of the CannPal Group (**Policy**) to be extended for a further 12 months after consulting in good faith with AusCann regarding the cost and terms of the Policy (including if the cost of the Policy is materially higher than the cost of the Policy currently in effect, consulting in good faith with AusCann regarding possible alternative coverage solutions);
- (b) prior to the Effective Date and with the prior written agreement of AusCann (which must not be unreasonably withheld) enter into a directors' and officers' run-off insurance policy in respect of the directors and officers of any member of the CannPal Group that applies for no less than a 7 year period following the Implementation Date (the **Run-off Policy**) from a reputable insurer that has a rating that is the same as, or better than, the rating of the insurers for the directors' and officers' insurance policy in place for the current financial year to provide the Run-off Policy on the following basis:
 - (i) the same amount of coverage;
 - (ii) the same deductible or excess; and
 - (iii) otherwise on terms that are no less favourable to the current directors or officers of CannPal for the current financial year but which for the avoidance of doubt may be at a higher premium than the current directors' and officers' insurance policy,
 and pay all premiums required so as to ensure that insurance cover is provided under the Run-off Policy on those terms until that date.

11.5 Obligations in relation to directors' and officers' insurance

From the Implementation Date, CannPal must not (and AusCann must procure that CannPal does not):

- (a) vary or cancel the Policy or the Run-Off Policy; or
- (b) unless required under the Policy or the Run-Off Policy, commit any act or omission that may prejudice any claim by a director or officer of CannPal under the Policy or the Run-Off Policy.

12. Confidentiality and announcements

12.1 Confidentiality

Each party agrees and acknowledges that it is bound by the terms of the Confidentiality Deed save that the terms of this deed will prevail over the Confidentiality Deed to the extent of any inconsistency.

12.2 Announcements

- (a) Immediately after the execution of this deed each party must issue the Announcement to the ASX.
- (b) Subject to clause 12.2(c), any further public announcements by either of the parties in relation to, or in connection with, the Scheme may only be made in a form approved by the other party in writing (acting reasonably).
- (c) Where a party is required by law or the Listing Rules to make any announcement or to make any disclosure in relation to, or in connection with the Proposed Transaction or any other transaction related to this deed or the Scheme, it may do so to the extent legally required and only then after it has given the other party as much notice as possible and has consulted in good faith to the fullest extent possible in the circumstances with the other party.

12.3 Statements on termination

The parties must use all reasonable endeavours to issue agreed statements in respect of any termination of this deed and, to that end but without limitation, clause 12.2 applies to any such statements or disclosures.

13. Termination

13.1 Termination by notice

- (a) AusCann or CannPal may, by notice in writing to the other, terminate this deed at any time prior to the Second Court Date:
 - (i) if the other is in material breach of any of its material obligations under this deed (other than the breaching of a party's respective representations and warranties which are regulated by clause 13.2) and the other party has failed to remedy that breach within 5 Business Days (or the Delivery Time on the Second Court Date if earlier) of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the other party to remedy the breach;
 - (ii) in accordance with clause 3.7;
 - (iii) if the Court refuses to make any order directing CannPal to convene the Scheme Meeting, provided that both CannPal and AusCann have met and consulted in good faith and either party does not wish to proceed with the Scheme; or
 - (iv) if the Effective Date for the Scheme has not occurred on or before the End Date.
- (b) CannPal may, by notice in writing to AusCann, terminate this deed at any time prior to the Delivery Time on the Second Court Date if at any time before then each of that number of CannPal Directors as constitutes a majority of the CannPal Board publicly recommend a Superior Proposal and do not, within 3 Business Days, reinstate their recommendation of the Proposed Transaction; and
- (c) AusCann may, by notice in writing to CannPal, terminate this deed:
 - (i) at any time prior to the Delivery Time on the Second Court Date if at any time before then any director of CannPal:

- (A) fails to recommend the Scheme;
- (B) withdraws or adversely revises or adversely modifies his or her recommendation of the Scheme;
- (C) makes a public statement indicating that he or she recommends, endorses or supports a Competing Proposal,

other than as a result of the circumstances described in clause 6.2, which for the avoidance of doubt will not extend to any CannPal Director adversely revising or adversely modifying his or her recommendation of the Proposed Transaction or making a public statement indicating that they recommend, endorse or support a Competing Proposal.

13.2 Termination for breach of representations and warranties

- (a) AusCann may, by notice in writing to CannPal, terminate this deed at any time prior to the Delivery Time on the Second Court Date if:
 - (i) CannPal is in material breach of a CannPal Warranty; or
 - (ii) CannPal is in breach of the CannPal Warranty in clause 10.4(b)(vii), and CannPal has failed to remedy that breach within 5 Business Days (or the Delivery Time on the Second Court Date if earlier) of receipt by it of a notice in writing from AusCann setting out details of the relevant circumstance and requesting CannPal to remedy the breach.
- (b) CannPal may, by notice in writing to AusCann, terminate this deed at any time prior to the Delivery Time on the Second Court Date if:
 - (i) AusCann is in material breach of an AusCannWarranty; or
 - (ii) AusCann is in breach of the AusCann Warranty in clause 10.1(b)(xvi), and AusCann has failed to remedy that breach within 5 Business Days (or the Delivery Time on the Second Court Date if earlier) of receipt by it of a notice in writing from CannPal setting out details of the relevant circumstance and requesting AusCann to remedy the breach.

13.3 Effect of termination

- (a) In the event of termination of this deed under clause 3.7 (Conditions not capable of being fulfilled), 13.1 (Termination by notice) or 13.2 (Termination for breach of representations and warranties), this deed will become void and have no effect, except that the provisions of clauses 10.8 (Survival of representations), 10.9 (Survival of indemnities), 13 (Termination), 14 (CannPal Break Fee), 15 (AusCann Break Fee) and 19.3 to 19.16 (inclusive) survive termination.
- (b) Termination of this deed does not affect any accrued rights of a party in respect of a breach of this deed prior to termination.

14. CannPal Break Fee

14.1 Background

- (a) CannPal and AusCann acknowledge that, if they enter into this deed and the Scheme is subsequently not implemented, AusCann will incur significant costs including those described in clause 14.2.
- (b) In the circumstances referred to in clause 14.1(a), AusCann has requested that provision be made for the payments outlined in clause 14.3, without which AusCann would not have entered into this deed.

- (c) The CannPal Board believes that the Scheme will provide benefit to CannPal and CannPal Shareholders and that it is appropriate for CannPal to agree to the payments referred to in this clause 14 in order to secure AusCann's participation in the Proposed Transaction.

14.2 Costs incurred by AusCann

- (a) The fee payable under clause 14.3 has been calculated to reimburse AusCann for the following:
 - (i) fees for legal and financial advice in planning and implementing the Proposed Transaction;
 - (ii) reasonable opportunity costs incurred in engaging in the Proposed Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and implementing the Proposed Transaction;
 - (iv) out of pocket expenses incurred in planning and implementing the Proposed Transaction; and
 - (v) any damage to the AusCann's reputation associated with a failed transaction and the implications of those damages if AusCann seeks to execute alternative acquisitions in the future,in each case, incurred by AusCann directly or indirectly as a result of having entered into this deed and pursuing the Proposed Transaction.
- (b) The parties acknowledge that:
 - (i) the amount of fees, costs and losses referred to in this clause 14.2 is inherently unascertainable and that, even after termination of this deed, the costs will not be able to be accurately ascertained; and
 - (ii) the amount of the costs payable under clause 14.3 is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged by the parties that the costs would most likely be in excess of this amount).

14.3 Payment by CannPal to AusCann

- (a) CannPal agrees to pay to AusCann \$150,000 (inclusive of GST) (**CannPal Break Fee**) in any of the following circumstances:
 - (i) (**Competing Proposal Succeeds**) both of the following occur:
 - (A) a Competing Proposal is publicly announced during the period commencing on the date of this deed and ending on the End Date; and
 - (B) within 12 months from the date of the public announcement of such Competing Proposal:
 - (I) the Competing Proposal is implemented or completed substantially in the terms described in the public announcement; or
 - (II) without limiting clause 14.3(a)(i)(B)(I), the proponent of that Competing Proposal acquires a Relevant Interest in, an economic interest in or voting power of at least 50% of CannPal Shares and the Competing Proposal is (or becomes) free of any defeating condition; or
 - (ii) (**Competing Proposal executed**) at any time before termination of this deed, CannPal enters into any agreement with a third party in respect of a Competing

Proposal under which that third party and CannPal agree to undertake or give effect to such Competing Proposal;

(iii) **(Change of Recommendation)** at any time prior to the Second Court Date, any director of CannPal:

- (A) withdraws or adversely modifies their recommendation of the Proposed Transaction or recommends or supports a Competing Proposal;
- (B) does not recommend in the Explanatory Booklet that CannPal Shareholders approve the Scheme; or
- (C) makes any public statement to the effect that the Scheme is not, or is no longer, recommended,

except where this is:

- (D) as a result of the circumstances set out in clause 6.2, which for the avoidance of doubt will not extend to any CannPal Director adversely revising or adversely modifying his or her recommendation of the Proposed Transaction or making a public statement indicating that they recommend, endorse or support a Competing Proposal;
- (E) as a result of the Independent Expert (either in its initial report or any updated, revised or supplemental report) opining that the Scheme is not in the best interest of CannPal Shareholders other than where the reason for that opinion is a Superior Proposal); or
- (F) in circumstances where CannPal is entitled to terminate this deed under clause 13.1(a) or 13.2(b); or.

(iv) **(Material Breach)** AusCann terminates this deed in accordance with (and subject to the cure periods specified in) clause 13.1(a)(i) or 13.2(a).

- (b) CannPal must pay AusCann the CannPal Break Fee within 10 Business Days of receipt by CannPal of a demand for payment from AusCann made after the occurrence of the event referred to in clause 14.3(a).
- (c) The maximum aggregate amount which CannPal is required to pay in relation to a breach of this deed by CannPal is the AusCann Break Fee, and in no event will the aggregate liability of CannPal under or in connection with a breach of this deed exceed the AusCann Break Fee.
- (d) The CannPal Break Fee is not payable merely because the resolution submitted to the Scheme Meeting in respect of the Scheme is not approved by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (e) The CannPal Break Fee is only payable once and the maximum amount payable by CannPal under this clause 14.3 is \$150,000 (inclusive of GST).
- (f) Where the CannPal Break Fee becomes payable to AusCann under this clause 14.3 and is actually paid to AusCann, AusCann (for itself and as agent of every member of the AusCann Group):
 - (i) releases all rights against and agrees with CannPal that AusCann will not make a Claim against any CannPal Party (other than a claim under this clause 14.3) in connection with:
 - (A) the event that gave rise to the right to demand the payment of the CannPal Break Fee; nor
 - (B) any other event, matter or circumstance that may give rise to a separate right to the CannPal Break Fee or that constitutes or may constitute a breach of this deed (without limitation); and
 - (ii) indemnifies any CannPal Party against a Claim that is made contrary to the release under clause 14.3(f)(i),

with the effect that the payment of the CannPal Break Fee represents the sole and exclusive remedy of any AusCann Group Member in relation to this deed.

- (g) Clause 14.3(f) above does not apply to the extent of any right of AusCann to make a Claim against any CannPal Party for any wilful, reckless or deliberate breach by CannPal of its obligations under clause 16.
- (h) The CannPal Break Fee is not payable where:
 - (i) CannPal has become entitled to the AusCann Break Fee; or
 - (ii) the Scheme becomes Effective.

15. AusCann Break Fee

- (a) AusCann agrees to pay to CannPal \$150,000 (inclusive of GST) (**AusCann Break Fee**) if:
 - (i) CannPal terminates this deed in accordance with clause 13.1(a)(i); or
 - (ii) the Scheme becomes Effective but AusCann does not provide the Scheme Consideration in accordance with the terms and conditions of this deed and the Deed Poll.
- (b) AusCann must pay CannPal the AusCann Break Fee within 10 Business Days of receipt by AusCann of a demand for payment from CannPal made after the occurrence of the event referred to in clause 15(a).
- (c) The maximum aggregate amount which AusCann is required to pay in relation to a breach of this deed by AusCann is the AusCann Break Fee, and in no event will the aggregate liability of AusCann under or in connection with a breach of this deed exceed the AusCann Break Fee.
- (d) The AusCann Break Fee is only payable once and the maximum amount payable by AusCann under clause 15(a) is \$150,000 (inclusive of GST).
- (e) Where the AusCann Break Fee becomes payable to CannPal under this clause 15 and is actually paid to CannPal, CannPal (for itself and as agent of every member of the CannPal Group):
 - (i) releases all rights against and agrees with AusCann that CannPal will not make a Claim against any AusCann Party (other than a claim under this clause 15 in connection with:
 - (A) the event that gave rise to the right to demand the payment of the AusCann Break Fee; nor
 - (B) any other event, matter or circumstance that may give rise to a separate right to the AusCann Break Fee or that constitutes or may constitute a breach of this deed (without limitation); and
 - (ii) indemnifies any AusCann Party against a Claim that is made contrary to the release under clause 15(e)(i),

with the effect that the payment of the CannPal Break Fee represents the sole and exclusive remedy of any AusCann Group Member in relation to this deed.
- (f) The AusCann Break Fee is not payable where:
 - (i) AusCann has become entitled to the CannPal Break Fee; or
 - (ii) the Scheme becomes Effective.

16. Exclusivity

16.1 No existing discussions

Other than in relation to the discussions with AusCann in connection with the Proposed Transaction, CannPal represents and warrants to AusCann that, as at the date of this deed:

- (a) neither itself, its Related Bodies Corporate nor any of their respective Authorised Persons is a party to any agreement with a third party entered into for the purpose of facilitating a Competing Proposal; and
- (b) neither itself, its Related Bodies Corporate nor any of their respective Authorised Persons is participating in any discussions or negotiations with a third party that concern, or that could reasonably be expected to lead to, a Competing Proposal.

16.2 No shop restriction

During the Exclusivity Period, except with the prior written consent of AusCann, CannPal must not, and must ensure that none of its Related Bodies Corporate nor any of their Authorised Persons, directly or indirectly

- (a) solicit, invite, encourage, continue or initiate any Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that may reasonably be expected to encourage or lead to, an actual, proposed or potential Competing Proposal or which may otherwise lead to the Proposed Transaction not being completed; or
- (b) solicit, invite, encourage or initiate approaches, enquiries, discussions or proposals with a view to obtaining any offer, proposal or expression of interest from any person in relation to, or which may reasonably be expected to lead to, an actual, proposed or potential Competing Proposal,

or communicate any intention to do any of those things.

16.3 No talk restriction

Subject to clause 16.5, during the Exclusivity Period, CannPal must not, and must ensure that none of its Related Bodies Corporate nor any of their Authorised Persons, (whether directly or indirectly):

- (a) negotiate or enter into or participate in negotiations or discussions with any person; or
- (b) communicate any intention to do any of these things,

in relation to, or that may reasonably be expected to encourage or lead to, an actual or potential Competing Proposal or any agreement, understanding or arrangement that may be reasonably expected to encourage or lead to a Competing Proposal or which may otherwise lead to the Proposed Transaction not being completed, even if:

- (c) the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by CannPal or any of its Related Bodies Corporate; or
- (d) that person has publicly announced the Competing Proposal.

16.4 No due diligence

(a) During the Exclusivity Period, except with the prior written consent of AusCann, CannPal must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

- (i) solicit, invite, initiate, or encourage, or (subject to clause 16.5) facilitate or permit, any person (other than AusCann) to undertake due diligence investigations in respect of CannPal, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or

- (ii) subject to clause 16.5, make available to any person (other than AusCann) or permit any such person to receive any non-public information relating to CannPal, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.
- (b) If CannPal proposes that any non-public information be provided to a third party, then:
 - (i) before CannPal provides such information, the third party must enter into an Acceptable Confidentiality Deed; and
 - (ii) any non-public information provided to that third party must also be provided to AusCann (unless the information has already been provided to AusCann or its Authorised Person).

16.5 Exceptions

Clauses 16.3 and 16.4(a) do not apply to the extent that they restrict CannPal or the CannPal Board from taking or refusing to take any action with respect to a genuine Competing Proposal (in relation to which there has been no contravention of this clause 16) provided that:

- (a) the Competing Proposal is bona fide and is made by or on behalf of a person that the CannPal Board considers is of sufficient commercial standing;
- (b) the CannPal Board, acting in good faith, determines:
 - (i) where there is a written Competing Proposal, after consultation with its financial advisers (if applicable), that the Competing Proposal is a Superior Proposal or the steps which the CannPal Board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and
 - (ii) after receiving written legal advice from CannPal's external legal advisers experienced in transactions of this nature, that failing to respond to the Competing Proposal would be likely to constitute a breach of its fiduciary or statutory duties; and
- (c) CannPal notifies promptly and in any event within 48 hours AusCann of each action or inaction by CannPal or the CannPal Board in reliance on this clause 16.5.

16.6 CannPal warranty and undertakings

- (a) CannPal warrants as at the date of this deed:
 - (i) that it has, and its Authorised Persons have, ceased any existing discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal; and
 - (ii) that it has requested, or will as soon as practicable request, the return of CannPal's confidential information in accordance with the terms of any relevant confidentiality agreement from all third parties conducting due diligence investigations on the CannPal Group prior to the date of this deed in connection with (or contemplation of) a Competing Proposal or potential Competing Proposal.
- (b) During the Exclusivity Period, CannPal must:
 - (i) enforce all its rights under each confidentiality agreement entered into in connection with an actual or potential Competing Proposal (before the date of this deed), including any standstill obligations and its rights to require the return of confidential information as referred to in clause 16.6(a)(ii);
 - (ii) as soon as reasonably practicable, ensure that any electronic data room access granted to any third party prior to the date of this deed in connection with an actual or potential Competing Proposal is withdrawn; and

- (iii) not grant any waivers or agree to any amendments under any confidentiality agreements entered into in connection with an actual or potential Competing Proposal (before the date of this deed).

16.7 Notice of Competing Proposal

- (a) During the Exclusivity Period, CannPal must promptly notify AusCann in writing of:
 - (i) any approach, inquiry or proposal made by any person to CannPal, any of its Related Bodies Corporate or any of their respective Authorised Persons, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Competing Proposal; and
 - (ii) any request made by any person to CannPal, any of its Related Bodies Corporate or any of their respective Authorised Persons, for any information relating to CannPal, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of a Competing Proposal,

(Competing Proposal Notice).

- (b) A Competing Proposal Notice must be accompanied by all material details of the relevant event, including (as the case may be):
 - (i) the identity of the person who made the relevant approach, inquiry or proposal to initiate discussions or negotiations referred to in clause 16.7(a)(i) or who made the relevant request for information referred to in clause 16.7(a)(ii); and
 - (ii) the material terms and conditions (including price, conditions precedent, timetable and any break fee) of any Competing Proposal or any proposed Competing Proposal (to the extent known),

and AusCann agrees that any such information received will constitute “Confidential Information” as defined in the Confidentiality Deed.

- (c) During the Exclusivity Period CannPal must also notify AusCann in writing as soon as possible after becoming aware of any material developments in relation to any actual, proposed or potential Competing Proposal, including in respect of any of the information previously notified to AusCann under this clause 16.7.

16.8 CannPal's response to Competing Proposal and AusCann's right to respond

- (a) If CannPal receives a Competing Proposal and as a result, any CannPal Director proposes to either:
 - (i) change, withdraw or modify his or her recommendation of the Scheme; or
 - (ii) approve or recommend entry into any agreement, commitment, arrangement or understanding relating to the Competing Proposal with the person who has made the applicable Competing Proposal (**Rival Acquirer**) (other than an Acceptable Confidentiality Deed),

CannPal must direct each CannPal Director not to do so,

- (iii) unless the Competing Proposal is bona fide; and
- (iv) until each of the following has occurred:
 - (A) CannPal has given AusCann written notice (**Relevant Notice**) of the CannPal Director's proposal to take the action referred to in clauses 16.8(a)(i) or 16.8(a)(ii) (subject to AusCann's rights under clause 16.8(b)), including details of the grounds on which the CannPal Directors propose to take such action;
 - (B) CannPal has given AusCann all information that would be required by clause 16.7(b) (excluding the operation of clause 16.5), including the identity of the person making the Competing Proposal; and

- (C) either:
 - (I) AusCann has not announced or provided to CannPal a Counter Proposal before the Cut Off Date; or
 - (II) AusCann has announced or provided to CannPal a Counter Proposal before the Cut Off Date and the CannPal Board has determined, in good faith, that the Counter Proposal would not provide an equivalent or superior outcome to CannPal shareholders as a whole compared with the Competing Proposal and AusCann have been given an opportunity to amend the Counter Proposal in accordance with clause 16.8(e).
- (b) If CannPal gives a Relevant Notice to AusCann under clause 16.8(a)(iv)(A), AusCann will have the right, but not the obligation, at any time during the 5 Business Days following the receipt of the Relevant Notice (**Cut Off Date**), to amend the terms of the Proposed Transaction including increasing the amount of consideration offered under the Proposed Transaction or proposing another form of transaction (each a **Counter Proposal**), and if it does so then the CannPal Directors must review the Counter Proposal and determine whether, in good faith, the Counter Proposal would provide an equivalent or superior outcome to CannPal shareholders as a whole compared with the Competing Proposal.
- (c) CannPal must procure that the CannPal Board promptly, and in any event within 2 Business Days, notifies AusCann of the determination in writing, stating reasons for that determination.
- (d) If the CannPal Directors determine in good faith that the Counter Proposal would provide an equivalent or superior outcome to CannPal Shareholders as a whole compared with the Competing Proposal, then CannPal and AusCann must use their best endeavours to agree the amendments to this deed that are reasonably necessary to reflect the Counter Proposal, and to enter into an amended agreement to give effect to those amendments and to implement the Counter Proposal, and CannPal must use its best endeavours to procure that the CannPal Directors recommend the Counter Proposal to the Shareholders and not recommend the applicable Competing Proposal.
- (e) If the determination is that the Counter Proposal would not provide an equivalent or superior outcome to CannPal Shareholders as a whole compared with the Competing Proposal, then AusCann may take steps to amend the Counter Proposal to address the reasons given within a further period of 4 Business Days. If AusCann does so to CannPal's satisfaction, then the process in clause 16.8(d) applies to that amended Counter Proposal.
- (f) For the purposes of this clause 16.8, each successive material modification of any third party expression of interest, offer or proposal in relation to a Competing Proposal will constitute a new Competing Proposal.

16.9 Normal provision of information

Nothing in this clause 16 prevents CannPal from;

- (a) providing any information required to be provided by any applicable law (including to satisfy its obligations under the Listing Rules), any Government Agency, or any court of competent jurisdiction;
- (b) providing any information to its auditors, customers, financiers, joint venturers and suppliers acting in that capacity in the ordinary course of business; and
- (c) making presentations to, or responding to enquiries from, brokers, portfolio investors, analysts and other third parties, and engaging with financiers and potential financiers, in the ordinary course of business in accordance with its usual practices.

17. Modification of CannPal Break Fee, AusCann Break Fee or exclusivity arrangements

17.1 Modifications following regulatory intervention

If any of the following occurs:

- (a) a Governmental Agency finds that all or any part of the payment required to be made under clause 14 or 15 or an exclusivity arrangement under clause 16 is unacceptable or unenforceable; or
- (b) as a result of an application to the Takeovers Panel, the Takeovers Panel indicates that, in the absence of a written undertaking under section 201A of the *Australian Securities and Investments Commission Act 2001* (Cth) to modify the amount of the CannPal Break Fee or the circumstances in which it is to be paid or the circumstances in relation to an exclusivity arrangement under clause 16, it will make a declaration of unacceptable circumstances,

then, subject to clause 17.2:

- (c) the parties must amend clauses 14, 15 and/or 16 to the extent required to give effect to the requirements of the Governmental Agency or the Takeovers Panel (as the case may be) and (in circumstances referred to in clause 17.1(b)) must give the required undertaking(s); and
- (d) neither the occurrence of any of the events referred to in clauses 17.1(a) or 17.1(b) nor the amendment of clauses 14, 15 and/or 16 will be taken to be a breach of, or permit any party to terminate, this deed.

17.2 No requirement to act unless decision final

The parties are only required to take steps under 17.1(c) in relation to any requirement of a Governmental Agency or the Takeovers Panel if:

- (a) no appeal or review proceeding is available from the decision to impose that requirement or the period for lodging an appeal or commencing review proceedings has expired without an appeal having been lodged or review proceedings commenced; or
- (b) AusCann and CannPal do not agree in writing to appeal or seek review of the decision to impose that requirement (having consulted in good faith on whether to do so).

17.3 Appeals and review of regulatory decisions

Nothing in this deed requires either party to appeal or seek review of any decision of a Governmental Agency or the Takeovers Panel referred to in clause 17.1(a) or 17.1(b).

17.4 Determination by Governmental Agency

If a Governmental Agency determines that payment of all or any part of the CannPal Break Fee is unacceptable, unlawful or involves a breach of the fiduciary or statutory duties of the members of the CannPal Board (**Impugned Amount**) and either no appeal from that determination is available or the period for lodging an appeal has expired without having an appeal having been lodged then:

- (a) the obligation of CannPal to pay the CannPal Break Fee does not apply to the extent of the Impugned Amount; and
- (b) if AusCann has received any part of the Impugned Amount, it must refund it within 5 Business Days after that determination is made or the period for lodging has expired, whichever is later.

18. Notices

Any communication under or in connection with this deed:

- (a) must be in writing;
- (b) must be sent to the address for service of the addressee specified in the Details;
- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered or posted by prepaid post to the address, or sent to the email address, of the addressee, in accordance with the Details; and
- (e) will be deemed to be received by the addressee:
 - (i) **(in the case of prepaid post)** on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) **(in the case of email)** immediately after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, unless that local time is not a Business Day, or is between 5.00pm and midnight on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day. If delivery is between 12.01am and 8.59am local time on a Business Day, then delivery will be deemed to be received at 9.00am on that Business Day; and
 - (iii) **(in the case of delivery by hand)** on delivery at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day. If delivery is between 12.01am and 8.59am local time on a Business Day, then delivery will be deemed to be received at 9.00am on that Business Day.

19. General

19.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this deed.

19.2 Timetable

The parties agree that the Timetable is indicative only and is not binding on the parties.

19.3 Payments

Unless otherwise provided in this deed, where an amount is required to be paid to a party (**Receiving Party**) by another party under this deed, that amount shall be paid:

- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and
- (b) without deduction, withholding or set-off.

19.4 Interest

- (a) If a party fails to pay any amount payable under this deed on the due date for payment, that party must pay interest on the amount unpaid at the higher of the Interest Rate plus 3% per annum or the rate (if any) fixed or payable under any judgment or other thing into which the liability to pay the amount becomes merged.

- (b) The interest payable under clause 19.4(a):
 - (i) accrues from day to day from and including the due date for payment up to the actual date of payment, before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay the amount becomes merged; and
 - (ii) may be capitalised by the person to whom it is payable at monthly intervals.

19.5 GST

- (a) Any reference in this clause 19.5 to a term defined or used in the *A New Tax System (Goods and Services Tax) Act 1999* is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.
- (b) Unless expressly included, the consideration for any supply under or in connection with this deed does not include GST.
- (c) To the extent that any supply made by a party (**Supplier**) to another party (**Recipient**) under or in connection with this deed is a taxable supply, the Recipient must pay to the Supplier, in addition to the consideration to be provided under this deed but for the application of this clause 19.5(c) for that supply (**GST Exclusive Consideration**), an amount equal to the amount of the GST Exclusive Consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. This clause 19.5(c) does not apply to any taxable supply under or in connection with this deed that is stated to include GST.
- (d) The amount on account of GST payable in accordance with this clause 19.5 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.
- (e) Any reference in the calculation of any consideration or of any indemnity, reimbursement or similar amount to a cost, expense or liability incurred by a person (**Relevant Expense**) is a reference to the relevant expense reduced by an amount equal to any input tax credit entitlement of that person (or of the representative member of any GST group to which the person belongs) in relation to the Relevant Expense. A party will be assumed to have an entitlement to a full input tax credit unless it demonstrates otherwise prior to the date on which the relevant payment or consideration must be provided.

19.6 Stamp duty

AusCann must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this deed or the Scheme or the steps to be taken under this deed or the Scheme (including without limitation the acquisition or transfer of Scheme Shares under the Scheme).

19.7 Expenses

Except as otherwise provided in this deed, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this deed and the Explanatory Booklet and the proposed, attempted or actual implementation of this deed and the Scheme.

19.8 Amendments

This deed may only be varied by a document signed by or on behalf of each of the parties.

19.9 Assignment

- (a) Subject to clause 19.9(b) below, a party cannot assign, novate or otherwise transfer any of its rights or obligations under this deed without the prior written consent of each other party, which consent that other party may give or withhold in its absolute discretion.
- (b) AusCann may assign, grant a security interest over, novate or otherwise transfer by way of security, any of its rights or obligations under this deed to a financier or financiers (or a security agent or security trustee thereof) without the prior written consent of CannPal

solely for the purpose of obtaining finance or providing security in connection with the Scheme.

19.10 Business Day

Except where otherwise expressly provided, where under this deed the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

19.11 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this deed.
- (b) Any waiver or consent given by any party under this deed will only be effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed will operate as a waiver of another breach of that term or of a breach of any other term of this deed.
- (d) Nothing in this deed obliges a party to exercise a right to waive any conditional term of this deed that may be in its power.

19.12 Counterparts and electronic execution

- (a) This deed may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same agreement.
- (b) This deed is binding on the parties on the exchange of duly executed counterparts.
- (c) The parties agree that a copy of an original executed counterpart sent by email to the email address of the other party specified in clause 18, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.
- (d) A party may sign electronically a soft copy of this deed through DocuSign or other electronic means and bind itself accordingly. That will satisfy any statutory or other requirements for it to be in writing and signed by that party. Any soft copy so signed will constitute an executed original counterpart. In addition, it is intended to print it out when so signed, so that the relevant signatures will appear in the printout, and any printout will also be an executed original counterpart.

19.13 Entire agreement

- (a) This deed:
 - (i) embodies the entire understanding of the parties and constitutes the entire terms agreed on between the parties; and
 - (ii) supersedes any prior agreement (whether or not in writing) between the parties.
- (b) Despite clause 19.13(a), the Confidentiality Deed continues to apply to the parties in accordance with its terms, except to the extent of any express inconsistency, in which case this deed prevails.

19.14 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements set out in this deed.

- (b) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement set out in this deed.

19.15 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

19.16 Governing law

- (a) This deed is governed by and will be construed according to the laws of Western Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts.

Schedule 1 - Indicative timetable

**Not reproduced here.
Await Explanatory Booklet.**

Schedule 2 – Scheme

**Not reproduced here.
Await Explanatory Booklet.**

Schedule 3 – Deed Poll

**Not reproduced here.
Await Explanatory Booklet.**

Signing page

EXECUTED as a deed.

Executed by CannPal Animal Therapeutics Limited in accordance with Section 127 of the *Corporations Act 2001*

Layton Mills Digitally signed by Layton Mills
Date: 2020.11.13 17:18:01
+11'00'

Signature of director

Name of director (print)

Mr Geoff Starr

Signature of director/~~company secretary~~
(Please delete as applicable)



Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Executed by AusCann Group Holdings Ltd in accordance with Section 127 of the *Corporations Act 2001*

Signature of director

Name of director (print)

Signature of director/company secretary
(Please delete as applicable)

Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Signing page

EXECUTED as a deed.

Executed by CannPal Animal Therapeutics Limited in accordance with Section 127 of the *Corporations Act 2001*

Signature of director

Signature of director/company secretary
(Please delete as applicable)

Name of director (print)

Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Executed by AusCann Group Holdings Ltd in accordance with Section 127 of the *Corporations Act 2001*

Signature of director

Signature of director/company secretary
(Please delete as applicable)

Max Johnston
Name of director (print)

Krista Bates
Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.