ASX Announcement
15 April 2021

ELIXINOL GLOBAL LIMITED – 2021 ANNUAL GENERAL MEETING

Elixinol Global Limited (**Elixinol** or the **Company**) **(ASX:EXL; OTCQB:ELLXF)** wishes to advise that the 2021 Elixinol Annual General Meeting (**AGM**) will be held on Monday, 17 May 2021, commencing at 10.00am (Sydney time) as a virtual meeting.

In accordance with Listing Rule 3.17.1, attached are the following documents:

1. A Letter to Shareholders regarding the arrangements for the AGM as dispatched to Shareholders in lieu of a Notice of Meeting;
2. Notice of Annual General Meeting (inclusive of an Independent Expert's Report);
3. Proxy Form; and
4. Electronic Communication form.

This document was authorised to be given to the ASX by the Board of the Company.

For more information please contact:

Ron Dufficy
Global Chief Financial Officer
ron.dufficy@elixinolglobal.com

About Elixinol Global
Elixinol Global Limited (ASX:EXL; OTCQB:ELLXF) is a global leader in the hemp industry, innovating, marketing and selling hemp derived nutraceutical, cosmetic and food products. The Company's simplified business model is focusing on:

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp derived nutraceutical products based in Colorado, USA
- In Europe and the UK, educating and selling high quality Elixinol branded and co-branded hemp derived nutraceutical and skincare products based in Utrecht, The Netherlands and London, UK
- In Australia, providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia
- Hemp Foods Australia Pty Ltd, a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and raw materials, and finished products
- Across the Rest of World, expanding distribution of Elixinol branded hemp derived products through reputable distributors as key markets open.

See more at www.elixinolglobal.com

15 April 2021

Dear Shareholder,

Annual General Meeting — Notice and Proxy Form

Notice is hereby given that the Annual General Meeting (**AGM**) of Elixinol Global Limited (ASX: EXL) (**Elixinol** or the **Company**) will be held at 10:00am (Sydney time) on Monday, 17 May 2021 as a virtual meeting and via webcast (**Meeting**).

In accordance with ASIC's no action position as outlined in 21-061MR, the Company will not be dispatching physical copies of the Notice of Meeting (**Notice**). Instead, the Notice is being made available to Shareholders electronically and can be viewed and downloaded online at the following link: https://www.elixinolglobal.com/site/investor/investor-centre-home

The Meeting will be accessible to all Shareholders virtually via a live webinar and will include an online voting facility as well as a facility for shareholders of Elixinol (**Shareholders**) to ask questions in relation to the business of the meeting. Further details of which are set out below.

All resolutions will be decided on a poll. The poll will be conducted based on votes submitted by proxy and at the Meeting by shareholders who can vote in accordance with the instructions set out below.

Venue — Virtual Meeting

If you wish to virtually attend the Meeting (which will be broadcast as a live webinar), please **pre-register** in advance for the virtual meeting here: https://us02web.zoom.us/webinar/register/WN_iiqHxsvVTYiskDEKRAxlGw After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the Meeting.

Shareholders will be able to vote and ask questions at the Meeting.

Voting virtually at the Meeting

Shareholders who wish to vote virtually on the day of the Meeting will need to login to the Automic website (https://investor.automic.com.au/#/home) with their username and password. Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting.

How do I create an account with Automic?

To create an account with Automic, please go to the Automic website (https://investorautomic.com.au/#/home), click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a username and password) are advised to take the following steps to attend and vote virtually on the day of the AGM:

1. Login to the Automic website (https://investorautomic.com.au/#/home) using your username and password.
2. (Registration on the day) If registration for the virtual meeting is open, click on 'Meeting open for registration' and follow the steps.
3. (Live voting on the day) If live voting for the virtual meeting is open, click on 'Meeting open for voting' and follow the steps.

Voting by Proxy

Shareholders who wish to participate and vote at the AGM are strongly encouraged to complete and submit their proxies as early as possible. A copy of your personalised Proxy Form is enclosed for your convenience. To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investorautomic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' — 'Vote'. To use the online lodgment facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgment process please see the **Online Proxy Lodgment Guide** at https://www.automicgroup.com.au/virtual-agms/
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

Your Proxy Form must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

Given the uncertainty surrounding the COVID-19 pandemic, by the time this Notice is received by Shareholders, circumstances may have changed but this Notice is given based on circumstances as at 15 April 2021. Accordingly, should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at https://www.elixinolglobal.com/site/investor/investor-centre-home. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Enquiries

Shareholders are encouraged to contact the Company Secretary on +61 2 4044 4585 if they have any queries in respect of the AGM.

Your faithfully,

Teresa Cleary

General Counsel and Company Secretary

15 April 2021

Dear Shareholder,

On behalf of the Directors of Elixinol Global Limited (**Elixinol**), I am pleased to invite you to attend the 2021 Annual General Meeting (**AGM**) of Elixinol. Enclosed is the Notice of Meeting (**Notice**) setting out the business of the AGM.

Elixinol's 2021 AGM will be held on Monday, 17 May 2021 commencing at 10.00am (Sydney time) as a virtual meeting and via webcast. The virtual meeting will include an online voting facility as well as a facility for shareholders of Elixinol (**Shareholders**) to ask questions in relation to the business of the meeting.

Shareholders who elect to attend and vote at the online virtual meeting can do so via the virtual meeting platform at:
https://us02web.zoom.us/webinar/register/WN_iiqHxsvVTYiskDEKRAxlGw
per the details set out in this Notice of Meeting. This URL can be accessed on Elixinol's website at: https://www.elixinolglobal.com/site/investor/investor-centre-home

In addition, Shareholders can vote their shares prior to the AGM by lodging the proxy form attached to the Notice by no later than 10.00am (Sydney time) on Saturday, 15 May 2021.

The Directors encourage all Shareholders to read the enclosed Notice (including the Explanatory Memorandum) and the Proxy Form and either attend the online virtual meeting or lodge a proxy form prior to the AGM and consider directing your proxy on how to vote on each resolution by marking either the "for" box, the "against" box or the "abstain" box on the Proxy Form.

Subject to the abstentions noted in the Explanatory Memorandum, the Directors of Elixinol unanimously recommend that Shareholders vote in favour of all resolutions.

Thank you for your continued support of Elixinol and I look forward to your attendance online.

Yours faithfully,

Helen Wiseman
Chair

Elixinol Global Limited
ABN 34 621 479 794

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM** or **Meeting**) of shareholders (**Shareholders**) of Elixinol Global Limited (**Elixinol** or the **Company**) will be held:

Date: Monday, 17 May 2021

Time: 10.00am (Sydney time)

Venue: Online at https://us02web.zoom.us/webinar/register/WN_iiqHxsvVTYiskDEKRAxlGw

In light of the coronavirus pandemic (**COVID-19**), the AGM will be held as a virtual meeting. Accordingly, the Company is pleased to provide Shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform, where Shareholders will be able to watch, listen, submit written questions and vote online. Please refer to the user guide on Elixinol's website at: https://www.elixinolglobal.com/site/investor/investor-centre-home.

Venue – Virtual Meeting

If you wish to virtually attend the Meeting (which will be broadcast as a live webinar), please **pre-register** in advance for the virtual meeting here:
https://us02web.zoom.us/webinar/register/WN_iiqHxsvVTYiskDEKRAxlGw After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the Meeting.
Shareholders will be able to vote and ask questions at the virtual meeting.

Voting virtually on the day of the Meeting

Shareholders who wish to vote virtually on the day of the Meeting will need to login to the Automic website (https://investor.automic.com.au/#/home) with their username and password.
Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting.

How do I create an account with Automic?

To create an account with Automic, please go to the Automic website (https://investor.automic.com.au/#/home), click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a username and password) are advised to take the following steps to attend and vote virtually on the day of the Meeting:

1. Login to the Automic website (https://investor.automic.com.au/#/home) using your username and password.
2. (**Registration on the day**) If registration for the virtual meeting is open, click on 'Meeting open for registration' and follow the steps.
3. (**Live voting on the day**) If live voting for the virtual meeting is open, click on 'Meeting open for voting' and follow the steps.

Further information on how to participate virtually is set out in this Notice and the Online Platform Guide at https://www.elixinolglobal.com/site/investor/investor-centre-home.

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum, Entitlement to Attend and Vote section and Proxy Form are part of this Notice of Meeting.

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report, and the Independent Auditor's Report of the Company for the financial year ended 31 December 2020 (the **Reports**).

All Shareholders can view the Annual Report which contains the Financial Report for the year ended 31 December 2020 on the Company's website at www.elixinolglobal.com/site/investor/investor–centre–home.

B. QUESTIONS AND COMMENTS

Following consideration of the Reports, the Chair will give Shareholders a reasonable opportunity to ask questions about, or comment on, the management of the Company.

The Chair will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

a. the conduct of the audit;
b. the preparation and content of the Independent Auditor's Report;
c. the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
d. the independence of the Auditor in relation to the conduct of the audit.

The Chair will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit.

All Shareholders will have a reasonable opportunity to ask questions during the AGM via the virtual AGM platform.

Shareholders who prefer to register questions in advance of the AGM are invited to do so. Please email any questions to the Company Secretary (company.secretary@elixinolglobal.com) or please complete the enclosed shareholder question form and return to Automic. To allow time to collate questions and prepare answers, please submit any questions by 5.00pm (Sydney time) on 3 May 2021.

Questions received in advance by email or mail will be collated and, during the AGM, the Chair will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to Shareholders. Shareholders will also have the opportunity to ask questions during the AGM via the virtual meeting platform.

C. ITEMS FOR APPROVAL

Resolution 1. Re–election of Director – Mr Paul Benhaim

To consider and, if thought fit, pass the following as an **ordinary resolution** of the Company:

"That Mr Paul Benhaim, who retires in accordance with clause 6.1(f)(i) of the Company's Constitution and being eligible for election, be re–elected as a Director of the Company."

Resolution 2. Remuneration Report

To consider and, if thought fit, pass the following as a **non–binding ordinary resolution** of the Company:

"*That the Company's Remuneration Report for the financial year ended 31 December 2020, as set out in the Directors' Report, be adopted."*

The Remuneration Report is contained in the 2020 Annual Report (available at www.elixinolglobal.com/site/investor/investor–centre–home). Please note that, in accordance with section 250R(3) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the vote on this resolution is advisory only and does not bind the Directors or the Company.

Resolution 3. Approval to Issue Securities under the Elixinol Global Limited Equity Plan

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of the Company:

*"That, for the purposes of ASX Listing Rule 7.2, Exception 13 and for all other purposes, the Elixinol Global Limited Equity Plan (**Plan**) as described in the Explanatory Memorandum accompanying and forming part of this Notice of Meeting be approved for the issue of securities under the Plan."*

Resolution 4. Ratification of Placement

To consider and, if thought fit, pass the following as an **ordinary resolution** of the Company:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, ratify the issue of 48,209,265 fully paid ordinary shares (**Shares**) in the capital of Elixinol Global Limited (**Placement Shares**) at an issue price of $0.17 per Placement Share, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."*

Resolution 5. Approval of Increase in Maximum Aggregate Non-Executive Director Fees

To consider and, if thought fit, pass the following as an **ordinary resolution** of the Company:

"That, for the purposes of ASX Listing Rule 10.17 and clause 6.3(a) of the Company's Constitution, the maximum aggregate amount payable to Non–Executive Directors by way of Directors' fees be increased by $150,000 from $350,000 to $500,000 per annum."

Resolution 6. Approval to Issue Shares as Consideration for the Proposed Acquisition of CannaCare Health GmbH

To consider and, if thought fit, pass the following as an **ordinary resolution** of the Company:

*"Subject to the passing of Resolution 7, that, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of 43,864,133 Shares to the Vendors (as that term is defined in the Explanatory Memorandum) or their nominees at a deemed issue price of A$0.2105 per Share (**First Tranche Shares**) on the terms and conditions set out in the Explanatory Memorandum, be approved as part-consideration for the Company's acquisition of all of the issued share capital in CannaCare Health GmbH."*

Resolution 7. Approval to Issue of Performance Securities as Consideration for the Proposed Acquisition of CannaCare Health GmbH

To consider and, if thought fit, pass the following as an **ordinary resolution** of the Company:

*"Subject to the passing of Resolution 6, that, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of 3 performance securities to the Vendors (as that term is defined in the Explanatory Memorandum) or their nominees, which may convert into a maximum of 165,180,893 Shares (**Performance Securities**) as described in the Explanatory Memorandum, be approved as part-consideration for the Company's acquisition of all of the issued share capital in CannaCare Health GmbH."*

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Ltd which is attached at Annexure A. The Independent Expert's Report opines on the fairness and reasonableness of the Performance Securities.

The Independent Expert has concluded that the issue of shares on conversion of the Performance Securities (if the relevant performance conditions are satisfied) is fair and reasonable to Shareholders, in accordance with the requirements of ASX Guidance Note 19.

Resolution 8. Change of Company Name

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

"That, for the purposes of section 157 of the Corporations Act and for all other purposes, the name of the Company be changed to "Elixinol Wellness Limited"."

Resolution 9. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A

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

"That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Memorandum."

VOTING EXCLUSION STATEMENTS AND VOTING PROHIBITIONS

For the purposes of ASX Listing Rule 14.11, the following voting exclusions statements apply to Resolutions 3 to 7 and Resolution 9.
The Company will disregard any votes cast in favour of Resolutions 3 to 7 and Resolution 9 by or on behalf of persons or an associate of those persons listed under the respective resolution numbers as set out below.
However, this does not apply to a vote cast in favour of Resolutions 3 to 7 and Resolution 9 by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
    - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2. Remuneration Report

A vote on Resolution 2 must not be cast (in any capacity) by, or on behalf of, the following persons:

a. a member of the key management personnel (**KMP**) whose remuneration details are included in the 2020 Remuneration Report; or
b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 2 as a proxy if the vote is not cast on behalf of a person described above and either:

a. the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on the Resolution; or
b. the vote is cast by the Chair of the Meeting and the appointment of the Chair as proxy:
    i. does not specify the way the proxy is to vote on the Resolution; and
    ii. expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

“Key management personnel” and “closely related party” have the same meanings as set out in the Corporations Act.

Resolution 3. Approval to Issue Securities under the Elixinol Global Limited Equity Plan

For the purposes of ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of any person who is eligible to participate in the employee incentive scheme.

For the purposes of the Corporations Act a vote on Resolution 3 must not be cast (in any capacity) by, or on behalf of, the following persons:

a. a member of the key management personnel (**KMP**) whose remuneration details are included in the 2020 Remuneration Report; or

b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 3 as a proxy if the vote is not cast on behalf of a person described above and either:

a. the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on the resolution; or
b. the vote is cast by the Chair of the Meeting and the appointment of the Chair as proxy:
    i. does not specify the way the proxy is to vote on the Resolution; and
    ii. expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Resolution 4. Ratification of Placement

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of a person who participated in the issue.

Resolution 5. Approval of Increase in Maximum Aggregate Non-Executive Director Fees

For the purposes of ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of any Director of Elixinol.

For the purposes of the Corporations Act a vote on Resolution 5 must not be cast (in any capacity) by, or on behalf of, the following persons:

a. a member of the key management personnel (**KMP**) whose remuneration details are included in the 2020 Remuneration Report; or
b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 5 as a proxy if the vote is not cast on behalf of a person described above and either:

a. the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on the Resolution; or
b. the vote is cast by the Chair of the Meeting and the appointment of the Chair as proxy:
    i. does not specify the way the proxy is to vote on the Resolution; and
    ii. expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Resolution 6. Approval to Issue Shares as Consideration for the Proposed Acquisition of CannaCare Health GmbH.

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of a person who is expected to participate in, (namely the Vendors) or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in Elixinol).

Resolution 7. Approval to Issue of Performance Securities as Consideration for the Proposed Acquisition of CannaCare Health GmbH

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of a person who is expected to participate in, (namely the Vendors) or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in Elixinol).

Resolution 9. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A

The Company is not proposing to make an issue of equity securities under ASX Listing Rule 7.1A.2, such that there is no person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in Elixinol).

BY ORDER OF THE BOARD

Teresa Cleary
General Counsel and Company Secretary

ALL RESOLUTIONS BY POLL

In accordance with the Company's Constitution, the Chair intends to call a poll for each of the Resolutions proposed at the AGM. The vote for each Resolution considered at the AGM will therefore be conducted by poll, rather than a show of hands. The Chair considers voting by poll to be in the interests of the Shareholders as a whole, and to ensure the representation of as many Shareholders as possible at the meeting.

ENTITLEMENT TO ATTEND AND VOTE

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7.00pm (Sydney time) on Saturday, 15 May 2021 will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Appointment of Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 10.00am (Sydney time) on Saturday, 15 May 2021. Proxies must be received before that time by one of the following methods:

Online:
https://investor.automic.com.au/#/loginsah

By Mail:
Automic
GPO Box 5193
Sydney NSW 2001

By E-mail:
meetings@automicgroup.com.au

Alternatively you can fax your form to
(within Australia) 02 8583 3040
(outside Australia) +61 2 8583 3040

For Intermediary Online subscribers only
(custodians)

For all enquiries call:
(within Australia) 1300 288 664
(outside Australia) +61 2 9698 5414

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Power of Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 10.00am (Sydney time) on Saturday, 15 May 2021 being 48 hours before the AGM.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative. A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online at https://investor.automic.com.au/#/home

ENCLOSURES

Enclosed are the following documents:

- proxy form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on Elixinol's share registry's website at https://investor.automic.com.au/#/home to ensure the timely and cost–effective receipt of your proxy;
- an AGM Question Form to be completed if you would like a specific question to be addressed by the Chair or Elixinol's external auditor at the AGM; and
- a reply–paid envelope for you to return either or both the proxy form and AGM Question Form.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's AGM to be held on Monday, 17 May 2021.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that the Directors believe is reasonably required by Shareholders to decide how to vote upon the Resolutions.

Subject to the abstentions noted below, the Directors unanimously recommend Shareholders vote in favour of all Resolutions. The Chair of the Meeting intends to vote all available undirected proxies in favour of each Resolution.

Resolutions 1 and 3 - 7 are ordinary resolutions, which require a simple majority of votes cast by Shareholders present and entitled to vote on the Resolution. Resolution 2, relating to the Remuneration Report, is advisory and does not bind the Directors or the Company. Resolutions 8 and 9 are to be voted on as special resolutions. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the Resolution must be in favour of the Resolution.

Resolution 1. Re–Election of Director – Mr Paul Benhaim

Resolution 1 seeks the re-election of the Director who is retiring by rotation. Mr Paul Benhaim is a co-founder and Director of the Company. In accordance with clause 6.1(f)(i) of the Constitution, and ASX Listing Rule 14.4, Mr Benhaim retires from office at the conclusion of the AGM and is eligible for re–election as a Director of the Company. By virtue of his previous Executive role within the Company in the past three years, Mr Paul Benhaim is not considered an independent Director.

Mr Benhaim has over 25 years' experience in the hemp industry and is co-founder of Elixinol US and Hemp Foods Australia.

Mr Benhaim is considered an expert in the industrial hemp industry and frequently presents at industry conferences globally. He has also played a role in shaping regulation around cannabis laws.

Mr Benhaim is a member of the Audit and Risk Committee and is the Chair of the Nomination and Remuneration Committee.
The Directors, with Mr Benhaim abstaining, unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 2. Remuneration Report

Section 250R(2) of the Corporations Act requires that the section of the Directors' Report dealing with the remuneration of Directors and key management personnel (**KMP**) of the Company (**Remuneration Report**) be put to the vote of Shareholders for adoption by way of a non–binding vote.

Broadly, the Remuneration Report details the remuneration policy for the Company which:

- explains the structure of and rationale behind the Company's remuneration practices and the link between the remuneration of executives and the Company's performance;
- sets out remuneration details for each Director and for each executive with authority and responsibility for directing the affairs of the Company; and
- discusses the relationship between the policy and Company performance.

Shareholders can view the full Remuneration Report in the Annual Report which is available on Elixinol's website at https://www.elixinolglobal.com/site/investor/investor-centre-home.

Following consideration of the Remuneration Report, the Chair of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. A resolution that the Remuneration Report be adopted will then be put to the vote. The vote on this Resolution is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into account in setting remuneration policy for future years.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.

Resolution 3: Approval to Issue Securities under the Elixinol Global Limited Equity Plan

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that the Company can issue without the approval of its Shareholders over any 12 month period to 15% of the fully paid ordinary shares on issue at the start of that period (**15% Placement Capacity**).

ASX Listing Rule 7.2, Exception 13 sets out an exception to ASX Listing Rule 7.1 such that an issue under an employee incentive scheme does not use the Company's 15% Placement Capacity if within three years before the issue date ordinary security holders approved the issue of equity securities under the scheme as an exception to ASX Listing Rule 7.1 in accordance with the ASX Listing Rules.

A summary of the terms of Elixinol Global Limited's Equity Plan (**Plan**) is set out in Annexure B. A copy of the full Plan terms are available to shareholders on the Company's website at https://www.elixinolglobal.com/site/investor/investor-centre-home.

If Shareholders approve Resolution 3, any issue of equity securities under the Plan during the 3 year period after the AGM will not use any of the Company's 15% Placement Capacity. However, this exception does not apply to the issue of equity securities to related parties of the Company (including Directors) under the Plan, and issues to such persons will require separate Shareholder approval under ASX Listing Rule 10.14.

If Shareholders do not approve Resolution 3, any issue of equity securities will use the Company's 15% Placement Capacity, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue of the securities.

An approval under this Resolution is only available to the extent that:

- any issue of equity securities under the Plan does not exceed the maximum number of securities proposed to be issued as set out below; and
- there is no material change to the terms of the Plan.

Background

Elixinol has established a Long-Term Incentive Plan (**LTIP**) and Short-Term Incentive Plan (**STIP**) under the Plan.

Equity securities issued under the LTIP and STIP may be granted to employees (or such other person that the Board determines is eligible to participate). Offers will be made at the discretion of the Board. The terms of the incentives granted under this plan will be determined by the Board at grant and may therefore vary over time. Elixinol will regularly assess the appropriateness of its incentive plans and may amend or replace, suspend or cease using the LTIP or STIP if considered appropriate by the Board. The performance period that typically applies for offers under the LTIP is 3 years and there is generally a total shareholder return metric that forms part of the performance conditions. The performance period that typically applies for offers under the STIP is 12 months and there are generally individual key performance indicators that form part of the performance conditions.

For the purposes of ASX Listing Rule 7.2 Exception 13 the following information is provided:

- A summary of the terms of the LTIP and Plan is set out in Annexure B.

- A total of 9,578,896 equity securities have been issued under the Plan since the Company listed on the ASX, of which 5,504,906 have since been forfeited and 1,323,180 have converted into fully paid ordinary shares. The current net balance issued under the Plan is 2,750,810.

- Subject to Shareholder approval, the maximum number of equity securities proposed to be issued under the Plan within the three-year period from the date this Resolution is approved is approximately 31,468,341 equity securities. This maximum number is not intended to be a prediction of the actual number of equity securities proposed to be issued under the Plan.

- a voting exclusion statement is included in the Notice.

The Directors unanimously recommend Shareholders vote in favour of this Resolution 3.

Resolution 4. Ratification of Placement

Background about the Placement

On 16 November 2020, the Company announced details of a placement of fully paid ordinary shares at $0.17 per Placement Share to certain professional and sophisticated investors to raise approximately $8.2 million (**Placement**). Bell Potter Securities Limited and MST Financial Services Pty Ltd acted as joint lead managers to the Placement.

48,209,265 Placement Shares were issued on 20 November 2020. 28,925,559 Placement Shares were issued pursuant to the Company's 15% Placement Capacity and the remaining 19,283,706 Placement Shares were issued pursuant to ASX Listing Rule 7.1A.

The funds raised from the Placement have already, and will continue to be used, to support the Company's growth strategy.

Specific information required under the ASX Listing Rules

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that the Company can issue without the approval of its Shareholders over any 12 month period to the Company's 15% Placement Capacity.

Resolution 4 seeks approval from Shareholders under ASX Listing Rule 7.4 to ratify the issue of the 48,209,265 Placement Shares.

ASX Listing Rule 7.4 allows Shareholders to approve an issue of equity securities after it has been made or agreed to be made. If approved, the issue of the Placement Shares will be taken to have been approved under ASX Listing Rule 7.1 and so does not use up any of the Company's 15% Placement Capacity or placement capacity under ASX Listing Rule 7.1A (**Additional 10% Placement Capacity**).

If Shareholders approve Resolution 4, the issue of Placement Shares will be excluded in calculating the Company's 15% Placement Capacity and Additional 10% Placement Capacity, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the date the Placement Shares were issued.

If Shareholders do not approve Resolution 4, the issue of the Placement Shares will be included in calculating the Company's 15% Placement Capacity and Additional 10% Placement Capacity, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the date the Placement Shares were issued.

For the purposes of ASX Listing Rule 7.5, the following information is provided:

- the Placement Shares were issued to a range of sophisticated and professional investors identified by Bell Potter Securities Limited and MST Financial Services Pty Ltd each of whom is not a related party of the Company, a member of the Company's key management personnel, a substantial holder in the Company, an advisor to the Company or an associate of any of the above, where the issue to such persons described above constituted more than 1% of the Company's total issued share capital at the time of issue, except for Regal Funds Management Pty Ltd.

- 48,209,265 Placement Shares were issued by the Company.

- Each Placement Share is a fully paid ordinary share in the capital of the Company which ranks equally with all other existing shares from their date of issue.

- The Placement Shares were issued on 20 November 2020.

- Each Placement Share was issued at an issue price of $0.17.

- Funds raised from the Placement have already been used, and will continue to be used, for working capital to support the Company's growth strategy.

- a Voting Exclusion Statement accompanies Resolution 4 in the Notice of Meeting.

The Directors unanimously recommend Shareholders vote in favour of Resolution 4.

Resolution 5. Approval of Increase in Maximum Aggregate Non-Executive Director Fees

In accordance with clause 6.3 of the Company's Constitution and for the purposes of ASX Listing Rule 10.17, the maximum aggregate amount payable as remuneration to all Non-Executive Directors (**NEDs**) of the Company in any year must not exceed an amount determined by Shareholders from time to time at a general meeting (**NED Fee Pool**).

Resolution 5 seeks Shareholder approval to increase the maximum aggregate annual amount available to be paid or provided to the NEDs of Elixinol by $150,000, from $350,000 to $500,000 per annum (including applicable statutory superannuation guarantee contributions that may be payable by the Company to the NEDs).

If Shareholders approve Resolution 5, Elixinol will be able to pay an additional $150,000 in fees to NEDs to attract any new candidates, including international candidates, to the Board (if required).

If Shareholders do not approve Resolution 5, the existing maximum aggregate NED Fee Pool of $350,000 will remain and Elixinol will not be able to pay its NEDs (in aggregate) fees above this amount.

The Board is seeking Shareholder approval to increase the NED Fee Pool for the following reasons:

- to ensure the NED Fee Pool can accommodate additional NEDs being appointed to the Board (if required); and
- to enable the Company to maintain remuneration arrangements that are market competitive, so it can attract and retain high calibre individuals as NEDs.

If Shareholder approval is obtained, the increased available NED Fee Pool will apply from the date that approval is granted at the Annual General Meeting.

The NED Fee Pool was last increased by Shareholders at the Company's 2019 Annual General Meeting.

While the NED Fee Pool is a maximum annual limit available to be paid or provided to all NEDs, the proposed increase to the NED Fee Pool does not imply that the fees payable to the NEDs will be increased according to that limit, or that the full amount of the NED Fee Pool will be used.

Details of the fee arrangements for NEDs have been disclosed in the Company's annual remuneration report which must be submitted for adoption by resolution of Shareholders at every annual general meeting.

The following securities have been issued to NEDs under ASX Listing Rule 10.14 with Shareholder approval during the preceding three years, all of which were issued under the Elixinol Global Limited's Equity Plan:

- **2018**: 975,000 Shares, each with a nil issue price and nil exercise price.
- **2020**: 62,271 Shares, each with a nil issue price and nil exercise price.
- a voting exclusion statement is included in the Notice.

In the interests of good governance, the Directors abstain from making a recommendation on this Resolution 5.

Resolutions 6 and 7: Proposed Transaction Resolutions

Background

As announced to ASX on 15 March 2021, the Company has entered into a binding agreement (**Share Purchase Agreement**) for its subsidiary (Elixinol BV) to acquire all the share capital of CannaCare Health GmbH (**CannaCare**), a company incorporated in Germany (**Proposed Transaction**). The vendors of CannaCare are Mr. Frank Otto, Ms. Annette-Rosa Oplesch and an entity associated with Mr. Michael Oplesch (**Vendors**). As part of the Proposed Transaction, Mr. Frank Otto is to be appointed to the board of the Company as a non-executive Director.

The Proposed Transaction is subject to the satisfaction or waiver of certain conditions precedent, including the passing of Resolutions 6 and 7. The Company expects, subject to the satisfaction or waiver of those conditions precedent, that the Proposed Transaction will complete on or about 5 July 2021.

The Proposed Transaction is conditional upon the Company receiving Shareholder approval for Resolutions 6 and 7. Resolutions 6 and 7 are conditional upon each other, meaning that if Shareholder approval is not obtained for any of Resolutions 6 or 7, the Proposed Transaction will not proceed.

The purchase price for the Proposed Transaction will be paid in two tranches to the Vendors as follows:

(a) on completion of the Proposed Transaction, €3,000,000 in cash and €6,000,000 to be paid by the issue of the First Tranche Shares, consisting of 43,864,133 fully paid ordinary shares in the capital of the Company; and

(b) on completion of the Proposed Transaction, the issue of a Performance Security to each of the Vendors.

The First Tranche Shares will be subject to voluntary escrow from their date of issue until 31 March 2022.

The Performance Securities convert into Shares subject to the financial performance of CannaCare in FY2021 (**Earn-Out**).

The Performance Securities convert on or about 31 March 2022, subject to allowing for a period for the parties to dispute the calculation of the Earn-Out. Shares issued on conversion of the Performance Securities will not be subject to any escrow period.

The maximum Earn-Out payable is €15.0m. For this amount to be payable, CannaCare must achieve revenue of at least €12.9m and Adjusted EBITDA (as that term is defined in the Share Purchase Agreement) of at least €2.58m in FY2021. For the purposes of calculating the Earn-Out, audited figures of CannaCare will be used.

CannaCare must achieve revenue of at least €6.5m and Adjusted EBITDA of at least €1.3m for any Earn-Out to be payable.

If the Adjusted EBITDA margin is less than 20%, the amount of revenue used for the calculation of the Earn-Out is reduced until the point at which the margin is 20%. In addition, the Earn-Out is also reduced by a further 50% if Adjusted EBITDA is less than €2,580,000.

The amount of Earn-Out payable to the Vendors is to be calculated as follows:

> (((R - €6,500,000) divided by €6,400,000) multiplied by €15,000,000) multiplied by 0.5 (*if the AE margin is less than 20% and AE is less than €2,580,000*)
> where:
> **R** is Actual Revenue (as defined in the Share Purchase Agreement) of CannaCare, except to the extent it is required to be reduced because the AE margin is less than 20% (as referred to above)
> **AE** is Adjusted EBITDA (as defined in the Share Purchase Agreement)

The definitions of Actual Revenue and Adjusted EBITDA is set out in Annexure D.

An example of different Earn-Outs based on different scenarios is set out below (all figures in €):

Actual Revenue	**Adjusted EBITDA**	**Earn-Out**
12,900,000	2,580,000	15,000,000
14,000,000	2,580,000	15,000,000
14,000,000	3,000,000	15,000,000
10,000,000	2,500,000	8,203,125
13,500,000	2,200,000	5,273,437[1]
10,000,000	1,900,000	3,515,625[2]
7,500,000	1,275,000	0

The Earn-Out is payable pro rata to the Vendors in accordance with their shareholdings in CannaCare.

Subject to the Company's right to set-off the obligation to issue Shares on conversion of the Performance Securities against any claims it may have under the Share Purchase Agreement, the number of Shares that will be issued to a Vendor on conversion of a Performance Security will be calculated by dividing the amount of Earn-Out payable (exchanged from € to $) to the relevant Vendor by the 15-day VWAP (volume weighted average price) of the Shares immediately prior to 31 March 2022.

Please see tables below that describe different scenarios in relation to the number of Shares that may be issued on conversion of the Performance Securities:

1. Assumes €15m Earn Out achieved:

Total Number of Shares Issued on Conversion		**15-day VWAP**					
		0.140	**0.184**	**0.228**	**0.272**	**0.316**	**0.360**
AUD/EUR Exchange Rate	**0.598**	165,180,893	136,392,402	110,071,061	92,265,448	79,418,361	69,711,672
	0.609	165,180,893	133,848,453	108,018,050	90,544,542	77,937,074	68,411,431
	0.620	165,180,893	131,397,664	106,040,220	88,886,655	76,510,032	67,158,806
	0.632	165,180,893	129,035,010	104,133,517	87,288,389	75,134,310	65,951,227
	0.643	165,180,893	126,755,821	102,294,171	85,746,585	73,807,187	64,786,308
	0.655	163,701,844	124,555,751	100,518,676	84,258,302	72,526,133	63,661,828

[1] Earn-Out = (((€11,000,000 [notionally reduced from €13,500,000 so that AE margin is 20%] less €6,500,000) divided €6,400,000) multiplied by €15,000,000) multiplied by 0.5

[2] Earn-Out = (((€9,500,000 [notionally reduced from €10,000,000 so that AE margin is 20%] less €6,500,000) divided by €6,400,000) multiplied by €15,000,000) multiplied by 0.5

2. **Assumes €7.5m Earn Out achieved:**

Total Number of Shares issued on Conversion		15-day VWAP					
		0.140	**0.184**	**0.228**	**0.272**	**0.316**	**0.360**
AUD/EUR Exchange Rate	**0.598**	89,629,293	68,196,201	55,035,530	46,132,724	39,709,180	34,855,836
	0.609	87,957,555	66,924,226	54,009,025	45,272,271	38,968,537	34,205,715
	0.620	86,347,036	65,698,832	53,020,110	44,443,327	38,255,016	33,579,403
	0.632	84,794,435	64,517,505	52,066,758	43,644,194	37,567,155	32,975,613
	0.643	83,296,682	63,377,910	51,147,085	42,873,292	36,903,593	32,393,154
	0.655	81,850,922	62,277,875	50,259,338	42,129,151	36,263,066	31,830,914

Note: The AUD/EUR exchange rates are indicative only and represent low and high AUD/EUR spot exchange rates in the 6-month period prior to 16 March 2021. The 15-day VWAPs are indicative only and represent Elixinol's low and high spot prices in the 6-month period prior to 16 March 2021.

The maximum number of Shares that can be issued on conversion of the Performance Securities is 165,180,893. This represents in effect a floor price for both the VWAP and exchange rate for the conversion of the Performance Securities. If the maximum number of Shares are issued to the Vendors on conversion of the Performance Securities, the Vendors will hold approximately 39.98% of the Company's total issued share capital (based on the issued share capital of the Company as at today's date), which also includes the issue of the First Tranche Shares.

If the number of Shares required to be issued on conversion exceeds 165,180,893 (**Shortfall**), the Company must in effect pay to the Vendors the cash-equivalent of the Shortfall.

Shareholders should be aware that if the Proposed Transaction proceeds, it will carry some degree of risk. Based on the information available, a non-exhaustive list of certain risk factors are as follows:

- **Due diligence process undertaken**
  - Elixinol has undertaken due diligence in relation to the Proposed Transaction, including but not limited to operational, financial, legal and tax due diligence with the assistance of professional external advisers where appropriate. The due diligence process relied mostly on the review of information provided by the Vendors, and while Elixinol considers the due diligence process undertaken to be appropriate for a transaction of this nature, there is no certainty as to the accuracy, reliability or completeness of the information provided. Further, the financial information provided by CannaCare included unaudited management accounts for FY2020.
- **Change to laws or regulations**
  - CannaCare's operations are highly regulated and CannaCare could be adversely affected by changes in laws, regulations, or regulatory policy. The operations and proposed operations of CannaCare are subject to a variety of laws, regulations, and guidelines. The hemp derived CBD industry is evolving globally, including in Germany and Europe. Elixinol is of the view that it is likely that governments worldwide will continue to explore the benefits, risks and operations of companies involved in the hemp sector.
- **CannaCare's systems, processes, policies, and practices**
  - Given the early-stage nature of CannaCare, the robustness of various systems, processes, policies, and practices will continually be developed. Elixinol, through its due diligence process and own experiences, has identified areas which require specific near-term focus and an established plan to address associated near-term risks.
- **Realisation of synergies**
  - The realisation of synergies or benefits may not be achieved in a timely manner, at all, or to the extent initially envisaged, and the costs associated with achieving the synergies may be higher than originally anticipated.
- **Integration risks**
  - The integration of CannaCare into Elixinol's global business could be delayed or costs may be more than originally envisaged. Given a large portion of the consideration in relation to the Proposed Transaction is paid through an earn-out (structured as the issue of the Performance Securities), full integration may not occur until later in FY2022. This is particularly the case where existing management of CannaCare have certain contractual

autonomy to operate the business until that time. For instance, the Company must not do certain things that are intended to, or that may reasonably be expected to, reduce the EBITDA or revenue of CannaCare during FY2021. However, the Company is not precluded from taking any actions or measures that, among other things, are taken with the prior written consent of the Vendors, that are taken to prevent serious disadvantage to the Company, are provided for in the business plan of CannaCare or are required by law.

- **Major shareholder risk**
  - On completion of the Proposed Transaction, the First Tranche Shares issued to the Vendors will represent approximately 14% of Elixinol's current issued capital. If the maximum number of Shares that can be issued on conversion of the Performance Securities are issued, the Vendors will hold approximately 39.98% of the Elixinol's total issued share capital (based on the issued share capital of the Company as at today's date). Following the expiry of the escrow period in relation to the First Tranche Shares and given that no Shares issued on conversion of the Performance Securities will be subject to escrow, there is a risk that one or more of the Vendors may seek to sell their Shares, which could present a risk to Elixinol's share price.
- **Single supplier risk**
  - All products of CannaCare, including a new and yet to be launched cosmetics range are currently sourced from a single supplier located in the European Union. The ability of the supplier to increase production quantities whilst maintaining necessary quality standards is yet to be proven.
- **COVID-19 risk**
  - The spread of COVID-19 has already resulted in governmental authorities around the world imposing a variety of measures restricting day-to-day life, including quarantines and travel restrictions of varying scope. This has resulted in significant disruptions in the global economy and the economies of particular countries, including health systems and manufacturing supply chains, consumption and overall economic output, which in turn has caused reduced consumer confidence and discretionary spending and significant volatility in global financial markets. However, the extent of the impact on CannaCare's business, results of operations, financial condition, liquidity, and cash flows is largely dependent on future developments, which are highly uncertain and not predictable, including the scale of COVID-19 and actions taken to address its impact.

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolutions 6 and 7:

- **European CBD market opportunity**
  - Europe is the second largest CBD market in the world and the Brightfield Group has forecasted that the market will quadruple over the next five years, reaching US$2.3b by 2025.
  - The acquisition of CannaCare will deliver Elixinol immediate scale in Europe's fastest growing CBD market and a platform to accelerate growth in adjacent countries and regions like Switzerland and Austria, which currently account for approximately 27% of the European CBD market.
- **Strengthen financial outlook**
  - The acquisition is expected to fast-track revenue growth and accelerate Elixinol's pathway to profitability.
  - CannaCare delivered €2.6m of revenue in FY2020 with breakeven EBITDA (unaudited). At the maximum FY2021 revenue earn-out threshold of €12.9m in relation to the Proposed Transaction, CannaCare would be contributing more than 100% growth on standalone FY2020 Group revenue, which would significantly enhance Elixinol's financial performance.
- **Synergy potential**
  - The Proposed Transaction is expected to create cost synergies, supply chain integration-driven efficiencies and dual raw materials supply access. It will also provide for low risk market (existing and new) entry and integration of business systems and processes and best practices.

  - The Proposed Transaction will also expand the combined product portfolio into new geographies and categories and create cross-selling opportunities across distribution channels and platforms.

- **Attractive transaction structure**
  - In order to limit downside risk, the earn-out component of the Proposed Transaction creates alignment between the economic interests of the Vendors and Shareholders as each are linked to the future performance of CannaCare.
  - The structure aligns and incentivises the Vendors to increase the upside potential, while also providing unlimited upside potential for Shareholders as the maximum earn-out that can be received as part of the Proposed Transaction is capped.
- **Strengthened Board and share register**
  - Board composition will improve through the addition of Frank Otto to the board of Elixinol. Frank is a senior business executive with significant experience building and managing leading consumer and media businesses across Germany and Europe.
  - Michael Oplesch will also be engaged by CannaCare as a consultant, and he will be part of the advisory board of CannaCare to ensure a smooth transition of ownership and access to technical expertise on the ground.
  - The shareholder register of Elixinol will also be improved by the addition of the Vendors.

Resolution 6: Approval to Issue Shares as Consideration for the Proposed Acquisition of CannaCare Health GmbH

Specific information required under the ASX Listing Rules

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that the Company can issue without the approval of its Shareholders over any 12-month period to the Company's 15% Placement Capacity.

Resolution 6 seeks approval from Shareholders under ASX Listing Rule 7.1 to issue First Tranche Shares, consisting of 43,864,133 fully paid ordinary shares in the capital of the Company.

If Shareholders approve Resolution 6, the Company will be able to proceed with the issue of the First Tranche Shares necessary for the Proposed Transaction to complete. In addition, the issue of the First Tranche Shares will be excluded in calculating the Company's 15% Placement Capacity and Additional 10% Placement Capacity, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the date the First Tranche Shares are issued.

If Shareholders do not approve Resolution 6, the Company will not be able to proceed with the issue of the First Tranche Shares necessary for the Proposed Transaction to complete.

For the purposes of ASX Listing Rule 7.3, the following information is provided:

- the First Tranche Shares will be issued to the Vendors as follows: Mr. Frank Otto (21,932,066 First Tranche Shares), Ms. Annette-Rosa Oplesch (4,629,530 First Tranche Shares) and an entity associated with Mr. Michael Oplesch (17,302,537 First Tranche Shares).

- A total of 43,864,133 Shares will be issued.

- Each First Tranche Share will be a fully paid ordinary share in the capital of the Company which will rank equally with all other existing shares from their date of issue.

- The First Tranche Shares are proposed to be issued on 5 July 2021, and in any event no later than 3 months after the date of the AGM.

- The First Tranche Shares are being issued to the Vendors as consideration for the Proposed Transaction in accordance with the terms of the Share Purchase Agreement. The Company will not receive any funds for issuing the First Tranche Shares. The First Tranche Shares will be issued at a deemed issue price of A$0.2105 per Share.

- Refer to Annexure C for a summary of the material terms to the Share Purchase Agreement not otherwise set out in this Explanatory Memorandum.

- a voting exclusion statement is included in the Notice.

The Directors unanimously recommend Shareholders vote in favour of Resolution 6.

Resolution 7: Approval to Issue Performance Securities as Consideration for the Proposed Acquisition of CannaCare Health GmbH

Specific information required under the ASX Listing Rules

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that the Company can issue without the approval of its Shareholders over any 12-month period to the Company's 15% Placement Capacity.

Resolution 7 seeks approval from Shareholders under ASX Listing Rule 7.1 to issue 3 Performance Securities. On conversion, each Performance Security converts into Shares as per the formulas referred to above. In accordance with ASX Listing Rule 7.1B, as the Performance Securities are convertible securities, each Performance Security is to be counted as the maximum number of Shares into which it can be converted for the purposes of assessing whether the issue exceeds the Company's 15% Placement Capacity and therefore requires Shareholder approval. As noted above, the maximum number of Shares that can be issued on conversion of the Performance Securities is 165,180,893.

If Shareholders approve Resolution 7, the Company will be able to proceed with the issue of the Performance Securities necessary for the Proposed Transaction to complete. In addition, the issue of the Performance Securities will be excluded in calculating the Company's 15% Placement Capacity and Additional 10% Placement Capacity, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the date the Performance Securities are issued.

If Shareholders do not approve Resolution 7, the Company will not be able to proceed with the issue of the Performance Securities necessary for the Proposed Transaction to complete.

In accordance with Guidance Note 19 (as it was in force at the time the Independent Expert was engaged), the Company engaged Grant Thornton Corporate Finance Pty Ltd to provide an Independent Expert's Report that opines on the fairness and reasonableness of the Performance Securities. A copy of that report is set out in Annexure A.

Grant Thornton Corporate Finance Pty Ltd has concluded that the issue of Shares on conversion of the Performance Securities (if the relevant performance conditions are satisfied) is fair and reasonable to Shareholders, in accordance with the requirements of ASX Guidance Note 19.

For the purposes of ASX Listing Rule 7.3, the following information is provided:

- 1 Performance Security will be issued to each of the Vendors.

- 3 Performance Securities will be issued in total, which convert into Shares in accordance with the mechanisms referred to above in this Explanatory Memorandum.

- Refer to Annexure D for a summary of the material terms of the Performance Securities not otherwise set out in this Explanatory Memorandum.

- The Performance Securities are proposed to be issued on 5 July 2021, and in any event no later than 3 months after the date of the AGM.

- The Performance Securities are being issued to the Vendors as consideration for the Proposed Transaction in accordance with the terms of the Share Purchase Agreement. The Company will not receive any funds for issuing the Performance Securities.

- The number of Shares that will be issued to a Vendor on conversion of a Performance Security will be calculated by dividing the amount of Earn-Out payable (exchanged from € to $) to the relevant Vendor by the 15-day VWAP (volume weighted average price) of the Shares immediately prior to 31 March 2022. As such, the number of Shares issued on conversion of the Performance Securities to each of the Vendors will be issued proportionally to each Vendor's ownership interest in CannaCare. The maximum number of Shares that can be issued on conversion of the Performance Securities is 165,180,893. This represents in effect a floor price for both the VWAP and exchange rate for the conversion of the Performance Securities. Please see above for different scenarios in relation to the number of Shares that may be issued on conversion of the Performance Securities.

- Refer to Annexure C for a summary of the material terms to the Share Purchase Agreement not otherwise set out in this Explanatory Memorandum.

- a voting exclusion statement is included in the Notice.

The Shares issued on conversion of the Performance Securities will fall within Exception 9 to ASX Listing Rule 7.2 and Exception 7 to ASX Listing Rule 10.11 (to the extent applicable).

The Directors unanimously recommend Shareholders vote in favour of Resolution 7.

Resolution 8. Change of Company Name

The Directors propose that the name of the Company be changed to "Elixinol Wellness Limited" to better reflect the Company's vision of building a global, hemp derived health and wellness consumer products business.

Pursuant to section 157 of the Corporations Act, if a Company wishes to change its name, it must:

- pass a special resolution adopting the new name; and

- lodge an application with ASIC within 14 days of the special resolution passing.

The Company intends to notify ASIC of the name change shortly after the AGM. The name change will become effective when ASIC alters the details of the Company's registration to reflect the change.

If this Resolution 8 is passed, the Company's ASX ticker "EXL" will not change as a result of the name change.

Resolution 8 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the Resolution must be in favour of the Resolution.

The Directors unanimously recommend Shareholders vote in favour of this Resolution 8.

Resolution 9. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that the Company can issue without the approval of its Shareholders over any 12 month period to the Company's 15% Placement Capacity.

However, under ASX Listing Rule 7.1A certain companies may seek shareholder approval by special resolution to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue in the 12 month period following the annual general meeting without any further approval by Shareholders (**10% Placement Facility**). This is in addition to the Company's existing 15% Placement Capacity.

The Company does not anticipate that it will be included in the S&P/ASX300 Index or have a market capitalisation of more than $300 million at the date of the AGM and confirms that it is an eligible entity seeking the approval of Shareholders to confer the Company with the additional flexibility offered by the 10% Placement Facility.

Accordingly, Resolution 9 is seeking approval of Shareholders by special resolution for the issue of up to the number of equity securities as calculated in accordance with the formula in ASX Listing Rule 7.1A.2, at an issue price permitted by ASX Listing Rule 7.1A.3 to such persons as the Board may determine, on the terms described in this Explanatory Memorandum.

At the date of this Notice, the Company has on issue 314,683,407 fully paid ordinary shares. If Resolution 9 is approved, the Company will have the capacity to issue:

a. 47,202,511 equity securities under ASX Listing Rule 7.1; and
b. 31,468,341 fully paid ordinary securities under ASX Listing Rule 7.1A.

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (which at the date of this Notice is):

$$\mathbf{(A \times D) - E}$$

Where:

A is the number of fully paid shares on issue 12 months before the issue date or date of agreement to issue:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2 other than Exception 9, 16 or 17;
- (B) plus the number of fully paid ordinary securities issued in the 12 months on the conversion of convertible securities within ASX Listing Rule 7.2 Exception 9 where:
  - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
  - the issue of, or agreement to issue, the convertible securities was approved, or taken under the ASX Listing Rules to have been approved, under ASX Listing Rule 7.1 or 7.4;
- (C) plus the number of fully paid ordinary securities issued in the 12 months under an agreement to issue securities within ASX Listing Rule 7.2 Exception 16 where:
  - the agreement was entered into before the commencement of the relevant period; or
  - the agreement or issue was approved, or taken under the ASX Listing Rules to have been approved, under ASX Listing Rule 7.1 or 7.4; ·
- (D) plus the number of any other fully paid ordinary securities issued in the 12 months with approval under ASX Listing Rule 7.1 or 7.4; ·
- (E) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (F) less the number of fully paid ordinary securities cancelled in the 12 months.

D is 10%.

E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the issue date or date of agreement to issue where the issue or agreement has not been subsequently approved by Shareholders under ASX Listing Rule 7.4.

If Shareholders approve Resolution 9 the effect will be to allow Elixinol to issue equity securities under ASX Listing Rule 7.1A up to the combined 25% capacity in ASX Listing Rules 7.1 and 7.1A without further Shareholder approval.

If Shareholders do not approve Resolution 9, Elixinol will not be able to access the additional 10% capacity to issue equity securities without shareholder approval under ASX Listing Rule 7.1A and will remain subject to its 15% Placement Capacity limit on issuing equity securities without Shareholder approval under ASX Listing Rule 7.1.

Information required by ASX Listing Rule 7.3A

For the purposes of ASX Listing Rule 7.3A, the following information is provided:

- If any equity securities are issued under the 10% Placement Facility, they will be issued within 12 months of the date of the AGM. The approval being sought under Resolution 9 will cease to be valid on the earlier of either of the following events occurring:
  a. the time and date of the Company's next AGM;
  b. 16 May 2022, being the date that is 12 months after the date of the AGM at which the approval was obtained; or
  c. the time and date of the approval by holders of the Company's ordinary securities of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

- Any equity securities issued pursuant to the 10% Placement Capacity will be issued for cash consideration at an issue price of not less than 75% of the volume weighted average market price for Elixinol's ordinary shares calculated over the 15 trading days on which trades are recorded immediately before:

  d. the date on which the price at which the equity securities are to be issued is agreed by the Company and the recipient of the securities; or
  e. if the equity securities are not issued within 10 trading days of the date above, the date on which the equity securities are issued.

- Any equity securities issued pursuant to the 10% Placement Capacity will be issued for the purpose of raising working capital for the Company, which includes continuation of the Company's evaluation of new business development opportunities and general working capital purposes.

- If Resolution 9 is approved by Shareholders and the Company issues equity securities under the 10% Placement Facility, the existing ordinary Shareholders face the risk of economic and voting dilution as a result of the issue of equity securities which are the subject of this Resolution 9, to the extent that such equity securities are issued, including the risk that:

  a. the market price of equity securities may be significantly lower on the issue date than on the date on which this approval is being sought; and
  b. the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date.

- The following table provides examples of the potential dilution of existing ordinary Shareholders calculated as at the date of this Notice using the current market price of Shares and the current number of ordinary securities for variable "A" in the formula in ASX Listing Rule 7.1A.2.

  The table also shows:

a. two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of fully paid ordinary securities the Company currently has on issue. The number of fully paid ordinary securities on issue may increase; and
b. two examples of where the issue price of fully paid ordinary securities has decreased by 50% and increased by 100% as against the current market price.

No. of Shares on Issue[3]	Dilution			
	Issue price (per Share)	**$0.090 50% decrease in Issue Price**	**$0.180 Issue Price**	**$0.360 100% increase in Issue Price**
314,683,407 (Current)	**Shares issued**	31,468,341	31,468,341	31,468,341
	Funds raised	$2,832,150.66	$5,664,301.33	$11,328,602.65
472,025,111 (50% increase)	**Shares issued**	47,202,511	47,202,511	47,202,511
	Funds raised	$4,248,225.99	$8,496,451.99	$16,992,903.98
629,366,814 (100% increase)	**Shares issued**	62,936,681	62,936,681	62,936,681
	Funds raised	$5,664,301.33	$11,328,602.65	$22,657,205.30

- The table has been prepared on the following assumptions:
  a. for the purposes of variable "A" in ASX Listing Rule 7.1A.2, the table assumes that Resolution 4 is passed;
  b. for the purposes of variable "A" in ASX Listing Rule 7.1A.2, Shares the subject of Resolution 6 or Shares issued on conversion of the 2,750,810 unquoted performance rights currently on issue and Performance Securities the subject of Resolution 7 have not been included;
  c. the Company issues the maximum number of equity securities available under the 10% Placement Facility;
  d. the table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues under the 10% Placement Facility, and each Shareholder should consider their own individual dilution as a result of their specific circumstances;
  e. the table only demonstrates the effect of issues of equity securities under the 10% Placement Capacity, and does not consider issues that may be made by the Company pursuant to its 15% Placement Capacity in addition to, or instead of, issues pursuant to the Additional 10% Placement Capacity;
  f. the table does not demonstrate the effect of the issue of quoted, unquoted options or performance rights, which are other types of equity securities, under the 10% Placement Capacity. It only considers the issue of Shares as these are the only existing quoted class of equity securities; and
  g. the issue price used for the table above of $0.18 per Share is indicative only, being the closing price of the Shares on ASX on 30 March 2021.
- The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of allottees of any equity securities that may be issued (subject to shareholder approval of Resolution 9) have not been determined as at the date of this Notice but may include existing Shareholders and/or parties who are not currently Shareholders and are not related parties of the Company. Any potential allottees will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

[3] Variable "A" in ASX Listing Rule 7.1A.2

a. the methods of raising funds available to the Company (including but not limited to, rights issue or other issues in which existing security holders can participate), while balancing interest from potential allottees with the interests of existing Shareholders;
b. the effect of the issue of equity securities on the control of the Company and balancing the interests of existing Shareholders. Allocation will be subject to takeover thresholds;
c. the financial situation and solvency of the Company and its need for working capital at any given time; and
d. advice from corporate, financial and broking advisors (if applicable).

Prior issues or agreed issues under ASX Listing Rule 7.1A.2

The Company previously obtained Shareholder approval under ASX Listing Rule 7.1A at its previous annual general meeting held on 30 July 2020 and the information required by ASX Listing Rule 7.3A.6 with respect to prior issues or agreed issues under ASX Listing Rule 7.1A.2 is set out below:

- since the previous annual general meeting held on 30 July 2020, 19,283,706 Shares at an issue price of $0.17 have been issued pursuant to ASX Listing Rule 7.1A. All of these Shares were issued on 16 November 2020 at a 8.1% discount to the closing market price on the date of the agreement to issue. This represents 10.0% of the total number of equity securities on issue at the commencement of the 12-month period (being 30 July 2020). These Shares were issued as part of the Placement;
- all of the Shares were issued to a range of sophisticated and professional investors identified by Bell Potter Securities Limited and MST Financial Services Pty Ltd; and
- funds raised from issuing these Shares under the Placement was A$8.2 million, of which $3.3 million was raised under ASX Listing Rule 7.1A $8.2 million remains and funds raised from the Placement will continue to be used, for working capital to support the Company's growth strategy.

Resolution 9 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

The Directors unanimously recommend Shareholders vote in favour of this Resolution 9.

ANNEXURE A: INDEPENDENT EXPERT REPORT

Grant Thornton
An instinct for growth™

Elixinol Global Limited

Independent Expert's Report and Financial Services Guide

12 April 2021

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The Directors
Elixinol Global Limited
Level 12, 680 George Street
Sydney, NSW 2000

12 April 2021

Dear Directors

Introduction

Elixinol Global Limited ("EXL" or the "Company") is an ASX-listed holding company focused on developing, marketing and selling Elixinol branded hemp derived Cannabidiol ("CBD") products. EXL had a market capitalisation of approximately A$66.1 million as at 15 March 2021.

On 15 March 2021, the Company announced that it had entered into a binding agreement to purchase 100% of the issued capital of CannaCare Health GMBH ("CannaCare" or "CC") which was founded[1] in 2018 and is based in Hamburg, Germany (the "Proposed Transaction"). CannaCare markets and distributes an extensive range of 20 CBD products in the traditional retail channel and it is one of the key players in the Germany's CDB market, which is one of the fastest growing CBD markets in Europe with a forecast CAGR of 47% between 2020 and 2025[2].

The maximum purchase price payable by EXL is EUR24 million (the "Maximum Purchase Price") which is equivalent to circa A$37 million based on the current exchange rate of EUR1:A$1.54 as at 15 March 2021 ("Spot Exchange Rate"). The Maximum Purchase Price is structured as follows:

- Fixed upfront purchase price of EUR9 million[3] payable on completion consisting of:
  - Upfront cash payment of EUR3 million[4].
  - EUR6 million[5] settled via the issuance of 43,864,133 EXL Shares (the "First Tranche Shares") at A$0.2105 per share to the Vendors. The Vendors will collectively hold 12.0% of the issued capital upon the issue of the First Tranche Shares which will be subject to voluntary escrow until 31 March 2022.
- Earn-out Consideration (the "Earn-Out") via the issue of performance securities (the "Performance Securities") which convert into EXL Shares subject to the achievement of the certain performance conditions. The terms of the Earn-Out are outlined below:

[1] The vendors of CannaCare are Mr Frank Otto, Ms Annette-Rosa Oplesch and an entity associated with Mr Michael Oplesch (the "Vendors").
[2] Brighfield Group's European CBD, January 2021 Report.
[3] Equivalent to A$13.85 million based on the Spot Exchange Rate
[4] Equivalent to A$4.62 million based on the Spot Exchange Rate.
[5] Equivalent to A$9.23 million based on the Spot Exchange Rate.

- CannaCare needs to achieve revenue of at least EUR6.5 million in CY21 and an Adjusted EBITDA[6] of at least EUR1.3 million for the Earn-Out to be triggered.

- The maximum Earn-Out payable is EUR15 million[7] and will be paid in EXL Shares at or around 31 March 2022 subject to the following criteria (the "Performance Conditions") being met:

  i. Revenue of at least EUR12.9 million; and

  ii. Adjusted EBITDA of EUR2.58 million.

- The Earn-Out is directly proportional to revenue between EUR6.5 million and EUR12.9 million.

- However, to the extent that CannaCare does not achieve the maximum Earn-Out and the Adjusted EBITDA margin[8] is less than 20%, part of the Earn-Out becomes payable subject to a further 50% discount. Refer to section 1 for details.

- The Earn-Out is to be funded 100% by Elixinol Shares calculated based on the 15 days' VWAP[9] prior to 31 March 2022 and the exchange rate calculated based on the prevailing AUD:EUR immediately prior to conversion.

- The maximum number of EXL Shares that can be issued on conversion of the Performance Securities is 165,180,803 (the "T2 Consideration Shares" or the "T2 Shares"). If this occurs, the Vendors will collectively hold 39.98% of the issued capital of EXL. However, we note that the maximum number of EXL Shares will only be issued in conjunction with a significant reduction of the trading prices of EXL. Otherwise, the number of the T2 Consideration Shares to be issued upon meeting the Performance Conditions is expected to be materially lower.

The Proposed Transaction is subject to certain conditions precedent including EXL Shareholders' approval and an independent expert concluding that the issue of the T2 Shares is fair and reasonable or not fair but reasonable and other conditions precedent customary for a transaction of this type.

As part of the Proposed Transaction, Mr Frank Otto, one of the Vendors, will be appointed to the Board of Directors of EXL as Non-Executive Director and the current management team of CannaCare will continue to operate the business with Mr Michael Oplesch, one of the Vendors, continuing as a consultant and a member of the CannaCare's Advisory Board.

[6] Equivalent to A$10.01 million based on the Spot Exchange Rate.
[7] Equivalent to A$23.08 million based on the Spot Exchange Rate.
[8] Adjusted EBITDA is the Earnings Before Interest, Taxes, Depreciation and Amortization adjusted for (a) any cost imposed by the EXL to comply with Australian Laws or reorganise the company, (b) any extraordinary items, (c) any revenue received in the form of governmental grants, allowances, or other hand-outs by the public hand, (e) any costs and losses for which under Section 12 of this Agreement adjustments shall be made
[9] Volume Weighted Average Price

Purpose of the Report

ASX issued an updated Guidance Note 19 "Performance Securities" ("GN19") on 28 August 2020 where it requires, among other things, that a listed entity must obtain an independent expert's report if it is proposing to issue performance securities which will converted in greater than 10% of the issued capital if the applicable milestone is achieved.

Accordingly, the Directors of EXL have appointed Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton") to prepare an Independent Expert's Report ("IER" or the "Report") to provide an opinion on whether the issue of the issued of the T2 Consideration Shares upon conversion of the Performance Securities is fair and reasonable to the EXL Shareholders in accordance with GN19.

The IER has been prepared in accordance with ASX GN19, the Australian Securities and Investment Commission ("ASIC") Regulatory Guide ('RG') 111 Content of expert's reports ('RG 111') and RG 112 Independence of experts ('RG 112').

We note that we have not been engaged to form an opinion, and we have not formed an opinion, in relation to the proposed acquisition.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the issue of the T2 Consideration Shares if the Performance Conditions are achieved is FAIR AND REASONABLE to the EXL Shareholders in accordance with the requirements of GN19.

Fairness Assessment

In forming our opinion on the fairness of the issue of the T2 Consideration Shares, Grant Thornton Corporate Finance has undertaken a comparison between the fair market value of EXL before the Proposed Transaction with our theoretical valuation assessment of EXL after the issue of the T2 Consideration Shares and assuming that the Performance Conditions have been achieved.

The following table summarises our assessment:

Fairness assessment A$ per share	*Section Reference*	Low	High
Fair market value of EXL Shares before the Proposed Transaction	*7.1*	0.21	0.24
Fair market value of EXL Shares after the Proposed Transaction	*8.1*	0.25	0.29
Premium		**0.03**	**0.05**
Premium (%)		**14.2%**	**22.7%**
FAIRNESS ASSESSMENT		**FAIR**	

Source: GTCF analysis

The fair market value per EXL Share after the issue of the T2 Consideration Shares and the achievement of the Performance Conditions is higher than the fair market value per EXL Share before the Proposed Transaction. Accordingly, we have concluded that the issue of the T2 Shares is **FAIR** to the EXL Shareholders.

In our valuation assessment of EXL upon the issue of the T2 Shares, we have assumed the following:

- CannaCare achieves the maximum revenue of EUR12.9 million in CY21[10] and 20% EBITDA margin.

- EXL issues 95,304,870 EXL Shares calculated in accordance with the terms of the agreements and assuming a share price of EXL Shares on or around 31 March 2022 of A$0.2433[11] and having regard to the Spot Exchange Rate.

It is important that EXL Shareholders are aware that the valuation assessment in the table above is theoretical as it assumes that CannaCare achieves EUR12.9 million of revenue and EBITDA margin of at least 20% in CY21. These are considered stretched targets compared with the financial performance of the business in CY20. The valuation assessment above should be considered theoretical and not reflective of the price at which EXL Shares will trade after the Proposed Transaction.

EXL Shareholders should be aware that our assessment of the value of the EXL Shares should not be considered to reflect the price at which the EXL Shares will trade in the future. The price at which EXL Shares will ultimately trade depends on a range of factors, including favourable developments in the industrial CBD regulatory environment, liquidity of the EXL Shares, macro-economic conditions and the performance of EXL business.

Reasonableness Assessment

ASIC RG111 establishes that an offer is reasonable if it is fair. Given that our assessment of the issue of the T2 Shares upon the achievement of the Performance Milestones is fair, it is also reasonable. However, we have identified a number of advantages and disadvantages that the EXL Shareholders should consider with regards the issue of the T2 Shares.

Advantages

Attractiveness of the European CBD market

In November 2020, the European Union's highest court, the Court of Justice of the European Union, made a landmark ruling that CBD is not a narcotic[12] as it does not appear to have any psychotropic effect or any harmful effect on human health. As a result, European regulators are expected to resume their review of the Novel Food authorisation[13] application process for CBD products which is expected to significantly boost future growth opportunities.

The largest CBD markets in Europe are the United Kingdom and Germany which make up approximately 68% of the European market in 2020 which is expected to increase to circa 81% by 2025. The UK is expected to remain a market leader over the medium-term, although Germany's growth is expected to outpace that of the rest of Europe, especially as Novel Foods-authorised products enter circulation, which is expected to assist in growing the German market to US$617 million revenue by 2025.

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[10] Between 1 January 2021 and 31 December 2021 ("CY21").
[11] This is calculated based on the MonteCarlo simulation discussed in Appendix D.
[12] Court of Justice of the European Union press release 141/20 dated 19 November 2020
[13] New Regulation introduced in the EU to improve the ability of food businesses to more easily bring new and innovative foods to the EU market, while maintaining a high level of food safety for European consumers.

The acquisition of CannaCare will allow the Company greater and quicker penetration to the Germany CBD market. Further, EXL will also have the opportunity to use CannaCare as a platform to grow in adjacent countries like Switzerland and Austria which currently account for circa 27% of the European market.

Synergistic acquisition

The acquisition of CannaCare is expected to create cost synergies, cross-selling opportunities, supply chain integration-driven efficiencies and dual raw materials supply access. It will also provide for low risk market (existing and new) entry and integration of business systems and processes and best practices.

T2 Consideration Shares issued to the vendors

The T2 Consideration Shares are designed to create alignment between the economic interests of the Vendors and the EXL Shareholders and are linked to the future performance of CannaCare. The maximum Earn-Out payable in EXL Share is EUR15 million in conjunction with the Company achieving revenue of EUR12.9 million and an EBITDA margin of 20%. The revenue multiple implied in the maximum Earn-Out is circa 1.2x[14] which is attractive for EXL Shareholders considering the trading revenue multiple of listed peers and comparable transactions.

Security of technical expertise from previous owners of the Target

Post-acquisition of CannaCare, Mr Frank Otto will join the board of EXL whilst Mr Michael Oplesch will be engaged by CannaCare as a consultant and he will be part of the Advisory Board of CannaCare. This will ensure a smooth transition of ownership and access to technical expertise on the ground.

Disadvantages

Historical performance of the Target vs CY21 budget

CannaCare is a recently established business with revenue growth of more than 600% in CY20 to EUR2.6 million. The growth was mainly attributed to an acceleration of revenue in CY20 particularly from drugstores and pharmacy retail sales channels. The revenue base in CY19 was negligible with its operations commencing only in the second part of CY18. CannaCare is still a small business in its infancy stage and the growth in CY20 revenue may not be repeated. Whilst in our valuation assessment we have assumed that the Performance Conditions are achieved, we are of the opinion that the ability of CC to generate revenue in CY21 of EUR12.9 million should be considered a stretched target.

Risks of the CannaCare acquisition

A number of other key risks and issues have been identified on CannaCare during the due diligence process conducted by EXL. These include:

[14] 1.9x including the EUR9 million First Tranche Consideration.

- Sustainability of current CannaCare's product range pending the full implementation of the Novel Food regulatory framework.
- All products, including the new and yet to be launched cosmetic range, are sourced from a single supplier.
- As an emerging private company, CannaCare's existing systems, processes, policies and practices may not be aligned with that of a publicly listed entity like EXL. In this case, EXL may need to invest funds to bring the existing governance at par with EXL.
- Impact of the COVID-19 pandemic on CannaCare's business and the business environment in Germany still poses a risk.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the issue of the T2 Shares upon achievement of the Performance Conditions is **FAIR and REASONABLE** to the EXL Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the issue of the T2 Shares is a matter for each EXL Shareholder to decide based on their own views of the value of EXL and their expectations about future market conditions, performance of the underlying businesses, risk profile and investment strategy. If the EXL Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

Jannaya James
Director

12 April 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Elixinol Global Limited to provide general financial product advice in the form of independent expert's report in relation to the T2 Consideration Shares to be issued by the Company. This Report is to be included in the Notice of General Meeting and Explanatory Memorandum to be circulated to the EXL Shareholders.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our Report we provide general financial product advice. The advice in the Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Elixinol Global Limited a fixed fee of A$70,000 which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of EXL in order to provide this Report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with EXL (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the Notice of General Meeting and Explanatory Memorandum should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Outline of the Proposed Transaction

1.1 Details of the Earn-Out Consideration

Under the Proposed Transaction, the purchase price that EXL will pay to the Vendors is structured as follows:

- Fixed purchase price of EUR9 million consisting of:
  - Upfront cash payment of EUR3 million
  - The remaining EUR6 million will be settled via the issuance of 43,864,133 Guarantor Shares to individual sellers, allocation of which is specified in section 3.1.2 of the SPA.
- Earn-Out Consideration which shall not exceed EUR15 million[15] upon achieving the Performance Conditions as determined in the SPA.

If and to the extent that CannaCare achieves revenue of at least EUR6.5 million in CY21 and Adjusted EBITDA of at least EUR1.3 million as calculated in the audited accounts, the Vendors shall be entitled to a further purchase price to be calculated as follows:

Earn-out Consideration[16] = [((Actual Revenue[17] less EUR6.5 million[18]) divided by EUR6.4 million) multiplied by EUR15 million]

The formula above is multiplied by 50% (or 0.5) if the Adjusted EBITDA margin is less than 20% and the Adjusted EBITDA is less than EUR2.58 million.

The following illustrates various examples for the Earn-Out calculation under various revenue and EBITDA outcomes:

Actual Revenue (EUR m)	Adjusted EBITDA (EUR m)	Earn Out Consideration (EUR m)
12.9	2.58	15.0
14.0	2.58	15.0
14.0	3.0	15.0
13.5	2.2	5.27
10.0	1.9	3.16
7.5	1.28	0

Source: SPA

For the avoidance of doubt, we note the following:

[15] And which shall not be less than EUR nil.
[16] The maximum Earn-Out payable is EUR15 million and will be paid in EXL Shares at or around 31 March 2022 subject to the Performance Conditions being met.
[17] Revenue generated by CannaCare in Euro between 1 January 2021 and 31 December 2021 as set out in the audited accounts.
[18] Minimum revenue to be delivered.

- In case the Adjusted EBITDA margin on the total Revenue for CY21 is less than 20%, the Actual Revenue shall be reduced to such amount which the Adjusted EBITDA is 20% of and all other (not sufficiently profitable), revenue shall be disregarded for purposes of the Earn-Out calculation below ("Reduced Revenue")).

- The Earn-Out shall not exceed an amount of EUR15 million and it cannot be a negative amount.

Once the Earn Out payable has been estimated, the actual number of EXL Shares to be issued on conversion of the Performance Securities will be calculated based on the following formula:

T2 Consideration Shares = [((Earn-out Consideration multiplied by the agreed exchange rate[19]) divided by the 15-day VWAP of the EXL Shares immediately prior to 31 March 2022) less any set off shares]

We have set out below a summary of the other terms of the proposed acquisition:

- For a period of two years after closing of the proposed acquisition, each of the Vendor must refrain from competing, directly or indirectly, with the business operated by CannaCare.

- If the Company removes Mr Oliver Haist as Managing Director of CannaCare or Mr Michael Oplesch as member of the CannaCare's Advisory Board in CY21, the maximum Earn-Out of EUR15 million will become immediately due and payable except where the removal was made for cause or with the Vendors' written consent.

- If the maximum number of the T2 Shares exceeds 165,180,893 EXL Shares[20], the Company must pay cash to the Vendors to settle the shortfall. This scenario could occur in conjunction with a significant reduction of the trading prices of EXL which would cause the 15 days' VWAP calculated on or around 31 March 2022 to be lower than A$0.1397 and the exchange rate remain on or around the Spot Exchange Rate.

1.2 Effect of the issue and conversion of the T2 Consideration Shares

We have set out below the capital structure of the Company immediately after the Proposed Transaction.

Fully diluted shares after the Proposed Transaction	Maximum Case	%	GT Case	%
Number of shares issued and outstanding as at 3 March 2021	314,683,407	60.09%	314,683,407	69.34%
Add: First Tranche Shares	43,864,133	8.38%	43,864,133	9.66%
Add: T2 Consideration Shares	165,180,893	31.54%	95,304,870	21.00%
Fully diluted shares	523,728,433	100.00%	453,852,410	100.00%

Source: SPA, GTCF analysis

The components of the fully diluted shares after the Proposed Transaction are described below:

- Number of shares issued and outstanding as at 15 March 2021.

- *First Tranche Shares* – This relates to the EUR6 million component of the purchase price whereby

[19] The exchange rate of EUR to A$ at the business day before the Conversion Date as published by https://www.rba.gov.au/statistics/frequency/exchange-rates.html
[20] Based on EXL's announcement to the ASX on 15 March 2021

43,864,133 EXL shares are to be issued at completion of the Proposed Transaction.

- *Earn-out Shares or the T2 Consideration Shares* – We have presented the dilution having regard to the maximum number of EXL Shared issuable to the Vendors based on the terms of the Proposed Transaction and the number of EXL Shares adopted by Grant Thornton in our valuation assessment.

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2 Purpose and scope of the Report

2.1 Purpose

ASX issued an updated GN19 on 28 August 2020 where it requires, among other things, that a listed entity must obtain an independent expert's report if it is proposing to issue performance securities covered by sections 8 to 15 of the Guidance Note and the number of ordinary shares into which those performance securities will convert in aggregate, if the applicable milestone is achieved, is greater than 10% of the number of ordinary shares on issue.

The Independent Expert is required to provide an opinion on whether the issue of the performance securities is fair and reasonable to the EXL Shareholders.

Accordingly, the Directors have engaged Grant Thornton Corporate Finance to prepare the IER in relation to the proposed issue of the EXL Shares to the Vendors relating to the T2 Consideration Shares.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of the Independent Expert's Report.

RG 111 establishes certain guidelines in respect of the Independent Expert's Report prepared for the purpose of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer.

In order to estimate whether or not the issue of the T2 Consideration Shares is fair and reasonable to the EXL Shareholders, we have compared the:

- The value per share of EXL before the Proposed Transaction; with
- The value per share of EXL after the Proposed Transaction assuming the Performance Conditions are satisfied and after considering the dilution to be suffered by the EXL Shareholders as a result of the issue of the T2 Consideration Shares.

In considering whether the issue of the T2 Consideration Shares is reasonable to the EXL Shareholders, we have considered a number of factors, including:

- Whether the issue is fair.
- Other likely advantages and disadvantages associated with the T2 Consideration Shares.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to Proposed Transaction in accordance with the requirements of GN 19 with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

In our opinion, Grant Thornton Corporate Finance is independent of EXL and its Directors and all other relevant parties involved in the Proposed Transaction.

2.4 Consent and other matters

Our Report is prepared for the exclusive purpose of assisting the EXL Shareholders in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and context and consents to its inclusion in the Notice of General Meeting and Explanatory Memorandum proposed to be sent to the EXL Shareholders on or around 15 April 2021.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction on the EXL Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual EXL Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications on individual shareholders.

The decision of whether or not to approve the issue of the T2 Shares is a matter for each EXL Shareholder to decide based on their own views of the value of EXL and their expectations about future market conditions, performance of the underlying businesses, risk profile and investment strategy. If the EXL Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a

reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3 Industry overview

3.1 Introduction

Elixinol Global Limited operates in the industrial hemp sector, which is focused on CBD nutraceutical products and cosmetic, skincare and food products as summarised below:

- *Nutraceuticals* are botanically derived dietary supplements / products (CBD oil) that provide health benefits in addition to basic nutritional value. CBD oil is derived from the flowers, leaves and stalks of the hemp plant. It is a natural botanical concentrate that is high in the compound CBD which has been shown to have therapeutic benefits for a range of indications. It contains less than 0.3% of THC[21]. CBD oil is produced in capsules, tinctures and liposome forms.

- *Hemp foods* are considered super foods due to their high nutritional content. These include hemp seed oil, hemp seed, hemp protein and hemp flour and typically sold in bulk or finished goods.

Following a sale of land held by Elixinol Australia in February 2020, EXL announced its intention not to pursue the medical cannabis cultivation business. Accordingly, this section only focuses on the industrial hemp / CBD sector.

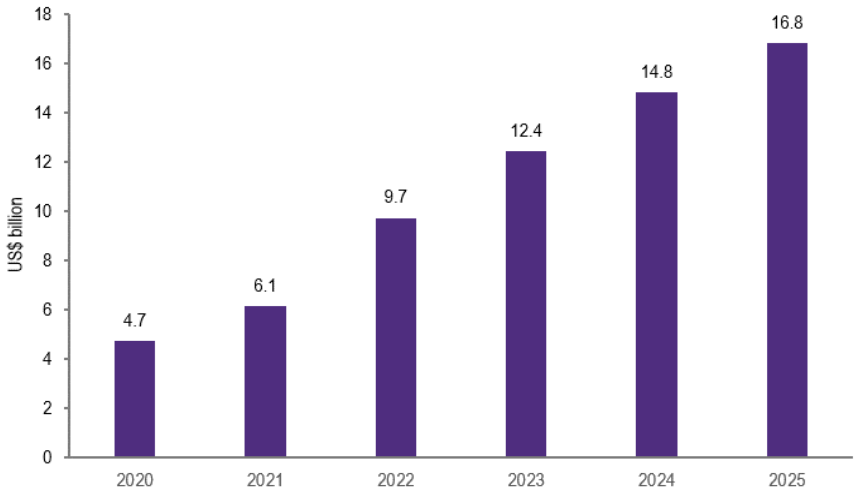
3.2 Size of the market

The size of the market is linked to the regulatory environment with deregulation being the main reasons for exponential growth experienced in some key markets in the US, Europe and the ASIA-Pacific.

US market

The US CBD market is expected to grow to approximately US$17 billion revenue by 2025 with a CAGR of circa 29% as outlined below.

US CBD Market Size by Revenue



Source: EXL Annual report

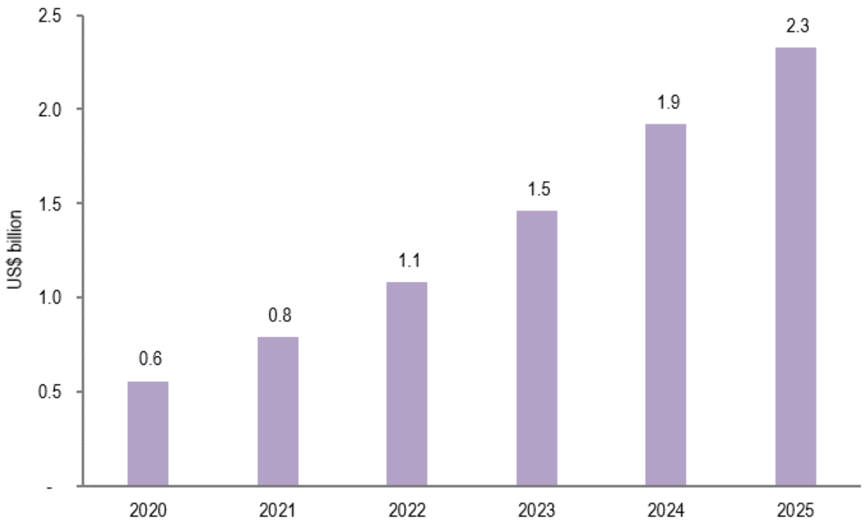
[21] Tetrahydrocannabinol, which is one of the two most common cannabinoids and is responsible for the intoxicating effect of some forms of medicinal cannabis. It is generally found in the resin secreted by the glands of cannabis plants.

In the US, the regulatory environment remains diverse across different states but there are expectations that the Food and Drugs Administration ("FDA") may progress with its rulemaking process regarding the marketing of CBD products as dietary supplements with a clear FDA guidelines and formal classification of CBD as a dietary supplement.

European market

Europe, the second largest market after the USA, is expected to be the fastest growing regional market. It is forecast to more than quadruple over next six years, with revenue growing from US$498.7 million in 2019 to US$2.3 billion in 2025 as set out in the graph below.

Europe CBD Market Size by Revenue



Source: Brightfield Group

According to Brightfield Group's Germany CBD Market Research in June 2020 and European Regulatory Review as at 7 January 2021, the largest CBD markets in Europe today are those of the United Kingdom and Germany which accounts for circa 68% of the market in 2020, percentage which is expected to increase to circa 80% by 2025. The UK is expected to remain a market leader over the medium-term, although Germany's growth is expected to outpace that of the rest of Europe, especially as Novel Foods-authorised products enter circulation, driving it to potentially become the second-largest European CBD market at US$617 million revenue by 2025.

Within Europe, foods containing hemp products are allowed in several countries including the UK, Germany, France, the Netherlands, Austria, Finland and Italy, but the THC limit varies from country to country. In November 2020, the European Union's highest court made a landmark ruling that CBD is not a narcotic[22] as it does not appear to have any psychotropic effect or any harmful effect on human health. As a result, European regulators are expected to resume their review of the Novel Food authorisation application process for CBD products. We note that in November 2019, a German court decided that Germany would follow the European Commissions Directive to re-classify CBD as a Novel Food.

[22] Court of Justice of the European Union press release 141/20 dated 19 November 2020

In Germany, the largest and strongest growing product categories are primarily expected to be tinctures, topicals (cosmetics) and capsules, The sales of tinctures and capsules which reduced materially in 2020 pending Novel Food authorisations, are expect to recover strongly.

Asia-Pacific market

The Asia Pacific CBD market is expected to grow by a CAGR of 30% to 2025 at less than US$500 million revenue.

In relation to the cultivation and supply of industrial low-THC hemp[23], each Australian State and Territory has its own licencing regime setting out the precise terms on which licences for cultivation or supply may be granted. Specific to NSW and under the Hemp Industry Act 2008 (NSW), the Secretary of the Department of Industry, Skills and Regional Development may grant a licence for commercial production; use in any manufacturing process; scientific research, instruction, analysis or study; or any other purpose prescribed by the regulations. The Act also imposes conditions in granting the licence as well as when the licence has already been granted to an applicant. The restrictions and relevant licences for the importation of low-THC industrial hemp are the same as for all cannabis products.

Under the Food Standards Australia New Zealand (“FSANZ”) Act 1991, Food Standards Australia New Zealand is an independent statutory agency that develops standards (via the ANZFS Code) that regulate the use of ingredients, processing aids, colourings, additives, vitamins and minerals. The ANZFS Code states that a food for sale must not be, and must not have as an ingredient or component, a prohibited plant.

3.3 Outlook

Recently, the United Nations’ Commission on Narcotic Drugs voted to accept the World Health Organisation’s recommendation to down-schedule[24] cannabis. The vote acknowledges the medicinal usefulness of cannabis and clarifies that CBD is not under international drug control. This signals towards global regulatory relaxation of CBD legislation is expected to have a substantial, positive impact on the CBD players’ ability to drive product sales in Europe and other countries influenced by the UN decision. In addition to this, we note the following regulatory updates in EXL’s key markets:

- Following the election of Democratic government in the US, there is an expectation that there would be movements towards legalisation, increased industry support and the classification of CBD as a dietary supplement.

- European regulators are expected to resume their review of the Novel Food authorisation application process for CBD products after a landmark ruling from the European Union’s highest court.

- In December 2020, the Australian Therapeutic Goods Administration (“TGA”) announced a final decision to down-schedule CBD to schedule 3 in early 2021 allowing for certain TGA-approved low dose CBD products to be supplied over-the-counter by a pharmacist, without a prescription.

These recent developments in the regulatory environment governing the industrial hemp sector provides players an optimistic outlook and confidence on the future of the sector.

[23] Cannabis with a concentration of THC of no more than 1%.
[24] To remove cannabis and cannabis resin from Schedule IV of the 1961 Single Convention on Narcotic Drugs

4 Profile of Elixinol

4.1 Introduction

Elixinol Global develops, markets and sells Elixinol branded hemp derived CBD products. EXL operates in markets including the Americas, Europe and Australia. EXL has a licence arrangement in place which enables Elixinol Japan to manufacture and sell Elixinol branded CBD nutraceutical products across Japan.

The operating companies of EXL are set out below:

- *Elixinol LLC ("Elixinol Americas")* is based in Westminster, Colorado, USA and was established in 2014 to specialise in the manufacturing and distribution of CBD dietary supplement products made from premium quality, predominantly "whole plant" full spectrum CBD hemp supplements. Elixinol sells to end consumers, distributors, medical and allied health professionals and hemp-based retailers, as well as white label customers and product manufacturers. It operates within the industrial hemp – nutraceutical segment. Elixinol Americas now only sells to North and South America.

  As at 31 December 2020, Elixinol Americas has 25.43% interest in Altmed Pets LLC (trading as Pet Releaf) which manufactures hemp-derived CBD oils, topical creams and edibles for pets.

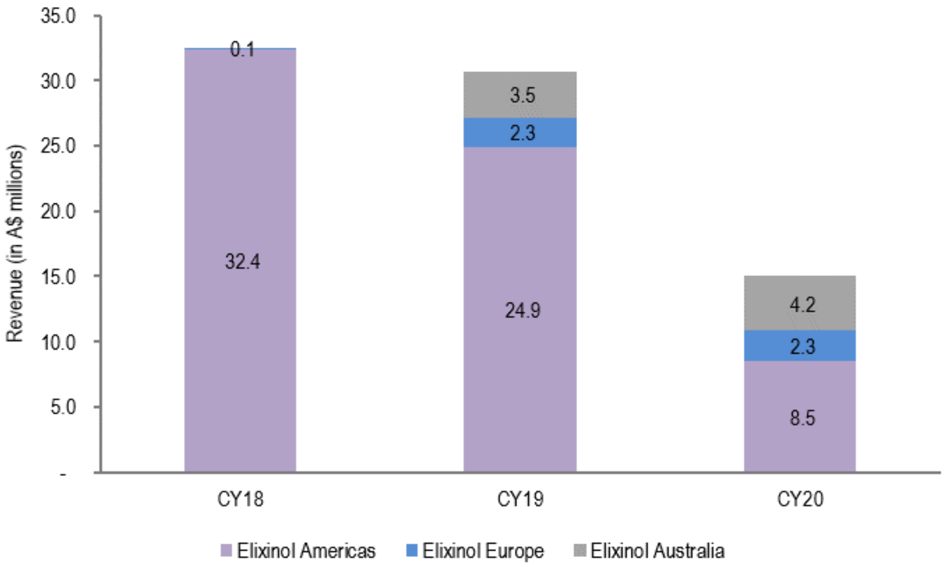
- *Elixinol BV and Elixinol Ltd (together, "Elixinol Europe")* are based in Utrecht, The Netherlands and London, UK, respectively. Elixinol Europe was established in 2018 to specialise in the development, sourcing, marketing and distribution of hemp derived CBD products including skincare. Elixinol BV sells products to South Africa.

- *Hemp Foods Australia Pty Ltd ("HFA")* was founded in 1999 and manufactures, markets and distributes hemp derived food, supplements and skin care products in Australia. HFA started as a small operation producing and distributing hemp oils in the Australian market. Since 2012, HFA has been manufacturing organic hemp seeds, hemp oils and hemp protein and distributing both bulk and finished product via wholesale and retail channels in Australia and exports into overseas markets. Prior to November 2017, these products were sold in Australia for external use only (skincare).

  In January 2020, EXL entered into a sale agreement to dispose of HFA subject to, among other conditions, obtaining third party consents and entry into a licence agreement between EXL and the acquirer. In May 2020, EXL announced that the share purchase agreement for the sale of HFA was terminated by the buyer. Subsequently, EXL decided to retain the operations of HFA.

- *Elixinol Australia Pty Ltd ("Elixinol Australia")* was formerly known as Nunyara Pharma Pty Ltd. It was established to participate in the emerging Australian medicinal cannabis market. Its business model is predicated on Elixinol Australia obtaining the necessary licences to import, cultivate and manufacture medical cannabis products for the Australian market. In February 2020, EXL announced its intention not to pursue its application for a medical cannabis cultivation licence in Australia. In June 2020, EXL sold the land held by Elixinol Australia. The cash proceeds from the sale were being re-deployed to support EXL's branded CBD nutraceuticals strategy.

Presented below are the Company's revenue by geographical location since CY18.



Source: Annual report, GTCF analysis

Presented below are the Company's EBITDA by geographical location since CY18.

Source: Annual report, GTCF analysis
Note (1) The unallocated EBITDA represents corporate / head office expenses.

We note the following in relation to the charts above:

- The declining trend in revenue in the past three years to CY20 was due to changing regulatory environment in the US. In addition, the COVID-19 pandemic has negatively impacted trading results of EXL following decline in foot traffic in its US and UK physical stores.

- Reduction in EBITDA was driven by the significant decline in revenue of Elixinol Americas.

In order to improve the financial performance of the business, the Company has recently launched a number of initiatives:

- *Corporate structure changes* – During CY20 a number of changes to the board and management team were implemented to strengthen EXL's leadership capabilities as well as its strategic, commercial and governance skill sets.

- *Divestment of low margin business* – This initiative started in early CY19 with the termination of private label contracts to allow EXL to focus on its branded products. This also led to the reduction of revenue from bulk market, which has been oversupplied with inexpensive and poor quality products due to lack of product regulation. Private label contracts and bulk market revenue are considered low margin businesses.

- *Investment in e-commerce channel* – The COVID-19 pandemic challenged the traditional sales channel and pushed a shift in EXL's digital strategy. In CY20, EXL invested in *Magento* e-commerce platform and progressed its transition to an integrated in-house, web services and digital marketing in order to cope with changing consumer buying behaviour.

- *Reduction in cost base* – In early CY20, the Company suspended in-house production due to the pandemic. EXL has also made a decision to reduce Elixinol Americas' workforce to 72 FTE from 98 at the end of CY19 resulting in a decline of 9% in employee expenses[25]. Also, the recent shift to the e-commerce platform and integrated in-house digital marketing has reduced EXL's external agency costs. We note that sales and marketing expenses declined by approximately 43% in CY20.

- *Product innovation and new product distribution* – As a strategy, the Company blended its Elixinol CBD with other ingredients known to have proven health benefits such as turmeric and melatonin to make it easier for consumers to adopt the still relatively new CBD category. EXL also introduced a new range of water-soluble products. The CBD skincare products range was launched with Boots[26] through more than 70 stores across Ireland. In the third quarter of CY20, distribution with Well Pharmacy[27] started, with eight Elixinol branded products made available in more than 500 stores in the UK.

- *Fund raising activities* – EXL had a number of fund raising activities during the year including completing a placement to raise approximately A$8.2 million (before transaction costs) from existing and new sophisticated and institutional shareholders in November 2020. In December 2020, EXL undertook a share purchase plan raising approximately A$12.3 million (before transaction costs). A total of A$20.5 million (before transaction costs) was raised over these two fund raising activities.

4.2 Financial information

4.2.1 Financial performance

The table below shows the Company's audited consolidated statements of profit and loss for the last three financial years.

[25] Including Directors' fees
[26] Boots has a network of more than 85 stores
[27] Well Pharmacy is the UK's third largest pharmacy chain with more than 750 stores

Consolidated statements of financial performance	CY18	CY19	CY20
A$ '000	Audited	Audited	Audited
Revenue	32,454	30,714	15,010
Cost of sales	(14,054)	(14,370)	(8,344)
Gross profit	**18,400**	**16,344**	**6,666**
Gross margin	*56.7%*	*53.2%*	*44.4%*
Other income	364	(1,035)	(716)
Operating expenses	(17,296)	(39,377)	(28,780)
EBITDA	**1,468**	**(24,068)**	**(22,830)**
EBITDA margin	*4.5%*	*(78.4%)*	*(152.1%)*
Depreciation & Amortisation	(612)	(2,795)	(3,213)
Impairment charges	(20)	(61,053)	(74,186)
EBIT	**836**	**(87,916)**	**(100,229)**
EBIT margin	*2.6%*	*(286.2%)*	*(667.7%)*
Net interest (expense) / revenue	-	(133)	(49)
Net profit before tax	**836**	**(88,049)**	**(100,278)**
Tax expense	(492)	7,537	(4,200)
Loss after income tax expense from discontinued operations	(1,204)	(2,559)	-
Net profit / (loss)	**(860)**	**(83,071)**	**(104,478)**
Net profit margin	*(2.6%)*	*(270.5%)*	*(696.1%)*
Key operational metrics:			
Revenue growth	*NA*	*(5.4%)*	*(51.1%)*
Change in gross margin	*NA*	*(3.5%)*	*(8.8%)*
Operating expenses growth	*NA*	*127.7%*	*(26.9%)*

Source: Annual report, GTCF analysis
Note (1) The comparative figures for CY19 have been restated due to a prior year discontinued operation being reclassified as a continuing operation. In January 2020, EXL entered into a sale agreement to dispose of HFA. In May 2020, EXL announced that the share purchase agreement for the sale of HFA was terminated by the buyer due to non-satisfaction of a condition precedent in the agreement. Accordingly, HFA is included once again in the continuing operations for the year ended 31 December 2020 results with comparative figures for CY19.

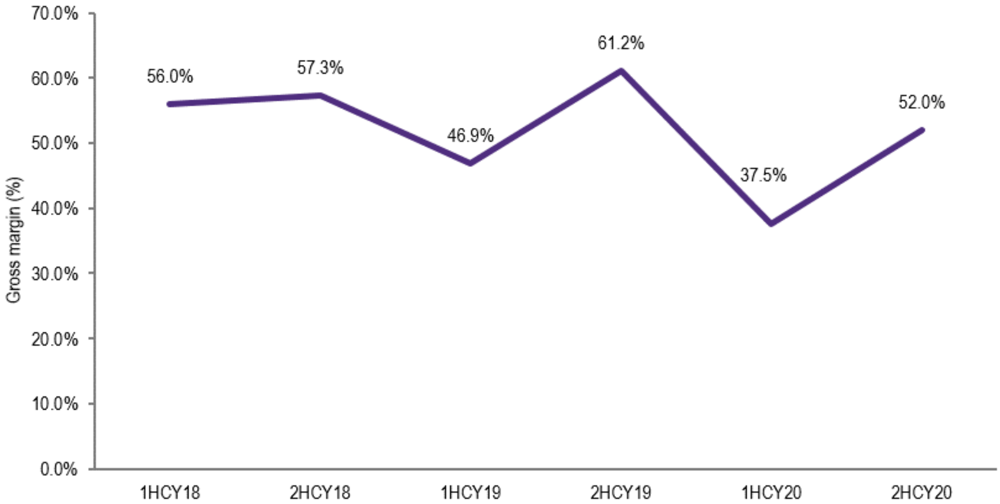
In relation to the above, we note the following:

- The Company's revenue declined due to the following:
  - A strategy shift focusing on the retail of Elixinol branded CBD products that command better margins which then was a driver of a decline in revenue from private label contracts and bulk market.
  - The change in the regulatory environment in certain jurisdictions which adversely affected the financial performance.
  - The outbreak of COVID-19 which affected the traditional sales channels adopted by the Company.
- The share in losses of associate companies accounted for using the equity method is the main component of the other income. EXL, through Elixinol Americas, has investments in associates including H&W Holdings LLC (19.88%) and Altmed Pets LLC[28] (25.43%) and in joint venture with Northern Colorado High Plains Producers LLC ("NCHPP"). In December 2020, the Company

[28] Trading as Pet Releaf

dissolved its 50% interest in NCHPP and an impairment totalling A$4.7 million on the investments in associates was also recognised in CY20.

- Below is a summary of EXL's gross margin on a half yearly basis from the first half of CY18 to the second half of CY20.



Source: EXL Annual report, EXL Half yearly report, GTCF analysis

The improvement in the gross margin during the second half of CY20 was driven by a combination of the shift in focus towards higher margin Elixinol branded products and the Company's move to the capital-light business model.

- In CY20, operating expenses declined by 26.9% following the cost reduction initiatives by the Company.

- There was a significant impairment of goodwill and other assets in CY19 and CY20 as a result of the related financial performance.

4.2.2 Financial position

The table below shows the Company's audited consolidated statements of financial position for the last three financial years.

Consolidated statements of financial position	31-Dec-18	31-Dec-19	31-Dec-20
A$ '000	Audited	Audited	Audited
Assets			
Cash and cash equivalents	42,922	20,373	27,743
Trade and other receivables	3,366	1,900	1,191
Contract assets	77	-	-
Inventories	6,976	21,741	4,735
Income tax refund due	-	88	509
Prepayments, deposits and other	3,614	6,941	1,176
Total current assets	**56,955**	**51,043**	**35,354**
Investments accounted for using the equity method	4,524	8,403	2,316
Property, plant and equipment	5,966	12,812	2,471
Right-of-use assets	-	4,510	1,412
Intangible assets	86,249	39,994	917
Deferred tax	724	4,307	-
Total non-current assets	**97,463**	**70,026**	**7,116**
Total assets	**154,418**	**121,069**	**42,470**
Liabilities			
Trade and other payables	5,865	2,992	2,795
Contract liabilities	720	157	89
Lease liabilities	-	989	920
Income tax	98	-	29
Employee benefits	147	86	344
Accrued expenses	368	843	818
Liabilities directly associated with assets classified as held for sale	-	944	-
Total current liabilities	**7,198**	**6,011**	**4,995**
Borrowings	250	-	250
Lease liabilities	90	3,676	1,574
Deferred tax	3,145	-	-
Total non-current liabilities	**3,485**	**3,676**	**1,824**
Total liabilities	**10,683**	**9,687**	**6,819**
Net assets	**143,735**	**111,382**	**35,651**

Source: Annual report, GTCF analysis
Note (1) The comparative figures for CY19 have been restated due to a prior year discontinued operation being reclassified as a continuing operation. The A$1.4 million of assets of disposal groups classified as held for sale in the CY20 Balance sheet were reclassified back to individual asset components being cash, trade and other receivables, inventories, other current assets, right-of-use assets and fixed assets.

In relation to the above, we note the following:

- Trade and other receivables mainly consist of trade receivables, more than half of which are over 90 days' overdue as at 31 December 2020 and 2019. Consequently, EXL recognised an allowance for expected credit losses of A$1.2 million in CY20 and A$1.1 million in CY19.

- There was a significant decline in inventories and other current assets in CY20 resulting from a reduced consumer demand particularly in the traditional retail sales channel due to the COVID-19 pandemic.

- In CY20, the Company disposed of the land held by Elixinol Australia for A$2.6 million. The other decline in the property, plant and equipment was due to the impairment recognised during the year. The decline in the right-of-use assets was due to a combined impact of increased depreciation and impairment recognised during the year.

- Investments accounted for using the equity method relates to the 25.43% interest of Elixinol Americas in Altmed Pets LLC.

4.3 Capital structure

As at the date of this Report, EXL has the following securities on issue:

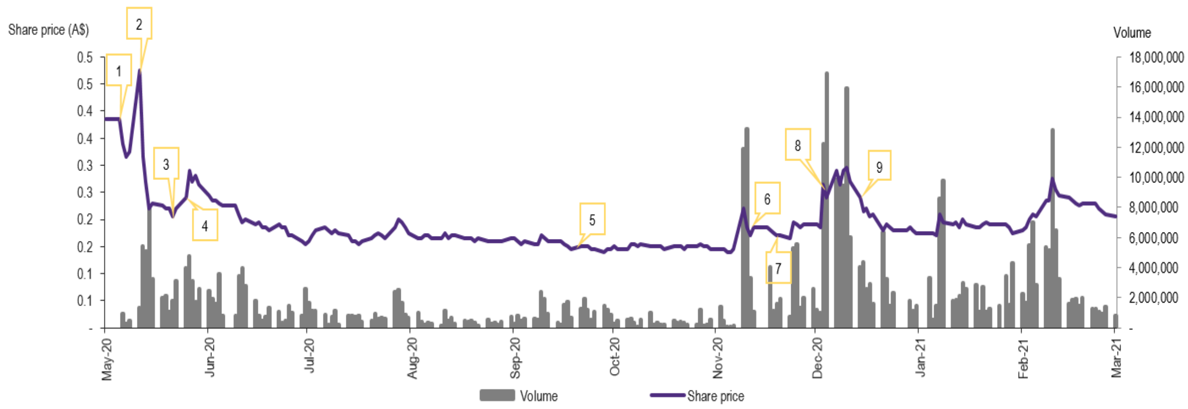
- 314,683,407 ordinary shares

- 3,605,240 performance rights[29] issued in accordance with EXL's Long-Term Incentive Plan. These performance rights have been issued to selected senior employees of the Company. The rights have a vesting period ranging from one to four years, depending upon the participants meeting continuous service conditions and certain Performance Conditions.

4.3.1 Share price analysis

Our analysis of the daily movements in EXL's share price and volume for the period from May 2020 to March 2021 is set out below:

Historical share trading prices and volume for EXL



Source: S&P Capital IQ, GTCF analysis

The table below illustrates the key events from May 2020 to March 2021, which had material impact on the share price and volume movements.

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Event	Date	Comment
1	May-20	EXL filed a Follow-on Equity Offering in the amount of approximately A$11 million.
2	May-20	Class action against EXL Americas was dismissed. The class action, which was filed in the United Stated District Court for the Northern District of California, was for the allegation that EXL mislabelled its products as dietary supplements or illegally contain CBD.
3	May-20	EXL completed a Follow-on Equity Offering in the amount of A$11 million.
4	May-20	Yunnan Lvxin Biological Pharmaceutical Co., Ltd. cancelled the acquisition of HFA from EXL. The termination of the sale agreement by the buyer was due to non-satisfaction of a condition precedent in the agreement, citing COVID-19 impacts.
5	Sep-20	Elixinol Global Limited(ASX:EXL) dropped from S&P/ASX Emerging Companies Index
6	Nov-20	EXL announced that it was expecting to receive approximately A$8.2 million in funding via private placements. Also, on the same day, EXL filed a Follow-on Equity Offering in the amount of A$2 million.
7	Nov-20	EXL announced that it has received A$8.2 million in funding raised via private placements.
8	Dec-20	United Nations' Commission on Narcotic Drugs voted to accept the World Health Organisation's recommendation to down-schedule cannabis.
9	Dec-20	EXL completed a Follow-on Equity Offering in the amount of A$12.3 million.

The monthly share price performance of EXL from May 2020 to March 2021 is summarised below:

Elixinol Global Limited	Share Price			Average
	High	Low	Close	weekly volume
	$	$	$	000'
Month ended				
May 2020	0.475	0.205	0.265	12,135
Jun 2020	0.260	0.150	0.155	7,746
Jul 2020	0.210	0.150	0.175	4,778
Aug 2020	0.180	0.160	0.165	2,176
Sep 2020	0.180	0.140	0.145	5,068
Oct 2020	0.160	0.145	0.145	1,979
Nov 2020	0.270	0.140	0.190	13,772
Dec 2020	0.360	0.175	0.175	25,156
Jan 2021	0.235	0.170	0.175	13,675
Feb 2021	0.290	0.175	0.210	16,835
Week ended				
13 Nov 2020	0.270	0.155	0.185	29,497
20 Nov 2020	0.200	0.160	0.170	8,678
27 Nov 2020	0.215	0.165	0.190	14,907
4 Dec 2020	0.290	0.185	0.240	33,928
11 Dec 2020	0.360	0.245	0.270	51,251
18 Dec 2020	0.275	0.205	0.210	15,482
25 Dec 2020	0.200	0.177	0.180	13,349
1 Jan 2021	-	-	0.175	-
8 Jan 2021	0.235	0.170	0.195	23,734
15 Jan 2021	0.205	0.185	0.190	11,362
22 Jan 2021	0.195	0.185	0.190	8,900
29 Jan 2021	0.200	0.175	0.175	10,706
5 Feb 2021	0.220	0.175	0.205	19,246
12 Feb 2021	0.290	0.210	0.245	33,407
19 Feb 2021	0.260	0.220	0.230	8,742
26 Feb 2021	0.245	0.210	0.210	5,946

Source: S&P Global, GTCF calculations

4.3.2 Top shareholders

We have set out below the top 10 shareholders of EXL as at 3 March 2021.

Number of ordinary shares as at 01 March 21			
Rank	Name	No of shares (millions)	Interest (%)
1	Raw With Life Pty Ltd	43	14%
2	Regal Funds Management Pty Limited	32	10%
3	D & G Health Llc	9	3%
4	Robotexpert UG	3	1%
5	Tiverton Food Pty Ltd	2	0%
6	Schultz, Danny	1	0%
7	Seaview Group (Qld) Pty Ltd	1	0%
8	Horn, Oliver (Group CEO & Executive Director)	1	0%
9	Jaffe, Arthur M.	1	0%
10	Chi, Keung Wong	1	0%
Top 10 shareholders total		93	30%
Remaining shareholders		222	70%

Source: S&P Global

5 Profile of CannaCare

5.1 Introduction

CannaCare is a limited liability company incorporated in Hamburg, Germany on 5 July 2018. CannaCare markets, distributes and wholesales a wide range of CBD products primarily in Germany. CannaCare has quickly become one of the leading CBD businesses in Germany with its brand "Canobo", one of the first nationally distributed CBD brands. Its product lines within the Canobo branding includes CBD oils, muscle gel, slim shake and other wellness products. In CY21, circa 1% of CannaCare's revenue is projected to come from sale of pet products.

CannaCare was co-founded by Mr Michael Oplesch, a media entrepreneur and former CEO of home shopping channel (Channel21) and his sister Ms Annette Anna-Rosa Oplesch.

5.2 Business model

CannaCare's business model is a working capital and capex-light, given it is a party to a number of subcontracting arrangements as described below.

- *CBD products* – A locally based grower, processor and manufacturer of hemp and CBD products currently produces all CBD product ranges of CannaCare via a subcontractor agreement.
- *Packaging* – Current supplier of all packaging materials used by CannaCare is outsourced.
- *Warehouse and logistics* – A third party provider (SCA Logistiks & Fullfilment GmbH) located near Munich is providing warehouse and logistical requirements of CannaCare from storing finished goods to picking, packing and shipping orders including online sales.
- *Distribution* – A third party sales and marketing business (IMstam healthcare GmbH) takes responsibility of marketing, selling and distributing CannaCare products through pharmacy channels. Issuing invoices and collecting and remitting payments to CannaCare is part of the services provided by IMstam healthcare GmbH to CannaCare.

CannaCare's distribution channels include pharmacy and drug stores of approximately 5,000 points of sales, e-commerce (including Weltbild[30] and Flaconi[31]), home TV shopping via HSE24[32] and an online platform. CannaCare is transitioning from Shopify platform to *Magento* in the first quarter of CY21.

In CY20, approximately 77% of its revenue was contributed by the pharmacy and drug stores channels.

[30] Major online retailer and publisher
[31] Premium online cosmetics retailer
[32] A leading European omni-channel retailer reaching approximately 45 million German, Austrian and Swiss households.

5.3 Financial information

CannaCare's financial statements have been prepared in accordance with the generally accepted accounting principles in Germany and is presented in Euro.

5.3.1 Financial performance

The table below shows the CannaCare's statements of profit and loss for the last two financial years.

Statements of financial performance	CY19	CY20
Euro'000	Unaudited	Unaudited
Revenue	371	2,649
Cost of sales	(219)	(1,001)
Gross profit	**152**	**1,648**
Gross margin	*41.0%*	*62.2%*
Other income	9	-
Operating expenses	(1,888)	(1,613)
EBITDA	**(1,727)**	**35**
EBITDA margin	*(465.5%)*	*1.3%*
Key operational metrics:		
Revenue growth	*NA*	*614.0%*
Change in gross margin	*NA*	*21.2%*
Operating expenses growth	*NA*	*(14.6%)*

Source: Management information, GTCF analysis

In relation to the above, we note the following:

- CannaCare revenue significantly increased by more than 600% in CY20, with the growth attributed to acceleration of revenue in CY20 particularly from drugstores and pharmacy retail sales channels. The revenue base in CY19 was negligible with its operations commencing only in the latter part of CY18. More than half of the revenue in CY20 was generated from a single customer, Dirk Rossman GMBH, which is one of EU's largest drugstore chains and owning approximately 4,000 points of sales.

- Reported EBITDA improved to a substantial break-even in CY20 driven by the increase in gross margin as well as savings in operating expenses. Personnel cost and external services cost declined by approximately by 35.8% driven by its utilisation of subcontractor services when needed.

5.3.2 Financial position

The table below shows CannaCare's statements of financial position for the last two financial years.

Statements of financial position Euro'000	31-Dec-19 Unaudited	31-Dec-20 Unaudited
Assets		
Cash and cash equivalents	62	9
Trade and other receivables	680	963
Inventories	211	116
Prepayments, deposits and other	375	44
Total current assets	**1,328**	**1,132**
Property, plant and equipment	21	52
Total non-current assets	**21**	**52**
Total assets	**1,349**	**1,184**
Liabilities		
Trade and other payables	588	493
Accrued expenses	310	214
Total current liabilities	**898**	**707**
Borrowings	1,500	-
Total non-current liabilities	**1,500**	**-**
Total liabilities	**2,398**	**707**
Net assets	**(1,049)**	**477**

Source: Management information, GTCF analysis

In relation to the above, we note the following:

- The increase in trade and other receivables was due to the growth in the business.
- The EUR1.5 million borrowings in CY19 relates to convertible bonds which were also repaid during the year.

6 Valuation methodologies

6.1 Introduction

In accordance with our basis of assessment set out in section 2.2, our fairness assessment involves comparing EXL's value per share before the Proposed Transaction and after the issue of the T2 Consideration Shares and assuming that all the Performance Criteria have been achieved.

Grant Thornton Corporate Finance has assessed the value of EXL Shares before and after the Proposed Transaction using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets ("DCF Method").
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets ("FME Method").
- Amount available for distribution to security holders on an orderly realisation of assets ("NAV Method").
- Quoted price for listed securities, when there is a liquid and active market ("Quoted Security Price Method").
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this Report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Selected valuation methods

6.3.1 Valuation of Elixinol Global Limited

In our assessment of the fair market value of EXL before and after the Proposed Transaction, Grant Thornton Corporate Finance has relied on two valuation methodologies as outlined below:

- *Revenue Multiple Method*: Grant Thornton Corporate Finance has adopted the Revenue Multiple approach due to the following key considerations:
  - Revenue multiple is a frequently used valuation metric to assess the value of a company embarking on a significant growth trajectory, where profitability is still latent or limited as is the case of EXL.
  - EXL has recently transitioned to a capital light business model by using readily available third party manufacturing capacity. EXL Americas and Europe, in particular, now focus on marketing and selling contract manufactured branded and co-branded[33] hemp derived products.
  - Revenue multiple is often adopted as common valuation methodology in the sector.
- *Quoted Security Price Method:* In our cross-check valuation assessment of EXL before the Proposed Transaction, we have had regard to the Quoted Security Price Method and also considered the recent capital raisings.

6.3.2 T2 Consideration Shares

The number of T2 Shares to be issued on or around 31 March 2022 to satisfy the Earn-Out will depend on the trading prices of EXL at that point in time which we have estimated based on the Monte Carlo Simulation Model ("Monte Carlo Model"), a widely used class of computational algorithms for simulating the behaviour of various physical and mathematical systems (such as security prices). The Monte Carlo Model undertakes a large number of trials (10,000) involving randomly generated potential share prices of EXL conforming to a lognormal distribution defined by the risk-free rate, volatility and dividend yield. Under each trial, the model determines the share price on or around 31 March 2022.

[33] Only applies to EXL Europe

7 Valuation of EXL before the Proposed Transaction

7.1 Revenue Multiple Method

Set out below is our valuation assessment of EXL Shares based on the capitalisation of revenue.

Revenue Multiple Method (Before the Proposed Transaction) - valuation summary A$ '000 (except where stated otherwise)	*Section Reference*	Low	High
Assessed Revenue	*7.1.1*	15,000	15,000
Assessed Revenue Multiple	*7.1.2*	2.5x	3.0x
Enterprise value		**37,500**	**45,000**
Add: Net cash as at 31 December 2020	*7.1.4*	27,743	27,743
Add: Investments accounted for using the equity method	*7.1.3*	2,316	2,316
Equity value		**67,559**	**75,059**
Number of outstanding shares ('000s) (fully diluted)	*7.1.5*	314,683	314,683
Value per share (A$ per Share)		**0.21**	**0.24**

Source: GTCF analysis

7.1.1 Revenue assessment for EXL

For the purpose of our valuation assessment before the Proposed Transaction, we have adopted A$15 million revenue which relates to EXL's actual revenue in the last twelve months to 31 December 2020. This is consistent with the listed peers and comparable transactions for which we have adopted the last twelve months revenue to calculate the revenue multiple.

7.1.2 Revenue Multiple

For the purpose of assessing the appropriate revenue multiple range to value EXL Shares, we have had regard to:

- The trading multiples of listed companies operating in the personal products and pharmaceutical services specialising in industrial CBD and medicinal CBD products which have been attributed by share market investors.
- The multiples implied by recent transactions involving companies specialising in CBD and medicinal CBD products.

We note that the revenues and earnings of many of the trading and transaction peers are generally volatile due to the sector's underlying regulatory environment. In addition, the expansion strategy plans of many peers and the consolidation in the sector can affect acquisition multiples at various points in time. Accordingly, we have placed greater reliance on the trading multiples of the listed peers which represent the current market views.

<u>Trading multiples</u>

We have presented below listed peers tiered into industrial CBD and medicinal cannabis products.

Trading multiples analysis					Revenue Multiple	
Comparable companies	Country	Market Cap (A$m)	Enterprise Value (A$m)	LTM Revenue	LTM	CY21
Tier 1 - Industrial CBD players						
Ecofibre Limited	Australia	405	407	36	11.2 x	7.0 x
Charlotte's Web Holdings, Inc.	United States	868	953	125	7.6 x	4.6 x
CV Sciences, Inc.	United States	90	93	38	2.5 x	2.0 x
cbdMD, Inc.	United States	260	264	62	4.2 x	3.5 x
Average					**6.4 x**	**4.3 x**
Median					**5.9 x**	**4.1 x**
Tier 2 - Medicinal Cannabis players						
Aphria Inc.	Canada	8,030	7,822	602	13.0 x	11.5 x
Aurora Cannabis Inc.	Canada	2,607	2,721	286	9.5 x	9.6 x
Canopy Growth Corporation	Canada	16,177	15,456	506	30.5 x	27.5 x
Tilray, Inc.	Canada	4,735	4,479	191	23.4 x	16.2 x
Curaleaf Holdings, Inc.	United States	10,861	11,895	627	19.0 x	9.2 x
Average					**19.1 x**	**14.8 x**
Median					**19.0 x**	**11.5 x**

Source: S&P Capital IQ, Annual reports of comparable companies, GTCF analysis
Note (1) Market capitalisation as at 3 March 2021

In order to provide greater insights into the selected companies, we have also analysed below growth in revenues and gross margins both historical and projected.

Peer KPIs		Revenue CAGR %		Gross margin %	
Comparable companies	Market Cap (A$m)	3-yr CAGR (H)	3-yr CAGR (F)	3-yr avg (H)	3-yr avg (F)
Tier 1 - Industrial CBD players					
Ecofibre Limited	405	116%	NA	71%	68%
Charlotte's Web Holdings, Inc.	868	25%	NA	48%	66%
CV Sciences, Inc.	90	(10%)	16%	55%	60%
cbdMD, Inc.	260	384%	15%	63%	66%
Average		**129%**	**15%**	**59%**	**65%**
Median		**71%**	**15%**	**59%**	**66%**
Tier 2 - Medicinal Cannabis players					
Aphria Inc.	8,030	164%	28%	35%	34%
Aurora Cannabis Inc.	2,607	73%	29%	10%	48%
Canopy Growth Corporation	16,177	93%	40%	21%	40%
Tilray, Inc.	4,735	88%	37%	4%	45%
Curaleaf Holdings, Inc.	10,861	156%	27%	63%	55%
Average		**115%**	**32%**	**26%**	**44%**
Median		**93%**	**29%**	**21%**	**45%**

Sources: Companies financial reports, S&P Capital IQ, GTCF analysis
Note (1) Market capitalisation as at 3 March 2021

In our detailed review of each comparable company, we also noted the following key similarities and differentiating factors with EXL:

- *Ecofibre Limited ("Ecofibre")* – is engaged in breeding, growing, processing and distributing hemp products in the United States and Australia. It sells its products through wholesalers and distributors, as well as pharmacy stores under the Ananda Food and Woolworths Macro brand names. It also manufactures products for Coles, allowing Ecofibre to leverage on its access to more than 1,200 combined Woolworths and Coles stores. It recently acquired a portfolio of businesses and assets that have deep technical expertise across a broad range of high-performance textile disciplines (i.e. ultra-high performance medical yarns used for vascular and cardiothoracic surgery solutions). Whilst Ecofibre has grown rapidly in recent years, it reported a decline of 49% in revenue in the first half of FY21 due to the outbreak of COVID-19 which impacted demand for its products. The company is currently focussing on managing its growing and manufacturing costs are among the key priorities of Ecofibre. In May 2020, Ecofibre officially opened its new US headquarters and production facility in Kentucky.

- *Charlotte's Web Holdings, Inc. ("CWEB")* – is a producer and distributor of hemp-based CBD wellness products in the United States. It distributes its products under the Charlotte's Web brand through its ecommerce website, third party ecommerce websites, as well as distributors and various brick and mortar retailers. Last year, CWEB acquired Abacus Health Products, Inc. in order to support its channel expansion, segment penetration and supply chain leverage. In its third quarter FY20 investor presentation, CWEB highlighted its focus on scaling its under-developed topical segment, increasing e-commerce capability and expanding and automating its in-house production and research and development facilities which are also common developments with EXL.

- *CV Sciences, Inc. ("CVSI")* – is focused on the development, manufacturing and marketing of hemp-based CBD products under the PlusCBD, CV Immunity, Happy Lane and PlusCBD Pet brands in a range of nutraceutical, beauty care and specialty foods. As at 31 December 2020, CVSI's presence has grown to more than 7,300 stores. In CVSI's January 2021 corporate presentation, it highlighted its focus on continuing product development and improved product and distribution strategies. Similar to EXL, CVSI has also embarked on an "asset light, quality focused supply chain" characterised by harvesting, extracting and manufacturing processes that are outsourced to a third party provider. Only the product formulation and distribution remain with CVSI.

- *cbdMD, Inc. ("cbdMD")* – is engaged in production and distribution of various CBD products such as tinctures, gummies, topicals, capsules, bath bombs, bath salts, sleep aids and veterinarian-formulated products. These products are marketed on cbdMD, cbdMD Botanicals or Paw CBD branding. Its strategies are centred on product innovation and focused distribution. In FY20, approximately 73% of its revenue was generated from e-commerce in addition to 6,300 traditional stores. cbdMD is also into third party contract manufacturing to accommodate its growth.

In summary, we have mainly focused on the revenue multiples of CVSI and cbdMD in assessing the revenue multiple applicable to EXL given their relatively similar size, both US-based, key focus and capital light business model.

The tier 2 comparable companies operate in the medicinal CBD sector. We have included them on the list to provide a broader perspective of the sector and its players' relevant revenue multiples, but have not relied on them for valuation purpose.

<u>Transaction multiples</u>

We have further considered the revenue multiple implied by recent transactions in the industrial CBD and medicinal CBD sectors as set out below. A brief description of the target companies is set out in Appendix C.

Comparable transactions analysis						
Date	Target Company	Country	Bidder Company	Stake (%)	Deal Value (A$'m)	Revenue Multiple (Times)
Tier 1 - Industrial CBD transactions						
Sep-20	Sera Labs, Inc.	USA	Cure Pharmaceutical Holding Corp.	100%	54	NA
Jun-20	Abacus Health Products, Inc.	USA	Charlotte's Web Holdings, Inc.	100%	72	3.2x
Jun-20	Sativa Wellness Group PLC	United Kingdom	StillCana, Inc.	100%	17	6.2x
May-20	Reliva, LLC	USA	Aurora Cannabis, Inc.	100%	130	NA
Apr-20	GenCanna Global USA, Inc.	USA	MGG Investment Group LP	100%	116	NA
Feb-20	Harmony Hemp	USA	Abacus Health Products, Inc.	100%	8	2.6x
Jan-20	First Class CBD	USA	Thoughtful Brands, Inc.	100%	68	NA
Nov-19	CBD Lion LLC	USA	Acquired Sales Corp.	100%	47	NA
Sep-19	Redwood Holding Group, LLC	USA	Cronos Group, Inc.	100%	441	NA
Feb-19	Fresh Hemp Foods Ltd	Canada	Tilray, Inc	100%	442	3.6x
Dec-18	Cure Based Development, LLC	USA	Level Brands, Inc.	100%	81	NA
Jan-17	Mettrum Health Corp.	Canada	Canopy Growth Corporation	100%	412	NA
Low						**2.6x**
Average						**3.9x**
Median						**3.4x**
High						**6.2x**
Tier 2 - Medicinal CBD transactions						
Feb-21	Zenabis Global, Inc.	Canada	HEXO Corp.	100%	351	3.8x
Feb-21	GW Pharmaceuticals PLC	United Kingdom	Jazz Pharmaceuticals PLC	100%	9,113	13.3x
Jan-21	Bluma Wellness, Inc.	USA	Cresco Labs, Inc.	100%	289	29.6x
Dec-20	Aphria, Inc.	Canada	Tilray, Inc	100%	2,519	4.3x
Nov-20	CannPal Animal Therapeutics Limited	Australia	AusCann Group Holdings Limited	100%	17	22.9x
Jun-19	ESC Labs LLC	USA	Freedom Leaf, Inc.	100%	20	6.5x
Mar-19	Emblem Corp	Canada	Aleafia Health Inc.	100%	131	47.6x
Sep-18	Hiku Brands Company	Canada	Canopy Growth Corporation	100%	306	NA
Aug-18	Canna Farms Limited	Canada	VIVO Cannabis, Inc.	100%	138	14.2x
Jul-18	MedReleaf Corporation	Canada	Aurora Cannabis, Inc.	100%	2,808	63.7x
Mar-18	CanniMed Therapeutics Inc	Canada	Aurora Cannabis, Inc.	100%	980	59.8x
Feb-18	Broken Coast Cannabis, Inc	Canada	Aphria, Inc.	100%	232	NA
Low						**3.8x**
Average						**26.6x**
Median						**18.6x**
High						**63.7x**

Sources: Mergermarket, S&P Capital IQ, GTCF analysis

In relation to the revenue multiples implied by the comparable transactions, we note that:

- The transactions observed took place during the period between January 2017 and February 2021. Economic and market factors, including competition dynamics and consumer confidence may be materially different from those as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.
- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.
- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.

- The transaction multiples are calculated based on the historical revenue of the acquired companies (except for where specified otherwise) which typically tends to provide a higher multiple due to the growth expectations typically included in the forecast financial performance.

- Given the lack of particularly comparable transactions, we have mainly relied on the transaction multiples to provide directional evidence.

Conclusion on EV/Revenue multiple

Based on the analysis of the listed comparable companies and the comparable transactions, Grant Thornton Corporate Finance has assessed the EV/Revenue multiple for the valuation of EXL before the Proposed Transaction in the range of 2.5x to 3.0x based on the trading multiples of CVSI and cbdMD and the median of the comparable transactions.

7.1.3 Investments accounted for using the equity method

Investments accounted for using the equity method relates to the 25.43% interest of Elixinol Americas in Altmed Pets LLC which we have valued in line with the carrying value on the audited balance sheet.

7.1.4 Net debt

As at 31 December 2020, EXL had net cash of A$27.7 million, in absence of any external borrowings.

7.1.5 Shares issued and outstanding

EXL has 314,683,407 ordinary shares on issue at the date of this Report.

7.2 Quoted Security Price Method

In our assessment of the fair market value of the EXL Shares, we have also had regard to the trading price of the listed securities on the ASX and the recent capital raisings undertaken by the Company at the end of CY20.

The assessed value per share based on the trading price is an exercise of professional judgement that takes into consideration the depth in the market for listed securities, the volatility of the trading price, and whether or not the trading prices are likely to represent the underlying value of EXL. The following sections detail the analysis undertaken in selecting the share price range.

7.2.1 Liquidity analysis

In accordance with the requirements of RG111, we have analysed the liquidity of EXL Shares before relying on them for the purpose of our valuation assessment. The following table sets out the monthly trading volume of EXL Shares since May 2020 as a percentage of the total shares outstanding as well as free float shares outstanding.

EXL - Liquidity analysis Month end	Volume traded ('000)	Monthly VWAP (A$)	Total value of shares traded (A$'000)	Volume traded as % of total shares	Cumulative Volume traded as % of total shares	Volume traded as % of free float shares	Cumulative Volume traded as % of free float shares
May 2020	50,965	0.2644	13,474	37.0%	37.0%	51.7%	51.7%
Jun 2020	34,084	0.2035	6,936	24.7%	61.7%	34.6%	86.4%
Jul 2020	21,981	0.1776	3,904	11.4%	73.1%	16.0%	102.3%
Aug 2020	9,140	0.1678	1,533	4.7%	77.8%	6.6%	109.0%
Sep 2020	22,300	0.1569	3,499	11.6%	89.4%	16.2%	125.2%
Oct 2020	8,709	0.1510	1,316	4.5%	93.9%	6.3%	131.5%
Nov 2020	57,842	0.1979	11,445	30.0%	123.9%	42.0%	173.5%
Dec 2020	115,719	0.2501	28,938	48.0%	171.9%	67.2%	240.7%
Jan 2021	54,701	0.1944	10,635	17.5%	189.4%	24.4%	265.2%
Feb 2021	67,342	0.2315	15,588	21.5%	210.9%	30.1%	295.3%
Min				**4.5%**		**6.3%**	
Average				**19.6%**		**27.4%**	
Median				**15.6%**		**21.8%**	
Max				**48.0%**		**67.2%**	

Source: GTCF Analysis

As part of the liquidity analysis, we have also compared below the free float of the EXL Shares with the listed peers.

Liquidity analysis Company	Country	Free float (%)	Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Elixinol Global Limited	Australia	71.4%	19.6%	27.4%	210.9%	295.3%
Tier 1 - Industrial CBD						
Ecofibre Limited	Australia	37.8%	1.2%	3.3%	10.3%	27.2%
Charlotte's Web Holdings, Inc.	United States	74.1%	7.3%	9.8%	76.1%	102.7%
CV Sciences, Inc.	United States	93.5%	18.1%	19.3%	178.7%	191.0%
cbdMD, Inc.	United States	71.4%	51.7%	72.4%	549.2%	769.1%
Low		**37.8%**	**1.2%**	**3.3%**	**10.3%**	**27.2%**
Average		**69.2%**	**19.6%**	**26.2%**	**203.6%**	**272.5%**
Median		**72.7%**	**12.7%**	**14.6%**	**127.4%**	**146.8%**
High		**93.5%**	**51.7%**	**72.4%**	**549.2%**	**769.1%**
Tier 2 - Medicinal CBD						
Aphria Inc.	Canada	98.7%	30.6%	31.0%	303.1%	307.2%
Aurora Cannabis Inc.	Canada	99.7%	53.9%	54.1%	611.4%	613.4%
Canopy Growth Corporation	Canada	60.9%	11.3%	18.5%	101.9%	167.4%
Tilray, Inc.	Canada	81.9%	283.0%	345.5%	2824.8%	3449.6%
Curaleaf Holdings, Inc.	United States	57.1%	1.9%	3.4%	19.9%	34.9%
Low		**57.1%**	**1.9%**	**3.4%**	**19.9%**	**34.9%**
Average		**79.6%**	**76.1%**	**90.5%**	**772.2%**	**914.5%**
Median		**81.9%**	**30.6%**	**31.0%**	**303.1%**	**307.2%**
High		**99.7%**	**283.0%**	**345.5%**	**2824.8%**	**3449.6%**

Source: GTCF Analysis

Based on the above tables, we note the following:

- The level of free float of EXL Shares is c.71.4%[34]. From May 2020 to March 2021, circa 295% of the free float shares were traded with an average monthly volume of circa 27% of the total free float shares. This indicates that the level of liquidity and trading are relatively good. EXL's average monthly volume of free float shares is within the average of the Tier 1 comparable companies (but higher than CV Sciences and lower than cbdMD, Inc., the two companies identified to be closely comparable to EXL) and lower than the average of the Tier 2 comparable companies.

- A relatively higher level of trading occurred in conjunction with reporting dates or price catalysts announcements.

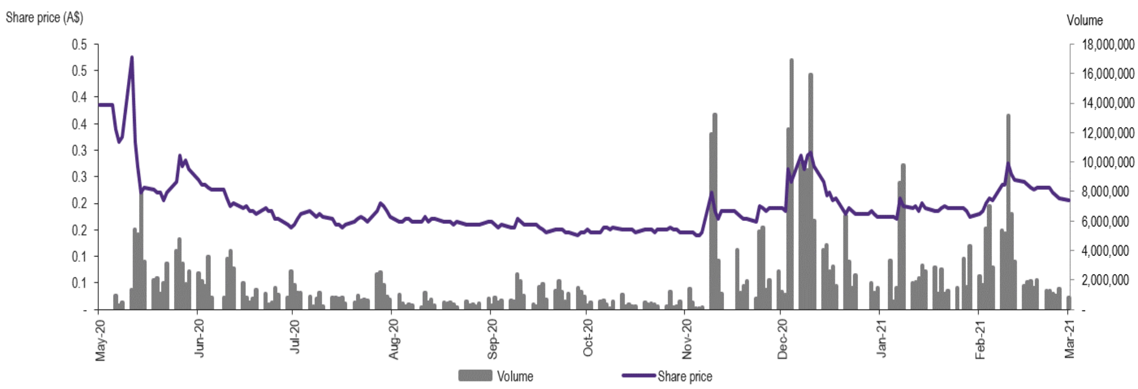
- The Company is covered by three investment analysts who provide updates to the market on a regular basis.

- In the absence of the Proposed Transaction or alternative transactions, the trading share price represents the value at which minority shareholders could realise their portfolio investment.

7.2.2 Valuation assessment of EXL based on trading price

As part of our valuation procedures based on the trading price, we have analysed the performance of EXL's share price over the period of 1 May 2020 to 3 March 2021.

Historical share trading prices and volume for EXL



Source: S&P Global, GTCF analysis

As set out in the graph above, the EXL Shares have traded[35] between a maximum of A$0.475 on 11 May 2020 and a minimum of A$0.145 on 24 September 2020 and started to recover from the trough in early November 2020.

On 11 May 2020, the Company announced that the class action against Elixinol Americas was dismissed. The class action, which was filed in the United Stated District Court for the Northern District of California, was for the allegation that EXL mislabelled its products as dietary supplements or illegally contain CBD. This announcement drove the share price to the peak during the period analysed.

[34] This comprises of the total shares outstanding of 314,683,407 less the shares held by company employees, strategic corporate investors and hedge fund managers.
[35] Daily close prices.

The price per share started recovering from the lows in mid-September in conjunction with the released on 22 September of CY20 third quarter's trading update were the Company announced a repositioning of the business model, a reshuffle of the management team and an improved financial performance as outlined below:

- EXL's revenue expected to be 10% to 15% higher than the second quarter's revenue. Nonetheless, YTD revenue remained below performance in the same period in CY19.
- The improvement in EXL's financial performance in the third quarter of CY20 was due to materially reduced operational and corporate costs.
- Distribution of Elixinol's skincare products and distribution with Well Pharmacy in the UK commenced.

Set out below is the VWAP of EXL share price as at 3 March 2021.

VWAP	Low	High	VWAP
Up to 03 Mar 2021			
1 day	0.195	0.210	0.200
5 day	0.195	0.230	0.208
10 day	0.195	0.245	0.218
1 month	0.190	0.290	0.232
2 month	0.170	0.290	0.214
3 month	0.170	0.360	0.232
4 month	0.140	0.360	0.225
5 month	0.140	0.360	0.223
6 month	0.140	0.360	0.219
9 month	0.140	0.360	0.213

Source: S&P Global and GTCF calculations

Based on the above, we have assessed the fair market value of the EXL Shares based on the trading prices between A$0.20 and A$0.23 per share on a minority basis which is not inconsistent with our valuation assessment based on the revenue multiple.

We also note that EXL completed two rounds of fund raising at the end of 2020 including:

- A placement completed in November 2020 to raise a total of A$8.2 million[36] at A$0.17 per share via the issue of 48,209,265 fully paid ordinary shares.
- In December 2020, EXL undertook a Share Purchase Plan amounting to approximately A$12.3 million[37] via the issuance of 72,313,898 shares at A$0.17 per share. The Share Purchase Plan was announced on 16 November 2020 when EXL Shares were trading at A$0.185 per share.

We note that these fund raising activities were completed at discount to our valuation assessment which we consider reasonable given that the specific circumstances of EXL and the financial performance at the time of the raisings required the Company to offer a significant discount to new and existing investors in order to raise the required equity.

[36] Before transaction cost
[37] Ibid.

8 Valuation of EXL after the Proposed Transaction

8.1 Revenue Multiple Method

Set out below is our valuation assessment of EXL Shares after the Proposed Transaction and based on the capitalisation of revenue.

Revenue Multiple Method (After the Proposed Transaction) - valuation summary A$ '000 (except where stated otherwise)	*Section Reference*	Low	High
Assessed Revenue	*8.1.1*	43,000	43,000
Assessed Revenue Multiple	*8.1.4*	2.0x	2.5x
Enterprise value		**86,000**	**107,500**
Add: Net cash as at 31 December 2020	*8.1.5*	22,980	22,980
Add: Investments accounted for using the equity method	*7.1.3*	2,316	2,316
Equity value		**111,296**	**132,796**
Number of outstanding shares ('000s) (fully diluted)	*8.1.6*	453,852	453,852
Value per share (A$ per Share)		**0.25**	**0.29**

Source: GTCF analysis

8.1.1 Combined revenue of EXL and CannaCare

We note that in order to trigger the issue of the maximum number of the T2 Shares, CannaCare is required to achieve CY21 revenue of EUR12.9 million which is equivalent to circa A$20 million based on the Spot Exchange Rate. Accordingly, in our valuation assessment post the issue of the T2 Shares, we have adopted the CY21 forecast as our starting point and we have separately considered the CY21 budget revenue of EXL (on a standalone basis) and CannaCare. We have set out a summary of our revenue assessment post the payment of the Maximum Earn-out below.

Combined Revenue Assessment A$ '000 (except where stated otherwise)	*Section Reference*	
EXL - Broker estimate	*8.1.2*	23,000
CannaCare Revenue to trigger the maximum Earn-Out	*8.1.3*	19,907
Combined revenue		42,907
Adopted Revenue for valuation purposes		**43,000**

Source: GTCF analysis and Management

8.1.2 EXL (on a standalone basis)

EXL is projecting a significant increase in revenue in CY21 on the back of the increase in volume driven by the following:

- EXL has ramped up its e-commerce sales channel following its investment in *Magento* e-commerce platform in CY20 and its transition to the integrated in-house, web services and digital marketing. This is in response to the challenges posed by the COVID-19 pandemic on the effectiveness of the traditional sales channels.

- Following the termination of the sale agreement on the planned sale of HFA last year, Management of EXL has evaluated the opportunities available to HFA and decided to continue its operations. In the fourth quarter of CY20, first product of HFA was shipped under new product listing with Costco.

- In the fourth quarter of CY20, EXL established new relationship with SuperDrug, UK's second largest health and beauty retailer.

- New distribution relationships and new product roll outs in existing and new markets.

- Positive developments in the regulatory environment for the industrial CBD sector after the United Nations' Commission on Narcotic Drugs recently voted to accept the World Health Organisation's recommendation to down-schedule cannabis. This is expected to have a substantial, positive impact on the CBD players' ability to drive product sales in Europe and other countries.

- In the first two months of CY21, EXL revenue is slightly below budget for the period. Elixinol Americas revenue is in line with the budget. Revenue of Elixinol Europe and Elixinol Australia, on the other hand, are both below expectations due to shortfall in e-commerce sales and distributor sales, respectively. We have held discussions with the Management of EXL and they have indicated that they are expected to make-up the revenue shortfall in the remaining of the year. EBITDA was slightly ahead of budget.

We note that EXL is covered by three investment analysts but only one of them provides CY21 forecast which is outlined in the table below.

Broker CY21 Revenue forecast		
Broker	Date	Revenue (A$m)
Broker 1	Mar-21	23.0

Source: Broker's report on EXL

For the purpose of our valuation assessment, we have adopted CY21 revenue for EXL of A$23 million based on the broker's estimate. We note that the revenue estimate above is prepared by a broker which was a joint lead manager to the Company's November 2020 placement.

8.1.3 CannaCare

With regards the CY21 revenue budget of CannaCare, we have adopted EUR12.9 million[38] which is the maximum CY21 revenue entitled to the Earn-out Consideration calculation and supported by CannaCare's Management forecast. This revenue budget assumes the ability of CannaCare's management to capture opportunities in the growing German CBD market. We note that in accordance with the requirements of GN19, we have not formed an opinion in relation to the ability of CC to achieve this revenue in CY21, along with the budget EBITDA margin of 20%, which we considered stretched targets.

8.1.4 Revenue Multiple

Based on the analysis of the listed comparable companies and comparable transactions, Grant Thornton Corporate Finance has assessed the EV/Revenue multiple for the valuation of EXL Shares after the Proposed Transaction in the range of 2.0x to 2.5x[39] on a minority basis. This is lower than the revenue multiple adopted in our valuation assessment before the Proposed Transaction given we are using forward revenue multiple for the valuation assessment rather than last twelve months revenue multiple and assuming that a large component of future growth is achieved. Refer to section 7.1.2 for a detailed discussion on the revenue multiple.

[38] Equivalent to approximately A$19.9 million using a spot rate of A$:EUR0.6470 as at 3 March 2021.
[39] Based on CY21 revenue estimates

8.1.5 Net debt

The pro-forma combined net cash position as a 31 December 2020 after payment of the upfront cash consideration for the Proposed Transaction amounted to A$23 million.

Cash and cash equivalents after the Proposed Transaction	
A$ '000 (except where stated otherwise)	31-Dec-20
Cash and cash equivalents, before the Proposed Transaction	27,743
Less: Upfront cash payment for the Proposed Transaction	(4,785)
Add: Target's cash and cash equivalents	23
Cash and cash equivalents, after the Proposed Transaction	22,980

Source: Annual report, Balance sheet, GTCF analysis
Note (1) The upfront cash payment for the Proposed Transaction is equivalent to EUR3 million translated to A$ using an exchange rate of A$:EUR0.6269 as at 31 December 2020.

8.1.6 Shares issued and outstanding

On a fully diluted basis, EXL will have 453,852,410 shares on issue as summarised below.

Fully diluted shares after the Proposed Transaction	
Number of shares issued and outstanding as at 3 March 2021	314,683,407
Add: First Tranche Shares	43,864,133
Add: T2 Consideration Shares	95,304,870
Fully diluted shares	453,852,410

Source: SPA, Management information, GTCF analysis

In relation to the table above, we note that:

- *First Tranche Shares* – This relates to the EUR6 million component of the purchase price where 43,864,133 EXL shares are to be issued at completion of the Proposed Transaction.

- *Earn-Out shares or T2 Consideration shares* – Adopting the calculation formula suggested in section 1, the Earn-Out is estimated at EUR15 million, being the maximum Earn-out upon achieving EUR12.9 million revenue and Adjusted EBITDA of A$2.58 million. In order to estimate the number of EXL Shares to be issued on or around 31 March 2022, we have adopted the Monte Carlo Model to estimate the share price at that point in time. Based on the assumptions disclosed in Appendix D, we have estimated 15 days VWAP at A$0.2433 (or EUR0.15739) per share. Based on the above, we have assumed the number of T2 Shares to be issued at 95,304,870 shares as set out in the table below.

  The T2 Consideration Shares are calculated below.

Earn-out Shares / T2 Consideration Shares calculation	
EUR (except where stated otherwise)	
Earn-out Consideration (EUR'000)	15,000
Simulated VWAP (15-day prior to 31 March 2022)	0.15739
Number of shares ('000)	95,305

Source: SPA, Management information, GTCF analysis
Note (1) For the purpose of our assessment, the simulated VWAP was translated to EUR using an exchange rate of A$1:EUR0.647 as at 3 March 2021.

9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this Report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Notice of meeting
- Draft Explanatory memorandum
- CannaCare financial and valuation model
- CY19 and CY20 financial information on CannaCare
- Brightfield report on the Germany and European CBD markets
- Draft Sale and Purchase Agreement with supporting annexures
- High level legal due diligence report
- Preliminary draft business case
- Tax due diligence report
- MST Access broker's report
- EXL annual reports
- S&P Global.
- Various industry and broker reports.
- Other publicly available information.

In preparing this Report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of EXL and its advisers.

9.2 Limitations and reliance on information

This Report and opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this Report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Report. Nothing in this Report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company and the Target.

This Report has been prepared to assist the Directors of EXL in advising the EXL Shareholders in relation to the Proposed Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion in relation to the Proposed Transaction.

EXL has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which was not provided to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

9.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this Report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be circulated to EXL Shareholders. Neither the whole nor part of this Report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

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Appendix B – Comparable companies

Company	Description
Ecofibre Limited	Ecofibre Limited, together with its subsidiaries, engages in breeding, growing, processing, and distributing hemp products in the United States and Australia. It offers protein powders, dehulled hemp seeds, and hemp seed oil products. The company also produces hemp nutraceutical products for human and pet consumption, as well as topical creams and salves; and develops hemp related fiber products. It sells its products through wholesalers and distributors, as well as pharmacy stores under the Ananda Food and Woolworths Macro brand names. The company was founded in 2009 and is based in Sydney, Australia.
Charlotte's Web Holdings, Inc.	Charlotte's Web Holdings, Inc. produces and distributes hemp-based cannabidiol wellness products in the United States. The company offers products in the categories of tinctures, capsules, gummies, topicals, and pet products. It distributes its products under the Charlotte's Web name through its ecommerce website, third party ecommerce websites, as well as distributors, and various brick and mortar retailers. Charlotte's Web Holdings, Inc. has a collaboration between its CW Labs science division and the University at Buffalo's Center for Integrated Global Biomedical Sciences to advance hemp cannabinoid science through a research program. The company was formerly known as Stanley Brothers Holdings Inc. and changed its name to Charlotte's Web Holdings, Inc. in July 2018. Charlotte's Web Holdings, Inc. was incorporated in 2018 and is headquartered in Boulder, Colorado.
CV Sciences, Inc.	CV Sciences, Inc. operates as a life science company. It operates in two segments, Consumer Products and Specialty Pharmaceutical. The Consumer Products segment develops, manufactures, and markets hemp-based cannabidiol (CBD) products under the name of PlusCBD in a range of market sectors, including nutraceutical, beauty care, and specialty foods. It serves internet sales, direct-to-consumer health and wellness stores, collectives, cooperatives, master distributors, specialty retailers, and convenience stores, as well as food, drug, and mass merchandise retailers. The Specialty Pharmaceutical segment focuses on developing and commercializing cannabinoids to treat medical indications. Its products product candidates are based on proprietary formulations, processes, and technology. The company was formerly known as CannaVest Corp. and changed its name to CV Sciences, Inc. in January 2016. CV Sciences, Inc. was incorporated in 2010 and is based in San Diego, California.
cbdMD, Inc.	cbdMD, Inc. produces and distributes various cannabidiol (CBD) products. It owns and operates consumer hemp-based CBD brands, such as cbdMD and Paw CBD. Its cbdMD brand products include CDB tinctures, gummies, topicals, capsules, bath bombs, bath salts, and sleep aids. The company also offers veterinarian-formulated products, including tinctures, chews, and topicals under the Paw CBD brand name. It distributes its products through its e-commerce Website, third party e-commerce sites, wholesalers, and various brick and mortar retailers in the United States. The company was formerly known as Level Brands, Inc. and changed its name to cbdMD, Inc. in May 2019. cbdMD, Inc. was founded in 2015 and is headquartered in Charlotte, North Carolina.
Aphria Inc.	Aphria Inc. cultivates, processes, produces, markets, distributes, and sells medical cannabis in Canada and internationally. The company offers pharmaceutical-grade medical cannabis, adult-use cannabis, and cannabis-derived extracts and derivative cannabis products under the Solei, RIFF, Good Supply, Aphria, P'tite Pof, and Broken Coast brands. It serves patients and consumers through distributors and online. The company is headquartered in Leamington, Canada.
Aurora Cannabis Inc.	Aurora Cannabis Inc. produces and distributes medical cannabis products worldwide. It is vertically integrated and horizontally diversified across various segments of the cannabis value chain, including facility engineering and design, cannabis breeding, genetics research, production, derivatives, high value-add product development, home cultivation, wholesale, and retail distribution. The company produces various strains of dried cannabis, cannabis oil and capsules, and topical kits for medical patients. It also sells vaporizers; consumable vaporizer accessories, including valves, screens, etc.; and herb mills for using CanniMed herbal cannabis products, as well as grinders and vaporizer lockable containers. In addition, the company engages in the development of medical cannabis products at various stages of development, including oral, topical, edible, and inhalable products; and operation of CanvasRX, a network of cannabis counselling and outreach centers. Further, it provides patient counselling services; design and construction services; and cannabis analytical product testing services. The company's brand portfolio includes Aurora, Aurora Drift, San Rafael '71, Daily Special, AltaVie, MedReleaf, CanniMed, Whistler, Woodstock, and ROAR Sports. Aurora Cannabis Inc. is headquartered in Edmonton, Canada.
Canopy Growth Corporation	Canopy Growth Corporation, together with its subsidiaries, engages in the production, distribution, and sale of cannabis for recreational and medical purposes primarily in Canada, the United States, Germany, and the United Kingdom. It operates through two segments, Cannabis, Hemp and Other Consumer Products; and Canopy Rivers. The company's products include dried cannabis flowers, oils and concentrates, and softgel capsules. It offers its products under the Tweed, Quatreau, Deep Space, Spectrum Therapeutics, First & Free, TWD, This Works, BioSteel, DNA Genetics CraftGrow, Tokyo Smoke, DOJA, Van der Pop, and Bean & Bud brands. The company also provides growth capital and a strategic support platform that pursues investment opportunities in the global cannabis sector. Canopy Growth Corporation has a clinical research partnership with NEEKA Health Canada and NHL Alumni Association to examine the efficacy of CBD-based therapies as part of the mitigation of persistent post-concussion symptoms. As of February 14, 2020, it operated 28 cannabis retail stores under the Tweed or Tokyo Smoke name. The company was formerly known as Tweed Marijuana Inc. and changed its name to Canopy Growth Corporation in September 2015. Canopy Growth Corporation is headquartered in Smiths Falls, Canada.
Tilray, Inc.	Tilray, Inc. engages in the research, cultivation, processing, and distribution of medical cannabis. The company offers its products to patients, physicians, clinics, pharmacies, governments, and hospitals; and for researchers for commercial purposes, as well as compassionate access and clinical research applications. It operates in Argentina, Australia, Canada, Chile, Croatia, Cyprus, Germany, Israel, New Zealand, Portugal, Spain, Africa, Switzerland, the United States, Malta, and the United Kingdom. The company was incorporated in 2018 and is headquartered in Nanaimo, Canada.
Curaleaf Holdings, Inc.	Curaleaf Holdings, Inc. operates as an integrated medical and wellness cannabis operator in the United States. It operates in two segments, Cannabis Operations and Non-Cannabis Operations. The Cannabis Operations segment engages in the production and sale of cannabis through retail and wholesale channels. The Non-Cannabis Operations segment provides professional services, including cultivation, processing, and retail know-how and back office administration, intellectual property licensing, real estate leasing services, and lending facilities to medical and adult-use cannabis licensees under management service agreements. It offers oils for vaporizing, cartridges, concentrates, tinctures, mints, capsules, edibles, and flower pods. The company also provides hemp-based CBD products. As of February 12, 2021, it operated 101 dispensaries, 23 cultivation sites, and 30 processing sites in 23 states of the United States. The company was founded in 2010 and is headquartered in Wakefield, Massachusetts.

Source: S&P Capital IQ

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Appendix C – Comparable transactions' target company description

Company	Description
Sera Labs, Inc.	Sera Labs, Inc. manufactures cannabidiol (CBD) oil products. Its products include beauty products, such as radiant glow facial oil: seratopical, seratopical super booster serum, day and night brilliance cream, seratopical moisture boost, seratopical instant line filler, seratopical love your eyes, and seratopical exfoliating cleanser; tincture and CBD oil, which include full spectrum CBD oil and pure spectrum CBD oil; creams and lotion, including seratopicin healing pain relief and day and night brilliance cream; CBD edibles, such as full spectrum CBD miracle gummies and CBD capsules. Additionally, the company also engages in online sale of CBD products. The company was founded inn 2018 and is based in Lewiston, Maine. As of October 2, 2020, Sera Labs, Inc. operates as a subsidiary of CURE Pharmaceutical Holding Corp.
Abacus Health Products, Inc.	Abacus Health Products, Inc. manufactures and sells over-the-counter (OTC) topical formulations infused with cannabidiol (CBD) extracted from hemps. The company offers CBD CLINIC line of products for relief from acute musculoskeletal and joint pain, which includes analgesic ointments, creams, and pain sticks, as well as analgesic massage oils. It provides CBDMEDIC line of products, such as active sport ointments and pain sticks, back and neck ointments, arthritis hand creams and ointments, and massage therapy oils, as well as ointments and pain sprays for muscles and joints. The company also offers CBDMEDIC line of therapeutic skincare products, such as medicated ointment for itches, rashes, and eczema; medicated cream for acne treatment; and foaming facial cleanser. Further, it provides Harmony Hemp products, including HempBath, NeuroComfort, and Flexible for personal skincare and OTC topicals through grocery chains. In addition, the company offers its CBD CLINIC products to registered health practitioners, including chiropractors, acupuncturists, massage and physical therapists, naturopaths, and osteopaths; and CBDMEDIC products directly to consumers through retail pharmacy chains and fitness locations, as well as online through the e-commerce platform. In addition, it is involved in developing a pipeline of other CBD products addressing additional medical indications and the health and wellness sectors. The company is headquartered in Toronto, Canada. As of June 11, 2020, Abacus Health Products, Inc. operates as a subsidiary of Charlotte's Web Holdings, Inc.
Sativa Wellness Group PLC	Sativa Wellness Group Inc. operates as a CBD wellness company. The company engages in the cultivation and extraction of cannabinoids. It also sells CBD products to wholesale and online retail markets, as well as white label CBD products for third party brands. The company is based in North Vancouver, Canada.
Reliva, LLC	Reliva, LLC engages in distribution of hemp-derived cannabidiol products. The company was incorporated in 2018 and is based in Natick, Massachusetts.
GenCanna Global USA, Inc.	GenCanna Global USA, Inc. cultivates, produces, and markets hemp and hemp-derived cannabidiol (CBD) oil. Its products include broad spectrum distillate, reserve oil, fruit chews, water-soluble powder, CBD isolate, CBG isolate, oil drops, soft gel capsules, dry capsules, and topicals. The company was founded in 2014 and is based in Winchester, Kentucky. On January 24, 2020, an involuntary petition for reorganization under Chapter 11 was filed against GenCanna Global USA, Inc. in the U.S. Bankruptcy Court for the Eastern District of Kentucky. On February 6, 2020, the involuntary petition was approved by the Court. The plan was later approved as Chapter 11 liquidation on November 11, 2020
Harmony Hemp	US-based company that markets personal care product lines in OTC Topicals, Bath and Beauty.
First Class CBD	As of January 17, 2020, First Class CBD operates as a subsidiary of Mota Ventures Co
CBD Lion LLC	CBD Lion LLC manufactures CBD vape pens, cartridges, concentrates, tinctures, gummies, and lotions. The company was founded in 2017 and is headquartered in Mundelein, Illinois.
Redwood Holding Group, LLC	Redwood Holding Group, LLC manufactures, markets, and distributes hemp-derived cannabidiol (CBD) infused skincare products. It sells its products through retail stores, online, and hospitality partners. The company was founded in 2017 and is based in Studio City, California.
Fresh Hemp Foods Ltd	Fresh Hemp Foods Ltd., doing business as Manitoba Harvest, produces hemp food. The company offers hemp hearts, heart bites, heart bars, protein smoothies, protein powders, and oils. It sells its products through retail stores, as well as an online store. The company was founded in 1998 and is headquartered in Winnipeg, Canada. As of February 27, 2019, Fresh Hemp Foods Ltd. operates as a subsidiary of Tilray, Inc.
Cure Based Development, LLC	US-based manufacturer and seller of consumer cannabidiol (cbdMD) through its ecommerce website. It also has International operations in Northern Ireland.
Mettrum Health Corp.	Mettrum Health Corp. engages in the research, development, production, and distribution of medical cannabis and cannabis products in Canada. It operates as a licensed producer under the Marihuana for Medical Purposes Regulations. The company provides Mettrum Spectrum, a product that categorizes medical cannabis according to THC potency and CBD levels, as well as allows health care professionals to recommend strains to their patients. It is also provides Mettrum Originals, a line of hemp-based foods and non-food products. The company sells dried cannabis and oil extractions to the client, or his or her health care practitioner for distribution to their patient. Mettrum Health Corp. was founded in 2012 and is headquartered in Bowmanville, Canada. As of January 31, 2017, Mettrum Health Corp. operates as a subsidiary of Canopy Growth Corporation.
Zenabis Global, Inc.	Zenabis Global Inc. engages in the cultivation and sale of medical and recreational cannabis in Canada and internationally. The company produces and markets strains of dried cannabis under the Zenabis, Namaste, and Re-üp brands; and various oil-based cannabis products. It owns 3.5 million square feet of total facility space for production and cultivation. The company is headquartered in Vancouver, Canada.
GW Pharmaceuticals PLC	GW Pharmaceuticals plc, a biopharmaceutical company, focuses on discovering, developing, and commercializing novel therapeutics from its proprietary cannabinoid product platform in various disease areas. Its lead product is Epidiolex, an oral medicine for the treatment of seizures associated with Lennox-Gastaut syndrome, Dravet syndrome, or tuberous sclerosis complex. The company also develops and markets Sativex for the treatment of spasticity due to multiple sclerosis. In addition, it develops various product candidates for the treatment of schizophrenia, autism spectrum disorder, neuropsychiatric symptom, and neonatal hypoxic ischemic encephalopathy. It primarily operates in Europe, the United Kingdom, the United States, and internationally. GW Pharmaceuticals plc was founded in 1998 and is based in Cambridge, the United Kingdom.
Bluma Wellness, Inc.	Bluma Wellness Inc., through its subsidiary, One Plant Florida, operates as a medical cannabis company in the State of Florida. It operates retail dispensaries in Boynton Beach, Jacksonville Beach, St. Petersburg, and Port St. Lucie, Florida. The company is based in Fort Lauderlade, Florida.
Aphria, Inc.	Aphria Inc. cultivates, processes, produces, markets, distributes, and sells medical cannabis in Canada and internationally. The company offers pharmaceutical-grade medical cannabis, adult-use cannabis, and cannabis-derived extracts and derivative cannabis products under the Solei, RIFF, Good Supply, Aphria, P'tite Pof, and Broken Coast brands. It serves patients and consumers through distributors and online. The company is headquartered in Leamington, Canada.
CannPal Animal Therapeutics Limited	CannPal Animal Therapeutics Limited, an animal health company, engages in the research and development of plant-based therapeutic products for pets in Australia. It develops CPAT-01, a cannabis-derived pharmaceutical product to provide veterinarians and pet owners to treat pain and inflammation in dogs. The company was incorporated in 2016 and is based in Double Bay, Australia. As of March 11, 2021, CannPal Animal Therapeutics Limited operates as a subsidiary of AusCann Group Holdings Ltd

Company	Description
ESC Labs LLC	Esc Labs Limited develops ready-made interactive leisure and entertainment software. The company was formerly known as Qublai Limited and changed its name to Esc Labs Limited in February 2019. Esc Labs Limited was incorporated in 2017 and is based in London, United Kingdom.
Emblem Corp	Emblem Corp. cultivates, processes, and sells cannabis and cannabis derivatives in Canada. The company also operates medical cannabis education centers to provide education and other services to medical patients, as well as owns land title in Paris, Ontario. Emblem Corp. has a strategic partnership with GreenSpace Brands to develop and commercialize cannabidiol infused health and beauty products. The company is headquartered in Toronto, Canada. Emblem Corp. is a subsidiary of Aleafia Health Inc.
Hiku Brands Company	Hiku Brands Company Ltd., through its subsidiaries, produces and retails cannabis for medicinal and recreational market. The company is headquartered in Toronto, Canada.
Canna Farms Limited	Canna Farms Limited engages in the production of cannabis. The company is based in Hope, Canada. As of August 31, 2018, Canna Farms Limited operates as a subsidiary of VIVO Cannabis Inc.
MedReleaf Corporation	MedReleaf Corp. produces and sells cannabis-based pharmaceutical products in Canada. It offers dried cannabis, cannabis oils, and cannabis oil capsules; and various accessories, including grinders, vaporizers, and lockable containers. It offers dried cannabis, crumble, extracts, vapes, and accessories online. The company was founded in 2013 and is headquartered in Markham, Canada. As of July 25, 2018, MedReleaf Corp. operates as a subsidiary of Aurora Cannabis Inc.
CanniMed Therapeutics Inc	CanniMed Therapeutics Inc., a biopharmaceutical company that specializes production and distribution of medical cannabis in medical cannabis for pharmaceutical, agricultural, and environmental applications. It offers medical cannabis capsules, medical cannabis oils, dried medical cannabis, medical cannabis topicals, vaporizers, and vaporizer parts and accessories. CanniMed Therapeutics Inc. was formerly known as Prairie Plant Systems Inc. and changed its name to CanniMed Therapeutics Inc. in November 2016. The company was founded in 1988 and is based in Saskatoon, Canada. As of March 25, 2018, CanniMed Therapeutics Inc. operates as a subsidiary of Aurora Cannabis Inc.
Broken Coast Cannabis, Inc	Broken Coast Cannabis Ltd. produces and sells medical cannabis. The company offers dried cannabis, cannabis oil, cannabis oil capsules, and accessories. It sells its products online. The company is based in Duncan, Canada. Broken Coast Cannabis Ltd. operates as a subsidiary of Aphria Inc.

Source: S&P Capital IQ, Mergermarket

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Appendix D – Fair value of the T2 Consideration Shares

Grant Thornton Corporate Finance has forecast the EXL Shares price to estimate the number of T2 Consideration Shares to be issued having regard to the Monte Carlo Model and using the key valuation assumptions described below.

Underlying share price

We have adopted EXL's 15-day VWAP as at 1 March 2021 of $0.23571 for the purpose of the valuation assessment.

Dividend Yield

In our selection of an appropriate dividend yield for the purpose of our valuation assessment, we note that EXL has not distributed any dividends in the past and has no history of dividend payments. Accordingly, we have considered it appropriate to adopt a forecast dividend yield of 0%.

Risk free rate

In absence of an official risk free rate, the yield on the government bonds is commonly used as a proxy. We have derived the risk free interest rate from the spot yield on a number of Australian Government Bonds which is 0.10% for a 2-year bond as at 31 March 2021.

Volatility

The Monte Carlo valuation model requires an estimation of the future volatility of the underlying shares of EXL. The volatility is measured as the standard deviation of the underlying share price. In order to estimate the future volatility of a share, its historical volatility is often used as an appropriate proxy measure of the future volatility.

In performing the assessment of value, we have adopted an average volatility between 80% and 100%, which is consistent with the 1 year average volatility of the industrial CBD players which is in the range of 77% to 100%.

Summary valuation

Adopting the Monte Carlo valuation model and using the assumptions discussed above, we have assessed the value of EXL Shares on or around 31 March 2022 at circa A$0.2433.

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Appendix E – Glossary

A$	Australian Dollar
APES 225	APES 225 Valuation Services
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Binomial Model	Cox Russ Rubenstein Binomial Model
Black Scholes Model	Black Scholes Merton Valuation Model
CAGR	Compounded Annual Growth Rate
CannaCare or the Target	CannaCare Health GMBH
CAPEX	Capital expenditure
CBD	Cannabidiol
cbdMD	cbdMD, Inc.
CEO	Chief Executive Officer
Corporations Act	Corporations Act 2001
CVSI	CV Sciences, Inc.
CWEB	Charlotte's Web Holdings, Inc.
CY	Calendar year ending 31 December
DFC Method	Discounted cash flow and the estimated realisable value of any surplus assets
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Ecofibre	Ecofibre Limited
Elixinol Americas	Elixinol LLC
Elixinol Australia	HFA and Elixinol Australia
Elixinol Europe	Elixinol B.V. and Elixinol Ltd
EXL or the Company	Elixinol Global Limited
EU	European Union
EUR	Euro
EV	Enterprise Value
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSA	UK Food Standards Agency
FSG	Financial Services Guide
FY	Fiscal year
GN19	Guidance Note 19 "Performance Securities"
Grant Thornton or GTCF	Grant Thornton Corporate Finance
HFA	Hemp Foods Australia
IER or the Report	Independent Expert's Report
Independent Directors	Independent directors of EXL
LTIP	Long-term Incentive Plan
LTM	Last Twelve Months
Monte Carlo	Monte Carlo Simulation Model
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
NSW	New South Wales
Proposed Transaction, the	The proposed issue of EXL Shares to the vendors of CannaCare in accordance with the requirements of GN19
Purchaser, the	Elixinol B.V.

Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 “Contents of expert reports”
RG112	ASIC Regulatory Guide 112 “Independence of experts”
RG170	ASIC Regulatory Guide 170 "Prospective Financial Information"
RG76	ASIC Regulatory Guide 76 "Related party transactions"
TGA	Australian Therapeutic Goods Administration
THC	Tetrahydrocannabinol
T2 Consideration Shares	Earn-out consideration shares
UK, the	The United Kingdom
US or USA	United States of America
US$	US dollar
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

ANNEXURE B: SUMMARY OF PLAN TERMS

Term	Description
Eligibility	An employee of the Company (or its subsidiaries) (**Group**) or another person (**Participant**) determined by the Board as eligible to participate in the Plan.
Offers under the Plan	Under the Plan, eligible persons may be offered: • an option to acquire a Share, subject to the terms relating to vesting, exercise and lapsing; or • a right to acquire a Share, that may be subject to terms relating to, amongst other things, performance and/or service, (**ESOP Securities**).
Change of control	The Board in its absolute discretion may determine that all or some of a Participant's ESOP Securities vest where certain takeover or change of control events occur.
Vesting	The ESOP Securities (to the extent applicable) vest on satisfaction of all the conditions relating to the offer under the Plan, as determined by the Board.
Transfer Restrictions	The Board may in its absolute discretion impose any trading or other restrictions in respect of the ESOP Securities.
LTIP and STIP	
Offers under the LTIP and STIP	Specifically, under the LTIP and STIP, eligible persons may be offered ESOP Securities subject to among other things, certain performance conditions being satisfied (**Performance Rights**).
What are the performance conditions?	The vesting of Performance Rights require the satisfaction of certain performance conditions as determined by the Board from time to time.
Exercise Period	Where a Participant ceases to be an employee of the Group, all vested Performance Rights, including Options that vest under the Plan, must be exercised within 30 days of cessation, or such other period determined by the Board. Options which are not exercised within the period specified under the Plan will lapse.
What are the rights attaching to the Performance Rights?	Performance Rights are not transferable, do not confer any right to vote, do not confer any entitlement to a dividend, do not confer any right to a return of capital, do not confer any right to participate in the surplus profit or assets upon a winding up and do not confer any right to participate in new issues of securities such as bonus issues or entitlement issues.
Cessation of employment	If a Participant ceases employment with the Group prior to the vesting of Performance Rights, the treatment of the Performance Rights will depend on the circumstances of cessation. Where a Participant ceases employment with the Group in the event of resignation, or dismissal or other circumstances in which the Board determines the following treatment is warranted: a) all unvested Performance Rights will lapse on the cessation of the person's employment; and b) all vested Performance Rights will not lapse and in the case of an Option it will remain exercisable for 60 days, unless the Board determines otherwise. Where a Participant ceases employment in circumstances not referred to above, then unless the Board in its sole discretion determines otherwise:

	a) a pro rata number of a Participant's unvested Performance Rights will not vest or lapse as a result of the Participant ceasing to be an employee of the Group, and the terms of the Plan will continue to apply, except that any continuous service requirement will be deemed to be waived; b) the balance of a Participant's unvested Performance Rights will lapse; and c) any Performance Right which has vested (and in the case of an Option that has not been exercised at the time of cessation of employment with the Group) will not lapse (and in the case of an Option will remain exercisable for a certain period of time). However, the Board has discretion to apply a different treatment to that outlined above if it deems it appropriate in the circumstances, including allowing a Participant to retain Performance Rights which would otherwise lapse on the cessation of their employment.

ANNEXURE C: OTHER MATERIAL TERMS OF SHARE PURCHASE AGREEMENT

Key Terms	Description
Shortfall	If the number of Shares required to be issued on conversion exceeds the maximum of 165,180,893 Shares, then in effect the Company must pay to the Vendors the cash equivalent of the shortfall.
Warranties and indemnities	The Vendors have provided certain warranties and indemnities in relation to the issued share capital of CannaCare and in relation to the business of CannaCare that in the Company's view is customary for a transaction of this nature in the German market.
Period between exchange and closing	Between the period that commences on the date of the agreement to enter into the Proposed Transaction and that ends on completion of the Proposed Transaction, the Vendors are required to cause CannaCare to, among other things, be conducted in the ordinary course of business.
Protection of earn-out	As noted above, the number of Shares to which the Vendors are entitled on conversion of the Performance Securities depends on the amount of Earn-Out that is payable. During FY2021, the Company must not do certain things that are intended to, or that may reasonably be expected to, reduce the EBITDA or revenue of CannaCare during FY2021. However, the Company is not precluded from taking any actions or measures that, among other things, are taken with the prior written consent of the Vendors, that are taken to prevent serious disadvantage to the Company, are provided for in the business plan of CannaCare or are required by law.
Acceleration of earn-out	If the Company removes Oliver Haist as managing director of CannaCare or Michael Oplesch as member of CannaCare's advisory board in FY2021, the maximum Earn-Out (€15,000,000) shall be immediately due and payable, except where such removal was made for cause or with the Vendors' written consent.
Call option	The Vendors have a call option over the issued share capital in CannaCare until such time as the Earn-Out (if any) is paid. The call option can only be exercised where the Company is subject to an insolvency event.
Non-compete and non-solicitation	For a period of two years after completion of the Proposed Transaction, each of the Vendors must refrain from competing, directly or indirectly, with the business operated by CannaCare and must refrain from, directly or indirectly, recruiting or soliciting an employee of CannaCare away from CannaCare.

ANNEXURE D: OTHER KEY TERMS OF PERFORMANCE SECURITIES

Key Terms	Description
Rights of holder	Each Performance Security: (a) will be duly and validly issued and fully paid, free from all encumbrances; (b) is not transferable; (c) does not entitle the Vendors to any voting entitlements or dividends prior to conversion; (d) does not bear any interest; (e) is unsecured and does not entitle the Vendors to any priority on an insolvency event or similar event and does not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise; and (f) does not confer any right to participate in new issues of securities such as bonus issues or entitlement issues.
Status	Other than to the extent required by law, the Performance Securities do not confer on the Vendors (in their capacity as a holder of the Performance Securities) any rights conferred on a member of the Company, including a right to attend or vote at general meetings of the Company or the right to be given copies of documents sent by the Company to members (whether in connection with a general meeting of members or otherwise).
Conversion	On the conversion of Performance Securities, the Company shall immediately allot and issue the relevant Shares to the relevant Vendors. The Company must obtain quotation of such Shares on the ASX in accordance with the ASX Listing Rules and procure the delivery to the relevant Vendors of a holding statement in relation to their respective Shares.
Quotation	The Company will not apply for quotation of the Performance Securities.
New Issues	The Vendors are not entitled to participate in any new issue to holders of ordinary securities in the Company as a result of holding the Performance Securities unless the Performance Securities have converted before the record date for determining entitlements in relation to the new issue.
Reorganisation of capital	If there is a reorganisation (including consolidation, sub-division, or return of capital) of the share capital of the Company while the Performance Securities are on issue, then the rights of the Vendors in relation to the Performance Securities will be changed to the extent necessary to comply with the ASX Listing Rules, subject to the economic benefit and other rights of the Vendors in relation to the Performance Securities not being diminished or terminated following such amendment.
Dealing with Performance Securities	Each Vendor must not sell, transfer, or otherwise deal or dispose of any Performance Securities or cause there to be any encumbrance existing over any of the Performance Securities.
Amendment	The terms of the Performance Securities may be amended as necessary by the Company in order to comply with the ASX Listing Rules provided that, subject to compliance with the ASX Listing Rules, the economic benefit and other rights of the Vendors in relation to the Performance Securities are not diminished or terminated following such amendment.
Actual Revenue	Is generally defined as revenue generated by CannaCare between 1 January 2021 and 31 December 2021 determined according to the German Commercial Code as set out in CannaCare's accounts, where revenue "shall be the revenue of the Company as defined in Sec. 277 para 1 of the German Commercial Code (HGB,

	Handelsgesetzbuch), except that it is to be adjusted for one-off or extraordinary revenue received in the form of government grants, allowances or other hand-outs by the public hand, which have not been explicitly made to compensate for a revenue reduction by public prohibitions (such as shop closures).
Adjusted EBITDA	Is generally defined as earnings before interest, taxes, depreciation and amortization adjusted for: a) any cost imposed by the Company to establish compliance with Australian laws, b) any extraordinary items that are exceptional, non-recurring or one-off, c) any revenue received in the form of governmental grants, allowances, or other hand-outs by the public hand which have not been explicitly made to compensate for a revenue reduction by public prohibitions (such as shop closures); d) all cost related to the reorganization of CannaCare's corporate governance regime (unless required by law) and integration cost; and e) any other costs for which adjustments are required to be made under the Share Purchase Agreement. For the avoidance of doubt, EBITDA will not be adjusted for and will include any cost: (i) reasonably incurred in the ordinary course of business (unless the relevant cost positions have been reflected in the business plan and the stated budget therein is exceeded and in case of CAPEX related and similar costs only taking into account a fraction of the cost attributable to the financial year 2021), (ii) incurred under the business plan, or (iii) reasonably required to operate CannaCare in compliance with laws of the jurisdictions in which CannaCare conducted or conducts the business on or prior to closing of the Proposed Transaction.

Elixinol Global Limited | ABN 34 621 479 794

Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **10.00am (Sydney time) on Saturday, 15 May 2021,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.
Joint holding: Where the holding is in more than one name, all Shareholders should sign.
Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.
Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.
Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

Lodging your Proxy Voting Form:

Online:
Use your computer or smartphone to appoint a proxy at
https://investor.automic.com.au/#/loginsah
or scan the QR code below using your smartphone
Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.

BY MAIL:
Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:
meetings@automicgroup.com.au

BY FACSIMILE:
+61 2 8583 3040

All enquiries to Automic:
WEBCHAT: https://automicgroup.com.au/

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

STEP 1 – How to vote

APPOINT A PROXY:

I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of of Elixinol Global Limited, to be held virtually at **10.00am (Sydney time) on Monday, 17 May 2021** hereby:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 2, 3 & 5 (except where I/we have indicated a different voting intention below) even though Resolutions 2, 3 & 5 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

VIRTUAL PARTICIPATION AT THE AGM:

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

1. Open your internet browser and go to **investor.automic.com.au**
2. Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.

AUTOMIC

STEP 2 – Your voting direction

Resolutions		For	Against	Abstain
1.	Re–election of Director – Mr Paul Benhaim			
2.	Remuneration Report			
3.	Approval to Issue Securities under the Elixinol Global Limited Equity Plan			
4.	Ratification of Placement			
5.	Approval of Increase in Maximum Aggregate Non-Executive Director Fees			
6.	Approval to Issue Shares as Consideration for the Proposed Acquisition of CannaCare Health GmbH			
7.	Approval to Issue of Performance Securities as Consideration for the Proposed Acquisition of CannaCare Health GmbH			
8.	Change of Company Name			
9.	Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A			

Please note: *If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

EXL

STEP 3 – Signatures and contact details

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

/ /

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

Elixinol Global Limited | ABN 34 621 479 794

All Registry Communication to:
AUTOMIC
GPO Box 5193, Sydney NSW 2001
1300 816 157 (within Australia)
+61 2 8072 1417 (international)
hello@automicgroup.com.au
www.automicgroup.com.au

ELECT TO BE AN E-INVESTOR

Dear Shareholder,

As a valued investor in Elixinol Global Limited (ASX: EXL), we encourage you to elect to receive all shareholder communications electronically.

By choosing this option you will:
- Support the Company that you hold an interest in by helping us to reduce the cost of printing and postage each year;
- Receive your investor communications faster and in a more secure way; and
- Help the environment through the need for less paper.

I'd like to thank you in advance for your contribution to this initiative and your ongoing support of EXL.

Yours sincerely,
Teresa Cleary | Company Secretary

There are two ways you can elect to receive Investor communications electronically:

1. Updating online

I already have an online account with Automic

1. Visit **https://investor.automic.com.au**

2. Under "Existing users sign in" enter your established username and password

3. Once you have successfully logged in, click on:
   - setting -> portfolio profile -> communication -> change method -> electronic only

I do not have an online account with Automic and need to register

1. Visit **https://investor.automic.com.au/#/signup**

2. Select "Elixinol Global Limited" from the dropdown list in the Issuer Name Field

3. Enter your Holding Number (SRN/HIN): [HolderNumber]

4. Enter your postcode OR country of residence (only if outside Australia)

5. Tick the box "I'm not a robot" and then select "Next"

6. Complete the prompts to set up your username and password details

7. Once you have successfully logged in, click on:
   - setting -> portfolio profile -> communication -> change method -> electronic only

2. Providing us with your email address in the section below and return to our Share Registry by email to hello@automicgroup.com.au

Telephone Number

Contact Name (PLEASE PRINT)

Email Address

EXL – [HolderId]

YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automicgroup.com.au