

1 May 2023

Target Market Determination

Made by: Elixinol Wellness Limited ACN 621 479 794 (**Issuer** or **Elixinol**)

Product: Options to acquire fully paid ordinary shares (**Shares**) in the Issuer (**Options**) to be issued under a transaction specific prospectus dated 1 May 2023 (**Prospectus**)

Effective Date: 1 May 2023

1. Background

This target market determination (**TMD**) has been produced by the Issuer in relation to an offer to issue the Options made by the Issuer under the Prospectus pursuant to section 713 of the *Corporations Act 2001* (Cth) (**Act**) and has been designed to help investors understand who the offer of Options is most suitable for.

This TMD sets out the class of consumers for which the Options would likely be consistent with their financial objectives, the distribution conditions and restrictions imposed on the distribution of the Options, as well as reporting requirements for distributors in accordance with the requirements of section 994B of the Act.

A copy of the Prospectus is available on the Issuer's website, www.elixinolwellness.com and the ASX's website, www.asx.com.au. The offer of Options is made under, or accompanied by, a copy of the Prospectus. Any applicant under the Prospectus should carefully read and consider the Prospectus in full and consult their stockbroker, accountant, solicitor and/or other professional adviser if they have any questions regarding the contents of the Prospectus. There is no cooling off period in respect of the issue of the Options.

This TMD is not a disclosure document for the purposes of the Act and does not provide a full summary of the product features or terms of the Options. This TMD is not to be used except for the purpose of a regulated person complying with their obligations under Part 7.8A of the Act. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

This TMD is not intended to provide financial advice or take into account what you currently have, or what you want and need, for your financial future. The Company is not licensed to provide financial product advice in relation to the Options.

Unless otherwise defined in this TMD, capitalised terms have the meaning given to them in the Prospectus.

2. Product Information

The key features of the Options are as follows:

Offer	<p>An offer to each:</p> <ul style="list-style-type: none"> • participant in the institutional placement announced on 5 April 2023 who subscribed for Shares at the Offer Price of \$0.018 (Placement Offer); • Eligible Shareholder who subscribes for Shares under the SPP at the Offer Price, the record date of which is 4 April 2023 (SPP Option Offer); • the Lead Manager as part-consideration for underwriting services provided in connection with the SPP (Broker Offer); and • sophisticated and professional investor (who is not a related party) who subscribes for Shares under the SPP Shortfall Offer, <p>to subscribe for one free attaching Option for every one Share issued, exercisable at \$0.02 on or before the date which is two years after the date of issue (Options).</p> <p>The Placement Offer, the Broker Offer, the SPP Option Offer and the SPP Shortfall Offer are being made under the Prospectus. These offers involve the offer of Options to Eligible Shareholders, the Lead Manager and to professional and sophisticated investors.</p>
Eligibility	<p>In respect of the SPP and SPP Option Offer, only existing Eligible Shareholders of the Issuer:</p> <ul style="list-style-type: none"> • who are a registered holder of Shares as at 7.00pm (Sydney time) on 4 April 2023 (being the record date for the SPP); and • whose registered address was in Australia or New Zealand (or as otherwise determined by the Board). <p>In respect of the Placement Offer, SPP Shortfall Offer and the Broker Offer, these are only open to participants in the Placement and the SPP Shortfall Offer and to the Lead Manager (respectively).</p>
Conditional offer	<p>The offer of Options under the Placement Offer, Broker Offer, SPP Option Offer and SPP Shortfall Offer is conditional on Shareholder approval at the Meeting to be held on 31 May 2023. If the issue of Options is not approved by Shareholders it will not proceed.</p>
Exercise price	<p>The exercise price for the Options will be \$0.02 per Option.</p>
Expiry date	<p>Each Option will expire at 5.00pm (Sydney time) on the date which is two years after the date of issue (Expiry Date).</p> <p>An Option not exercised before the Expiry Date will automatically lapse at that time.</p>
Exercise period	<p>The Options are exercisable at any time on or prior to the Expiry Date.</p>
Shares issued on exercise	<p>Shares issued on exercise of the Options will rank equally in all respects with the then issued Shares in the Issuer.</p>

Transferability	Application will not be made for the Options to be quoted on ASX. Accordingly, the Options will be unlisted. The Options will be transferrable, subject to registration of the transfer by the Company.
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3. Target market

The objectives, financial situation and needs of investors which are suitable for investment in the Options and an explanation of why those particular financial circumstances are suitable are provided below:

Investment objective	<p>As the Options may be exercised at any time prior to the Expiry Date, the Issuer expects that an investment in the Options will be suitable to investors who wish to have the right, but not obligation, in the medium term to acquire the Issuer's shares and have exposure to the Issuer's current products and pipeline of future products.</p> <p>The Options are for those who:</p> <ul style="list-style-type: none"> • are entitled to apply for them under the Prospectus; • seek to profit from an appreciation in the market price of Shares in the Company, and/or who have a medium to long-term view on the Shares or the underlying assets of the Company; and • who are accustomed to investing in speculative investments in the hemp and nutraceutical sectors.
Investment timeframe	<p>The Options will only be issued to investors under the Placement and SPP (and SPP Shortfall Offer), and under the Broker Offer and consequently have been designed for consumers who:</p> <ul style="list-style-type: none"> • have acquired or will acquire Shares under the Placement or SPP (or the Broker); • have the ability to consider the economic risk of the exercise of the Options; • given the speculative nature of the Shares and Options, have adequate means to provide for their current needs and to withstand a loss of the entire investment of the Shares and Options; • have such knowledge and experience that they are capable of evaluating the merits and risks of exercising the Options; • take a medium term outlook in relation to their investment in the Issuer and are in a financial position that is sufficient for them to invest their funds over the time period to the Expiry Date, should they wish to exercise their Options; and • have determined that the Shares and Options are a suitable investment.
Investor suitability metrics	<p>While the Issuer does not have an established eligibility framework for Investors based on metrics (for instance employment status, income levels, age or an expected return or volatility) it is expected that the target market of investors will be those investors that wish to obtain optionality for exposure to the Issuer's targeted future growth. Only</p>

	Eligible Shareholders and Placement participants – who are already investors in the Issuer – the Lead Manager and professional and sophisticated investors who participate in the SPP Shortfall Offer, will be permitted to apply for Options.
Risk	<p>The Issuer considers that an investment in the Options will have a different risk profile to a direct upfront investment in Shares, including due to the fact that there is no obligation to exercise the Options prior to the Expiry Date.</p> <p>Investors should also have a sufficient level of financial literacy to understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Issuer.</p>
Excluded class of consumers	<p>The Options are not suitable for investors:</p> <ul style="list-style-type: none"> • who are not seeking to have the potential to increase their investment in the Issuer; • who do not understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Issuer; • who require an income stream from their investment; • who do not ordinarily invest in speculative investments in the hemp and nutraceutical sectors; and • who are resident outside Australia and are not applicants under the Placement or SPP.

The Issuer has assessed the Options and formed the view that the Options are likely to be consistent with the objectives, financial situation and needs of investors in the target market as described above in this section 3.

4. Distribution conditions and restrictions

The Options will also be subject to the distribution condition that investors will be provided with a copy of the Prospectus before they apply for Options, and access to this TMD.

The key restrictions on distribution for the Placement Offer are that the Options will only be offered and issued to participants in the Placement.

The key restrictions on distribution for the Broker Offer are that the Options will only be offered and issued to the Lead Manager.

The key restrictions on distribution for the SPP Option Offer are that the Options will only be offered and issued to Eligible Shareholders who participate in the SPP (or investors who participate in the SPP Shortfall Offer).

The Issuer considers that these distribution conditions will ensure that persons who invest in Options fall within the target market in circumstances where personal advice is not being provided to those persons by the Issuer.

5. Review triggers

The Options are being offered for a limited offer period set out in the Prospectus, after the conclusion of which the Options will no longer be available for investment. It follows that the TMD will only apply in the period between the commencement of the offer of the Options under the Prospectus and three months following the Closing Date (**Offer Period**), after which the TMD will be withdrawn.

To allow the Issuer to determine whether circumstances exist that indicate this TMD is no longer appropriate and that distribution of the Options should cease, the following review triggers will apply for the Offer Period:

- (a) there is a material change to the Options' key attributes that make it no longer consistent with the likely objectives, financial situation and needs of clients in the target market;
- (b) it is apparent that Shareholders will not approve the issue of Options by the requisite majority;
- (c) the Issuer lodges with ASIC a supplementary or replacement prospectus in relation to the Prospectus;
- (d) the occurrence of a significant dealing in Options that is not consistent with this TMD;
- (e) the Issuer identifies a substantial divergence in how the Options are being distributed and purchased from this TMD;
- (f) an unexpectedly high number of complaints are received from customers that indicate the Options are not suitable for the target market or the product is not being distributed to the target market; and
- (g) material changes to the regulatory environment that applies to an investment in the Options.

The Issuer may also amend this TMD at any time.

6. Review

If a review trigger occurs during the Offer Period, the Issuer will undertake a review of the TMD in light of the review trigger as soon as reasonably practicable and, in any case, within 10 business days of the review trigger occurring.

Periodic reviews of the TMD will occur regularly during the Offer Period, noting that the Offer Period is likely to be less than one month. If the Offer Period extends for more than one month, the TMD will in addition be reviewed on a monthly basis.

7. Reporting requirements

As the Issuer is not appointing external distributors of the Options in respect of retail clients, the Issuer will consider any of the following matters:

- (a) complaints received by the Issuer in relation to the Options;

- (b) significant dealings in the Options which are inconsistent with this TMD;
- (c) any dealings outside the target market (to the extent that the Issuer is aware of such dealings); and
- (d) the conduct of the Issuer under this TMD.

Where relevant, the Issuer will consider any of the above matters and determine appropriate steps that will be taken including, where appropriate, reporting of matters to ASIC.

8. Authorisation

This announcement was approved and authorised by the Company Secretary.

For Further Information

CONTACT:

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About Elixinol Wellness

Elixinol Wellness Limited (ASX: EXL) is a pioneer in the global hemp industry, innovating, marketing and selling hemp and other plant-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 and other plant-derived nutraceutical and skincare products based in Colorado, USA
- In Australia, Hemp Foods Australia is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products
- In the United Kingdom, South Africa, Japan, Brazil, Mexico and Malaysia (pending approvals), branded hemp and other plant-derived products are available to consumers via exclusive Distribution and/or Trademark and Know-How Licensing Agreements
- Across the Rest of World, expanding distribution of branded hemp and other plant-derived products through reputable distributors as key markets open.

See more at www.elixinolwellness.com