

Alchemia Limited

ACN 071 666 334

Notice of Annual General Meeting

and

Explanatory Statement

and

Independent Expert's Report

and

Proxy Form

Annual General Meeting of Alchemia Limited to be held at

Holding Redlich Lawyers, Level 8, 555 Bourke Street, Melbourne VIC 3000

On Monday, 16 September 2019 commencing at 10:00am (Melbourne time).

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

INDEPENDENT EXPERT'S REPORT: *Shareholders should carefully consider the Independent Expert's Report prepared by RSM Australia Pty Limited for the purposes of the Shareholder approval required by Section 611 (item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transaction the subject of Resolution 6 to the non-associated Shareholders and concludes it is not fair but reasonable to the non-associated Shareholders.*

Should you wish to discuss the matters in this Notice, please do not hesitate to contact the Company Secretary, Melanie Leydin on (03) 9692 7222.

Alchemia Limited (ACN 071 666 334)

General information

This Notice relates to an annual general meeting of the shareholders of the Company.

Notice is hereby given that the Annual General Meeting of Shareholders of Alchemia Limited (**Alchemia**, the **Company**) will be held at Holding Redlich Lawyers, Level 8, 555 Bourke Street, Melbourne VIC 3000 on Monday, 16 September 2019 commencing at 10:00am (Melbourne time).

The purpose of the Meeting is to:

- inform Shareholders of the Proposed Transaction;
- obtain Shareholder approval for the various components of the Proposed Transaction as required under the ASX Listing Rules (**Listing Rules**) and the *Corporations Act 2001* (Cth) (**Corporations Act**); and
- obtain Shareholder approval for a number of other matters, including a share consolidation.

Each of the Directors considers that the Proposed Transaction will create significant value for Shareholders and assist the Company in the next phase of its growth.

Shareholders should also note that the Independent Expert has found that for the purpose of Section 611 (Item 7) of the Corporations Act, the Proposed Transaction is considered by the Independent Expert to be not fair but reasonable for non-associated Shareholders. Further detail can be found in the Independent Expert's Report attached to this Notice.

The following documents accompany this Notice and are designed to assist Shareholders' understanding of the resolutions under consideration (**Resolutions**):

- **Explanatory Statement:** provides an explanation of the Resolutions and the disclosures required by law;
- **Independent Expert's Report:** RSM Australia Pty Limited (**Independent Expert**) was commissioned by the board of Directors of the Company (**Board**) to provide an independent assessment of whether the Proposed Transaction is fair and reasonable to all Shareholders; and
- **Proxy form:** to be used by Shareholders to appoint a proxy to vote on their behalf at the Meeting.

Shareholders should read the above documents carefully, including the Independent Expert's Report which sets out the advantages and disadvantages of the Proposed Transaction.

Consolidation: under Resolution 3 it is proposed that the Company's share capital be consolidated through the conversion of every 20 Shares into 1 Share. All references to numbers of Shares which appear in this Notice and Explanatory Statement are on a pre-Consolidation basis unless otherwise stated.

Essential Resolutions

All the Essential Resolutions are inter-conditional, meaning that each of them will only take effect if all the other Essential Resolutions are approved by the required majority of Shareholders at the Meeting. If any Essential Resolution is not approved, none of them will take effect and the transactions contemplated in this Notice, in particular, the Proposed Transaction will not complete.

This also means that the matters contemplated by an Essential Resolution may complete notwithstanding the fact that a Resolution which is not an Essential Resolution has not been approved.

Taxation

Company understands that it may rely on the continuity of ownership test in relation to some of its carry-forward losses accrued from 1 July 2004 in the context of the Proposed Transaction.

KEY DATES FOR SHAREHOLDERS

Particulars	Date (2019) ¹
ASX Announcement of Acquisition	Friday, 21 June
Despatch Notice to ACL shareholders	Wednesday, 14 August
Hold the annual general meeting of ACL shareholders	Monday, 16 September
Lodgement of Prospectus with ASIC	Monday, 16 September
Prospectus offer opens	Monday, 23 September
Prospectus offer period	Monday, 23 September (Open)
	Monday, 30 September (Closed)
Settlement of the Capital Raising	Friday, 4 October
Completion of Proposed Transaction	Thursday, 10 October
Despatch of holding statements	Wednesday, 16 October
Commencement of trading of Shares on ASX	Wednesday, 23 October

Notes:

¹ Shareholders should note the above timetable is indicative only and may be varied in consultation with ASX. Any changes to the above timetable will be released to the ASX.

² ASIC exposure period of one week has been provided for, however ASIC has the discretion to extend a further week.

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AGENDA

The Explanatory Statement and Proxy Form which accompany and form part of this Notice, describe in more detail all the matters to be considered. Please consider this Notice, the Explanatory Statement and the Proxy Form in their entirety.

If Shareholders are in any doubt as how to vote, they should seek advice from their own independent financial, taxation or legal adviser without delay.

The business to be transacted at the Meeting is set out below:

ORDINARY BUSINESS

Financial Statements and Reports

“To receive and consider the financial statements and the reports of the directors and the auditors of the Company for the year ended 30 June 2019.”

An explanation of this item is to be found in the Explanatory Statement.

RESOLUTIONS

1. Resolution 1: Approval of the Remuneration Report

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

“That the Remuneration Report as set out in the Annual Report of the Company for the financial year ended 30 June 2019 be adopted.”

An explanation of this item is to be found in the Explanatory Statement.

The vote on this resolution is advisory only and is not intended to bind the Directors or the Company.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by or on behalf of a member of the key management personnel, details of whose remuneration are included in the remuneration report or a closely related party of such a member. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2: Approval of 10% Placement Facility

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

“That, pursuant to and in accordance with 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 Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of any 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 the Company) and any associate of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. **Resolution 3: Consolidation of Capital**

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

“That, subject to all Essential Resolutions being passed, and for the purposes of Section 254H of the Corporations Act, and for all other purposes, approval is given for the share capital of the Company to be consolidated through the conversion of:

- (a) every twenty (20) Shares into one (1) Share; and*
- (b) every twenty (20) Options into one (1) Option;*

with fractions of a Share or an Option being rounded down to the nearest whole number, and the conversion to take effect in accordance with the timetable set out in the Explanatory Statement.”

4. **Resolution 4: Change in Nature and Scale of Activities**

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

“That, subject to the passing of all Essential Resolutions, in accordance with Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to complete the Proposed Transaction as described in the Explanatory Statement and to consequently make a significant change to the nature and scale of its activities.”

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by any person and any associates of those persons who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. **Resolution 5: Replacement of Constitution**

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

“That, subject to the passing of all Essential Resolutions, for the purposes of Section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing

Constitution and adopt a new Constitution in its place in the form as signed by the chairperson of the meeting for identification purposes."

6. Resolution 6: Issue of Consideration Shares and Consideration Options

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

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1, Section 208 and Section 611 (item 7) of the Corporations Act and all other purposes, approval is given for the Company to issue to the Sellers (or their nominees) up to:

- (a) 435,000,000 Consideration Shares; and*
- (b) 153,846,154 Consideration Options,*

on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Expert's Report: Shareholders should carefully consider the Independent Expert's Report for the purposes of Shareholder approval under Section 611 (item 7) of the *Corporations Act* in relation to this Resolution. The Independent Expert's Report comments on the fairness and reasonableness to the non-associated Shareholders of the issue of Shares under this Resolution. The Independent Expert has determined that the issue is **not fair but reasonable** to the non-associated Shareholders.

Voting Exclusion Statement: Under Section 611 (item 7) of the *Corporations Act*, no votes may be cast in favour of this Resolution by:

- (a) the persons and their associates proposing to make the acquisition; or
- (b) the persons and their associates (if any) from whom the acquisition is to be made.

Accordingly, the Company will disregard any votes cast in favour of this Resolution by a Seller and any associate of a Seller who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a Seller; or
 - (ii) a related party of a Seller; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairperson; and
 - (b) the appointment expressly authorises the Chairperson to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a related party of the Company.
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7. Resolution 7: Capital Raising pursuant to a Prospectus

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

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the Company to issue up to 570,000,000 Shares at A\$0.01 on a pre-Consolidation basis in consideration for the Capital Raising and otherwise on the terms described in the Explanatory Statement."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by any person and any associate of those persons who is expected to participate in, or may obtain a material benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. **Resolution 8: Issue of Shares and Options to the Lead Manager**

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

"That, subject to the passing of all Essential Resolutions and for the purposes of Listing Rule 10.11, Section 208 of the Corporations Act and all other purposes, approval is given for the issue to the Lead Manager (or its nominee):

- (a) 65,000,000 Shares; and*
- (b) 30,422,589 Options,*

on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by the Lead Manager, Cameron Petricevic and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. **Resolution 9: Issue of Shares and Options to the Corporate Advisor**

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

"That, subject to the passing of all Essential Resolutions and for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the issue to the Corporate Advisor (or its nominee):

- (a) 40,000,000 Shares; and*
- (b) 22,816,942 Options,*

on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by the Corporate Advisor and any associates of those persons and any person 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 the Company if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy

Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. **Resolution 10: Issue of Shares to Related Party of James Hood in consideration for debt conversion**

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

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1, Section 208 of the Corporations Act and all other purposes, approval is given for the Company to issue to a related party of James Hood (or its nominee) 6,405,828 Shares on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by the recipient of the Shares in the Resolution, James Hood and any associates of James Hood who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. **Resolution 11: Issue of Shares to Noteholder in consideration for Note conversion**

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

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the Company to issue to the Noteholder up to 80,000,000 Shares on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by any person and any associates of those persons who is expected to participate and may obtain a benefit, except a benefit solely in the capacity of a Noteholder if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. **Resolution 12: Issue of Shares to Advisory Board Member**

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

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the issue of up to 2,000,000 Shares on a pre-Consolidation basis to Dr. Jace Callaway and otherwise on the terms described in the Explanatory Statement."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by any person and any associate of those persons who is expected to participate in, or may obtain a material benefit, except a benefit solely in the capacity of being a holder of ordinary securities in the Company if the Resolution is passed). However, the Company need not disregard a vote if it is cast by a person as a

proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. **Resolution 13: Change of Company Name**

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

"That, subject to Completion, and in accordance with Section 157(1) of the Corporations Act, and for all other purposes, the Company change its name from "Alchemia Limited" to "Australian Primary Hemp Limited".

14. **Resolution 14: Election of Director – Charles Mann**

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

"That, subject to the passing of all Essential Resolutions and in accordance with clause 47 of the Constitution and for all other purposes, Charles Mann, having provided conditional consent to act as a Director from Completion, be elected as a Director with effect from Completion."

15. **Resolution 15: Election of Director – James Hood**

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

"That, subject to the passing of all Essential Resolutions and in accordance with clause 47 of the Constitution and for all other purposes, James Hood, having provided conditional consent to act as a Director from Completion, be elected as a Director with effect from Completion."

16. **Resolution 16: Election of Director – Pauline Gately**

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

"That, subject to the passing of all Essential Resolutions and in accordance with clause 47 of the Constitution and for all other purposes, Pauline Gately, having provided conditional consent to act as a Director from Completion, be elected as a Director with effect from Completion."

17. **Resolution 17: Re-election of Director – Cameron Petricevic**

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

"That, subject to the passing of all Essential Resolutions and in accordance with clause 49 of the Constitution and for all other purposes, Mr Cameron Petricevic, being a Director who retires pursuant to the Constitution and being eligible for re-election offers himself for re-election, is hereby re-elected as a Director."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by Cameron Petricevic and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

18. **Resolution 18: Non-Executive Director's Remuneration**

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

"That, subject to the passing of all Essential Resolutions and in accordance with Listing Rule 10.17 and clause 49 of the Constitution and for all other purposes, the maximum aggregate amount available for payment by way of remuneration to the non-executive Directors be capped at \$300,000 per annum (excluding Superannuation) following Completion."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by all current and Proposed Directors and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

19. **Resolution 19: Participation of Directors in the Capital Raising**

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

"That, subject to the passing of Resolution 7, Section 208 of the Corporations Act and for the purposes of Listing Rule 10.11 and all other purposes, approval is given for the Company to issue up to:

- (c) 31,930,000 Shares to Cameron Petricevic (or nominee);*
- (d) 7,500,000 Shares to Lynden Polonsky (or nominee);*
- (e) 2,500,000 Shares to Melanie Leydin (or nominee); and*
- (f) 1,000,000 Shares to Pauline Gately (or nominee),*

under the Capital Raising on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by Lynden Polonsky, Melanie Leydin and Cameron Petricevic and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

20. **Resolution 20: Adoption of Equity Incentive Plan**

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

"That, subject to the passing of all Essential Resolutions and for the purposes of Listing Rule 7.2 Exception 9 and all other purposes, approval is given for the adoption of the Company's Equity Incentive Plan and to

issue securities under that plan (being in aggregate the right to issue up to 5% of the total number of underlying eligible securities in that class on issue), on the terms and conditions described in the Explanatory Statement from time to time."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by all current and Proposed Directors and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

21. **Resolution 21: Election of Director – Lynden Polonsky**

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

"That, in the event that the Essential Resolutions are not all passed, Mr Lynden Polonsky having been appointed to fill a vacancy and who retires in accordance with the Company's Constitution being eligible and having offered himself for election in the event that the Essential Resolutions are not all passed be elected as a Director."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by Lynden Polonsky and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

22. **Resolution 22: Election of Director – Melanie Leydin**

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

"That, in the event that the Essential Resolutions are not all passed, Ms Melanie Leydin having been appointed to fill a vacancy and who retires in accordance with the Company's Constitution being eligible and having offered herself for election in the event that the Essential Resolutions are not all passed be elected as a Director."

Voting Exclusion Statement: Company will disregard any votes cast in favour of this Resolution by Melanie Leydin and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board of Alchemia Limited:



Melanie Leydin
Company Secretary
29 July 2019

NOTES

1. **Entire Notice:** The details of the Resolutions contained in the Explanatory Notes accompanying this Notice of Meeting should be read together with, and form part of, this Notice.
2. **Record Date:** Company has determined that for the purposes of the Meeting, Shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm on the date 48 hours before the date of the Meeting. Only those persons will be entitled to vote at the Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.
3. **Proxies**
 - a. Votes at the Meeting may be given personally or by proxy, attorney or representative.
 - b. Each shareholder has a right to appoint one or two proxies.
 - c. A proxy need not be a shareholder of the Company.
 - d. If a shareholder is a company it must execute under its common seal or otherwise in accordance with its Constitution or the Corporations Act.
 - e. Where a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.
 - f. If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
 - g. A proxy must be signed by the shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.
 - h. To be effective, proxy forms must be received by the Company's share registry (Link Market Services Limited) no later than 48 hours before the commencement of the Meeting, this is no later than 10.00am (AEST) on Saturday, 14 September 2019. Any proxy received after that time will not be valid for the scheduled meeting.

4. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

5. Voting Exclusion Statements

As set out in those Resolutions excluding 3, 5, 13, 14, 15 and 16.

6. Enquiries

Shareholders are invited to contact the Company Secretary, Melanie Leydin on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY STATEMENT

1 BACKGROUND

1.1 Introduction

The Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Meeting.

The purpose of the Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions set out in the accompanying Notice. It explains the Resolutions and identifies the Board's reasons for putting them to Shareholders.

1.2 Action to be taken by Shareholders

Shareholders should read the Explanatory Statement and the Independent Expert's Report carefully before deciding how to vote on the Resolutions set out in the Notice. The Independent Expert's Report which is attached to the Explanatory Statement in Schedule 1 provides an independent assessment of whether the Proposed Transaction is fair and reasonable and sets out the advantages and disadvantages of the Proposed Transaction.

All Shareholders are invited and encouraged to attend the Meeting. If Shareholders are unable to attend in person, the attached Proxy Form should be completed, signed and returned to the Company in accordance with the instructions contained in the Proxy Form and the Notice. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person, but the person appointed as the proxy must then not exercise the rights conferred by the Proxy Form.

If the Proposed Transaction and the Proposed Placement are approved by Shareholders and then completed, the voting power of existing Shareholders will be diluted. For further details on the impact of the Proposed Transaction and Proposed Placement on the ownership structure of the Company following the Proposed Transaction, please refer to Section 1.12 of the Explanatory Statement.

1.3 Acquisition of Australian Primary Hemp Pty Ltd

1.3.1 Proposed Transaction

On 21 June 2019, the Company announced that it had executed the Share Sale Agreement with the Sellers pursuant to which the Company will acquire 100% of the share capital of APH, being the Sale Shares and, in consideration, will issue 500,000,000 Shares (being, Consideration Shares) and 184,268,743 Options (being, Consideration Options) to persons (including the Lead Manager) as set out below. In addition, the Company will also issue Shares and Options to the Corporate Advisor to facilitate Completion (**Proposed Transaction**).

On Completion, the Company will issue 70% of the Consideration Shares, with the remaining 30% of the Consideration Shares (**Deferred Consideration Shares**) being withheld from being issued following a 12 month period commencing on the date the Company is re-admitted to the official list of ASX (**Deferred Period**), for the purposes of any warranty and/or indemnity claim made by the Company under the Share Sale Agreement.

1.3.2 Background of APH

Hemp seeds are believed to be a good source of essential nutrients such as protein, fatty acids, omegas, fibre, vitamins and minerals, without an excess of calories, starches and sugars. As such, they are typically sold as a dietary supplement.

APH's founders first began researching alternative proteins in 2012. After numerous research and development efforts, APH launched in 2016 with a multi-layered approach to:

- purchase FINOLA® hemp seed under an exclusive supply agreement in Australia and New Zealand (and other varieties non-exclusively that are suited to the Australian climate including, but not limited to: CRS, CFX, Katani, Piccolo, Ferimon, Yuma, Fassimo, and X59);
- establish a network of farmers to grow the hemp seed under contract and produce hemp grain;
- establish Australia's largest hemp facility in Victoria, to process and package hemp grain; and
- produce their own branded hemp-based products.

APH primarily operates out of its facility in Geelong.

APH engages in hemp growing and production services as well as handling in all areas of the hemp seed selection, farming, processing and distribution to contract packaging, bulk and retail selling edible products. Further details on APH's business are set out below.

1.3.3 The APH Business

Overview

APH operates a fully integrated hemp business across all aspects of the value chain including seed, grain, wholesale and retail products.

APH purchases hemp seed (some varieties of which is exclusive to APH) to supply selected portions of its vast farmer network, who cultivate and harvest the hemp seed for APH under exclusive contracts. APH purchases the cultivated hemp seeds (referred to as hemp grain) from their contracted growers to process for sale.

APH owns processing infrastructure, including de-dulling equipment, and partner with third parties for additional value-add processing. APH supply bulk product, as well as their own private labelled product, of hemp oil, hemp seed, and hemp-focused products (including protein and fibre).

Part 1: Purchase of hemp seed

APH purchases raw FINOLA® hemp seeds, predominantly imported from Canada and Finland. FINOLA® currently represents approximately half of all hemp grown in Canada. APH is the exclusive supplier of FINOLA® in Australia.

APH also purchases a variety of other hemp seeds from a number of sources in Australia, New Zealand, France, China, and Canada (some of which are exclusive to APH in Australia). APH have purchased seed supply in excess of their current manufacturing requirements for 2019.

APH has strong commercial relationships internationally, and is able to connect with notable international plant breeders that produce globally recognised pedigree hemp seed varieties which are ideal for growing in certain Australian territories.

Part 2: Cultivation and Production

APH on-sells the hemp seeds to selected portions of APH's vast network of farmers across Australia who grow the hemp under contract on APH's behalf, and others who have expressed interest in growing hemp grain on behalf of APH. This network of growers is managed directly by APH or through other contracted third parties; APH has contracts with RED Agriculture Pty Ltd (as well as other minor counterparties). Under these growing contracts, APH purchases the hemp grain from the contracted growers.

APH has significant knowledge of the industry and a vast farmer network, which APH leverages to assist growers to produce the highest possible yields from their crops through their own experience and collaborations with several well-established Australian agronomy groups.

Growers complete their own harvests to supply cleaned, dried, and graded hemp grain to APH at pre-contracted prices. Harvest typically occurs 3-4 months after planting, with the hemp grain delivered to APH for processing approximately one month following harvest.

APH's contracted growers must deliver hemp grain of a quality that meets field inspection standards. For hemp grain to be purchased by APH, it must adhere to clean seed standards, and must be packaged in food grade bags and on pallets for transport to APH's Geelong facility.

Once the hemp grain is received from growers into APH's facility, an independent third party lab test is conducted to verify quality before APH accepts delivery of the hemp grain. Only once the hemp grain has cleared quality testing, can the production and manufacturing process begin.

Part 3: Manufacture of hemp grain

The hemp grain goes through three stages within APH's manufacturing process:

Stage 1: De-hull hemp grain

In order for APH to produce its hemp-derived products, APH must first de-hull the hemp grain. De-hulling is the process of separation, where APH's equipment separates the hard outer shell of the hemp grain (husk) and the edible hemp grain (heart) inside. Following de-hulling, the hemp grain is cleared, during which small-sized hemp grains are separated for use in cold pressing. Any excess de-hulling 'waste' is sold as animal stock feed.

APH's de-hulling machine has the capacity to process three metric tonnes of hemp grain per hour. The de-hulling machine has a product separation capability. This allows for the de-hulled hemp grain to be separated into specific product lines efficiently that requires no further processing after the de-hulling process. This separator has the capacity to sort one metric tonne of hemp grain per hour.

APH's Geelong facility is 'Hazard Analysis and Critical Control Points' (**HACCP**) certified and this certification extends to the processing and cold storage of the hemp grain.

Stage 2: Cold Pressing and/or Milling hemp grain

Cold Pressing

APH produces hemp oil by a cold-pressing extraction method, which is currently outsourced to a third party.

The by-product of the cold-pressing process is referred to as 'hemp cake'. This hemp cake is nutrient-rich and ideal for producing both protein and high fibre powders. The hemp oil is sent back to APH's facility to be packaged, and the hemp cake is sent for further processing at APH's milling company partner.

Milling

APH partners with Melbourne Milling Company Pty Ltd to provide bulk milling processes process 'hemp cake'.

The milling process uses different milling and sifting techniques to produce APH's two different hemp powders. The hemp powders are then returned to APH's facility for packaging and dispatch.

Part 4: Packaging and Distribution

Following the processing outlined above, APH produces four different products for their retail and bulk sales lines:

1. hulled hemp grains;
2. cold-pressed hemp grain oil;
3. hemp balance (high fibre powder); and
4. hemp boost (high protein powder).

APH has developed a new product, the 'Hemp Honey & Nut Bar', which was launched in May 2019.

APH owns retail packaging equipment, and packages and distributes retail products from its Geelong facility. The new 'Hemp Honey & Nut Bar' is the only product not packaged by APH. APH plans to introduce automation to its packaging process to significantly increase retail production capacity.

Sales result predominantly result from:

- wholesale parties who use either the raw hemp grain or processed bulk products (including de-hulled hemp seed, milled powders, and cold pressed hemp oil) as ingredients in their own products (e.g. muesli bars and breakfast cereals); and
- retail consumers of APH's own branded products (e.g. hemp seeds, boost and balance milled fibre/protein powders, and hemp cold pressed hemp oil).

Currently sales are predominantly in Australia and New Zealand and APH intends to explore international opportunities.

1.3.4 Business Model

APH has five main methods for revenue generation:

- **(Hemp food products - wholesale):** APH has its own line of products, including hemp seed, hemp oil, hemp fibre, hemp protein, hemp hearts (fines) and hemp 'offal' (for animal stock feed). APH sells these products to consumers and other distributors as a white-labelled product.
- **(Hemp food products - retail):** APH also sells hemp food products under its own branding and packaging through its website and other platforms. In particular, hemp seed, hemp oil, high-in-fibre hemp powder (hemp balance) and high-in-protein hemp powder (hemp boost).
- **(Resale of hemp grain):** Through its farmer network, APH controls the supply of hemp grain to other manufacturers of hemp food products.
- **(Contract de-hulling services):** APH provides de-hulling services to other, smaller hemp seed growers.
- **(Contract packaging services):** APH provides packaging services for de-hulled hemp seed. This is expected to be a relatively minor revenue contributor for APH.

1.3.5 What is the Regulatory Landscape

Background

- (a) Federal Approval

On 28 April 2017, following consideration by the Australia and New Zealand Ministerial Forum on Food Regulation, the FSCANZ was amended to permit low-THC hemp hulled seeds to be sold (or used) as an ingredient in food.

The changes to the FSCANZ commenced on 12 November 2017 and these changes allow the sale of hemp food products. Since then, the hemp industry has grown rapidly and is now one of the fastest growing alternative protein sources in Australia.

(b) Territorial Approval

A licence is required in Victoria to authorise the cultivation and processing of low-THC cannabis (industrial hemp) and industrial hemp seed for non-therapeutic (i.e. non-medical) purposes. Licenses for industrial hemp are issued by Agriculture Victoria.

During every harvest, Department of Environment and Primary Industries officers take a sample of buds for testing to measure levels of the active compound THC and only once the results are in (testing can often take a number of weeks to complete) are growers allowed to sell or process hemp seeds.

1.3.6 Compliance of Hemp Food Products

Each hemp product is produced in compliance with the FSANZ. To ensure, and provide continual compliance, APH have adopted the management systems that include:

- (a) internal quality control system;
- (b) dedicated quality control staff;
- (c) quality control manual/processes;
- (d) auditing; and
- (e) quality assurance certifications.

APH operates a certified Food Safety Management System complying with the requirements of HACCP and 'Good Manufacturing Practices'.

1.3.7 APH's regulatory licences and certificates

APH holds numerous certifications for both its operations and its hemp products. A summary of the relevant certifications are below:

- (a) licence to import;
- (b) authority of low THC cannabis;
- (c) food management safety system;
- (d) de-hulled hemp seed certification;
- (e) hemp boost certification;
- (f) hemp fines certification;
- (g) hemp oil certification; and
- (h) hemp powder certification.

1.3.8 Growth and Expansion

Growth of Existing APH Business Model

This growth cycle, APH intends to repurchase hemp grain from its grower network. The total value of the hemp grain amounts to approximately \$1,500,000.

As part of APH's expansionary plan, APH intends to acquire new equipment, including (but not limited to) additional silos, additional grain sorting machinery, and other processing equipment for its new line of hemp food products.

Intellectual Property

The APH brand is protected by trademark filings in Australia as well as via common law rights.

The common law protects marks by recognising the Company's right to exclusive uses, subject to the geographical and market boundaries of the Company's established trade reputation. Registration also allows the Company to register in other countries that adhere to the International Convention for the Protection of Industrial Property.

Company has obtained or applied for the following trademarks:

Number	Status	Particulars	Jurisdiction	Filing Date	Classes
1834644	Registered		Australia	28 March 2017	3, 5, 29, 31
1917611	Published: Under examination	"HEMP BOOST"	Australia	4 April 2018 (due 10 August 2019)	5
1917612	Published: Under examination	"HEMP BALANCE"	Australia	4 April 2018 (due 10 August 2019)	5

Competitors

APH competes in Australia with suppliers of plant-based protein and traditional protein producers, as hemp seeds are an alternative source of high quality protein.

The Australian hemp food market is in the early stages of development, having been legalised by the FSCANZ in November 2017. Accordingly, the market and its players are not yet well defined and the industry is still building local expertise.

There are several small growers, processors and distributors of hemp food based in Australia, but most hemp seed currently sold in Australia is sourced from overseas.

APH is one of the few vertically integrated providers of hemp food in Australia. Other suppliers of hemp food in Australia include companies such as Organic Markets Direct, Hemp Foods Australia and Ananda Food.

APH will work directly with Australian growers to grow the hemp seed. APH controls all points of contact with the hemp seed to guarantee the freshness, quality and consistency of the product.

Key Investment Highlights

The Directors are of the opinion that an investment in APH provides the following non-exclusive list of key highlights:

- **(Regulatory Landscape):** with the changes to FSANZ, APH has all necessary regulatory approvals required to provide its unique product offerings to a growing Australian and New Zealand marketplace.
- **(Unique Product Offerings):** APH is in a unique position to be able to provide its hemp food product to the marketplace ahead of other competitors.
- **(Global Industry Growth and Awareness):** The global industry is growing at a fast rate, and acceptance and use of hemp as an alternative food is gaining traction from a number of OECD countries.

1.4 Industry overview

What is hemp?

Hemp, also called industrial hemp, refers to the non-psychoactive varieties of the genus of flowering plant, *Cannabis sativa L.*. Unlike marijuana, hemp contains negligible amounts of THC, the chemical in marijuana that produces psychoactive results. Hemp seeds contain negligible amounts of THC (usually less than 0.35%), only the leaves of the plant hold this chemical.

What is the difference between hemp and marijuana?

While both hemp and marijuana come from the plant *Cannabis sativa L.*, they are genetically and chemically distinct from one another.

Marijuana is used to describe a Cannabis plant that is predominantly produced for the cannabinoids found in the resin glands (or 'trichomes'), which react with our bodies' receptors to produce numerous psychotropic and therapeutic effects. The main cannabinoids produced from the leaves and buds of the cannabis plant are THC and CBD. Both CBD and THC are believed to have medicinal benefits, but THC has psychoactive properties, whilst CBD is non-psychoactive.

In contrast, hemp is used to describe a *Cannabis sativa L.* plant that holds only trace amounts of THC (usually less than 0.35%). While the legal definition has since been legitimised under the amendments to the FSCANZ (which outlines different maximum percentages for hemp seed, oils, beverages and powders), "hemp" has generally been used to describe non-intoxicating Cannabis that is harvested for the industrial use of its derived products.

Marijuana and hemp are therefore classified and distinct from one another due to the levels of naturally occurring THC that they contain.

What is hemp good for?

Hemp seeds are an alternative source of protein and fibre. They contain essential amino acids, so consumers may choose to substitute or compliment their diet with hemp seeds as a replacement or a compliment to meat to ensure they consume sufficient protein.

The protein in hemp is also very easily digestible. Hemp seeds also contain both soluble and insoluble fibre, which is an important part of any diet.

Hemp seed is extremely versatile. It has a variety of commercial and industrial uses including rope, textiles, clothing, shoes, food, paper, bioplastics, insulation, and biofuel to name a few.

Ecological Friendliness of Hemp

Hemp, as a crop, offers significant environmental and sustainability advantages over many other crops.

Cannabis sativa L. is claimed to be materially less "ecotoxic" compared to many other crops. The use of pesticides and fungicides on hemp is typically limited and it is relatively resistant to most pests. Its rapid growth cycle means hemp crops require less herbicide than other crops.

This means hemp is ideal for organic farming and complements the increasing market in sustainable and environmentally conscious crop production.

Growth drivers

Growth in demand for hemp food products is expected to be driven by the following factors:

(a) FSCANZ

On 12 November 2017, hemp seeds and seed products became lawful for use and sale in food in Australia. This now permits the development and production of hemp seed foods and hemp dietary supplements in Australia.

(b) Health Benefits

There is rising consumer awareness of the benefits of hemp as a "superfood". In addition to the increased awareness of the negative health and environmental effects of excessive meat consumption, many consumers have shifted towards plant-based diets and increased consumption of plant-based protein products.

(c) Environment and sustainability

Hemp's credentials as a sustainable crop are increasing its popularity with contemporary consumers who wish to support environmentally sustainable and ethical industries and products.

Market for hemp derived product

As hemp becomes more widely legalised and accepted around the world, consumers will be demanding more of these products. According to the Zion Market Research Report published in May 2019, the international market for hemp-based foods was approximately US\$3.9 billion in 2018.

According to the latest market research report released by Technavio, the global hemp-based food market is expected to accelerate at a compound annual growth rate of over 24% during the forecast period (2017-2027). The growing vegan population and increasing cases of celiac disease are key factors triggering the growth of the market.

The growing demand for hemp-based foods is an emerging trend in the food industry. With growing health awareness about the harmful effects of ingredients used in the food and beverage industry, the demand for alternative food products (such as hemp-based foods) is increasing at a fast pace.

1.5 Material Risks of APH

Specific Risks

Regulatory risk

Hemp is closely regulated in Australia. Subject to compliance with state and territory licensing and Federal requirements, the current Australian regulatory framework permits the cultivation and supply of hemp

seed and hemp-based food products. Regulation surrounding prescribed maximum THC levels in hemp products and good character requirements are critical to regulatory compliance.

Key laws affecting the industry are summarised below and represent a barrier to entry for new market entrants.

Standard 1.4.4 of the FSCANZ provides that hemp food products may be made available for sale, so long as they are not labelled or otherwise presented for sale in a form which expressly or by implication suggests that the product has a psychoactive effect.

Section 3 of the Therapeutic Goods Act 1989 (Cth) defines a therapeutic good as a good that is represented in any way to be, or that is likely to be taken for therapeutic use. Accordingly, to be for a therapeutic use, the good must be used in or in connection with preventing, diagnosing or curing personal injuries, diseases etc., or possibly, for influencing or modifying physiological processes in persons. However, low-THC cannabis is not classified as a therapeutic good, and on this basis, we understand that APH is compliant with the relevant therapeutic goods regulations.

Section 61(1) of the Drugs, Poisons and Controlled Substances Act 1981 (Vic) defines low-THC cannabis as cannabis consisting of the leaves and flowering heads of which do not contain more than 0.35% of THC.

Due to the regulations surrounding hemp and cannabis products, legislative reversal in this area may pose a material risk of prohibiting the sale and production of hemp products. The likelihood of any legislative reform is currently unknown.

APH's preference in using FINOLA (with typically less than 0.2% of THC) mitigates the risk of breaching the FSCANZ.

Commodity price risk

The performance of the business is subject to local and international commodity prices for hemp supply. Prices of agricultural commodities fluctuate and are affected by a variety of regional and global factors that are beyond the control of APH.

These factors include: regional and international demand and supply; production cost levels in major producing regions; weather-related conditions; government regulation and initiatives, including domestic and foreign growing programs and policies, sanctions and barriers; plant diseases and others.

Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and general global economic conditions.

Adverse movements in commodity prices could have a negative impact on APH's operations and business.

Demand and market risk

The sales potential of APH's products is still at a relatively early commercial stage. The ongoing and future demand for APH's products, in existing and target markets, is still being established and is uncertain. There is a risk that there may not be sufficient demand for APH's products for their sustainable commercial exploitation.

Early stage risk

APH is at an early stage in development of its business model in an industry that has recently undergone material regulatory changes and is evolving. As a result, investing in APH is speculative and involves significant risk.

Further, the future profitability of APH is contingent on many factors and may be impacted by adverse developments relating to the market for hemp products generally, or in relation to CBD, hemp food or hemp fibre products. As a result, anticipated development milestones or sales may not be achieved and even if achieved, may not result in APH being or remaining profitable.

APH's business growth plan is contingent, among other things, on successfully building internal capacity to service growth in each of its businesses. If it fails to build this capacity or if it develops slower than anticipated, there may be an adverse impact on the profitability of APH, its financial performance and its ability to pay dividends.

Product liability risk

APH's hemp food businesses supply nutraceutical and food products and APH intends to supply products comprised of hemp seed. As with all nutraceutical, food and textile products, there is a risk that the products sold by APH cause risk or injury to consumers.

Should any of APH's products be associated with safety risks such as misuse or abuse, mislabelling, tampering or product contamination or spoilage, a number of materially adverse outcomes could occur.

There is no guarantee that APH'S product development efforts will result in new hemp products for sale.

Agricultural risk

APH's business is based on agricultural production and supply. As such, the business is subject to the risks inherent in the agriculture industry. These risks include crop failures caused by insects, plant diseases, storm, fire, frost, flood, water salinity, pests, bird damage and force majeure events and in particular, irrigated land can be difficult to secure during times of low rainfall, especially in Australia.

Licensing risk

Hemp cultivation and the production of hemp products are highly regulated by government at multiple levels. APH's business is dependent on retaining the appropriate licences and permits issued by the relevant authorities for the importation and production of hemp in Australia.

Currently, APH has the permits required to operate its business as described above and intends to seek additional permits, when necessary. APH needs to maintain those permits to continue operating. While the Directors have no reason to believe that APH will not be in a position to maintain its regulatory permits, any change to the regulatory systems in APH's markets that adversely impact on maintenance of APH's regulatory permits would materially adversely impact APH and its performance.

There is also no guarantee that any licence or permit already issued to APH will not be revoked during the term of the relevant licence or permit, or that the licence or permit will be renewed for a further period of time or renewed on terms anticipated by APH.

If any current or future application made by APH for a permit or licence is not approved, or any of APH's existing licences or permits are revoked or not renewed, APH will not be able to undertake the activities for which the relevant licence or permit is required. This will adversely affect APH's ability to generate revenue, which will reduce APH's overall profitability and adversely impact its financial performance.

Key Personnel risk

APH's success depends to a significant extent on the ability, performance and experience of its Key Personnel.

The loss of Key Personnel or an inability to recruit or retain suitable replacement or additional personnel may impact APH's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.

There can be no assurance that APH will be able to attract or retain sufficiently qualified scientific and management personnel or maintain its relationships with key scientific organisations and contractors. The loss of key technical and management personnel and the associated corporate knowledge of those people could have a detrimental impact on APH and may adversely affect it by impeding the achievement of its research, product development and commercialisation objectives.

General risks

Workplace health and safety risk

Many aspects of farming and manufacturing operations are inherently dangerous. Sales, administration and other staff are also exposed to risks, particularly if they are travelling.

APH must comply with various health and safety laws in Australia and the US. There is a risk that penalties and other liabilities for the violation of health and safety law and standards may be imposed on APH and may have an adverse effect on APH's reputation and its revenue, profitability and growth.

Competition risk

APH's chosen market is subject to increasing domestic and international competition. The actions of APH's competitors may negatively affect the operating and financial performance of APH.

For example, APH's competitive position may be adversely impacted by an existing or new competitor who attempts to aggressively grow its business.

Other risks

- Low price of Shares;
- Low trading and liquidity in Shares;
- Further shareholder dilution;
- Inability to pay dividends or make other distributions;
- Changes in tax law;
- Environmental risks;
- Possibility of force majeure events;
- Insurance risk; and
- Litigation risk.

1.6 Board and management

In accordance with the terms of the Share Sale Agreement, and with effect from Completion, Melanie Leydin and Lynden Polonsky will resign as Directors and Charles Mann, James Hood, Cameron Petricevic and Pauline Gately (**Proposed Directors**) will, subject to the Resolutions contained in this Notice, be appointed to the Board.

Each of the Proposed Directors have agreed on the terms of their engagement with the Company following Completion. As set out below, it is a condition precedent under the Share Sale Agreement that Charles Mann and James Hood enter into executive employment agreements with the Company and

Pauline Gately enters into a non-executive engagement agreement with the Company. Company and the Proposed Directors are in the process of negotiating the terms of the new agreements with remuneration to be in line with market for these positions, the details of which will be disclosed in the Prospectus.

Summaries of the background and experience of each of the Proposed Directors is set out below.

Director

Cameron Petricevic

Non-executive Chairman

Cameron has spent over 15 years in the financial industry, with roles at AXA Asia Pacific Holdings (now AMP) and Acorn Capital. Cameron has extensive investment banking experience, including valuations, mergers & acquisitions, and portfolio management. Cameron is currently a Partner at Kentgrove Capital.

Cameron is a qualified Actuary (AIAA) and holds a Bachelor of Commerce (Actuarial) and a Bachelor of Engineering (Electrical) from the University of Melbourne, with First Class Honours. He is also a Graduate of the Australian Institute of Company Directors (GAICD) and Founder/Treasurer of Brimbank ToRCH, a Royal Children's Hospital auxiliary charity.

Cameron is a Director of several private and public companies. He has been a director of Alchemia since June 2018 and currently serves as the Chairman of the Board.

Proposed Directors

Charles Mann

Proposed Chief Executive Officer and Managing Director

Charles is a co-founder of APH, and is focussed on APH's commercialisation and growth strategy, whilst navigating the regulatory element of the emerging hemp industry.

Charles has significant farming experience, particularly in the sheep, cattle, dairy, poppy and hemp industries.

Charles maintains significant holdings in businesses that are successfully operating in the agricultural sector. Prior to establishing his own operations in the agricultural industry, Charles had extensive experience in importing, licensing, distribution and logistics within the framework of the Department of Transport and Regional Services for Vectrix Australia Pty Ltd.

James Hood

Proposed Chief Operations Officer and Executive Director

James is a co-founder of APH, with substantial experience in production facility development and an extensive network of farmers, which has positioned APH well to produce a complete vertically integrated product line.

Prior to APH, James had roles in digital software applications and marketing.

Pauline Gately

Proposed Independent, Non-executive Director

Ms. Gately has more than 20 years' experience in international investment banking, specialising in the Asian region, where she held senior positions with CitiBank, BNP International, Merrill Lynch, BZW Asia and the Asian Development Bank in the areas of research, economics and investment strategy.

Ms Gately has been a non-executive director of Ardiden Limited (ASX: ADV). Prior to this position, Ms. Gately served as the Non-executive Chair and then subsequently the Executive Chair at dual-listed Alita Resources Ltd (previously known as Alliance Mineral Assets Limited) (ASX: A40, SGX: ALLI). She continues to serve as a Director of Beaverbrook Ltd, Breast Cancer Care WA and on several other private company boards.

Ms Gately holds an honours degree in Economics from Strathclyde University, after which she obtained a Graduate Diploma in Accounting from Glasgow University. She is also a Graduate of the Australian Institute of Company Directors (GAICD).

1.7 Terms of Share Sale Agreement

Set out below are the key terms of the Share Sale Agreement:

Conditions Precedent

Completion remains, at the date of this notice, conditional on the satisfaction (or waiver) of the following Conditions:

- (a) Alchemia completing and being reasonably satisfied in relation to the outcome of its due diligence investigation of APH;
- (b) Alchemia confirming there has been no material adverse change in Alchemia;
- (c) The Sellers confirming there has been no material adverse change in APH;
- (d) Alchemia obtaining all shareholder and regulatory approvals (including where applicable from ASX and ASIC) required in relation to:
 - (i) the Reconciliation; and
 - (ii) all other material transactions contemplated under the Share Sale Agreement, on terms acceptable to the Sellers (acting reasonably);
- (e) Alchemia providing the Sellers with copies of all such shareholder and regulatory approvals prior to Completion;
- (f) APH obtaining all shareholder and regulatory approval required to implement the transactions contemplated by this Agreement;
- (g) Alchemia lodging a prospectus with ASIC in accordance with the Corporations Act;
- (h) Alchemia convening a general meeting of shareholders in accordance with Section 611 item 7 of the Corporations Act (where applicable);
- (i) The Independent Expert opinion obtained by Alchemia concluding that the transaction contemplated by this Agreement is reasonable to shareholders of Alchemia;
- (j) Alchemia successfully completing the Capital Raising;
- (k) Alchemia successfully reorganising, Consolidating, splitting, issuing or otherwise dealing in its Equity Securities to provide for a price per Share as at the RTO Price;
- (l) Alchemia obtaining all relevant waivers (where applicable) from the ASX for the issue of Equity Securities under A\$0.20 (including, without limitation, the Lead Manager Shares and Lead Manager Options);

- (m) There being no material breach of any of the Sellers' warranties or the Alchemia warranties under the Share Sale Agreement; and
- (n) All Key Personnel having executed an engagement agreement with the Company.

Termination before Completion

APH will be required to pay Alchemia's costs incurred in relation to the Proposed Transaction plus A\$50,000 (excl. GST) if Alchemia terminates the Share Sale Agreement prior to Completion if:

- APH breaches a material term of the agreement and is not rectified within 10 business days;
- APH breaches a seller warranty or that warranty becomes materially incorrect;
- an order is made or an effective resolution is passed for the winding up or dissolution of any of the Sellers or APH;
- a receiver, receiver and manager, judicial manager, liquidator, administrator or like official is appointed over the whole or a substantial part of the undertaking or property of the Sellers or APH;
- a holder of an Encumbrance takes possession of the whole or any substantial part of the undertaking and property of APH or the whole of the undertaking and property of the Sellers; or
- APH breaches its obligations imposed on it with regards to the exclusivity provisions afforded to the Company under the Share Sale Agreement.

1.8 Convertible Notes

On 11 July 2019, APH entered into an unsecured convertible note deed poll (**Note Deed Poll**) and a subscription agreement with Interdale Pty Ltd and John Anthony McIntosh, both unrelated parties of APH and the Company (**Noteholder**) for the issue of up to 800,000 unsecured convertible notes on issue (**Notes**) at a price per Note of A\$1.00, in consideration for raising in aggregate up to A\$800,000 (**Convertible Offer**).

Key material terms of the Notes are as follows:

- The conversion price (subject to any reorganisation event), in connection with an 'Exit Event' being the Proposed Transaction or a trade sale, is determined as follows:
 - for the Proposed Transaction APH must make a written election that either:
 - the Notes will be converted into shares in APH which shall be issued to the Noteholder and be immediately vended into Alchemia as part of the RTO in exchange for such number of Shares as represented by the total money on all Convertible Notes held by a Noteholder divided by the same price at which the Company raises capital from new investors under the Proposed Transaction; or
 - the obligation to pay the total Principal Money on all Convertible Notes held by a Noteholder will be fully and finally satisfied by the direct issue by the Company of such number Alchemia Shares represented by the total money on all Notes held by a Noteholder divided by the same price at which the Company raises capital from new investors under the Proposed Transaction.
 - the conversion price is based on the RTO Price and at no discount to the RTO Price; or
 - for an agreement entered into for the sale of either substantially (i.e. at least 50% in aggregate) all of the Sale Shares or the assets of APH; the Noteholder can elect to receive approximately

13.79% of consideration as set out in that agreement (being its proportion of the equity in APH on an 'as converted' basis or \$800,000 in cash or shares in the scrip of the acquirer.

- The Convertible Notes (as outlined below) bear no interest.
- Amongst other things (such as an insolvency event or an event of default), APH may redeem the Notes at any time by notice to a Noteholder after twelve (12) months of the execution of the Note Deed Poll if an 'Exit Event' has not occurred.
- Notes the subject of redemption are redeemable for (excluding an insolvency event or an event of default) an amount in cash equal to the Convertible Offer size plus 10% per annum of the Convertible Offer size if APH determines to redeem the Notes or an 'Exit Event' has not occurred within twelve (12) months of the execution of the Note Deed Poll.

1.9 Facility Agreement

On 17 April 2019, APH and the Company entered into the Facility Agreement, whereby the Company provided APH a facility of up to A\$600,000 to assist in the acquisition of hemp seed from its growers (**Commitment**). The Commitment is available for a maximum period of two years (unless the Commitment is cancelled in full at an earlier date).

In addition, the Company entered into associated security documentation, including:

- general security deed over APH's present and after-acquired property, including property in which APH has, or may in the future have, rights or the powers to transfer rights;
- deed of guarantee and indemnity with Charles Mann and James Hood (APH's CEO and COO, respectively) over the Commitment including any interest, fees and costs.

Key material terms of the secured loan facility agreement are as follows:

- The Commitment is available for a maximum period of two years (unless the Company cancels the provision of the Commitment at an earlier date).
- Interest shall accrue at a rate of 6 per cent per annum (calculated daily) on and from the date of drawdown until such time as the Commitment (and all accrued interest) are fully and finally repaid to Alchemia.
- The Commitment and accrued interest must be repaid to Alchemia by APH on the earlier of:
 - 17 May 2020;
 - on termination of the Sale Agreement by either party; or
 - such date as agreed to in writing between the Company and APH.
- If Completion occurs within twelve months from 29 March 2019, the Commitment and accrued interest will be forgiven and cancelled by the Company on Completion.
- If Completion does not occur within twelve months from 29 March 2019, the Commitment and accrued interest will be owing by APH and Alchemia may call on the Commitment on demand until Completion. If the Commitment is not called and Completion occurs, the Commitment will be forgiven and cancelled.

1.10 Shareholder loan

A Seller has provided a loan to APH amounting to \$270,000. As at the date of this Notice, this loan has not been repaid. If this loan is not repaid by APH at (or immediately prior to) Completion, this will remain in the accounts of APH as a liability of APH and will reduce the market value of APH accordingly.

1.11 Compliance with Chapters 1 and 2 of the Listing Rules

In response to a submission made by the Company to the ASX, the ASX has advised that, based on the information provided by the Company, it will exercise its discretion under Listing Rule 11.1.3 to require the Company to re-comply with Chapters 1 and 2 of the Listing Rules to gain re-admission to quotation on ASX, in relation to the Proposed Transaction.

1.12 Effect of Proposed Transaction on the Company's capital structure

Following Completion, the effect on the capital structure and ownership of the Company (on a pre-Consolidation basis), are summarised in the tables below:

Key statistics	Securities (on a pre-Consolidation basis)	Securities (on a post-Consolidation basis)	Percentage undiluted ¹ (%)	Percentage diluted ¹ (%)
Existing ACL Shareholders	324,723,621	16,236,181	21.3%	18.8%
Shares offered under the Capital Raising	570,000,000	28,500,000	37.5%	33.0%
Consideration Shares on issue ^{2, 3}	369,500,000	18,475,000	24.3%	21.4%
Shares issued to Corporate Advisor	40,000,000	2,000,000	2.6%	2.3%
Shares issued to related party of James Hood for debt conversion	6,405,828	320,291	0.4%	0.4%
Convertible Offer	80,000,000	4,000,000	5.3%	4.6%
TOTAL number of Shares on issue at Reconciliation⁴	1,390,629,449	69,531,472	91.4%	80.5%
Deferred Consideration Shares ⁵	130,500,000	6,525,000	8.6%	7.6%
TOTAL number of Shares (incl. Deferred Consideration Shares)	1,521,129,449	76,056,472	100.0%	88.0%
Consideration Options ^{6, 7}	184,268,743	9,213,437		10.7%
Options issued to Corporate Advisor ⁸	22,816,942	1,140,847		1.3%
TOTAL number of Options on issue at Reconciliation	207,085,685	10,354,284		12.0%
TOTAL number of Securities on issue (incl. Deferred Consideration Shares)	1,728,215,134	86,410,757		100.0%

Notes:

¹ Percentage of security holdings is calculated based on the assumption that the Deferred Consideration Shares will be issued.

² Please see Section 2.8 of the Explanatory Statement for more information on the Lead Manager Shares, for which this table assumes that those options in APH have been fully exercised as at the date of Reconciliation and Consideration Shares have been issued to the Lead Manager.

³ Under the Share Sale Agreement, only 70% of the Consideration Shares (excluding Consideration Shares issued to the Lead Manager) are to be issued at Completion, being 369,500,000 Consideration Shares.

⁴ The total number of Shares on issue at Reconciliation takes into consideration the fact that only 369,500,000 Consideration Shares will be issued as per note 2 above.

⁵ Deferred Consideration Shares are intended not to be issued under the Share Sale Agreement until the Deferred Period comes to an end and pursuant to an ASX Waiver, by no later than 31 December 2020.

⁶ The total number of Consideration Options to be issued are equal to A\$2,000,000 worth of Shares at a strike price of 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation).

⁷ Consideration Options includes the issue of the 153,846,154 Options to the Sellers (or their nominees) as well as the issue of 30,422,589 Lead Manager Options. For more information on the Lead Manager Options, please see Section 2.8 of the Explanatory Statement for which this table assumes that those options in APH have been fully exercised as at the date of Reconciliation and Consideration Options have been issued to the Lead Manager.

⁸ Please see Section 2.8 of the Explanatory Statement for more information on the Options issued to the Corporate Advisor.

1.13 Effect of Proposed Transaction on the Company's consolidated financial position

The Independent Expert's Report set out in Schedule 1 contains details of APH's financial performance and financial position.

1.14 Use of Funds Table

A summary of the budgeted intended use of the funds is set out in the table below:

If \$5,700,000 is raised under the Capital Raising, the funds will be allocated as follows:

Proposed Use of Funds	Capital (\$)	%
Build-up of inventory (including hemp seed and finished hemp grain product) ^{1, 2}	\$2,200,000	38.6%
Acquisition of new equipment for expansion	\$1,000,000	17.5%
Operating expenses	\$500,000	8.8%
Working capital and costs of the Offer	\$2,000,000	35.1%
TOTAL	\$5,700,000	100.0%

Notes:

¹The hemp seed is imported through FINOLA Australia Pty Ltd (which is distinct from purchasing the hemp grain from the growers as in Note 2 below).

²The majority of the capital will be used to acquire the hemp grain from growers.

The above table is indicative only. Actual use of funds will depend on a variety of factors including the actual amount raised as part of the Proposed Placement and various market conditions and the Company's progress and success in the implementation of its strategy following Completion.

1.14.1 Estimated Costs of the Proposed Transaction

Refer to the table below for the itemised costs of the matters proposed in the Resolutions.

Estimated costs of the matters proposed in the Resolutions, including the Capital Raising ¹	Capital Raising (\$)
ASX Listing Fees	\$95,970
ASIC Fees	\$3,206
Shareholder Meeting / Share Registry Costs	\$15,000
Fees payable to Lead Manager	\$390,000
Legal, Accounting and Due Diligence Expenses	\$150,000
Fees payable to Investigating Accountant under the Capital Raising	\$25,000
Miscellaneous	\$20,000
TOTAL	\$699,176

Notes:

¹ The above table is indicative only. The costs of the Proposed Transaction will depend on a variety of factors including the actual amount raised as part of the Capital Raising and the complexity of the process to Completion. The Board reserves the discretion to modify the Capital Raising and the table above.

1.15 ASX Waivers

ASX has granted waivers from the following Listing Rules:

- Listing Rule 7.3.2; and
- Listing Rule 10.3.3,

on the following conditions as set out below (together, the **ASX Waivers**).

Listing Rule 7.3.2

ASX has granted a waiver from Listing Rule 7.3.2 to the extent necessary to permit this Notice seeking Shareholder approval for the issue of the Deferred Consideration Shares not to state that the Deferred Consideration Shares will be issued no later than 3 months after the date of the Meeting, on the following conditions:

- (a) the Deferred Consideration Shares are issued no later than 31 December 2020;
- (b) for any annual reporting period during which the Deferred Consideration Shares are issued or any of them remain to be issued, the Company's annual report sets out in detail the number of Deferred Consideration Shares issued during the reporting period, the number that remain to be issued and the basis on which they may be issued;
- (c) in any half year or quarterly report for a period during which the Deferred Consideration Shares are issued or remain to be issued, the Company includes a summary statement of the number issued during the reporting period, and the number that remain to be issued and the basis on

which they may be issued; and

- (d) the full terms and conditions of the Deferred Consideration Shares as well as the conditions of this ASX Waiver are clearly disclosed in this Notice and in the Prospectus.

Listing Rule 10.3.3

ASX has granted a waiver from Listing Rule 10.3.3 to the extent necessary to permit the Company to issue the Lead Manager Shares, Lead Manager Options and the Capital Raising Shares later than one month after the date of the Meeting, on the following conditions:

- (e) the Lead Manager Shares, the Lead Manager Options and the Capital Raising Shares must be issued no later than three months after the date of the Meeting;
- (f) the Lead Manager Shares, the Lead Manager Options and the Capital Raising Shares are issued pursuant to the relevant terms and conditions set out in the Notice issued for the Meeting;
- (g) the circumstances of the Company, as determined by ASX, have not materially changed since the Company's shareholders approved the issue of the Lead Manager Shares, the Lead Manager Options and the Capital Raising Shares; and
- (h) the terms of this ASX Waiver are clearly disclosed in the Notice and in the Prospectus.

1.16 Why an Independent Expert's Report is being provided to Shareholders

Company has commissioned the Independent Expert to prepare an Independent Expert's Report to satisfy the requirements of the Corporations Act and ASIC Regulatory Guide 74.

The Independent Expert's Report, prepared by the Independent Expert is attached in full to the Explanatory Statement in Schedule 1. Shareholders should read the full text of the Independent Expert's Report to assist them in determining how they wish to vote in respect of the Resolutions set out in the Notice, in particular, Resolution 6, (including the Independent Expert's analysis of the advantages and disadvantages of the Proposed Transaction).

In summary, the Independent Expert's Report concludes that the Proposed Transaction is not fair but reasonable to non-associated Shareholders.

1.17 Advantages of the proposals in the Resolutions

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 each Resolution:

- (i) **The Acquisition represents an opportunity for the Company to acquire an interest in the hemp industry.**

The Board have been mindful of the current state of the Australian share market with regard to early-stage companies and low investor sentiment. Cash preservation has been front of mind, however good investment opportunities have been sought. In the current share market environment, there is a greater likelihood of increasing Shareholder value by progressing the Proposed Transaction of APH than if the Company were to remain a cancer research company.

- (j) **The acquisition of an existing company will enable the Company to tap into the established nature of the APH business.**

The Proposed Transaction provides Shareholders with exposure to an existing, well managed and expanding business involved in the hemp industry. Company will be well capitalised following the Capital Raising of up to A\$5,700,000. Existing and new funds will be directed to accelerate growth

by funding additional sales and marketing activities as well as continuing product development to maintain a strong market presence.

(k) **Additional Board and management experience.**

The Proposed Directors and management of APH have extensive experience and a proven track record within the hemp industry and also have relevant ASX experience.

(l) **Equity-based payment for an existing growing business with track record.**

As detailed in Section 1.12 of the Explanatory Statement, the consideration for the Proposed Transaction is comprised of 500,000,000 Consideration Shares and 184,268,743 Consideration Options (on a pre-Consolidation basis), thereby conserving the Company's cash reserves.

1.18 **Disadvantages of the proposals in the Resolutions**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each Resolution:

(a) **Company will be changing the nature of its activities to become a hemp company, which may not be consistent with the objectives of all Shareholders.**

Subject to the passing of all Essential Resolutions, the Company will move out of the cancer research business and focus on the business of cultivating hemp and producing hemp-based products. This may be seen as a disadvantage to some Shareholders that are seeking, via the Company, a "pure" cancer research investment.

(b) **The Proposed Transaction will result in the Capital Raising and issue of the Consideration Shares to the Sellers, which will have a dilutionary effect on the current holdings of Shareholders.**

The Capital Raising and the issues of Consideration Shares to the Sellers will be dilutive on the current holdings of Shareholders. Consequently, existing Shareholders' voting power and influence over the affairs of the Company will be reduced.

(c) **There are risk factors associated with the change of nature and scale of the Company's activities.**

A non-exhaustive list of risk factors are summarised in section 1.5 of this Explanatory Statement.

(d) **Transaction and Capital Raising costs.**

In connection with the Proposed Transaction, the Company has been required to engage a number of advisors, lawyers and experts to facilitate and report on the Proposed Transaction. The work includes preparation of this Notice, Independent Expert's Report annexed at Schedule 1 to this Explanatory Statement and a prospectus which will be lodged in connection with the Capital Raising to ensure compliance with Listing Rules and other statutory requirements and approvals. These are sunk, but necessary, costs to all Shareholders.

2 RESOLUTIONS

BACKGROUND – FINANCIAL STATEMENTS AND REPORTS

A copy of the Annual Report for the financial year ending 30 June 2019 (which incorporates the Company's financial report, reports of the Directors (including the Remuneration Report) and the auditor's report) is not enclosed as there is no longer a requirement for the Company to incur the printing and distribution costs associated with doing so for all Shareholders.

You may obtain a copy free of charge in hard copy form by contacting the Company by phone at (03) 9692 7222, and you may request that this occurs on a standing basis for future years.

Alternatively you may access the Annual Report at the Company's website: www.alchemia.net.au or via the Company's announcement platform on ASX.

Except for as set out in Resolution 1, no other Resolution is required on the Annual Report.

2.1 RESOLUTION 1 – REMUNERATION REPORT

The Directors' Report - "Remuneration Report" (**Remuneration Report**) is contained in the Company's 2019 Annual Report.

The Corporations Act requires a resolution be put to the shareholders of a listed company to adopt the remuneration report as disclosed in the Directors' Report component of the 2019 Annual Report. This Resolution is being put so as to give Shareholders a reasonable opportunity to ask questions or make comments concerning the Remuneration Report during the Meeting. The vote on this Resolution is advisory only and non-binding on the Board.

The Remuneration Report:

- explains the Board's policies in relation to the nature and level of remuneration paid to Directors, secretaries and senior managers with the Company;
- discusses the link between the Board's policies and the Company's performance;
- provides a summary of performance conditions, explaining why they were chosen and how performance is measured against them;
- sets out remuneration details for each Director and for each member of the Company's senior executive management team; and
- makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

Under Section 250BD of the Corporations Act, a person who is appointed as a proxy must not exercise any undirected proxies on a resolution connected with the remuneration of Key Management Personnel (**KMP**) if they themselves are, or are a closely related party of, a member of the KMP. As such, the Chairman will not exercise any undirected proxies with regard to this Resolution.

The Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 became law on 27 June 2011. The Act amends the Corporations Act to include a "2 strikes" rule that if a company's remuneration report receives a "no" vote of at least 25% at two consecutive annual general meetings, a spill resolution must then be put to shareholders at the second annual general meeting to determine whether the entire Board must stand for re-election. If the spill resolution is passed

(by a normal majority of 50%), the Board must vacate office and stand for re-election at another general meeting which must be convened within 90 days.

The Chairman of the Meeting intends to vote any undirected proxies in favour of this Resolution.

The Board, each acknowledging their personal interest, unanimously recommends that Shareholders vote in favour of this Resolution.

2.2 **RESOLUTION 2 – APPROVAL OF 10% PLACEMENT FACILITY**

2.2.1 **Background**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12-month period after the Meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (see below).

The Company continues to actively review new projects and investments. Should the Company utilise the 10% Placement Facility, it intends to use the funds to acquire new assets or investments, to conduct further work on its current businesses or to meet additional working capital requirements.

2.2.2 **Description of Listing Rule 7.1A**

Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting. This means it requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, Fully Paid Ordinary Shares and Convertible Notes.

Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D – E)

Where:

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

- plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid shares that became fully paid in the 12 months;
- plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- less the number of fully paid shares cancelled in the 12 months.

Note: A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D Is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

Minimum issue price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 trading days of the date in paragraph above, the date on which the Equity Securities are issued.

10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the Meeting at which the approval is obtained and expires on the earlier to occur of:

- the date that is 12 months after the date of the Meeting at which the approval is obtained; or
- the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

2.2.3 Listing Rule 7.1A

The effect of the Resolution will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

The Resolution is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

2.2.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 trading days of the date in paragraph above, the date on which the Equity Securities are issued.

If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. Shareholders may be exposed to economic risk and voting dilution, including the following:

- the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the market price of Shares as at 1 August 2019 (**Current Share Price**) and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Issue Price		
		\$0.10	\$0.20	\$0.40
		50% decrease in Current Share Price	Current Share Price	100% increase in Current Share Price
Current Variable A 73,556,472 Shares	10% Voting Dilution	7,355,647 Shares	7,355,647 Shares	7,355,647 Shares

	Funds raised	\$733,564.70	\$1,471,129.40	\$2,942,258.80
50% increase in current Variable A 110,334,708 Shares	10% Voting Dilution	11,033,470 Shares	11,033,470 Shares	11,033,470 Shares
	Funds raised	\$1,103,347	\$2,206,694	\$4,413,388
100% increase in current Variable A 147,112,944 Shares	10% Voting Dilution	14,711,294 Shares	14,711,294 Shares	14,711,294 Shares
	Funds raised	\$1,471,129.40	\$2,942,258.80	\$5,884,517.60

Notes:

The table has been prepared on the following assumptions:

- A assumes all of the resolutions under this Notice have been approved and the securities issued.
- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- No convertible debt security, debt security, or other Equity Security will be exercised into Shares before the date of the issue of the Equity Securities contemplated under this Notice;
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options or Performance Rights, it is assumed that those Options or Performance Rights are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- The Current Share Price is \$0.20 (20 cents), being the closing price of the Shares on ASX on 1 August 2019 (on a post-Consolidation basis).

The Company will only issue and allot the Equity Securities during the 10% Placement Period. Notwithstanding that such resolutions are contemplated in this Notice, the approval under this Resolution for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking) after the date of this meeting.

The Company may seek to issue the Equity Securities for the following purposes:

- non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

- cash consideration. In such circumstances, the Company intends to use the funds raised towards the acquisition of new assets or investments (including expenses associated with such acquisitions) and/or to meet additional working capital requirements.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

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 the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new businesses, assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new businesses, assets or investments.

A voting exclusion statement is included in the Notice. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this Notice.

2.2.5 Information under Listing Rule 7.3A.6(a)

The table below shows the total number of Equity Securities issued in the past 12 months and the percentages those issues represent of the total number of Equity Securities on issue at the commencement of the 12-month period.

Equity securities on issue at commencement of the 12-month period¹	73,556,472
Equity securities issued in the prior 12-month period	Nil
Percentage prior issues represent of total number of Equity Securities on issue at commencement of 12-month period	Nil

Notes:

¹ Post consolidation and assuming all Shares and Options to be issued under this Notice have been issued.

2.2.6 Board Recommendation

The Board recommends that Shareholders vote in favour of this Resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of this Resolution.

2.3 RESOLUTION 3 – CONSOLIDATION OF CAPITAL

2.3.1 Background

The purpose of this Resolution is to enable the Company to consolidate its Shares into a smaller number. This Resolution is subject to the passing of all Essential Resolutions, and Completion.

Section 254H(1) of the Corporations Act provides that the Company may convert all or any of its Shares into a larger or smaller number of Shares by a resolution passed at a general meeting of Shareholders.

For the reasons set out below, the Company is seeking Shareholder approval of the consolidation of issued ordinary shares into a smaller number of Shares in the ratio of 20:1, by way of an ordinary resolution pursuant to Section 254H of the Corporations Act.

2.3.2 Reasons for Consolidation

If the Proposed Transaction is approved and completed, the Company will have a large number of Shares on issue when considered in the context of the Company’s market capitalisation, and in comparison to other similarly capitalised companies listed on the ASX. The likely consequence of this will be that the market price per Share on the ASX will be relatively low.

In the interests of its Shareholders, the Board considers that the Consolidation will enable the Company to establish a Share price that is more appropriate for a listed entity of its size and market capitalisation following Completion.

The Board further believes that this will make the Company more attractive to potential investors. In addition, the Consolidation may have future potential cost saving benefits in terms of administrative costs.

With the Consolidation ratio set at 20:1, the Company does not need to apply to the ASX for a waiver from Listing Rule 2.1, as the Share price at Re-compliance will be greater than A\$0.20.

It should be noted, that while the Share price at which the Company has been suspended is \$0.011 or 1.1 cents, the VWAP of trading prior to suspension as follows:

VWAP	Price	Discount
30 day VWAP	\$0.0089	19.09%
60 day VWAP	\$0.0090	18.18%

2.3.3 Effect of Consolidation on Shareholders

As at the date of this Notice, the Company currently has 324,723,621 Shares on issue, and following Completion, it is anticipated this shareholding will represent 21.3% of the total capital on issue, i.e. in aggregate, the Company will have 1,390,629,449 Shares on issue (on a pre-Consolidation basis and excluding the Deferred Consideration Shares), following Completion.

The Consolidation will have the effect of reducing the number of Shares on issue as at the date of the Explanatory Statement to 69,531,472 Shares (excluding the Deferred Consideration Shares) (refer to capital structure table set out in Section 1.12 of the Explanatory Statement).

The Consolidation proposed by this Resolution is subject to and will be implemented prior to the Completion.

Individual holdings will be reduced in accordance with the Consolidation ratio. As the Consolidation applies equally to all Shareholders (subject only to the rounding of fractions to the nearest whole number), it will have no material effect on the percentage interest of each Shareholder in the Company. Further, the aggregate value of each member's proportional interest in the Company will not materially change solely as a result of the Consolidation as the only anticipated changes, which will be a result of rounding, will be immaterial.

Theoretically, the market price of each Share following the Consolidation should increase by 20 times its current value. Practically, the actual effect on the market price of each Share will be dependent upon on a number of factors which will not be within the control of the Company. Therefore, this may result in the market price of each Share following Consolidation being higher or lower than the theoretical post-Consolidation price.

2.3.4 Treatment of Options and convertible securities

Company does not, other than as stated in this Notice, currently have any Options or other securities convertible to Shares on issue.

Notwithstanding the above, the Company intends to issue Options following the results of this Meeting. On that basis, the same effect will be had on the number of Options on issue following the Consolidation and the market price of each Option following the Consolidation should increase by 20 times its current value. Practically, the actual effect on the market price of each Option will be dependent upon on a number of factors which will not be within the control of the Company. Therefore, this may result in the market price of each Option following Consolidation being higher or lower than the theoretical post-Consolidation price.

2.3.5 Timetable for Consolidation

If all Essential Resolutions are passed, the Consolidation will take effect in accordance with the timetable set out in the "Key Dates for Shareholders" Section of this Notice (as set out in Appendix 7A (paragraph 8) of the Listing Rules and is set out in further detail below:

Event	Timing (2019)
Despatch Notice to ACL shareholders	Tuesday, 13 August
Shareholder approval for Consolidation – the Company informs ASX that the Consolidation has been approved	Monday, 16 September
Send notice to ACL Shareholders and register Shares on a post-Consolidation basis and issue holding statements	Monday, 23 September

2.3.6 Taxation implications

Company has not considered any taxation implications for Shareholders that will arise out of the Consolidation. Shareholders are advised to seek independent tax advice in relation to the effect of the Consolidation. Neither the Company nor the Board accept any responsibility for any individual taxation implications arising out of the Consolidation.

2.3.7 Other information

The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision about the approval of this Resolution.

2.3.8 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors believes that the Consolidation is fair and reasonable to the Company's Shareholders as a whole and recommends that Shareholders vote in favour of this Resolution.

2.4 RESOLUTION 4 – CHANGE IN NATURE AND SCALE OF ACTIVITIES

2.4.1 Background

This Resolution seeks approval from Shareholders for the Proposed Transaction. As outlined in Section 1.7 of the Explanatory Statement, the Company has entered into the Share Sale Agreement to acquire all of the Sale Shares.

The Share Sale Agreement is subject to the Conditions. A detailed description of APH and its business is outlined in Section 1.3 of the Explanatory Statement.

The Proposed Transaction will change the nature of the Company's activities from a cancer stem cell research and development business to a hemp growing and production services company (as outlined in Section 1.3 of the Explanatory Statement).

2.4.2 Why approval is required under Listing Rule 11.1.2

Listing Rule 11.1 requires that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable. Listing Rule 11.1.2 provides, that, if ASX requires, the entity must get the approval of Shareholders and must comply with the requirements of ASX in relation to the Notice.

ASX has advised the Company that it has exercised its discretion to require the Company to seek the approval of Shareholders under Listing Rule 11.1.2 for a change in the nature and scale of the Company's activities as the Proposed Transaction will result in, among other things, a significant change in the nature and scale of the Company's activities and the consolidated annual revenue of the Company and a significant increase in the total Equity Securities of the Company.

Accordingly, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2.

ASX has also indicated to the Company that the change in the nature and scale of the Company's activities is a backdoor listing of APH which consequently requires the Company to (in accordance with Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules (including any ASX requirement to treat the Company's securities as restricted securities). Accordingly, the Company's securities have (and will continue to be) subject to a trading halt (or suspension) and thereby continue to cease trading on ASX's Official List prior to market open on the day of the Meeting. If the Resolutions are approved at the Meeting, it is expected that the Company's securities will remain suspended from quotation until the Company has acquired APH pursuant to the Share Sale Agreement and Re-compliance has occurred. If the Resolutions are not approved at the Meeting, the Company's securities will not be reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and the Corporations Act on the basis that the Company would fail to meet the minimum level of operations required of an ASX-listed company pursuant to Listing Rule 12.1.

2.4.3 Information required for the purposes of an approval pursuant to Listing Rule 11.1.2

In accordance with Section 7.1 of Guidance Note 12 the following information is provided with respect to a proposed approval sought in accordance with Listing Rule 11.1.2 as set out below. All information with respect to the Proposed Transaction is set out in Section 1.3 of the Explanatory Statement.

Information required	Particulars	
Parties to the Proposed Transaction	<ul style="list-style-type: none"> ▪ Sellers (being the current shareholders of APH) ▪ Company 	
Material terms of the Proposed Transaction	Please refer to Section 1.7 of the Explanatory Statement	
Potential financial effect on the Company and the Shareholders	Shareholding of existing Shareholders at Re-compliance will decrease to 21.3% (excluding the Deferred Consideration Shares).	
Details of how Company will effect the change to the nature and scale of its activities	<p>As the Shareholders are aware, Alchemia owns certain intellectual property relating to killing cancer stem cells. The development of this intellectual property (and related operations) ceased following trial failures in October 2014 and Alchemia has been assessing its options for shareholders which included looking for attractive assets since then.</p> <p>APH engages in hemp growing and production services as well as handling in all areas of the hemp seed selection, farming, processing and distribution to contract packaging, bulk and retail selling edible products.</p>	
Proposed change to the Board or senior management of the Company	Current Board Cameron Petricevic Melanie Leydin Lynden Polonsky	Proposed Board (post Re-compliance) Cameron Petricevic Charles Mann James Hood Pauline Gately
Timetable to implement the transaction	Refer to 'Key dates for Shareholders' Section of the Notice.	

2.4.4 Recommendation

Other than Cameron Petricevic, each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Other than Cameron Petricevic (who abstains from providing an opinion), each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.5 RESOLUTION 5 – REPLACEMENT OF CONSTITUTION

2.5.1 Background

A company may modify or repeal its constitution or a provision of its constitution by a special resolution of Shareholders.

This Resolution is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporation and the Listing Rules.

This will incorporate amendments to the Corporations Act and Listing Rules since the current Constitution was adopted in 2014.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating the name of the Company to that adopted pursuant to Resolution 13;
- updating references to regulatory bodies, terms or legislation that have been renamed; and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution (for example; requirements with respect to audit processes, record keeping and financial statements).

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in the Explanatory Statement.

A copy of the Proposed Constitution is available for review by Shareholders at *Alchemia.net.au* or at the office of the Company.

2.5.2 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.6 RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES AND CONSIDERATION OPTIONS

2.6.1 Background

Subject to the passing of all Essential Resolutions, this Resolution is an ordinary resolution which seeks the approval for the issue of up to:

- (a) 435,000,000 Consideration Shares; and
- (b) 153,846,154 Consideration Options;

to the Sellers (or their nominees) in consideration of the Proposed Transaction (as summarised in Section 2.6 of the Explanatory Statement) for the purposes of Section 611 (item 7) of the Corporations Act.

The remaining Consideration Shares and Consideration Options to be issued as part of the Proposed Transaction are set out in Resolution 8.

Following Completion and the issue of the Consideration Shares, Charles Mann will have a relevant interest in 231,000,000 Shares, representing a maximum of 15.2% voting power in the Company (including Deferred Consideration Shares). With regards to Cameron Petricevic's holdings following Completion, please see Section 2.8 of the Explanatory Statement.

James Hood's voting power includes the relevant interest in 6,405,828 Shares to be issued to him (or nominee) as legal holder but not beneficial holder of those Shares. The issue of these additional Shares to James Hood (or nominee) is part-consideration for the conversion of a loan provided by James Hood's related party to APH. For more information on the repayment of this loan, please see Section 2.9 of the Explanatory Statement.

Following Completion and the issue of the Consideration Shares, James Hood will have a relevant interest in 158,405,828 Shares, representing a maximum of 10.4% voting power in the Company (including Deferred Consideration Shares).

Accordingly, this Resolution seeks Shareholder approval for the purposes of Section 611 item 7 of the Corporations Act and all other purposes to enable the Company to issue the Consideration Shares to the Sellers.

2.6.2 **Section 611 (item 7) of the Corporations Act**

Section 606 of the Corporations Act – Statutory Prohibition

Section 606 of the Corporations Act prohibits the acquisition by a person of voting shares in a company where, because of the acquisition, that person's (or someone else's) voting power in the company:

- (a) increases from 20% or below to more than 20%; or
- (b) increases from a starting point that is above 20% and below 90%,

unless a specific exemption applies.

Voting Power

A person's voting power in a company is calculated in accordance with Section 610 of the Corporations Act by determining the voting shares in the company in which a person and their associates have a relevant interest.

Shareholders should note that, for the purposes of this Resolution, the Company has taken the conservative approach of assuming that the Sellers will be regarded as "associates" for the purposes of Section 606 of the Corporation Act on the basis that, by undertaking the Proposed Transaction, the Sellers are acting in concert in relation to the affairs of the Company.

On the assumption that the Sellers are deemed to be "associates" under the Corporations Act, the aggregate voting power of all of the Sellers will be combined in order to determine their increase in voting power under Section 606 of the Corporation Act.

Section 611 (item 7) of the Corporations Act provides an exception to the general prohibition under Section 606 where the acquisition is approved by a resolution of Shareholders.

Notwithstanding the above, no representation is made that the Key Personnel will become associates following Completion.

Relevant Interests and Voting Power

The following information is provided in relation to this Resolution (on a pre-Consolidation basis):

Parties with Relevant Interest and Voting Power	Shares	Options	Total securities following Reconciliation	Voting Power following Reconciliation (undiluted) ⁷	Voting Power following Reconciliation (diluted) ⁷
Charles Mann	231,000,000	26,269,231	257,269,231	15.2%	14.9%
James Hood	152,000,000	105,269,231	263,675,059	10.4%	15.3%
	6,405,828 ¹				
Other Sellers	52,000,000	22,307,692	74,307,692	3.4%	4.3%
Cameron Petricevic ^{2, 3}	99,999,996	24,338,071	124,338,067	6.6%	7.2%
Lynden Polonsky ⁴	7,500,000	NIL	7,500,000	0.5%	0.4%
Melanie Leydin ⁵	2,500,000	NIL	2,500,000	0.2%	0.1%
Pauline Gately ⁶	1,000,000	NIL	1,000,000	0.1%	0.1%
TOTAL	552,405,824	178,184,225	730,590,049	36.3%	42.3%

Notes:

¹ James Hood has a relevant interest in 152,000,000 Shares to be issued to him (or his nominee) as legal and beneficial holder plus 6,405,828 Shares to be issued to him (or his nominee, of which he has control) as legal holder but not beneficial holder of those Shares.

² Consideration Shares and Consideration Options that are to be issued to the Lead Manager (of which, Cameron Petricevic is a related party), are set out in Resolution 8, the proportions of which are set out in Section 2.8 of the Explanatory Statement.

³ Cameron Petricevic (through his nominee) intends to acquire A\$319,300 worth of Shares at the RTO Price as participation in the Capital Raising. For more information on Cameron Petricevic's beneficial holding, please see Section 2.17.2 and 3.2 of the Explanatory Statement.

⁴ Lynden Polonsky intends to acquire up to A\$75,000 worth of Shares at the RTO Price as participation in the Capital Raising. For more information, please see Section 2.17.2 of the Explanatory Statement.

⁵ Melanie Leydin intends to acquire up to A\$25,000 worth of Shares at the RTO Price as participation in the Capital Raising. For more information, please see Section 2.17.2 of the Explanatory Statement.

⁶ Pauline Gately intends to acquire up to A\$10,000 worth of Shares at the RTO Price as participation in the Capital Raising. For more information, please see Section 2.17.2 of the Explanatory Statement.

⁷ Percentage of security holdings is calculated based on the assumption that the Deferred Consideration Shares will be issued.

With regards to the voting power of each related party, this assumes:

- (a) the Company will have on issue, excluding the Deferred Consideration Shares, 1,390,629,449 Shares (on a pre-Consolidation basis) as at Completion;
- (b) the Company will have 207,085,685 Options (on a pre-Consolidation basis) on issue at Completion;
- (c) the Company will undertake the Consolidation on a 20:1 basis;
- (d) the Company does not issue any Shares or Options, other than as contemplated by this Notice; and
- (e) Company issues the maximum number of Shares under the Capital Raising, being 570,000,000 (on a pre-Consolidation basis).

2.6.3 Why approval is being sought under Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

The effect of this Resolution will be to allow the Company to issue 435,000,000 Shares and 153,846,154 Options on a pre-Consolidation basis during the period of 3 months after the Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.

2.6.4 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to this Resolution:

- (a) the number of Consideration Shares to be issued under this Resolution are 435,000,000 (on a pre-Consolidation basis) of which:
 - (i) 304,500,000 will be issued on Completion; and
 - (ii) 130,500,000 will be issued as Deferred Consideration Shares;
- (b) the number of Consideration Options to be issued are 153,846,154 (on a pre-Consolidation basis);
- (c) the Consideration Options to be issued will be at an exercise price that is 30% higher than the RTO Price of the Options and with an expiry date that is 3 years from the date on which the Options are issued;
- (d) the number of Deferred Consideration Shares to be issued are 130,500,000 (on a pre-Consolidation basis);
- (e) pursuant to an ASX Waiver, up to all of the Deferred Consideration Shares will be issued no later than 31 December 2020 and it is intended that issue of the Deferred Consideration Shares will occur (subject to no warranty claim under the Share Sale Agreement) following the Deferred Period;
- (f) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis); and

- (g) the Consideration Shares issued (and Deferred Consideration Shares to be issued) will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

2.6.5 Relief sought from Listing Rule 7.3.2

The Company has been granted an ASX Waiver pursuant to Section 1.15, to the extent necessary to permit the Company to issue the Deferred Consideration Shares later than 3 months from the date of approval at the Meeting under Listing Rule 7.1.

Specifically, if the Company proceeds with the Proposed Transaction, the Company will, as a result of the attainment of an ASX Waiver, issue up to all of the Deferred Consideration Shares by no later than 31 December 2020, which is intended to occur (subject to no warranty claim under the Share Sale Agreement) following the Deferred Period.

2.6.6 Why approval is being sought under Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act and must give the benefit within 15 months of such approval.

The issue of the Consideration Shares and the Consideration Options to Charles Mann and James Hood (or their nominees) are considered a 'financial benefit' under the Corporations Act.

If the Consideration Shares and Consideration Options to be issued under this Resolution are issued and exercised, the Company's issued share capital will increase by 383,000,000 Shares and 131,538,462 Options (on a pre-Consolidation basis). Assuming no other Shares or Options are issued following Completion, these Shares and Options will represent the following percentage of the issued share capital of the Company, diluting the Shareholders by a corresponding amount:

Related Parties	Voting Power following Reconciliation (undiluted) ¹	Voting Power following Reconciliation (diluted) ¹
Charles Mann	15.2%	14.9%
James Hood	10.4%	15.3%
Cameron Petricevic	6.6%	7.2%
Lynden Polonsky	0.5%	0.4%
Melanie Leydin	0.2%	0.1%
TOTAL	32.8%	37.9%

¹ Percentage of security holdings is calculated based on the assumption that the Deferred Consideration Shares will be issued.

(a) Additional information for Shareholders

The following information is provided in accordance with the Listing Rules and Section 219 of the Corporations Act.

Name of allottee / entity receiving the financial benefit	Charles Mann and James Hood (or their nominees).
Maximum number of securities to be issued	<ul style="list-style-type: none"> • 268,100,000 Consideration Shares at the RTO Price of \$0.01 each (on a pre-Consolidation basis); • 114,900,000 Deferred Consideration Shares at the RTO Price of \$0.01 each (on a pre-Consolidation basis); and • 131,538,462 Options (on a pre-Consolidation basis) at a strike price of 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation).
Date for issue and allotment of Shares and Options	If the Company proceeds with the Proposed Transaction and no warranty claim under the Share Sale Agreement is made, the Company will, as a result of the attainment of an ASX Waiver, issue the Deferred Consideration Shares by no later than 31 December 2020.
Relationship between the allottee and the Company giving rise to related party status	Charles Mann and James Hood will be Directors following Completion.
Issue price per Share / Option	<p>The Shares will be issued at a price of \$0.01 per Share (on a pre-Consolidation basis) as part of the Proposed Transaction.</p> <p>The Options will be issued for nil consideration. The Options strike price is 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation).</p>
Terms of the Shares / Option	<ul style="list-style-type: none"> • Shares <p>The Shares issued to Charles Mann and James Hood (or their nominees) will be issued as part of the Proposed Transaction and accordingly will rank equally with all other Shares on issue at the time those Shares are issued.</p> <ul style="list-style-type: none"> • Options <p>Each Option may be converted into one Share in the Company prior to the expiry date of the Options.</p> <p>The Options expire 3 years from the date on which they are issued if not exercised.</p> <p>The exercise price per Option is 30% above the RTO Price.</p> <p>The holders are not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the 'record date' for determining entitlements to the new issue of securities and participate as a result of holding Shares.</p> <p>If there is a reorganisation of capital then the rights of the holder (including the number of Options to which the holder is entitled to and the exercise price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.</p>

	<p>The Options are exercisable at any time on or prior to the Expiry Date (Exercise Period).</p> <p>Subject to escrow, the Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (Notice of Exercise) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.</p> <p>A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (Exercise Date).</p> <p>As soon as possible after the Exercise Date, the Company must (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and (iii) do all such things necessary to obtain the grant of official quotation of the Shares on ASX no later than 5 business days after issuing the share.</p> <p>Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.</p> <p>If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.</p> <p>There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 5 business days after the issue is announced so as to give Optionholders the opportunity to exercise their Options before the date for determining entitlements to participate in any such issue.</p> <p>An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.</p> <p>The Options will not be quoted on the ASX.</p> <p>The Options are fully transferrable, provided the transfer of the Options does not contravene section 707(3) of the Corporations Act 2001 (Cth).</p>
Use of funds raised	<ul style="list-style-type: none"> • Shares

NIL – consideration as part of the Share Sale Agreement.

- Options

If the Options are exercised, any funds raised will be applied towards the Company's working capital requirements.

2.6.7 Company's Intentions

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that neither allottee described in the table above nor any other Seller (nor any of their associates):

- have any present intention of making any significant changes to the business of APH;
- have any present intention to inject further capital into APH;
- have any present intention of making changes regarding the future employment of the present employees of APH;
- intend to redeploy any fixed assets of APH;
- intend to transfer any property between APH and the Sellers (or their associates); and
- intend to change APH's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning APH, its business and the business environment which I know to the Sellers at the date of this Notice.

2.6.8 Recommendation

Each Director has no interest in the outcomes of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution as it is on reasonable terms and for the reasons specified above.

2.7 RESOLUTION 7 – CAPITAL RAISING PURSUANT TO A PROSPECTUS

2.7.1 Background

As detailed in Section 1.3 of the Explanatory Statement, the Company proposes to undertake the Capital Raising to issue up to 570,000,000 (on a pre-Consolidation basis) at the RTO Price of A\$0.01 per Share pursuant to a Prospectus to raise up to A\$5,700,000 (before costs).

A summary of Listing Rule 7.1 is set out in Section 2.7.2 of the Explanatory Statement. The effect of this Resolution will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX) without using the Company's 15% annual placement capacity under Listing Rule 7.1.

In addition, the Shares to be issued pursuant to the Capital Raising will only be issued if ASX has confirmed that the Company has re-complied with Chapters 1 and 2 of the Listing Rules.

The Resolution is subject to the passing of all other Essential Resolutions.

2.7.2 Why approval is being sought under Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

The effect of this Resolution will be to allow the Company to issue up to 570,000,000 Shares on a pre-Consolidation basis during the period of 3 months after the Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.

2.7.3 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to this Resolution:

- (a) the number of Shares to be issued under the Capital Raising is up to 570,000,000 Shares (on a pre-Consolidation basis);
- (b) the 570,000,000 Shares will be issued no later than 3 months after the date of this meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis);
- (d) the Shares will be issued to the public at the Board's discretion pursuant to a public offer by Prospectus. Other than as stated in this Notice, none of these subscribers under this Resolution will be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Capital Raising in the manner set out in Section 1.14 of the Explanatory Statement.

2.7.4 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution as it is on reasonable terms and for the reasons specified above.

2.8 RESOLUTION 8 – ISSUE OF SHARES AND OPTIONS TO LEAD MANAGER

2.8.1 Background

APH has engaged Kentgrove Capital Pty Ltd as an M&A adviser (also referred to as the Lead Manager) to assist it with the Proposed Transaction. The number of securities to be issued to the Lead Manager is dependent on the success of the Capital Raising.

The Lead Manager will nominate an entity of Cameron Petricevic to receive 80% of the Lead Manager Shares and Lead Manager Options.

2.8.2 Why approval is being sought under Listing Rule 10.11

Listing Rule 10.11 requires a company to obtain the approval of shareholders before issuing securities to a related party of the Company, which includes issuing securities to a Director.

For the purposes of Listing Rule 10.11, the effect of this Resolution will be to allow the Company to issue 65,000,000 Consideration Shares and 30,422,589 Consideration Options (which will convert into Shares on a 1:1 basis) on a pre-Consolidation basis, as the Lead Manager is a related party of the Company on the basis that Cameron Petricevic is a Director. None of the Lead Manager Shares will be issued as Deferred Consideration Shares.

Of the above parcels of securities being issued to the Lead Manager, Cameron Petricevic (or nominee) will receive 52,000,000 Consideration Shares and 24,338,071 Consideration Options (which will convert into Shares on a 1:1 basis) on a pre-Consolidation basis for work done as the M&A adviser to APH.

In addition to the agreement between APH and the Lead Manager, the Lead Manager under a separate engagement with the Company to raise capital for the Company is entitled to, following Completion an equity raising fee of 6.0% plus GST of all capital raised during the Capital Raising and in relation to the Notes referred to in Section 1.8 (**Cash Fee**).

Listing Rule 10.13 requires that certain information is included in the Notice to approve a transaction for the purpose of Listing Rule 10.11. This information is set out below:

- (a) the number of Consideration Shares to be issued to the Lead Manager are 65,000,000 (on a pre-Consolidation basis);
- (b) the number of Consideration Options to be issued are 30,422,589 (on a pre-Consolidation basis);
- (c) the Consideration Options to be issued will be at an exercise price that is 30% higher than the RTO Price of the Options and with an expiry date that is 3 years from the date on which the Options are issued;
- (d) the Consideration Shares and Consideration Options will be issued on Completion and it is intended that issue of the Shares will occur on the same date;
- (e) pursuant to an ASX Waiver, the Lead Manager Shares and Lead Manager Options will be issued no later than 3 months after the date of this Meeting;
- (f) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis);
- (g) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (h) the Company intends to use the funds raised from the Capital Raising in the manner set out in Section 1.14 of the Explanatory Statement.

If Shareholder approval is given under Listing Rule 10.11, it is not required under Listing Rule 7.1, due to the operation of Listing Rule 7.2 Exception 14.

2.8.3 **Why approval is being sought under Chapter 2E of the Corporations Act**

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act and must give the benefit within 15 months of such approval.

The issue of the Consideration Shares and the Consideration Options and the payment of the Cash Fee to the Lead Manager (or its nominees) are considered a 'financial benefit' under the Corporations Act.

If the Consideration Shares and Consideration Options to be issued under this Resolution are issued and exercised, the Company's issued share capital will increase by 65,000,000 Shares and 30,422,589 Options

(on a pre-Consolidation basis). Assuming no other Shares or Options are issued following Completion, these Shares and Options will represent the following percentage of the issued share capital of the Company, diluting the Shareholders by a corresponding amount:

Related Parties	Voting Power following Reconciliation (undiluted) ¹	Voting Power following Reconciliation (diluted) ¹
Lead Manager (or its nominees)	4.3%	5.5%

¹ Percentage of security holdings is calculated based on the assumption that the Deferred Consideration Shares will be issued.

(a) **Additional information for Shareholders**

The following information is provided in accordance with the Listing Rules and Section 219 of the Corporations Act.

Name of allottee / entity receiving the financial benefit	Lead Manager (or its nominees)
Maximum number of securities to be issued	<ul style="list-style-type: none"> 65,000,000 Shares at the RTO Price of \$0.01 each (on a pre-Consolidation basis); and 30,422,589 Options (on a pre-Consolidation basis) at a strike price of 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation).
Date for issue and allotment of Shares and Options	If the Company proceeds with the Proposed Transaction, the Company will, as a result of the attainment of an ASX Waiver, issue the Lead Manager Shares and the Lead Manager Options no later than 3 months after the date of this Meeting.
Relationship between the allottee and the Company giving rise to related party status	Cameron Petricevic is a Director and is a Partner of the Lead Manager.
Issue price per Share / Option	<p>The Shares will be issued at a price of \$0.01 per Share (on a pre-Consolidation basis) as part of the Proposed Transaction.</p> <p>The Options will be issued for nil consideration. The Options strike price is 30% above the RTO Price, with a 3-year expiry term (commencing from the date of Reconciliation).</p>
Terms of the Shares / Option	<ul style="list-style-type: none"> Shares <p>The Shares issued to the Lead Manager will be issued as part of the Proposed Transaction and accordingly will rank equally with all other Shares on issue at the time those Shares are issued.</p> <ul style="list-style-type: none"> Options <p>Each option may be converted into at least one Share in the Company prior to the expiry date of the options.</p>

The options expire 3 years from the date on which they are issued if not exercised.

The exercise price per option is 30% above the RTO Price.

The holders are not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the 'record date' for determining entitlements to the new issue of securities and participate as a result of holding Shares.

If there is a reorganisation of capital then the rights of the holder (including the number of Options to which the holder is entitled to and the exercise price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation. The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

Subject to escrow, the Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

As soon as possible after the Exercise Date, the Company must (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and (iii) do all such things necessary to obtain the grant of official quotation of the Shares on ASX no later than 5 business days after issuing the share.

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 5

	<p>business days after the issue is announced so as to give Optionholders the opportunity to exercise their Options before the date for determining entitlements to participate in any such issue.</p> <p>An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.</p> <p>The Options will not be quoted on the ASX.</p> <p>The Options are fully transferrable, provided the transfer of the Options does not contravene section 707(3) of the Corporations Act 2001 (Cth).</p>
<p>Use of funds raised</p>	<ul style="list-style-type: none"> • Shares <p>NIL – consideration as part of the engagement of the Lead Manager and success of the Capital Raising.</p> <ul style="list-style-type: none"> • Options <p>If all of the Options are validly exercised, the sum of \$395,493.66 will be received by the Company and the funds will be applied towards the Company’s working capital requirements at that time.</p>

2.8.4 Recommendation

Other than Cameron Petricevic, each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Other than Cameron Petricevic (who abstains from providing an opinion), each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.9 RESOLUTION 9 – ISSUE OF SHARES AND OPTIONS TO THE CORPORATE ADVISOR

2.9.1 Background

Company has engaged the Corporate Advisor to provide services post Completion. The services will include (but are not limited to): broadening the Company’s profile both domestically and offshore, and running a process to identify potential strategic partners for the Company.

The Corporate Advisor shares and options are subject to Completion.

2.9.2 Why approval is being sought under Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company’s ordinary securities then on issue.

The effect of this Resolution will be to allow the Company to issue 40,000,000 Shares and 22,816,942 Options on a pre-Consolidation basis no later than 3 months after the date of this meeting without using the Company’s 15% placement capacity.

2.9.3 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to this Resolution:

- (a) the number of Shares to be issued to the Corporate Advisor are 40,000,000 (on a pre-Consolidation basis);
- (b) the number of Options to be issued to the Corporate Advisor are 22,816,942 (on a pre-Consolidation basis);
- (c) the Options to be issued to the Corporate Advisor will be at an exercise price that is 30% higher than the RTO Price of the Options and with an expiry date that is 3 years from the date on which the Options are issued to the Corporate Advisor;
- (d) subject to Completion and pursuant to an ASX Waiver, the Shares and Options to be issued to the Corporate Advisor will be issued no later 3 months after the date of this Meeting;
- (e) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis); and
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (g) If all of the Options to be issued to the Corporate Advisor are validly exercised, the Company will receive \$296,620.25 which funds raised will be applied towards the Company's working capital requirements at that time.

2.9.4 Terms of the Options

- (a) Each option may be converted into at least one Share in the Company prior to the expiry date of the options.
- (b) The options expire 3 years from the date on which they are issued if not exercised.
- (c) The exercise price per option is 30% above the RTO Price.
- (d) The holders are not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the 'record date' for determining entitlements to the new issue of securities and participate as a result of holding Shares.
- (e) If there is a reorganisation of capital then the rights of the holder (including the number of Options to which the holder is entitled to and the exercise price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (f) The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- (g) Subject to escrow, the Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (h) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

- (i) As soon as possible after the Exercise Date, the Company must (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and (iii) do all such things necessary to obtain the grant of official quotation of the Shares on ASX no later than 5 business days after issuing the share.
- (j) Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (k) If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.
- (l) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 5 business days after the issue is announced so as to give Optionholders the opportunity to exercise their Options before the date for determining entitlements to participate in any such issue.
- (m) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (n) The Options will not be quoted on the ASX.
- (o) The Options are fully transferrable, provided the transfer of the Options does not contravene section 707(3) of the Corporations Act 2001 (Cth).

2.9.5 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each Director recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.10 RESOLUTION 10 – ISSUE OF SHARES TO RELATED PARTY OF JAMES HOOD FOR DEBT CONVERSION

2.10.1 Background

As a Condition, the Company must repay debts to a related party of James Hood amounting to A\$168,984.08. Company has agreed with the related party of James Hood that the relevant debt will be satisfied by way of:

- (a) loan repayment amounting to A\$104,925.80; and
- (b) an issue of Shares amounting to 6,405,828 Shares (on a pre-Consolidation basis).

2.10.2 Why approval is being sought under Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

The effect of this Resolution will be to allow the Company to issue up to 6,405,828 Shares on a pre-Consolidation basis during the period of 3 months after the Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.

2.10.3 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to this Resolution:

- (a) the number of Shares to be issued to James Hood (or nominee) are 6,405,828 (on a pre-Consolidation basis);
- (b) the Shares will be issued no later than 3 months from the date of approval at the Meeting under Listing Rule 7.1;
- (c) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis); and
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

2.10.4 Why approval is being sought under Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act and must give the benefit within 15 months of such approval.

The issue of the Shares to James Hood (or his nominee) is considered a 'financial benefit' under the Corporations Act.

If the Shares to be issued under this Resolution are issued, the Company's issued share capital will increase by 6,405,828 Shares (on a pre-Consolidation basis). Assuming no other Shares are issued following Completion, these Shares will represent the following percentage of the issued share capital of the Company, diluting the Shareholders by a corresponding amount:

Related Party	Voting Power following Reconciliation (undiluted)	Voting Power following Reconciliation (diluted)
James Hood (or his nominee) as trustee	0.4%	0.4%

¹ Percentage of security holdings is calculated based on the assumption that the Deferred Consideration Shares will be issued.

(a) Additional information for Shareholders

The following information is provided in accordance with the Listing Rules and Section 219 of the Corporations Act.

Name of allottee / entity receiving the financial benefit	James Hood (or his nominee).
Maximum number of Shares to be issued	6,405,828 Shares at the RTO Price of \$0.01 each (on a pre-Consolidation basis).

Date for issue and allotment of Shares	If the Company proceeds with the Proposed Transaction, the Company will issue the Shares to James Hood (or nominee) no later than 3 months after the date of this Meeting.
Relationship between the allottee and the Company giving rise to related party status	James Hood will be a Director following Completion.
Issue price per Share	The Shares will be issued at a price of \$0.01 per Share (on a pre-Consolidation basis) as part of the Proposed Transaction.
Terms of the Shares	The Shares issued to James Hood (or his nominee) will be issued as part of the Proposed Transaction and accordingly will rank equally with all other Shares on issue at the time those Shares are issued.
Use of funds raised	NIL – consideration as part of the satisfaction of debt as outlined in Section 2.10.12.10.1 of the Explanatory Statement.

2.10.5 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution as it is on reasonable terms and for the reasons specified above.

2.11 RESOLUTION 11 – ISSUE OF SHARES TO NOTEHOLDER IN CONSIDERATION FOR NOTE CONVERSION

2.11.1 Background

Pursuant to this Resolution, the Company is seeking Shareholder approval for the issue of up to 80,000,000 Shares (on a pre-Consolidation basis) (being up to A\$800,000 worth of Shares) to the Noteholder as part of the Convertible Offer.

For more information on the Convertible Offer, please see Section 1.8 of the Explanatory Statement.

2.11.2 Why approval is being sought under Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

The effect of this Resolution will be to allow the Company to issue up to 80,000,000 Shares on a pre-Consolidation basis during the period of 3 months after the Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.

2.11.3 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to this Resolution:

- (a) the number of Shares to be issued to the Noteholder are 80,000,000 (on a pre-Consolidation basis);

- (b) the Shares will be issued no later than later than 3 months from the date of approval at the Meeting under Listing Rule 7.1;
- (c) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis); and
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

2.11.4 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution as it is on reasonable terms and for the reasons specified above.

2.12 RESOLUTION 12 – ISSUE OF SHARES TO ADVISORY BOARD MEMBERS

2.12.1 Background

Pursuant to this Resolution, the Company is seeking Shareholder approval for the issue of up to 2,000,000 Shares (on a pre-Consolidation basis) (being up to A\$20,000 worth of Shares) at NIL consideration to Dr. Jace Callaway, an advisory board member who is an unrelated party of the Company as consideration for providing consulting services to the Company following Reconciliation.

2.12.2 Dr. Jace Callaway

Dr. Jace Callaway is the developer of Finola, an established oilseed crop in Europe, Canada and more recently the USA. Finola was the first hemp variety that was developed for grain production, rather than fibre. He is also Founder and CEO of Finola Ltd., a private company that maintains the Finola variety in Finland. Dr. Callaway, an American born scientist, has lived in Finland since 1989. He earned his Ph.D. in medicinal chemistry in 1994 from the University of Kuopio, Finland (now University of Eastern Finland), where he is currently Adjunct Professor. He has published more than 80 articles on organic synthesis, analytical chemistry and natural products research. He has conducted human clinical trials on food and drug metabolism, with a special emphasis on plant medicines, functional foods and psychoactive substances. Dr. Callaway and his wife, co-owner Anita Hemmilä work to provide certified Finola hemp seed to the agriculture industry worldwide.

2.12.3 Why approval is being sought under Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

The effect of this Resolution will be to allow the Company to issue up to 2,000,000 Shares on a pre-Consolidation basis during the period of 6 months after the Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.

2.12.4 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to this Resolution:

- (a) the number of Shares to be issued to the advisory board members is up to 2,000,000 Shares (on a pre-Consolidation basis);

- (b) the Shares will be issued within 3 months;
- (c) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis); and
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

2.12.5 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.13 RESOLUTION 13 – CHANGE OF COMPANY NAME

2.13.1 Background

Subject to the passing of all Essential Resolutions, this Resolution is a special resolution which seeks approval of the Shareholders for the Company to change its name. Subject to the Resolution being passed and Completion, the Company proposes to change its name from "Alchemia Limited" to "Australian Primary Hemp Limited". The change will not, in itself, affect the legal status of the Company or any of its assets or liabilities.

2.13.2 Why approval is required under Section 157 of the Corporations Act

In accordance with Section 157 of the Corporations Act, Shareholder approval of this Resolution by special resolution is required.

Company will make an application to ASIC for the change of name to "Australian Primary Hemp Limited". The new name will take effect on the issue of a certificate of registration of change of name by ASIC.

If this Resolution is approved by Shareholders, the Company is proposing to seek to change its ASX code to "APH".

This Resolution is a special resolution. In this regard, at least 75% of the votes cast by Shareholders present and eligible to vote (in person or by proxy) at the Meeting must be in favour of the Resolution for it to be passed.

2.13.3 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution as it is on reasonable terms and for the reasons specified above.

2.14 RESOLUTIONS 14 TO 16 – APPOINTMENT OF PROPOSED DIRECTORS

2.14.1 Background

Subject to the passing of all Essential Resolutions, these Resolutions are each an ordinary resolution that provides for the approval of the appointment of a person as a Director. The appointment of each Director will become effective only on and from the date on which the Proposed Transaction is completed.

In order for the Proposed Directors to be eligible for election, the Proposed Directors, or a Shareholder intending to propose their nomination, must leave at the Registered Office at least 30 business days before the Meeting, a written notice from the Proposed Directors consenting to their nomination and signifying their candidature for the office, or a written notice from a Shareholder signifying their intention to nominate the Proposed Directors.

Pursuant to these Resolutions, Charles Mann, James Hood and Pauline Gately seek election from Shareholders to be appointed on Completion.

Each of the Proposed Directors can be found at Section 1.6 of the Explanatory Statement.

2.14.2 Recommendation

Aside from Cameron Petricevic (who intends to be re-elected as a Director under Resolution 18), each existing Director will resign from the Board following Completion, and with the exception of their interest in the Company as existing Shareholders, the existing Directors have no interest in the outcome of these Resolutions. Each of the existing Directors recommends that Shareholders vote in favour of these Resolutions.

2.15 RESOLUTIONS 17 – RE-ELECTION OF DIRECTOR – CAMERON PETRICEVIC

2.15.1 Background

The Constitution requires that at every annual general meeting, the longest serving Director since last election shall retire from office and, provided that such Director is eligible for re-election, may be re-elected as a Director.

Please see Section 1.6 of the Explanatory Statement for Mr Petricevic's profile.

2.15.2 Recommendation

Aside from Cameron Petricevic, each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.16 RESOLUTION 18 – NON-EXECUTIVE DIRECTOR'S REMUNERATION

2.16.1 Background

In accordance with Listing Rule 10.17, Shareholder approval is sought to vary the maximum aggregate amount of Directors' fees per annum that may be paid by the Company to its non-executive Directors (**Fee Pool**).

Under the Listing Rules, Listing Rules, the term "directors' fees" includes committee fees, superannuation contributions and fees which a director sacrifices for other benefits, but does not include reimbursement of genuine out-of-pocket expenses, genuine "special exertion" fees or securities issued to non-executive directors with approval of Shareholders in accordance with the Listing Rules.

The Directors are seeking Shareholder approval to decrease the Fee Pool (which was approved at an annual general meeting of ACL Shareholders on 10 November 2014) from \$750,000 down to \$300,000 (being a decrease of \$450,000) in aggregate for the following reasons:

- (a) the proposed Fee Pool will provide the Board with the ability to appoint additional Directors with the requisite skills and experience as appropriate; and
- (b) the proposed Fee Pool will ensure that the Company maintains the ability to pay non-executive Directors remuneration at levels commensurate with market rates and as necessary to attract and retain Directors of the highest calibre.

The Proposed Directors do not intend utilising the entire maximum sum of \$300,000 in the first instance. By decreasing the maximum amount that can be paid to Non-executive Directors to an amount that the Directors believe to be reasonable for the Company, the Directors will have the flexibility to seek new independent Non-executive Directors to the Board as and when appropriate or to increase fees payable to existing Directors in line with market changes.

No non-executive Director has been issued securities in the Company in the preceding three years under Listing Rule 10.11 and 10.14. Notwithstanding the above, as at the date of this Notice, the following Non-executive Director holds the following Shares, which were acquired on market prior to becoming a board member:

Non-executive Director	No. of Shares (pre-Consolidation basis)	% of issued Share capital
Cameron Petricevic	16,069,996	4.95%

2.16.2 Recommendation

The Directors are satisfied that the proposed Fee Pool will be within the average bands applying to companies within the Company’s industry that are of similar size, profitability, growth and risk profiles and that the proposed increase is appropriate for the reasons set out above.

2.17 RESOLUTION 19 – PARTICIPATION OF DIRECTORS IN THE CAPITAL RAISING – CAMERON PETRICEVIC, LYNDEN POLONSKY, MELANIE LEYDIN AND PAULINE GATELY

2.17.1 Background

Pursuant to this Resolution, the Company is seeking Shareholder approval for the issue of up to 31,930,000 Shares to Cameron Petricevic, 7,500,000 Shares to Lynden Polonsky, 2,500,000 Shares to Melanie Leydin and 1,000,000 Shares to Pauline Gately (on a pre-Consolidation basis) at the RTO Price to raise up to (in aggregate) \$429,300 (before costs) by way of participation in the Capital Raising (**Capital Raising Shares**).

For the avoidance of doubt, this Resolution does not constitute acceptance by each Director to participate in the Capital Raising.

2.17.2 Why approval is being sought under Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the public company’s members in the manner set out in Sections 217 to 227 of the Corporations Act and must give the benefit within 15 months of such approval.

The issue of the Shares to Cameron Petricevic, Lynden Polonsky, Melanie Leydin and Pauline Gately (or their nominees) under this Resolution is considered a ‘financial benefit’ under the Corporations Act.

If the Shares to be issued under this Resolution are issued and exercised, the Company's issued share capital will increase by 42,930,000 Shares (on a pre-Consolidation basis). Assuming no other Shares are issued following Completion, these Shares will represent the following percentage of the issued share capital of the Company, diluting the Shareholders by a corresponding amount:

Related Parties	Voting Power following Reconciliation (undiluted)	Voting Power following Reconciliation (diluted)
Cameron Petricevic	6.6%	7.2%
Lynden Polonsky	0.5%	0.4%
Melanie Leydin	0.2%	0.1%
Pauline Gately	0.1%	0.1%
TOTAL	7.3%	7.8%

(a) **Additional information for Shareholders**

The following information is provided in accordance with the Listing Rules and Section 219 of the Corporations Act.

Name of allottee / entity receiving the financial benefit	<ul style="list-style-type: none"> • Cameron Petricevic (or nominee) • Lynden Polonsky (or nominee) • Melanie Leydin (or nominee)
Maximum number of Shares to be issued	<ul style="list-style-type: none"> • 31,930,000 Shares to Cameron Petricevic; • 7,500,000 Shares to Lynden Polonsky; • 2,500,000 Shares to Melanie Leydin; and • 1,000,000 Shares to Pauline Gately, <p>at the RTO Price of \$0.01 each (on a pre-Consolidation basis).</p>
Date for issue and allotment of Shares	If the Company proceeds with the Proposed Transaction, the Company will, as a result of the attainment of an ASX Waiver, issue the Capital Raising Shares no later than 3 months after the date of this Meeting.
Relationship between the allottee and the Company giving rise to related party status	<ul style="list-style-type: none"> • Cameron Petricevic is a current Director and will continue to be a Director following Completion. • Lynden Polonsky is a current Director. • Melanie Leydin is a current Director. • Pauline Gately is a Proposed Director.
Issue price per Share	The Shares will be issued at a price of \$0.01 per Share (on a pre-Consolidation basis) as part of the Proposed Transaction.
Terms of the Shares	The Shares issued to Cameron Petricevic, Lynden Polonsky, Melanie Leydin and Pauline Gately (or their nominees) will be issued as part of the Capital Raising and accordingly will rank equally with all other Shares on issue at the time those Shares are issued.
Use of funds raised	Any funds raised as a result of the issue of the Shares under this Resolution will be applied in the same manner as the funds raised under the Proposed Transaction. Refer to section 1.14 of the Explanatory Statement.

2.17.3 Why approval is being sought under Listing Rule 10.11

Listing Rule 10.11 requires a company to obtain the approval of shareholders before issuing securities to a related party of the Company, which includes issuing securities to a Director.

For the purposes of Listing Rule 10.11, Cameron Petricevic may participate and subscribe for up to 31,930,000 Shares, Lynden Polonsky may participate and subscribe for up to 7,500,000 Shares, Melanie Leydin may participate and subscribe for up to 2,500,000 Shares and Pauline Gately may participate and subscribe for up to 1,000,000 Shares totalling 42,930,000 Shares as the total capacity to be subscribed for by the Directors and Proposed Directors under this Resolution as related parties of the Company.

Listing Rule 10.13 requires that certain information is included in the Notice to approve a transaction for the purpose of Listing Rule 10.11. This information is set out below:

- (a) the number of Shares to be issued to the Directors and Proposed Directors under this Resolution are 42,930,000 (on a pre-Consolidation basis);
- (b) pursuant to an ASX Waiver, the Capital Raising Shares will be issued no later than 3 months after the date of this Meeting;
- (c) the RTO Price will be A\$0.01 per Share (on a pre-Consolidation basis);
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) the Company intends to use the funds raised from the Capital Raising in the manner set out in Section 1.14 of the Explanatory Statement.

2.17.4 Recommendation

Each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.18 RESOLUTION 20 – ADOPTION OF EQUITY INCENTIVE PLAN

2.18.1 Background

The Company has adopted the Equity Incentive Plan in order to assist in the motivation and retention of selected Company employees. The Equity Incentive Plan is designed to align the interests of eligible employees more closely with the interests of the Company by providing an opportunity for eligible employees to receive an equity interest in the Company. Under the Equity Incentive Plan, eligible employees may be offered performance rights, options, loan shares, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board.

Subject to the passing of all Essential Resolutions, this Resolution is an ordinary resolution that provides for the adoption of the Equity Incentive Plan (**EIP**) to provide ongoing incentives to any full time or part time employee of the Company or any of its subsidiaries (including a Director or company secretary of the Company or its subsidiaries who holds salaried employment with the Company or its subsidiaries on a full or part time basis), or a consultant, who is determined by the Board to be eligible to receive grants of Options under the EIP (**Eligible Participants**).

The key terms of the EIP are outlined in Section 2.18.4 of the Explanatory Statement.

2.18.2 Approvals required

Pursuant to the Listing rule 7.2 (Exception 9), this Resolution seeks Shareholder approval to the issue of performance rights, options, loan shares, deferred share awards or exempt share awards under, and pursuant to, the rules of the EIP as an exception to Listing Rule 7.1 for 3 years.

If this Resolution is passed, the Company will be able to grant performance rights, options, loan shares, deferred share awards or exempt share awards to Eligible Participants (or their approved nominee) under the EIP following achievement of the vesting conditions (if any). The vesting conditions applicable to any particular performance rights, options, loan shares, deferred share awards or exempt share awards to be issued under the EIP may vary and will be set at the time of grant at the discretion of the Board and under the terms of the EIP.

It is considered by the Directors that the adoption of the EIP and the future grant of performance rights, options, loan shares, deferred share awards or exempt share awards will provide Eligible Participants with the opportunity to participate in the future growth of the Company. In the case of the grant to a director under the EIP, the acquisition of these securities will require Shareholder approval in accordance with Listing Rule 10.14.

As at the date of this Notice, the EIP has not been established by the Company and subsequently no securities have been issued under the EIP.

2.18.3 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period that that amount that represents 15% of the number of fully paid ordinary securities on issue on the commencement of that 12 month period.

One of the exceptions to Listing Rule 7.1 is Listing Rule 7.2 (Exception 9), which provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the 3 years before the date of issue, shareholders have approved the issue of the securities as an exception to Listing Rule 7.1.

If this Resolution is passed, the Company will be able to issue performance rights, options, loan shares, deferred share awards or exempt share awards to Directors (which will require separate Shareholder approval in accordance with Listing Rule 10.14 at the relevant time), and employees of the Company pursuant to the EIP during the period of 3 years after the Meeting (or a longer period, if allowed by ASX), and to issue Shares to those persons if they achieve the vesting conditions of the performance rights, options, loan shares, deferred share awards or exempt share awards issued, without using the Company's 15% rolling 12 month placement capacity.

2.18.4 Key Terms

The key terms of the Equity Incentive Plan are summarised below.

(a) Employee Rights

Under the Equity Incentive Plan, the Company may offer or issue to eligible employees, the following Employee Rights:

- **performance rights:** a right to be issued or provided with a Share at nil issue price on specific vesting conditions being achieved;
- **options:** a right to be issued or provided with a Share on payment of an exercise price and which can only be exercised if specific vesting conditions are achieved;
- **loan shares:** Shares issued subject to a limited recourse loan and at nil interest rate, subject to specific vesting conditions ;

- **deferred share awards:** Shares issued to employees:
 - who elect to receive Shares in lieu of any wages, salary, director's fees, or other remuneration; or
 - by the Company in its discretion, in addition to their wages, salary and remuneration, or in lieu of any discretionary cash bonus or other incentive payment; or
- **exempt share awards:** Shares issued for no consideration or at an issue price which is a discount to the market price with the intention that up to \$1,000 (or such other amount which is exempted from tax under the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) from time to time) of the total value or discount received by each employee will be exempt from tax.

(b) **Eligible employees**

Employee Rights may be granted at the discretion of the Board to any person who is an employee, officer, director or consultant of a member of the Merged Group.

(c) **Price**

The Board has discretion to determine the issue price and/or exercise price for the Employee Rights.

(d) **Vesting and exercise of Employee Rights**

The Employee Rights held by a participant will vest in and become exercisable by that participant upon the satisfaction of any vesting conditions specified in the offer and in accordance with the rules of the Equity Incentive Plan. Vesting conditions may be waived at the discretion of the Board.

(e) **Change of control**

In the event a takeover bid is made to acquire all of the Shares on issue, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid, the Board may waive unsatisfied vesting conditions in relation to some or all Employee Rights. Further, if a takeover bid is made to acquire all of the Shares on issue, participants may accept the takeover bid in respect of any Employee Rights (other than exempt share awards) which they hold notwithstanding the restriction period in respect of those Employee Rights has not expired.

(f) **Claw-back**

If any vesting conditions of an Employee Rights are mistakenly waived or deemed satisfied when in fact they were not satisfied, then in accordance with the terms of the Equity Incentive Plan, the Board may determine that the relevant Employee Rights expire (if not yet exercised), or it may otherwise recover from the participant some or all Shares issued upon exercise of the Employee Rights or any proceeds received from the sale of those shares.

(g) **Variation of Share capital**

If prior to the exercise of an Employee Right, Company undergoes a reorganisation of capital or bonus issue, the terms of the Company Employee Right will be changed to the extent necessary to comply with the Listing Rules.

2.19 **RESOLUTION 21 – ELECTION OF DIRECTOR – LYNDEN POLONSKY**

2.19.1 **Background**

Lynden Polonsky was elected as a director on 5 March 2019 to fill a casual vacancy and retires in accordance with the Company's Constitution and is eligible for election.

If the Essential Resolutions are not all passed, the Company will still require three directors and as such Mr Polonsky has agreed to be retained as a Director (subject to shareholder approval).

If the Essential Resolutions are all passed, this Resolution will not be put to Shareholders.

2.19.2 **Lynden Polonsky's profile**

Mr Polonsky has over 15 years' experience within the finance industry. Mr Polonsky has provided merger, acquisition, divestment and capital markets advice across a range of industries and sectors including natural resources, infrastructure, renewable energy, healthcare and retail. Mr Polonsky has worked for leading global investment banks and was a founding partner at a boutique corporate advisory firm.

2.19.3 **Recommendation**

Aside from Lynden Polonsky, each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

2.20 **RESOLUTION 22 – ELECTION OF DIRECTOR – MELANIE LEYDIN**

2.20.1 **Background**

Melanie Leydin was elected as a director on 5 March 2019 to fill a casual vacancy and retires in accordance with the Company's Constitution and is eligible for election.

If the Essential Resolutions are not all passed, the Company will still require three directors and as such Ms Leydin has agreed to be retained as a Director (subject to shareholder approval).

If the Essential Resolutions are all passed, this Resolution will not be put to Shareholders.

2.20.2 **Melanie Leydin's profile**

Ms Leydin is a Chartered Accountant, Registered Company Auditor and is Alchemia's Company Secretary. Ms Leydin's experience in public company responsibilities includes ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations. Ms Leydin has over 25 years' experience in the accounting profession, 13 years' experience as a company secretary and is a director and company secretary for a number of entities listed on the Australian Securities Exchange.

2.20.3 **Recommendation**

Aside from Melanie Leydin, each Director has no interest in the outcome of this Resolution, other than as an existing Shareholder. Each of the Directors recommends that Shareholders vote in favour of this Resolution for the reasons specified above.

3 OTHER INFORMATION

3.1 Scope of disclosure

Company is required to provide to Shareholders all information which is known to the Company that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interest to pass the Resolutions.

Company is not aware of any relevant information that is material to the decision on how to vote on the Resolutions, other than as is disclosed in the Explanatory Statement or previously disclosed to Shareholders by notification to the ASX.

3.2 Voting intentions and relevant interest of the Directors

The number of Shares in which each Director has a relevant interest as at the date of this Notice is set out in the table below:

Director	No. of Shares (pre-Consolidation basis)	% of issued Share capital
Cameron Petricevic	16,069,996	4.95%
Melanie Leydin	NIL	NIL
Lynden Polonsky	NIL	NIL
TOTAL	16,069,996	4.95%

3.3 Recommendation

Except as otherwise stated, the Directors unanimously recommend that, in the context of the Company's current circumstances, Shareholders should vote to approve all of the Resolutions to be put to the Meeting.

However, Shareholders must decide how to vote based on the matters set out in the Explanatory Statement.

3.4 Taxation

Company understands that it may rely on the continuity of ownership test in relation to some of its carry-forward losses accrued from 1 July 2004 in the context of the Proposed Transaction.

Nevertheless, the Proposed Transaction may give rise to tax implications for Shareholders.

Shareholders are advised to seek their own taxation advice on the effect of all Resolutions on their personal position. Neither the Company, nor the Directors or any advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Proposed Transaction or the other Resolutions proposed at the Meeting.

4 GLOSSARY

Capitalised terms used in the Notice and the Explanatory Statement have the following meanings:

\$ means Australian dollars (unless otherwise indicated to the contrary);

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2019;

Auditor's Report means the auditor's report on the Financial Report;

APH means Australian Primary Hemp Pty Ltd (ACN 614 061 951);

ASIC means the Australian Securities and Investments Commission;

ASX means the Australian Securities Exchange or ASX Limited as the context requires;

ASX Waiver means the ASX waivers that have been granted by ASX set out in Section 1.15;

Australian Accounting Standards means the Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations;

Board means the board of Directors from time to time;

Cannabinoids are chemical compounds found in cannabis and produced by the human body that interacts with our bodies' receptors. Phytocannabinoids are plant-derived cannabinoids produced by granular trichomes covering the surface of the cannabis plant. THC and CBD are not only the most well-known, but also the most prevalent cannabis compounds;

Capital Raising means a capital raising to be undertaken by Alchemia under the Prospectus, under which Alchemia proposes to raise up to A\$5,700,000, such funds to be received net of fees and expenses or such other amount as agreed between Alchemia and the Sellers;

Capital Raising Shares means those shares being issued to related parties under Resolution 19;

CBD means cannabidiol, which is believed to interact with the body through the body's own cannabinoid system (called the endocannabinoid systems), which regulates (amongst other things) mood, memory, appetite, and pain perception;

Chairman means the person appointed to chair the Meeting of the Company convened by the Notice;

Commitment has the meaning given to it in Section 1.9;

Company means Alchemia Limited (ACN 071 666 334);

Completion means completion of the Proposed Transaction;

Conditions means the conditions precedent with regards to the Share Sale Agreement;

Consideration Options means Options to be issued on a pre-Consolidation basis, as consideration for the Company's acquisition of all of the issued capital in APH;

Consideration Shares means Shares to be issued on a pre-Consolidation basis, as consideration for the Company's acquisition of all of the issued capital in APH;

Consolidation means the proposed consolidation of the Company's share capital into a smaller number in the ratio of 20 to 1, the subject of Resolution 3;

Constitution means the constitution of the Company as at the date of the Notice;

Convertible Offer means the offer of up to 800,000 Notes at a price per Note of A\$1.00, in consideration for raising in aggregate up to A\$800,000, as outlined in further detail in Section 1.8 of the Explanatory Statement;

Corporate Advisor means Canaccord Genuity (Australia) Limited (ACN 075 071 466);

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

Deferred Consideration Shares has the meaning given to it in Section 1.3.1 of the Explanatory Statement;

Deferred Period has the meaning given to it in Section 1.3.1 of the Explanatory Statement;

Director(s) means the directors of the Company from time to time;

Directors Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

EIP means the Company's Equity Incentive Plan and as otherwise set out in Section 2.18.1 of the Explanatory Statement;

Equity Securities has the meaning given to it in the Listing Rules;

Essential Resolutions means the inter-conditional Resolutions in this Notice, being all Resolutions excluding Resolutions 1, 2, 13 and 19;

Explanatory Statement means the explanatory statement that accompanies the Notice;

Facility Agreement means the secured loan facility agreement entered into by APH (as borrower) and the Company (as lender) on 17 April 2019;

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

FSCANZ means the Australia New Zealand Food Standards Code;

Independent Expert means RSM Australia Pty Limited (ACN 106 618 366);

Independent Expert's Report means the independent expert report prepared by the Independent Expert accompanying the Notice in Schedule 1;

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

Key Personnel means Charles Mann and James Hood;

Lead Manager means Kentgrove Capital Pty Ltd (ACN 150 638 627);

Lead Manager Options means the options to be issued in APH to the Lead Manager, being 30,422,589 options which, on exercise of these options, the Lead Manager will be entitled to be issued that number of Consideration Options at the RTO Price, the exercise of which will occur immediately prior to Completion (and as otherwise described in Section 2.8 of the Explanatory Statement);

Lead Manager Shares means the shares to be issued in APH to the Lead Manager being 65,000,000 options which, on exercise of these options, the Lead Manager will be entitled to be issued that number of Consideration Shares

equal to A\$650,000 at the RTO Price, the exercise of which will occur immediately prior to Completion (and as otherwise described in Section 2.8 of the Explanatory Statement);

Listing Rules means the Listing Rules of the ASX;

Meeting means the meeting of the Company to be held at Holding Redlich Lawyers, Level 8, 555 Bourke Street, Melbourne VIC 3000 on Monday, 16 September 2019 at 10:00 (AEST);

Noteholder means Interdale Pty Ltd and John Anthony McIntosh, both unrelated party of APH and the Company that has subscribed for Notes, the terms of which are outlined in further detail in Section 1.8 of the Explanatory Statement;

Notes means the unsecured convertible notes on issue in APH as outlined in further detail in Section 1.8 of the Explanatory Statement;

Notice means the notice convening the Meeting;

Option means an Option to acquire Shares;

Proposed Transaction means the proposed acquisition by the Company of 100% of the Sale Shares, the issue of the Consideration Shares and Consideration Options by the Company, and the Re-compliance (and as otherwise described in Section 1.3.1 of the Explanatory Statement);

Proxy Form means the proxy form accompanying the Notice;

Re-compliance means the reinstatement of the Shares to official quotation but subject to the relevant escrow or restriction agreement if required by ASX following Alchemia re-complying with Chapters 1 and 2 of the Listing Rules to the satisfaction of ASX;

Remuneration Report means the remuneration report which forms part of the Directors' Report of Alchemia Limited for the financial year ended 30 June 2019 and which is set out in the 2019 Annual Report.

Resolution means a resolution to be voted on at the Meeting, the details of which are set out in the Notice;

RTO Price means the per Share as at Re-compliance subject to any price under \$0.20 being the subject of an ASX waiver, as agreed between the Company, APH and the Lead Manager;

Sale Shares means 100% of the issued capital of APH, being 1,305 fully paid ordinary shares in APH;

Schedule means a schedule to the Notice;

Sellers means the current shareholders of APH;

Share means a fully paid ordinary share in the capital of the Company;

Share Sale Agreement means the binding conditional share sale agreement between the Company, APH and the Sellers with respect to the Proposed Transaction dated 20 June 2019;

Shareholder means a holder of a Share;

THC means Delta-9-tetrahydrocannabinol, which has a predominant psychoactive effect and occurs in higher levels in some varieties of *Cannabis indica* plants, typically described as *marijuana*;

VWAP means volume weighted average price per Share.

SCHEDULE 1: INDEPENDENT EXPERT'S REPORT

See following page.

Shareholders should carefully consider the Independent Expert's Report for the purposes of Shareholder approval under Section 611 (item 7) of the *Corporations Act* in relation to Resolution 6. The Independent Expert's Report comments on the fairness and reasonableness to the non-associated Shareholders of the issue of Shares under this Resolution. The Independent Expert has determined that the issue is **not fair but reasonable** to the non-associated Shareholders.



ALCHEMIA LIMITED

Financial Services Guide and Independent Expert's Report

6 August 2019

FINANCIAL SERVICES GUIDE

6 August 2019

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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The Directors
Alchemia Limited
Level 4, 100 Albert Road
South Melbourne, VIC, 3205

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Annual General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for an Annual General Meeting of Alchemia Limited ("ACL" or "the Company") to be held on or around 12 September 2019, at which shareholder approval will be sought for a number of resolutions relating to the acquisition (the "Proposed Transaction") of Australian Primary Hemp Pty Ltd ("APH"), as set out below:

Resolution 1 - Approval of the Remuneration Report

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That the Remuneration Report as set out in the Annual Report of the Company for the financial year ended 30 June 2019 be adopted."

An explanation of this item is to be found in the Explanatory Statement.

The vote on this resolution is advisory only and is not intended to bind the Directors or the Company.

Resolution 2 - Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following Resolution as a special resolution:

"That, pursuant to and in accordance with 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 Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."

Resolution 3 - Consolidation of Capital

To consider and if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to all Essential Resolutions being passed, and for the purposes of Section 254H of the Corporations Act, and for all other purposes, approval is given for the share capital of the Company to be consolidated through the conversion of:

- (a) every twenty (20) Shares into one (1) Share; and*
- (b) every twenty (20) Options into one (1) Option;*

with fractions of a Share or an Option being rounded down to the nearest whole number, and the conversion to take effect in accordance with the timetable set out in the Explanatory Statement."

Resolution 4 - Change in Nature and Scale of Activities

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions, in accordance with Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to complete the Proposed Transaction as described in the Explanatory Statement and to consequently make a significant change to the nature and scale of its activities."

Resolution 5 - Replacement of Constitution

To consider and, if thought fit, to pass the following Resolution as a special resolution:

"That, subject to the passing of all Essential Resolutions, for the purposes of Section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new Constitution in its place in the form as signed by the chairperson of the meeting for identification purposes."

Resolution 6 - Issue of Consideration Shares and Consideration Options

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1, Section 208 and Section 611 (item 7) of the Corporations Act and all other purposes, approval is given for the Company to issue to the Sellers (or their nominees) up to:

- (a) 435,000,000 Consideration Shares; and*
- (b) 153,846,154 Consideration Options,*

on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Resolution 7 - Capital Raising pursuant to a Prospectus

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the Company to issue up to 570,000,000 Shares at A\$0.01 on a pre-Consolidation basis in consideration for the Capital Raising and otherwise on the terms described in the Explanatory Statement."

Resolution 8 - Issue of Shares and Options to the Lead Manager

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and for the purposes of Listing Rule 10.11, Section 208 of the Corporations Act and all other purposes, approval is given for the issue to the Lead Manager (or its nominee):

- (a) 65,000,000 Shares; and*
- (b) 30,422,589 Options,*

on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Resolution 9 - Issue of Shares and Options to the Corporate Advisor

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the issue to the Corporate Advisor (or its nominee):

- (a) 40,000,000 Shares; and*
- (b) 22,816,942 Options,*

on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Resolution 10 - Issue of Shares to Related Party of James Hood in consideration for debt conversion

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1, Section 208 of the Corporations Act and all other purposes, approval is given for the Company to issue to a related party of James Hood (or its nominee) 6,405,828 Shares on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Resolution 11 - Issue of Shares to Noteholder in consideration for Note conversion

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the Company to issue to the Noteholder up to 80,000,000 Shares on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Resolution 12 - Issue of Shares to Advisory Board Member

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions, for the purposes of Listing Rule 7.1 and all other purposes, approval is given for the issue of up to 2,000,000 Shares on a pre-Consolidation basis to Dr Jace Callaway and otherwise on the terms described in the Explanatory Statement."

Resolution 13 - Change of Company Name

To consider and, if thought fit, to pass the following Resolution as a special resolution:

"That, subject to Completion, and in accordance with Section 157(1) of the Corporations Act, and for all other purposes, the Company change its name from "Alchemia Limited" to "Australian Primary Hemp Limited".

Resolution 14 - Election of Director – Charles Mann

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and in accordance with clause 47 of the Constitution and for all other purposes, Charles Mann, having provided conditional consent to act as a Director from Completion, be elected as a Director with effect from Completion."

Resolution 15 - Election of Director – James Hood

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and in accordance with clause 47 of the Constitution and for all other purposes, James Hood, having provided conditional consent to act as a Director from Completion, be elected as a Director with effect from Completion."

Resolution 16 - Election of Director – Pauline Gately

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and in accordance with clause 47 of the Constitution and for all other purposes, Pauline Gately, having provided conditional consent to act as a Director from Completion, be elected as a Director with effect from Completion."

Resolution 17 - Re-election of Director – Cameron Petricevic

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and in accordance with clause 49 of the Constitution and for all other purposes, Mr Cameron Petricevic, being a Director who retires pursuant to the Constitution and being eligible for re-election offers himself for re-election, is hereby re-elected as a Director."

Resolution 18 - Non-Executive Director's Remuneration

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and in accordance with Listing Rule 10.17 and clause 49 of the Constitution and for all other purposes, the maximum aggregate amount available for payment by way of remuneration to the non-executive Directors be capped at \$300,000 per annum (excluding Superannuation) following Completion."

Resolution 19 - Participation of Directors in the Capital Raising

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of Resolution 7, Section 208 of the Corporations Act and for the purposes of Listing Rule 10.11 and all other purposes, approval is given for the Company to issue up to:

- (a) 31,930,000 Shares to Cameron Petricevic (or nominee);*
- (b) 7,500,000 Shares to Lynden Polonsky (or nominee);*
- (c) 2,500,000 Shares to Melanie Leydin (or nominee), and*
- (d) 1,000,000 Shares to Pauline Gately (or nominee)*

under the Capital Raising on a pre-Consolidation basis and otherwise on the terms described in the Explanatory Statement."

Resolution 20 - Adoption of Equity Incentive Plan

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, subject to the passing of all Essential Resolutions and for the purposes of Listing Rule 7.2 Exception 9 and all other purposes, approval is given for the adoption of the Company's Equity Incentive Plan and to issue securities under that plan (being in aggregate the right to issue up to 5% of the total number of underlying eligible securities in that class on issue), on the terms and conditions described in the Explanatory Statement from time to time."

Resolution 21 - Election of Director – Lynden Polonsky

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, in the event that the Essential Resolutions are not all passed, Mr Lynden Polonsky having been appointed to fill a vacancy and who retires in accordance with the Company's Constitution being eligible and having offered himself for election in the event that the Essential Resolutions are not all passed be elected as a Director."

Resolution 22 - Election of Director – Melanie Leydin

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

"That, in the event that the Essential Resolutions are not all passed, Ms Melanie Leydin having been appointed to fill a vacancy and who retires in accordance with the Company's Constitution being eligible and having offered herself for election in the event that the Essential Resolutions are not all passed be elected as a Director."

- 1.2 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Shareholders").
- 1.3 Resolutions 3 to 12, 14 to 18 and 20 to 22 are described as the "Essential Resolutions". Each of the Essential Resolutions are inter-conditional on the passing of the other Essential Resolutions, and the Proposed Transaction will not proceed unless all of the Essential Resolutions are approved by Shareholders. When considering the Proposed Transaction, we have included any impact Resolutions 3 to 12, 14 to 18 and 20 to 22 will have on fairness and reasonableness. We have considered all related resolutions, conditions and revised terms as part of the Proposed Transaction because, without them, the Proposed Transaction cannot complete.

- 1.4 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and conclusion

Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is **not fair** but **reasonable** to the Shareholders of ACL.

Approach

- 2.2 In assessing whether the Proposed Transaction is fair and reasonable to the Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3 Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.4 Therefore, we have considered whether or not the Proposed Transaction is “fair” to the Shareholders by assessing and comparing:
- the Fair Market Value of a Share in ACL on a controlling basis prior to the Proposed Transaction; with
 - the Fair Market Value of a Share in ACL on a non-controlling basis immediately post completion of the Proposed Transaction.

We have also considered whether the Proposed Transaction is “reasonable” to the Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Shareholders in their decision of whether or not to approve the Proposed Transaction.

- 2.5 Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair” and “reasonable” is set out at Section 4 of this Report.

Fairness

- 2.6 Our assessed values of an ACL Share pre and post the Proposed Transaction are summarised in the table below.

	Low	High	Preferred
Fair Market Value per share pre the Proposed Transaction (post-consolidation, controlling basis)	\$0.0998	\$0.1121	\$0.1060
Fair Market Value per share post the Proposed Transaction (post-consolidation, non-controlling basis)	\$0.0625	\$0.0651	\$0.0638

Source: RSM analysis

Table 1: Valuation summary

2.7 We have summarised the values included in the table above in the chart below.

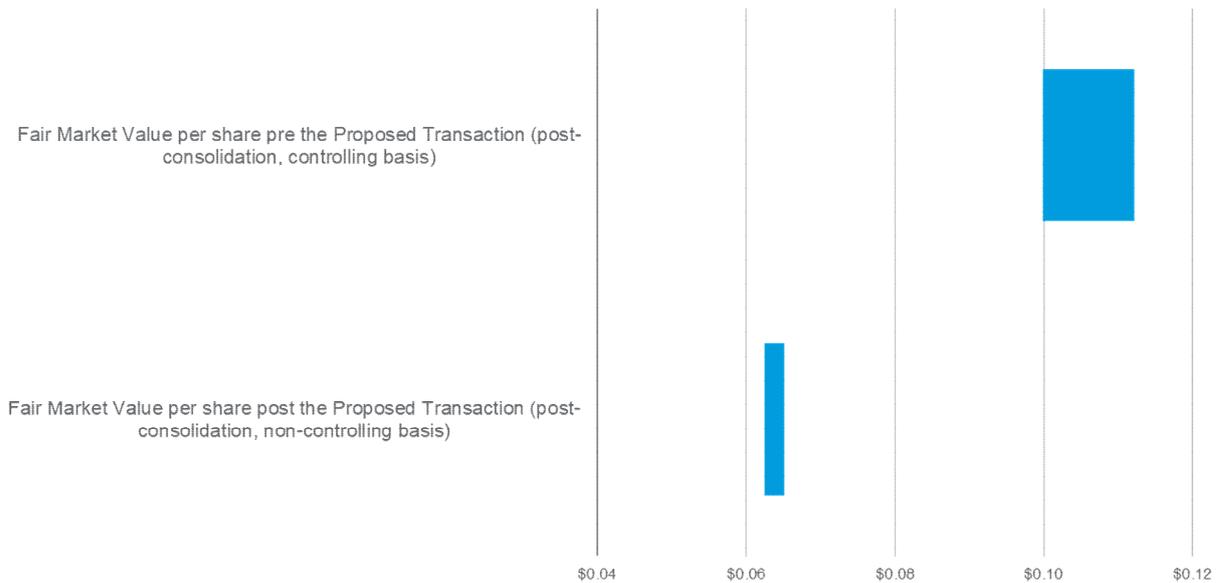


Chart 1: Valuation summary graphical representation

2.8 The chart above indicates that the range of the Fair Market Value per Share post the Proposed Transaction is less than the range of the Fair Market Value per Share pre the Proposed Transaction.

2.9 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Act, we consider the Proposed Transaction to be **not fair** to the Shareholders of ACL.

Reasonableness

2.10 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.

2.11 If the Proposed Transaction does not proceed the board will continue to seek alternative acquisitions to add value to shareholders.

2.12 However, ACL has until 21 September 2019 (as notified by ASX correspondence dated 21 March 2019) to prove its operations are sufficient to warrant its continued listing on the ASX in accordance with Listing Rule 12.1. Given the relatively short period of time to this date, it is unlikely another suitable acquisition would be identified and the Company's shares may be suspended from official quotation.

2.13 ACL had cash of \$685k at 31 May 2019 and \$609k at 30 June 2019. ACL has also incurred approximately \$150k of costs related to the Proposed Transaction in June 2019 and will incur further administration costs and transaction-related expenses to the date of the Shareholders' Annual General Meeting.

2.14 If the Company was to be suspended from official quotation, and in the absence of alternative options, was to be wound up, ACL would incur further significant costs in winding up the Company and in related administrative expenses. Additionally, the Company has made prepayments relating to directors' and

officers' insurance and life sciences insurance (required due to ACL's previous operations). These prepayments represent a total of \$182k on the 31 May 2019 balance sheet and may not be fully recoverable in the event of liquidation.

- 2.15 Further, in our valuation at paragraph 8.2, we attributed a market value of \$200k to \$400k for the listed ACL shell. In the event of the Company being delisted, we consider that this value would be significantly reduced.
- 2.16 These factors would leave Shareholders with a substantially lower Fair Market Value per Share than the Fair Market Value per Share prior to the Proposed Transaction calculated at paragraph 2.6.

Advantages of approving the Proposed Transaction

- 2.17 The advantages of approving the Proposed Transaction are:
- as noted at paragraph 2.12, ACL has until 21 September 2019 to prove its operations are sufficient to warrant its continued listing on the ASX in accordance with Listing Rule 12.1. The Proposed Transaction would constitute sufficient operations such that ACL's securities would not be suspended from official quotation;
 - the directors of the Company have spent significant time seeking investments and consider the acquisition of APH to be the most appropriate investment for ACL;
 - the Company will seek approval to recommence trading on the Official List of the ASX. There may be possible improvement in the liquidity of ACL shares if the Proposed Transaction creates increased interest in the Company and hence a more efficient market for shareholders to dispose of their shareholdings;
 - if the Proposed Transaction is not approved, the Company's Share price may open at a lower level when the Company resumes trading on the ASX after the Voluntary Suspension is lifted;
 - the proposed acquisition of APH will provide shareholders with the opportunity to participate in the future development of a Company in the Hemp Production Industry, an emerging industry in Australia;
 - the funds generated from the Proposed Transaction will be used for working capital, increasing inventory on hand, acquiring new equipment and to fund operating expenses. This working capital increase and capital expenditure are expected to position the Company for its future anticipated growth;
 - APH has an unrecognised deferred tax asset of \$620k. While this deferred tax asset has not been recognised in the unaudited accounts at 30 June 2018, it may be recognised in the future if APH begins to generate profits;
 - Resolution 6 is dependent upon approval of Resolution 7. In the event that the Company is able to raise \$5.7m in cash (before deducting the costs of capital raising), its prospects of continuing as a going concern will be significantly improved; and
 - ACL may be able to rely on the continuity of ownership test in relation to some of its carry-forward tax losses accrued from 1 July 2004 in the context of the Proposed Transaction.

Disadvantages of approving the Proposed Transaction

- 2.18 The disadvantages of approving the Proposed Transaction are:
- the Proposed Transaction is **not fair**;
 - the completion of the Proposed Transaction is contingent upon the Company's ability to undertake a capital raising and to comply with Chapters 1 and 2 of the Listing Rules;
 - Shareholders' interest in ACL will be diluted from 100.0% to 21.3% post the Proposed Transaction if \$5.7m capital is raised under Resolution 7;

- Shareholders will hold an interest in a company operating in the Hemp Production Industry, which may not suit the risk preferences of individual shareholders. There are risk factors associated with the change of nature and scale of the Company's activities;
- Shareholders may prefer the option of receiving funds from ACL in the event that the Company is wound up, rather than investing in another business;
- APH has been a loss-making entity over the Historical Period considered in this report. There is a risk that APH continues to generate losses; and
- in the event that the post-consolidation Share price exceeds the option exercise prices specified at paragraph 3.9, Shareholders' interests would be further diluted if the options issued to the Vendors, Lead Manager and Corporate Advisor are exercised.

2.19 We are not aware of any alternative proposals which may provide a greater benefit to the Shareholders of ACL at this time. The Directors have advised that they have examined many alternate proposals and have determined that the Proposed Transaction is the most appropriate course of action for the Company.

2.20 In our opinion, the position of the Shareholders of ACL if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is reasonable for the Shareholders of ACL.

3. Summary of Proposed Transaction

Overview

- 3.1 ACL and APH have entered into a Share Sale Agreement dated 20 June 2019 (“SSA” or “Share Sale Agreement”) in relation to the Proposed Transaction. ACL will acquire 100% of the equity capital of APH, in exchange for the issue of consideration shares and options.
- 3.2 The consideration to be exchanged by ACL for the acquisition of APH will be satisfied by:
- the issue of 435,000,000 ACL shares (pre-consolidation) at an issue price of \$0.01, or 21,750,000 ACL shares at an issue price of \$0.20 (post-consolidation). The net assets of APH will be acquired for this consideration, other than a number of loans on the balance sheet of APH at 31 May 2019. Post the Proposed Transaction only 3 APH loans will remain on ACL’s balance sheet, see paragraph 6.17 to 6.24 for further details;
 - 30% of this consideration is to be deferred. As such, 30% of the Shares will be withheld from being issued following a 12 month period commencing on the date the Company is re-admitted to the official list of ASX, for the purposes of any warranty and/or indemnity claim made by the Company under the Share Sale Agreement;
 - the issue of unlisted options, giving the right to purchase a total of 153,846,154 ACL shares (pre-consolidation). The options are to have an exercise price 30% greater than the RTO price; and
 - if the Patterson Loan has not been repaid by the date of completion, the value of the 435,000,000 Shares (pre-consolidation) to be issued are to be reduced in equal proportions as to the value of the Patterson Loan (on a pro-rata basis).
- 3.3 APH will be a subsidiary company of ACL, and the composition of the shareholders, the board of directors and executive management of ACL will be modified accordingly.
- 3.4 The Proposed Transaction is contingent on the passing of Resolutions 3 to 12, 14 to 18 and 20 to 22. A summary of the key resolutions is provided below:
- the consolidation of share capital, at a ratio of 20 pre-consolidation shares to 1 post-consolidation share (Resolution 3);
 - a capital raising of 570,000,000 shares (pre-consolidation) to raise \$5.7m in cash (Resolution 7);
 - the issue of 65,000,000 Shares (pre-consolidation) and 30,422,589 options (pre-consolidation) to Kentgrove (Resolution 8). The issue of 30% of these Shares will be issued on a deferred basis consistent with the consideration outlined at paragraph 3.2. The options are to have an exercise price 30% greater than the RTO price;
 - the issue of 40,000,000 Shares (pre-consolidation) and 22,816,942 options (pre-consolidation) to the Corporate Advisor (Resolution 9). The options are to have an exercise price 30% greater than the RTO price;
 - the issue of up to 2,000,000 Shares (pre-consolidation) to Advisory Board member, Dr Jace Callaway (Resolution 12). While these Shares may not be issued at all, we have considered them in our analysis of the Company’s capital structure post the Proposed Transaction as, if they are issued, it will dilute Shareholders’ interests in ACL;
 - repayment of existing liability (the “DR Hood Family Trust Loan”) in APH, held by a related party of APH director James Hood (who is to be considered for election as a Director of ACL at Resolution 15). The \$169k loan is proposed to be settled with cash of \$105k and the issue of 6,405,828 shares (pre-consolidation) (Resolution 10); and
 - the issue of up to 800,000 unsecured convertible notes at a price of \$1.00 per note, to raise \$800k in cash (“Convertible Offer”). The conversion of the notes will entitle the noteholders to 80,000,000 Shares (pre-consolidation) (Resolution 11). The notes are non-interest bearing and will convert to

Shares in the event of the Company's initial public offering, related to a number of Essential Resolutions such as the Capital Raising. Therefore, we have considered the notes as Shares in our analysis throughout the report.

Key conditions of the Proposed Transaction

- 3.5 Completion of the Proposed Transaction is subject to and conditional upon satisfying key conditions precedent under the Share Sale Agreement, being:
- ACL completing and being reasonably satisfied in relation to the outcome of its due diligence investigation of APH;
 - ACL confirming there has been no material adverse change in ACL;
 - The Vendors confirming there has been no material adverse change in APH;
 - ACL obtaining all shareholder and regulatory approvals (including where applicable from ASX and ASIC) required in relation to:
 - the Re-compliance; and
 - all other material transactions contemplated under the Share Sale Agreement, on terms acceptable to the Sellers (acting reasonably);
 - ACL providing the Vendors with copies of all such shareholder and regulatory approvals prior to Completion;
 - APH obtaining all shareholder and regulatory approval required to implement the transactions contemplated by the Share Sale Agreement;
 - ACL lodging a prospectus with ASIC in accordance with the Corporations Act;
 - ACL convening a general meeting of shareholders in accordance with Section 611(7) of the Corporations Act (where applicable);
 - The Independent Expert opinion obtained by ACL concluding that the transaction contemplated by this Agreement is reasonable to shareholders of ACL;
 - ACL successfully completing the Capital Raising;
 - ACL successfully reorganising, consolidating, splitting, issuing or otherwise dealing in its equity securities to provide for a price per Share as at the RTO Price;
 - ACL obtaining all relevant waivers from the ASX for the issue of equity securities under A\$0.20;
 - There being no material breach of any of the Vendors' warranties or the ACL warranties under the Share Sale Agreement; and
 - All key personnel having executed an engagement agreement with the Company.

Impact of the proposed capital raising on ACL's Capital Structure

3.6 The table below summarises the capital structure of the Company immediately before and immediately after the approval of the Proposed Transaction.

		%
Capital structure pre the Proposed Transaction		
Number of ordinary shares held by Shareholders (pre-consolidation basis)	324,723,621	
Consolidation ratio	20:1	
Number of ordinary shares held by Shareholders (post-consolidation basis)	16,236,181	100.0%
Number of shares immediately before the Proposed Transaction (post-consolidation)		
	16,236,181	100.0%
Capital structure post the Proposed Transaction		
Number of ordinary shares held by Shareholders (post-consolidation basis)	16,236,181	21.3%
Shares issued as consideration to APH Shareholders (post-consolidation basis)	21,750,000	28.6%
Shares to be issued to the Lead Manager (post-consolidation basis)	3,250,000	4.3%
Shares issued to related party of James Hood for debt conversion (post-consolidation basis)	320,291	0.4%
Shares offered under Capital Raising (post-consolidation basis)	28,500,000	37.4%
Shares issued under the Convertible Offer (post-consolidation basis)	4,000,000	5.3%
Shares to be issued to the Corporate Advisor (post-consolidation basis)	2,000,000	2.6%
Shares to be issued to the Advisory Board member (post-consolidation basis)	100,000	0.1%
Number of shares immediately after the Proposed Transaction (post-consolidation)		
	76,156,472	100.0%

Source: Company share registry, RSM analysis

Table 2: ACL's capital structure pre and post the Proposed Transaction

3.7 Approval of Resolutions 6 to 12 will permit the Company to issue 59,920,291 shares (post-consolidation) at an issue price of \$0.20, as set out in the table above. We have included the Shares to be issued on a deferred basis as outlined at paragraph 3.2 in Table 2 above, as these Shares will still be issued as a result of the Proposed Transaction.

3.8 Approval of Resolutions 6 to 12 will result in Shareholders' interests in ACL being diluted from 100.0% to 21.3% post Proposed Transaction.

3.9 The Resolutions allow for the issue of options as follows:

- 153,846,154 (pre-consolidation) or 7,692,308 (post-consolidation) to be granted to Charles Mann, James Hood and their associates, including APH employees and suppliers, under Resolution 6 (the options are to have an exercise price 30% greater than the RTO price);
- 30,422,589 (pre-consolidation) or 1,521,129 (post-consolidation) to be issued to the Lead Manager under Resolution 8 (the options are to have an exercise price 30% greater than the RTO price); and
- 22,816,942 (pre-consolidation) or 1,140,847 (post-consolidation) to be issued to the Corporate Advisor under Resolution 9 (the options are to have an exercise price 30% greater than the RTO price).

3.10 As the options are out of the money based on our valuation of the Company on a net assets on a going concern basis both pre and post the Proposed Transaction, and therefore, have no impact on our assessment of fairness and reasonableness, we have excluded them from our analysis.

4. Scope of the Report

Corporations Act and ASX Listing Rules

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is below 20% to an interest that is above 20%. In broad terms, a person has a "relevant interest" if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) holds, compared with the total number of voting shares in the company. We have been advised that the Vendors are associates under the Corporations Act.
- 4.2 Completion of the Proposed Transaction will result in the Vendors increasing their relevant interests in the Company to 21.3%.
- 4.3 Therefore, the Company will be in breach of Section 606(1) of the Act in the absence of an applicable exemption.
- 4.4 Section 611(7) of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611(7) allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under Section 606(1) of the Act if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company; and:
- no votes are cast in favour of the resolution by the proposed acquirers or respective associates; and
 - there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates or known to the Company that was material to a decision on how to vote on the resolution.
- 4.5 Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. RG 111 advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.
- 4.6 Section 208(1) (contained in Chapter 2E) of the Corporations Act provides that for a public company to give a financial benefit to a related party, it must obtain its shareholders' prior approval, or the giving of the financial benefit must fall within one of the prescribed exceptions in Chapter 2E.
- 4.7 Listing Rule 10.11 provides that, subject to exemptions specified in Listing Rule 10.12, an entity must not issue or agree to issue equity securities to a related party or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained, without the approval of holders of ordinary securities in the entity.
- 4.8 In accordance with Chapter 19 of the Listing Rules, a director of a public company is a related party of the public company. Entities controlled by a director of a public company are also related parties of the public company.
- 4.9 As set out in Resolution 6, Shares and options will be issued to Charles Mann and James Hood in exchange for their shareholding in APH. If the Proposed Transaction is approved, Charles Mann and James Hood will be elected as directors of the Company. Accordingly, approval for the issue of shares and options to Charles Mann and James Hood is being sought under Listing Rule 10.11.
- 4.10 If the Proposed Transaction is approved Kentgrove (a related party of Cameron Petricevic, a Director of ACL) as Lead Manager will receive shares and options in ACL subject to the passing of Resolution 8. Additionally, the Company intends to elect James Hood as a Director, and a loan controlled by a related party of James Hood (the DR Hood Family Trust for which James Hood is the trustee) will be converted to shares and cash subject to the passing of Resolution 10 (referred to herein as the "DR Hood Family Trust Loan"). The issue of shares and options to Kentgrove and the allotment of shares to the related party of

James Hood may constitute the giving of a financial benefit to a related party. Accordingly, approval for the issue of shares and options to Kentgrove (Resolution 8) and the conversion of the DR Hood Family Trust Loan is also being sought under Listing Rule 10.11 (Resolution 10).

- 4.11 Whilst there is no formal requirement to obtain an independent expert's report in relation to the approval of related party transactions, ASIC advises that, to ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote, it may be necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E where:
- the financial benefit is difficult to value;
 - the transaction is significant from the point of view of the entity; or
 - the non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.
- 4.12 We have considered Resolution 6, 8 and 10 in the context of RG 111.54, which states that *“Where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party aspect is required. In this consideration, the expert should bear in mind whether the report has been sought to ensure that members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction.”*
- 4.13 As stated at paragraph 4.1, the Vendors are associates and this report is required to assess the fairness and reasonableness of the Proposed Transaction in the context of Section 611(7).
- 4.14 Resolutions 6, 8 and 10 are one component of the broader transaction, encompassing all Resolutions 3 to 12, 14 to 18 and 20 to 22, per RG 111.54.
- 4.15 We have also considered RG111.63, which states, *“Generally an expert need only conduct one analysis of whether the transaction is ‘fair and reasonable’, even if the report has been prepared for a reason other than the transaction being a related party transaction (e.g. if Section 611(7) approval is also required)”*.
- 4.16 As this report considers the Proposed Transaction, including Resolutions 6, 8 and 10, on the basis of Section 611(7), we consider this analysis is sufficient to provide an opinion on the fairness and reasonableness of Resolutions 6, 8 and 10 under Listing Rule 10.11.

Basis of evaluation

- 4.17 In assessing the fairness and reasonableness of the Proposed Transaction to the Shareholders, we have considered RG 111, which provides specific guidance as to how an expert is to appraise transactions.
- 4.18 RG 111 provides specific guidance on how a transaction should be analysed if the transaction is a control transaction, whereby a person acquires, or increases a controlling stake in a company, achieved by a number of different legal mechanisms, or, involves a related party transaction requiring shareholder approval under Chapter 2E of the Corporations Act or under ASX Listing Rule 10.
- 4.19 Where an issue of shares by a company otherwise prohibited under section 606 is approved under Section 611(7) and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.20 RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:
- a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and

- a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.
- 4.21 In accordance with the guidance of RG 111, we have assessed whether the Proposed Transaction is fair and reasonable by undertaking a separate assessment of whether the transaction is "fair" and "reasonable" to the Shareholders of ACL.
- 4.22 Consistent with the guidelines in RG 111, we have considered whether the Proposed Transaction is "fair and reasonable" to Shareholders by undertaking:
- a comparison of the value of an ACL share prior the Proposed Transaction (on a control basis), being the "consideration" for Shareholders, to the value of an ACL share following the Proposed Transaction (on a non-control basis), in the assessment of fairness; and
 - a review of other significant factors which Shareholders might consider prior to approving the Proposed Transaction, in our assessment to reasonableness.
- 4.23 The other significant factors to be considered include:
- the future prospects of the Company if the Proposed Transaction does not proceed; and
 - any other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.24 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.

5. Profile of Alchemia Limited

Background

- 5.1 ACL is a publicly listed shell company with no ongoing business activities. Previously, ACL operated as a biotechnology company, developing oncology products. The Company was founded in 1995 and is based in South Melbourne, Victoria.

Directors and management

- 5.2 The directors and key management of ACL are:
- Mr Cameron Petricevic (Non-Executive Director);
 - Mr Lynden Polonsky (Non-Executive Director); and
 - Ms Melanie Leydin (Director and Company Secretary).

Financial information

- 5.3 The information in the following section provides a summary of the consolidated financial performance and financial position of ACL for the financial years ended 30 June 2017 (“FY17”) and 30 June 2018 (“FY18”) extracted from the audited financial statements of ACL, and for the period ended 31 May 2019 (“YTD19”), obtained from management accounts provided by ACL.

Financial performance

- 5.4 The following table sets out a summary of the financial performance of ACL for FY17, FY18 and YTD19:

ACL	FY17	FY18	YTD19
Financial performance (\$)			
Revenue			
Interest	10,228	8,244	5,735
Other income	22,333	-	-
Total Income	32,561	8,244	5,735
Expenses			
Administration and corporate expenses	(392,540)	(258,100)	(211,229)
Employment expenses	(114,393)	(108,361)	(101,389)
Research and development costs	(65,919)	(14,430)	-
Proposed Transaction costs	-	-	(95,741)
Other expenses	-	-	(683)
Total Expenses	(572,852)	(380,891)	(409,042)
Net Profit/(Loss) After Tax	(540,291)	(372,647)	(403,307)

Source: audited FY18 financial statements and YTD19 management accounts

Table 3: ACL’s financial performance

- 5.5 ACL has remained a listed shell entity over the Historical Period, with no active business operations.
- 5.6 In YTD19, the Company has generated a total income of \$6k in interest revenue compared to \$8k and \$33k in FY18 and FY17, respectively. In FY17, other income predominately consisted of a payroll tax refund of \$17k.

- 5.7 The Company operates with a largely fixed cost base. Of the \$409k expenses incurred in YTD19, \$211k related to administration and corporate expenses with \$101k relating to employment expenses.
- 5.8 In YTD19, the Company has generated a net loss after tax of \$403k, compared to \$373k and \$540k in FY18 and FY17, respectively.

Financial position

- 5.9 The table below sets out a summary of the financial position of ACL as at 30 June 2017, 30 June 2018 and 31 May 2019.

ACL Financial position (\$)	As at 30-Jun-17	As at 30-Jun-18	As at 31-May-19
Current assets			
Cash and cash equivalents	1,920,863	1,620,290	685,579
Prepayments	71,961	75,927	59,714
Trade and other receivables	84,756	8,724	18,302
Total current assets	2,077,580	1,704,941	763,595
Non-current assets			
Loan to APH	-	-	600,000
Prepayments	205,185	178,300	134,197
Total non-current assets	205,185	178,300	734,197
Total assets	2,282,765	1,883,241	1,497,792
Current liabilities			
Trade and other payables	86,381	59,504	77,361
Total current liabilities	86,381	59,504	77,361
Total liabilities	86,381	59,504	77,361
Net assets	2,196,384	1,823,737	1,420,431
Equity			
Issued capital	121,294,523	121,294,523	121,294,523
Accumulated losses	(119,098,139)	(119,470,786)	(119,874,092)
Total equity	2,196,384	1,823,737	1,420,431

Source: audited FY18 financial statements and YTD19 management accounts

Table 4: ACL's financial position

- 5.10 ACL disclosed net assets of \$1.42m at 31 May 2019 compared to net assets of \$1.82m and \$2.20m at 30 June 2018 and 30 June 2017, respectively.
- 5.11 ACL has total prepayments of \$194k at 31 May 2019, \$182k of which relates to directors' and officers' insurance and life sciences insurance (required until April 2023 due to ACL's previous operations).
- 5.12 The Loan to APH of \$600k at 31 May 2019 was made under a formal loan agreement on 17 May 2019. Charles Mann and James Hood (and their related parties) are personal guarantors for the loan.
- 5.13 The Company's net assets are predominantly comprised of cash; with \$686k, \$1.62m and \$1.92m of cash held at 31 May 2019, 30 June 2018 and 30 June 2017 respectively.

Capital structure

5.14 ACL currently has 324,723,621 ordinary shares on issue. With the existing share capital to be consolidated at a ratio of 20:1, this number will reduce to 16,236,181 post the Proposed Transaction. The top 20 shareholders of ACL as at 28 June 2019 (on a pre-consolidation basis) are set out below.

Shareholder	Number	%
SHOMRON PTY LTD	39,426,777	12.1%
TTOR PTY LTD	16,069,996	4.9%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,658,835	3.9%
MR BILAL AHMAD	8,100,000	2.5%
MR ANDREW RICHARD JACKSON BALL	7,112,630	2.2%
MR RICK WILLIAM LANGDON	7,936,383	2.4%
MRS IFRAH NISHAT	6,313,000	1.9%
CALIFORNIA CAPITAL EQUITY LLC	5,854,719	1.8%
MR PAUL HOMEWOOD	5,440,000	1.7%
MR BRIAN RIESS	5,000,000	1.5%
MR JASON BRETT RANDALL	5,000,000	1.5%
MR SUFIAN AHMAD	4,100,000	1.3%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,937,897	1.2%
MR ARJUNAN SUNDARAMOORTHY	3,400,000	1.0%
MAXLEN NOMINEES PTY LTD	3,394,730	1.0%
TAMBORINE TREES PTY LTD	3,000,000	0.9%
CAMPBELL KITCHENER HUME & ASSOCIATES PTY LTD	2,800,000	0.9%
DR ROBERT JULIAN HAFNER	2,573,988	0.8%
MR GARRY WEBB & MRS LORRAINE WEBB	2,500,000	0.8%
CAROJON PTY LTD	2,500,000	0.8%
	147,118,955	45.3%
Other Shareholders	177,604,666	54.7%
Total shares (pre-consolidation basis)	324,723,621	100.0%
Consolidation ratio	20:1	
Total shares (post-consolidation basis)	16,236,181	100.0%

Source: Company share registry at 28 June 2019

Table 5: ACL's Capital Structure

Share price performance

- 5.15 The chart below sets out a summary of ACL's daily closing share price and traded volumes on the ASX from the period 1 January 2018 to 29 March 2019, the date at which the Company entered into a Voluntary Suspension.

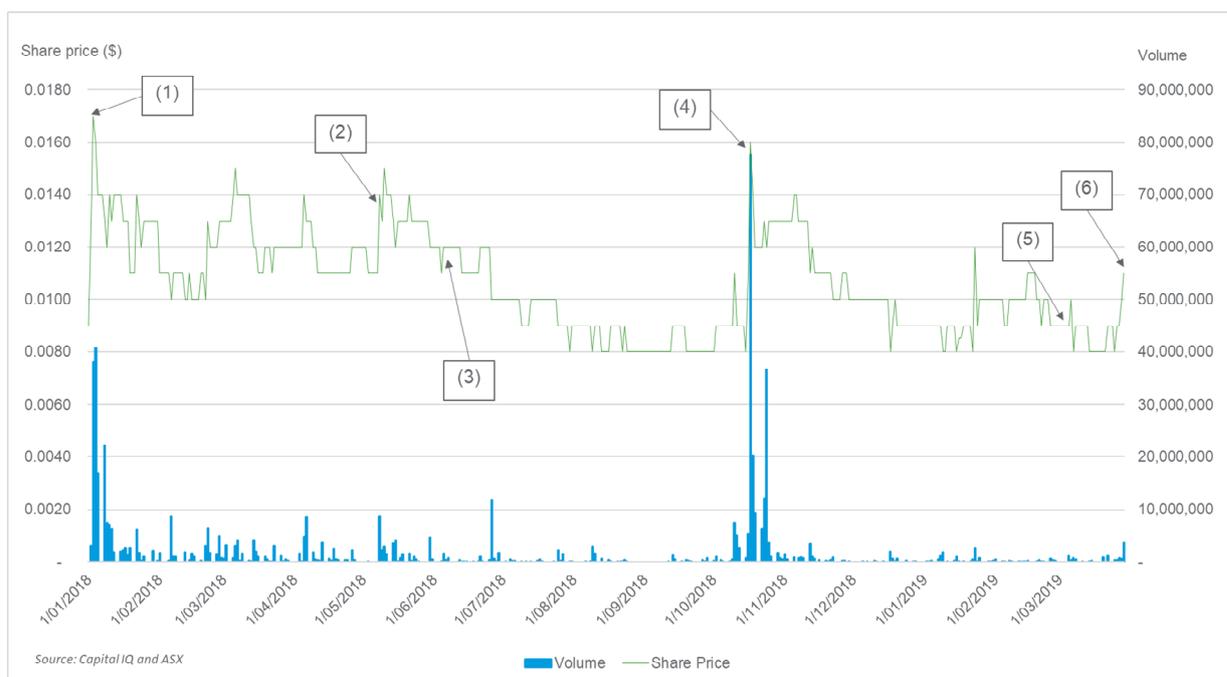


Chart 2: ACL share price performance

- 5.16 (1) 3 Jan 2018: ACL responded to the ASX's query regarding the significant increase in share price and volume. Over a 10 day period the Company's share price increased from \$0.011 to \$0.017 with approximately 49m shares traded. ACL reported that the Company was not aware of any reason for the increased recent trading in its securities.
- 5.17 (2) 9 May 2018: ACL responded to ASX's query regarding the significant increase in share price and volume. The Company's share price increased from a close of \$0.011 on 7 May 2018 to an intra-day high of \$0.015 on 8 May 2018, with approximately 9m shares traded over this period. ACL reported that the Company was not aware of any reason for the increased recent trading in its securities.
- 5.18 (3) 6 Jun 2018: The Company announced the appointment of Mr Cameron Petricevic as a Non-Executive Director of the Board.
- 5.19 (4) 17 Oct 2018: ACL responded to ASX's query regarding the significant increase in share price and volume. The Company's share price increased from a close of \$0.008 on 15 October 2018 to an intra-day high of \$0.023 on 17 October 2018, with approximately 83m shares traded over this period. ACL reported that the Company was not aware of any reason for the increased recent trading in its securities.
- 5.20 (5) 5 Mar 2019: The Company announced the retirement of Mr Darren Book (Director) and Mr Simon Gennari (Chairman). The Company also announced the appointment of Ms Melanie Leydin and Mr Lynden Polonsky to the Board of Directors.
- 5.21 (6) 29 Mar 2019: The Company's securities were voluntarily suspended from quotation, pending the release of an announcement regarding a proposed change to the nature and scale of the Company's activities.
- 5.22 For the period 1 January 2018 to 23 March 2019, the Company's shares traded at a high of \$0.017 on 3 January 2018; and a low of \$0.008, first reached on 30 July 2018.

6. Profile of APH

Background

- 6.1 APH was founded in August 2016 and is an Australian owned producer of Australian grown hemp. APH is located in Newton, Victoria, 3220.
- 6.2 APH offer customers a complete service with respect to hemp requirements, providing all services from seed selection, farming and processing to contract packaging, bulk and retail sales.
- 6.3 APH prepares and produces a range of hemp-based food products, including:
 - Hulled hemp seeds;
 - Hemp Balance – a high fibre powder;
 - Hemp Boost – a high protein powder;
 - Cold pressed hemp seed oil; and
 - Hemp & Honey Nut Bars – launched in June 2019.
- 6.4 APH purchases many varieties of hemp seed from different suppliers. One type of seed that APH purchases is raw FINOLA hemp seed, bought from a Finnish microbiologist, which is sourced predominantly from Canada. APH is the exclusive supplier of FINOLA seeds in Australia.
- 6.5 APH sells hemp seeds to contracted growers including RED Agriculture Pty Ltd (as well as other minor counterparties), who grow the seeds for APH. APH is guaranteed exclusive rights to repurchase these seeds when grown.
- 6.6 Hemp seeds are harvested within 3 to 4 months of being planted, and growers are responsible for cleaning, drying and grading the product, before the hemp is delivered to APH's property. The quality of the hemp is independently verified before APH takes possession of the delivery.
- 6.7 Upon taking possession of the hemp, APH will de-hull the grain, which involves separating the hemp's husk from the edible component of the hemp grain. These de-hulled grains are used in all of APH's products. Additionally, during this process, small hemp grains are set aside for cold-pressing, which involves extracting the oil from the product. The residue after the oil is removed (known as hemp cake) is high in both fibre and protein and undergoes a milling process to enable the creation of APH's separate high-fibre and high-protein powders.
- 6.8 Products are packaged manually by APH at its Geelong property (other than the recently launched Hemp & Honey Nut Bars), and from there the product is distributed to end customers. While customers are currently largely based in Australia and New Zealand, there is an intention to target international markets in the future as the business grows.
- 6.9 APH has both retail consumers of its products and wholesale customers who purchase the seeds or raw grain to be used in their own products such as cereals.
- 6.10 Please refer to Appendix D for a brief overview of the Hemp Production Industry, with a more detailed analysis provided in the Notice of Meeting.

Board of Directors

- 6.11 The directors of APH are:
 - Mr James Robert Hood; and
 - Mr Charles Ian Mann.

Financial information

- 6.12 The information in the following section provides a summary of the financial performance and financial position of APH for FY17 and FY18 extracted from the unaudited financial statements of APH, and for the period ended 31 May 2019 (“YTD19”), obtained from management accounts provided by APH.

Financial performance

- 6.13 The following table sets out a summary of the financial performance of APH for FY17, FY18 and YTD19.

APH	FY17	FY18	YTD19
Financial performance (\$)			
Income			
Revenue	154,803	1,030,304	803,183
Total Income	154,803	1,030,304	803,183
Cost of goods sold	(34,436)	(958,741)	(321,928)
Gross Profit	120,367	71,564	481,255
Other Income	570	-	60
Expenses			
Employment expenses	-	(373,390)	(411,016)
Consulting and other professional fees	(1,347)	(1,692,032)	(298,645)
Other expenses	(15,777)	(144,877)	(206,046)
Total Expenses	(17,124)	(2,210,298)	(915,708)
EBITDA	103,813	(2,138,734)	(434,392)
<i>EBITDA Margin (%)</i>	<i>67.1%</i>	<i>-207.6%</i>	<i>-54.1%</i>

Source: unaudited FY18 financial statements and YTD19 management accounts

Table 6: APH’s financial performance

- 6.14 APH disclosed revenue of \$803k for YTD19 compared to \$1.03m in FY18 and \$155k in FY17. Revenue is highly seasonal, and the last quarter of the financial year is historically when the majority of revenue has been earned. YTD19 revenue has been impacted by a late harvest and a lack of working capital. The remaining portion of the harvest is expected to be realised early in FY20.
- 6.15 APH’s FY18 loss was driven primarily by one-off consulting fees of \$1.69m. This cost largely reflected invoiced services provided by Charles Mann, one of the directors of APH, and was predominantly non-cash.
- 6.16 For YTD19 APH has generated a loss of \$434k at EBITDA level, following an EBITDA loss of \$2.14m and an EBITDA profit of \$104k in FY18 and FY17 respectively.

Financial position

6.17 The table below sets out a summary of the financial position of APH as at 30 June 2017, 30 June 2018 and 31 May 2019:

APH Financial position (\$)	As at 30-Jun-17	As at 30-Jun-18	As at 31-May-19
Current assets			
Cash and cash equivalents	6,983	7,993	10,744
Trade and other receivables	70,535	361,972	210,376
Inventory	128,689	180,801	1,398,748
Total current assets	206,208	550,766	1,619,868
Non-current assets			
Property, plant and equipment	170,198	840,575	738,272
Total non-current assets	170,198	840,575	738,272
Total assets	376,406	1,391,341	2,358,139
Current liabilities			
Alchemia loan	-	-	600,000
Employee provisions	-	14,869	26,575
Deferred income	-	1,407,260	-
Trade and other payables	132,038	469,059	1,380,046
Lease liability	-	48,000	50,329
Income Tax Provision	17,858	7,518	(2,031)
Total current liabilities	149,896	1,946,706	2,054,919
Non-current liabilities			
Employee provisions	-	-	2,353
Lease Liability	-	45,558	3,796
Loans settled by equity issue to Vendors	146,381	945,516	1,396,340
DR Hood Family Trust Loan	-	168,984	168,984
Other non-current loans	-	541,179	1,666,770
Total non-current liabilities	146,381	1,701,237	3,238,242
Total liabilities	296,277	3,647,943	5,293,162
Net assets	80,128	(2,256,602)	(2,935,022)
Equity			
Share capital	100	100	100
Retained Earnings	80,028	(2,256,702)	(2,935,122)
Total equity	80,128	(2,256,602)	(2,935,022)

Source: unaudited FY18 financial statements and FY19 management accounts

Table 7: APH's Financial Position

- 6.18 APH disclosed net liabilities of \$2.94m at 31 May 2019 compared to net liabilities of \$2.26m and net assets of \$80k at 30 June 2018 and 30 June 2017, respectively.
- 6.19 The increase in trade and other receivables at 30 June 2018 is predominately due to the GST refundable position increasing from \$20k at 30 June 2017 to \$259k at 30 June 2018, before declining to \$129k at 31 May 2019.

- 6.20 At 31 May 2019, Management has a comparatively high inventory balance at \$1.40m (offset by the corresponding trade and other payables balance of \$1.38m), which is a result of APH's increased purchases from growers made under contract.
- 6.21 The deferred income liability was driven by one particular customer order, which was only able to be part-filled by APH after being paid by the customer. APH and the customer entered into an agreement in YTD19 whereby the payment was converted to a loan under a formal agreement. This loan balance is \$1.22m at 31 May 2019 and is included in the 'other non-current loans' balance at 31 May 2019.
- 6.22 Loans settled by Equity Issue to the Vendors of \$1.396m at 31 May 2019 are loans owed to the Vendors which are not being acquired by ACL (they are converting to Equity as part of the Proposed Transaction) and will, therefore, not form part of the post transaction ACL balance sheet.
- 6.23 The DR Hood Family Trust Loan of \$169k is being settled by a combination of cash and scrip in accordance with Resolution 10.
- 6.24 Other than the Loans specified at paragraphs 6.22 and 6.23, the remaining assets and liabilities are being acquired by ACL.

7. Valuation approach

Basis of evaluation

- 7.1 The valuation of ACL prior to and post the Proposed Transaction has been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

- 7.2 In assessing the Fair Market Value of an ordinary ACL Share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

- 7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

- 7.4 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities; and
- industry specific methods.

- 7.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

- 7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market-based valuation methods because they may not account for company specific risks and factors.

Income based methods

- 7.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow;
- capitalisation of future maintainable earnings.

- 7.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an

assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

- 7.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

- 7.10 Asset based methodologies estimate the Fair Market Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

- 7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

- 7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

- 7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Valuation of an ACL Share prior to the Proposed Transaction (controlling basis)

- 7.14 We have assessed the Fair Market Value of an ACL share using the net assets on a going concern basis and relied upon the net book value of assets and liabilities as set out in ACL's management accounts at 31 May 2019. We have selected this valuation methodology because ACL is a non-trading entity, and therefore any methodology assessing profitability or cashflow would not be appropriate.
- 7.15 We have analysed the quoted market price for listed ACL shares as a cross-check of our primary methodology above.

Valuation of ACL immediately following the Proposed Transaction (minority interest basis)

- 7.16 In order to assess the value of an ACL share immediately following the Proposed Transaction, it is necessary to assess the Fair Market Value of the net assets and liabilities being purchased by ACL, comprising the 100% equity interest in APH less the debt not being acquired by ACL.
- 7.17 We have considered capitalisation of future maintainable earnings as a methodology, however, APH has produced losses in both FY18 and in YTD19 (see Table 6 above).

- 7.18 Whilst we have been provided with financial forecasts prepared by APH until the year ended 30 June 2020, RG 111 states that an expert should not include prospective financial information (including forecasts and projections) or any other statements or assumptions about future matters (together, 'forward-looking information') in its report unless there are reasonable grounds for the forward-looking information.
- 7.19 Regulatory Guide 170 Prospective Financial Information ("RG 170") gives detailed guidance on what is considered a reasonable basis for stating prospective financial information. While RG 170 is expressed to apply to fundraising documents under Chapters 6 and 7 of the Corporations Act, it provides useful guidance for inclusion of prospective financial information in expert reports.
- 7.20 RG 170 states that indicative factors that may amount to reasonable grounds for stating prospective financial include when:
- the information relates to options on forward-sales contracts or leases that lock in future expenses and revenue;
 - the information is underpinned by independent industry experts' reports and/or independent accountants' reports; and
 - the information includes reasonable short-term estimates (not exceeding two years).
- 7.21 The financial forecasts prepared by APH are not based on forward-sales contracts that lock in future revenue.
- 7.22 We have therefore utilised the net assets on a going concern basis to value APH. There is insufficient historical information available, due to the APH commencing trading in FY17, to consider profitability and cashflow in our assessment of ACL immediately following the Proposed Transaction.

8. Valuation of ACL prior to the Proposed Transaction

- 8.1 As stated at paragraph 7.14 we have assessed the value of an ACL share prior to the Proposed Transaction using the net assets on a going concern methodology as our primary method and the quoted market price for listed ACL shares as our secondary method. In both valuations, we have included a premium for control.

Primary valuation

- 8.2 We have adjusted the pro-forma net book value of ACL for the value of an ASX listed company with no operations or trading business ("Listed Shell").

Valuation of ACL (pre-transaction)			
As at 31-May-19	Low \$	Assessed Value High \$	Preferred \$
Current assets			
Cash and cash equivalents	685,579	685,579	685,579
Prepayments	59,714	59,714	59,714
Trade and other receivables	18,302	18,302	18,302
Total current assets	763,595	763,595	763,595
Non-current assets			
Loan to Australian Primary Hemp	600,000	600,000	600,000
Prepayments	134,197	134,197	134,197
Total non-current assets	734,197	734,197	734,197
Total assets	1,497,792	1,497,792	1,497,792
Current liabilities			
Trade and other payables	77,361	77,361	77,361
Total current liabilities	77,361	77,361	77,361
Total liabilities	77,361	77,361	77,361
Net assets	1,420,431	1,420,431	1,420,431
Market value of Listed Shell	200,000	400,000	300,000
Net assets of ACL prior to the Proposed Transaction	1,620,431	1,820,431	1,720,431
Number of ordinary shares on issue (pre-consolidation basis)	324,723,621	324,723,621	324,723,621
Consolidation ratio	20:1	20:1	20:1
Number of ordinary shares on issue (post-consolidation basis)	16,236,181	16,236,181	16,236,181
Assessed Value per share (post-consolidation and controlling basis)	\$0.0998	\$0.1121	\$0.1060

Source: YTD19 management accounts and RSM analysis

Table 8: Valuation of ACL shares pre-transaction

- 8.3 A Listed Shell may attract value as a vehicle by which another business can be vended into as an alternative to an initial public offering. In our experience, and having regard to the costs associated with conducting a compliance listing and existing shareholder spread, we consider the value of the Listed Shell to be in the range of \$200,000 to \$400,000.
- 8.4 Based on the above, we consider the value of an ACL share on a post-consolidation basis pre the Proposed Transaction to range between \$0.0998 and \$0.1121, with a preferred value of \$0.1060.

Quoted price of listed securities (secondary method)

- 8.5 In order to provide a comparison and cross check to our primary valuation of ACL, we have considered the recent quoted market price for ACL shares on the ASX prior to the announcement of the Proposed Transaction.

Analysis of recent trading in ACL Shares

- 8.6 In order to provide a comparison and cross-check to our valuation of an ACL share under the net assets on a going concern methodology, we have considered the recent quoted market price of ACL shares prior to the announcement of the Proposed Transaction.
- 8.7 RG 111.69 indicates that for the quoted market share price methodology to represent a reliable indicator of Market Value, there needs to be an active and liquid market for the securities. The following characteristics may be considered to be representative of a liquid and active market:
- regular trading in the company's securities;
 - approximately 1% of a company's securities traded on a weekly basis;
 - the bid/ask spread of a company's shares must not be so great that a single majority trade can significantly affect the market capitalisation of the company; and
 - there are no significant but unexplained movements in the share price.
- 8.8 Prior to the announcement of the Proposed Transaction on 21 June 2019, the Company entered a Voluntary Suspension from quotation on 29 March 2019. To provide further analysis of the quoted market prices for ACL's shares, we have considered the volume weighted average share price ("VWAP") over a number of trading day periods prior to 29 March 2019. An analysis of the volume in trading in ACL's shares for the 5, 10, 30, 60 and 90 day trading periods is set out in the following table.

Trading days	Share price low \$	Share price high \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
<i>Before the Voluntary Suspension</i>							
1 trading day before	0.011	0.011	1	3,627,900	39,907	0.011	1.12%
5 trading days before	0.008	0.011	5	5,472,270	56,752	0.010	1.69%
10 trading days before	0.008	0.011	7	7,334,750	72,763	0.010	2.26%
30 trading days before	0.008	0.011	21	11,622,220	111,300	0.010	3.58%
60 trading days before	0.008	0.012	47	21,712,940	208,827	0.010	6.69%
90 trading days before	0.008	0.012	65	26,134,000	247,827	0.009	8.05%

Source: ASX and RSM calculations

Table 9: ACL VWAP Analysis

- 8.9 We note the following:
- 8.05% of ACL's shares were traded in the 90-day period prior to the announcement of the Proposed Transaction, with shares traded on 65 days in the 90-day period;
 - the bid/ask spread is often used to measure efficiency. For the 90-day period, the closing bid/ask spread of ACL averaged 12.3% of the midpoint price. On the basis that, over a comparable period, all stocks trading on the ASX had an average bid-ask spread of 0.196%¹, we consider the bid/ask spread of ACL to be large; and
 - notwithstanding the low levels of liquidity, ACL complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of ACL.
- 8.10 Based on the above, we have assessed the value of an ACL share based on VWAP prior to the 29 March 2019 (on a non-controlling basis) to be \$0.010.
- 8.11 The value above is indicative of the value of a marketable parcel of securities assuming a holder does not have control of the Company. In the case of a section 611, item 7 acquisition, RG 111 states that the independent expert should calculate the value of a target's securities as if 100% control were being

¹ Equity market data for the quarter ended 31 March 2019 – ASIC

obtained. Therefore, in our assessment of the Fair Market Value of an ACL share, we should include a premium for control.

Premium for control

- 8.12 Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:
- access to potential synergies;
 - control over decision making and strategic direction;
 - access to underlying cash flows; and
 - control over dividend policies.
- 8.13 In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. A control premium is the amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the premium a buyer will pay to acquire control in a business enterprise. Consequently, earnings multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).
- 8.14 RSM has undertaken a survey of control premiums paid over a 5-year period to 30 June 2016 in 463 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSM Control Premium Study 2017"). The findings are summarised in the table below, showing the average control premiums paid 20, 5 and 2 days prior to announcement of a transaction, which are applied at the equity level.

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium - all industries	463	34.5%	28.3%	26.4%

Source: RSM Control Premium Study 2017

Table 10: Control premium study

- 8.15 Based on the above, we consider that a control premium in the range of 22.5% to 27.5% is appropriate in assessing the value of an ACL share on a controlling basis.
- 8.16 The table below sets out our assessment of the value of an ACL share on a controlling basis utilising the quoted price of listed securities methodology.

	Low	High	Preferred
Quoted market price (non-controlling basis)	\$0.010	\$0.010	\$0.010
Calculated market price (post-consolidation)	\$0.200	\$0.200	\$0.200
Control premium	22.5%	27.5%	25.0%
Value of an ACL share (controlling basis post-consolidation)	\$0.245	\$0.255	\$0.250

Source: Capital IQ and RSM analysis

Table 11: Assessed Fair Market Value of an ACL share – Quoted Price of Listed Securities cross check

- 8.17 The analysis set out in the table above has been undertaken on a post-consolidation basis and gives a share price range of \$0.245 to \$0.255, with a preferred value of \$0.250.

Valuation summary and conclusion

- 8.18 A summary of our assessed values of an ordinary ACL Share on a control basis prior to the Proposed Transaction, derived under the two methodologies, is set out in the table below.

	Ref	Low	High	Preferred
Net assets on a going concern basis - primary method	Table 8	\$0.0998	\$0.1121	\$0.1060
Quoted price of listed securities - cross check	Table 11	\$0.2450	\$0.2550	\$0.2500

Source: RSM analysis

Table 12: Assessed Fair Market Value of an ACL share summary

- 8.19 In our opinion, we consider that the net assets on a going concern valuation methodology is a significantly stronger indicator of the Fair Market Value of an ACL Share.
- 8.20 As noted at paragraph 8.9, ACL shares exhibited low levels of liquidity in the 90 days prior to the Company entering Voluntary Suspension, and had a bid-ask spread well in excess of the ASX average. As a result, we consider that the Company's share price is not reflective of its Fair Market Value. Furthermore, ACL has incurred significant cost in relation to the Proposed Transaction post the date of the Voluntary Suspension and has until 21 September 2019 (as notified by ASX correspondence dated 21 March 2019) to prove its operations are sufficient to warrant its continued listing on the ASX in accordance with Listing Rule 12.1.
- 8.21 Therefore, in our opinion, the Fair Market Value of an ACL Share prior to the Proposed Transaction is between \$0.0998 and \$0.1121 on a controlling, post-consolidation basis, with a preferred value of \$0.1060.

9. Valuation of ACL after the Proposed Transaction

9.1 The table below summarises our valuation of ACL post the Proposed Transaction, summarising the value per share assessed on a controlling basis.

Valuation of ACL (post-transaction) As at 31-May-19	Reference	\$
Net assets of ACL prior to Proposed Transaction		1,420,431
Net liabilities of APH prior to Proposed Transaction	9.2	(2,935,022)
Value of APH borrowings settled prior to or during Completion	9.2	1,565,323
Cash raised from Capital Raising	9.3	5,700,000
Cash fee to be paid to Lead Manager	9.3	(376,200)
Loan repayment to related party of James Hood (cash and shares)	9.4	(104,926)
Cash raised under the Convertible Offer	9.8	800,000
Value of the Merged Group immediately after the Proposed Transaction		6,069,606
Number of shares prior to the Proposed Transaction		16,236,181
Consideration shares	9.2	21,750,000
Shares issued to Lead Manager	9.6	3,250,000
Shares issued to related party of James Hood for debt conversion	9.4	320,291
Shares offered under Capital Raising	9.3	28,500,000
Shares issued to the Corporate Advisor	9.5	2,000,000
Shares issued to Advisory Board members	9.7	100,000
Shares issued under the Convertible Offer	9.8	4,000,000
Number of shares immediately after the Proposed Transaction (post-consolidation)		76,156,472
Assessed value per share (on a controlling basis)		\$0.0797

Source: RSM analysis, Notice of Meeting and Share Sale Agreement

Table 13: Valuation of an ACL share post-transaction (controlling basis)

- 9.2 Acquisition of APH in exchange for scrip to APH shareholders (Resolution 6). As per paragraph 6.22 and 6.23, there are \$1.57m of loans which will not form part of ACL post the Proposed Transaction.
- 9.3 Cash of \$5.7m to be raised from the Capital Raising (Resolution 7). The Lead Manager will be paid 6.6% (or 6% plus GST) of the total capital raise, with half of this to be paid to the Corporate Advisor.
- 9.4 Loan repayment to be made to a related party of James Hood (Resolution 10). This is to be funded by a mixture of scrip and cash, with the issue of 320,921 shares and the payment of \$105k.
- 9.5 Shares issued to the Corporate Advisor for services rendered during the Proposed Transaction (Resolution 9).
- 9.6 Shares issued to Lead Manager for services rendered during the Proposed Transaction (Resolution 8).
- 9.7 Shares issued to Advisory Board member, Dr Jace Callaway, for consulting services provided to the Company (Resolution 12).
- 9.8 Shares issued under the Convertible Offer in exchange for \$800k cash (Resolution 11).
- 9.9 We consider that the value of an ACL share post the Proposed Transaction is \$0.0797 on a controlling basis. We have assessed the appropriate minority interest discount to apply below.

Minority interest discount

- 9.10 The table below sets out our assessment of the Market Value of an ACL share on an undiluted and non-controlling basis.

Valuation of ACL post-transaction (non-controlling)	Low	High	Preferred
Value per share (controlling basis)	\$0.0797	\$0.0797	\$0.0797
Discount for minority interest	-21.57%	-18.37%	-20.00%
Value per share (non-controlling interest)	\$0.0625	\$0.0651	\$0.0638

Source: RSM analysis

Table 14: Valuation of an ACL share (diluted and non-controlling basis)

- 9.11 A discount to reflect a non-controlling interest in an entity (minority interest) is the inverse of a control premium.
- 9.12 As per paragraph 8.15, we have determined a control premium of 22.5% to 27.5% to be appropriate for ACL, the inverse of which has been presented in Table 14.
- 9.13 Based on the above, we have assessed the Fair Market Value of an ACL share (on a non-controlling basis), to be in the range of \$0.0625 to \$0.0651, with a preferred value of \$0.0638.

10. Is the Proposed Transaction Fair to ACL Shareholders?

10.1 Our assessed values of an ACL share prior to and immediately after the Proposed Transaction are summarised in the table below.

	Low	High	Preferred
Fair Market Value per share pre the Proposed Transaction (post-consolidation, controlling basis)	\$0.0998	\$0.1121	\$0.1060
Fair Market Value per share post the Proposed Transaction (post-consolidation, non-controlling basis)	\$0.0625	\$0.0651	\$0.0638

Source: RSM analysis

Table 15: Valuation summary

10.2 We have summarised the values included in the table above in the chart below.

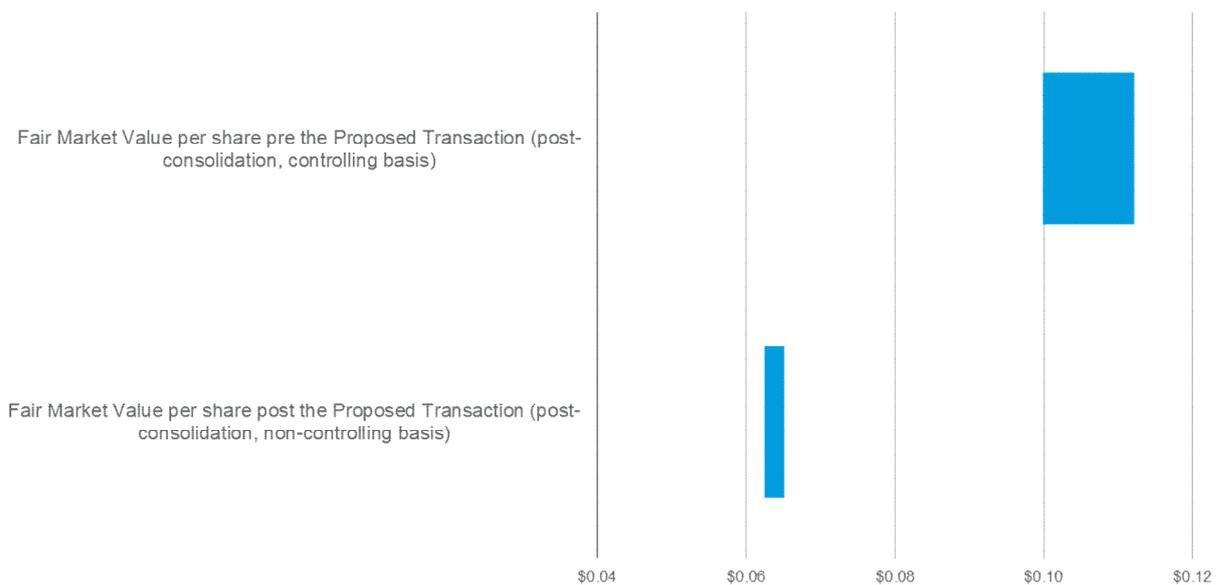


Chart 3: Valuation summary graphical representation

10.3 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with section 611 of the Act, we consider the Proposed Transaction to be **not fair** to the Shareholders of ACL as the value of an ACL share post the Proposed Transaction is less than the value of an ACL Share pre the Proposed Transaction.

11. Is the Proposed Transaction Reasonable to Shareholders?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- the future prospects of ACL if the Proposed Transaction does not proceed; and
- other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of ACL if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction does not proceed the board will continue to seek alternative acquisitions to add value to shareholders.

11.3 However, ACL has until 21 September 2019 (as notified by ASX correspondence dated 21 March 2019) to prove its operations are sufficient to warrant its continued listing on the ASX in accordance with Listing Rule 12.1. Given the relatively short period of time to this date, it is unlikely another suitable acquisition would be identified and the Company's shares may be suspended from official quotation.

11.4 ACL had cash of \$685k at 31 May 2019 and \$609k at 30 June 2019. ACL has also incurred approximately \$150k of costs related to the Proposed Transaction in June 2019 and will incur further administration costs and transaction-related expenses to the date of the Shareholders' General Meeting.

11.5 If the Company was to be suspended from official quotation, and in the absence of alternative options, was to be wound up, ACL would incur further significant costs in winding up the Company and in related administrative expenses. Additionally, the Company has made prepayments relating to directors' and officers' insurance and life sciences insurance (required due to ACL's previous operations). These prepayments represent a total of \$182k on the 31 May 2019 balance sheet and may not be fully recoverable in the event of liquidation.

11.6 Further, in our valuation at paragraph 8.2, we attributed a market value of \$200k to \$400k for the listed ACL shell. In the event of the Company being delisted, we consider that this value would be significantly reduced.

11.7 These factors would leave Shareholders with a substantially lower Fair Market Value per Share than the Fair Market Value per Share prior to the Proposed Transaction calculated at paragraph 2.6.

Advantages and disadvantages

11.8 In assessing whether the Shareholders are likely to be better off if the Proposed Transaction proceed, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Shareholders.

Advantages of approving the Proposed Transaction

11.9 The advantages of approving the Proposed Transaction are:

- as noted at paragraph 2.12, ACL has until 21 September 2019 to prove its operations are sufficient to warrant its continued listing on the ASX in accordance with Listing Rule 12.1. The Proposed Transaction would constitute sufficient operations such that ACL's securities would not be suspended from official quotation;
- the directors of the Company have spent significant time seeking investments and consider the acquisition of APH to be the most appropriate investment for ACL;

- the Company will seek approval to recommence trading on the Official List of the ASX. There may be possible improvement in the liquidity of ACL shares if the Proposed Transaction creates increased interest in the Company and hence a more efficient market for shareholders to dispose of their shareholdings;
- if the Proposed Transaction is not approved, the Company's Share price may open at a lower level when the Company resumes trading on the ASX after the Voluntary Suspension is lifted;
- the proposed acquisition of APH will provide shareholders with the opportunity to participate in the future development of a Company in the Hemp Production Industry, an emerging industry in Australia;
- the funds generated from the Proposed Transaction will be used for working capital, increasing inventory on hand, acquiring new equipment and to fund operating expenses. This working capital increase and capital expenditure are expected to position the Company for its future anticipated growth;
- APH has an unrecognised deferred tax asset of \$620k. While this deferred tax asset has not been recognised in the unaudited accounts at 30 June 2018, it may be recognised in the future if APH begins to generate profits;
- Resolution 6 is dependent upon approval of Resolution 7. In the event that the Company is able to raise \$5.7m in cash (before deducting the costs of capital raising), its prospects of continuing as a going concern will be significantly improved; and
- ACL may be able to rely on the continuity of ownership test in relation to some of its carry-forward tax losses accrued from 1 July 2004 in the context of the Proposed Transaction.

Disadvantages of approving the Proposed Transaction

11.10 The disadvantages of approving the Proposed Transaction are:

- the Proposed Transaction is **not fair**;
- the completion of the Proposed Transaction is contingent upon the Company's ability to undertake a capital raising and to comply with Chapters 1 and 2 of the Listing Rules;
- Shareholders' interest in ACL will be diluted from 100.0% to 21.3% post the Proposed Transaction if \$5.7m capital is raised under Resolution 7;
- Shareholders will hold an interest in a company operating in the Hemp Production Industry, which may not suit the risk preferences of individual shareholders. There are risk factors associated with the change of nature and scale of the Company's activities;
- Shareholders may prefer the option of receiving funds from ACL in the event that the Company is wound up, rather than investing in another business;
- APH has been a loss-making entity over the Historical Period considered in this report. There is a risk that APH continues to generate losses; and
- in the event that the post-consolidation Share price exceeds the option exercise prices specified at paragraph 3.9, Shareholders' interests would be further diluted if the options issued to the Vendors, Lead Manager and Corporate Advisor are exercised.

Conclusion on Reasonableness

- 11.11 In our opinion, the position of the Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Shareholders of ACL.
- 11.12 An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



Glyn Yates

Director



Andrew Clifford

Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Glyn Yates and Andrew Clifford are directors of RSM Corporate Australia Pty Ltd. Both Glyn Yates and Andrew Clifford are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of ACL and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd 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.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Glyn Yates, Andrew Clifford, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$35,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether ACL receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Annual General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Annual General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of Annual General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- drafts and final copies of the Notice of Meeting;
- share sale agreement signed 14 June 2019;
- audited financial statements for ACL for the year ended 30 June 2018;
- management accounts for ACL for 11 months ended 31 May 2019;
- unaudited financial statements for APH for the year ended 30 June 2018;
- management accounts for APH for 11 months ended 31 May 2019;
- ASX announcements of ACL;
- S&P Capital IQ database; and
- discussions with Management of ACL.

C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
ACL	Alchemia Ltd
AFCA	Australian Financial Complaints Authority
Act	Corporations Act 2001 (Cth)
Alchemia	Alchemia Ltd
APES	Accounting Professional & Ethical Standards Board
APH	Australian Primary Hemp Pty Ltd
Australian Primary Hemp	Australian Primary Hemp Pty Ltd
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Capital Raising	The Proposed issue of 570,000,000 Shares on a pre-Consolidation basis by ACL under Resolution 7 of the Notice of Meeting, to raise \$5.7m.
(the) Company	Alchemia Ltd
Control basis	As assessment of the Fair Market Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Convertible Offer	The offer of up to 800,000 convertible notes at a price per note of \$1.00, in consideration for raising up to \$800k
Directors	Directors of the Company
DR Hood Family Trust Loan	Loan of \$168,984, which sits as a liability in the accounts of APH at 31 May 2019. The Loan was made by a related party of James Hood, and is proposed to be settled in conjunction with the Proposed Transaction in accordance with Resolution 10.
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FSCANZ	Australia New Zealand Food Standards Code
FSG	Financial Services Guide
FY17	Financial Year 2017, or the twelve months ended 30 June 2017
FY18	Financial Year 2018, or the twelve months ended 30 June 2018
FY19	Financial Year 2019, or the twelve months ended 30 June 2019
FY20	Financial Year 2020, or the twelve months ended 30 June 2020
IER	This Independent Expert Report
Hemp Production Industry	The Industry in which APH operates
k	Thousands
Kentgrove	Kentgrove Capital Pty Ltd

Listed Shell	An ASX listed company with no operations or trading business
m	Millions
Merged Group	ACL and APH immediately following the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Patterson Loan	The loan provided by Skye Patterson to APH, with a value of \$147k at 31 May 2019
Proposed Transaction	Resolutions 3 to 12, 14 to 18 and 20 to 22 as set out in the Notice of Annual General Meeting and Explanatory Statement accompanying this IER
Re-compliance	The reinstatement of the Shares to official quotation but subject to the relevant escrow or restriction agreement if required by ASX following ACL re-complying with Chapters 1 and 2 of the Listing Rules to the satisfaction of ASX
Report	This Independent Expert's Report prepared by RSM dated 6 August 2019
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RG 170	ASIC Regulatory Guide 170 Prospective Financial Information
RSM	RSM Corporate Australia Pty Ltd
RTO Price	the per Share as at Re-compliance subject to any price under \$0.20 being the subject of an ASX waiver, as agreed between the Company, APH and the Lead Manager
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
(the) Sellers	The current shareholders in APH, being Charles Mann, James Hood, Skye Patterson and other minority APH shareholders
Share or ACL Share	Ordinary fully paid share in the capital of the Company
Shareholders	Shareholders not associated with the Proposed Transaction (Non-Associated Shareholders)
Share sale agreement	Share Sale Agreement signed by APH and ACL Management, detailing the terms of the purchase of APH equity by ACL, dated 20 June 2019.
SSA	Share Sale Agreement signed by APH and ACL Management, detailing the terms of the purchase of APH equity by ACL, dated 20 June 2019.
(the) Vendors	The current shareholders in APH, being Charles Mann, James Hood, Skye Patterson and other minority APH shareholders
Voluntary Suspension	The suspension of ACL's securities from quotation as requested by the Directors of ACL.
VWAP	Volume weighted average share price
YTD19	The eleven months ended 31 May 2019

D. INDUSTRY OVERVIEW

Background

Hemp, or industrial hemp, is a plant species from the *Cannabis sativa* family. The plant has many applications across various industries and is used as a food source; as well as being a key component in the production of clothing and accessories, building materials, paper and plastic. APH manufactures hemp as a food source; producing seeds, protein powders, fibre powder, oils and bars to be consumed as food or used as supplements in the food preparation process. The hemp plant is distinct from the plant known as marijuana. While both are from the same family, marijuana has a distinct chemical composition and contains high levels of tetrahydrocannabinol (“THC”), which has psychoactive properties. Hemp contains only trace amounts of THC, usually less than 0.3%.

Regulation

Hemp as a food source is strictly regulated in Australia. The Federal Government approved the use of hemp in food in 2017, however the maximum levels of THC allowable in hemp products is tightly controlled. The relevant guidelines for the sale of hemp are the Australia New Zealand Food Standards Code (**FSCANZ**), which allows the sale for hemp provided the product is not marketed as having a psychoactive effect or represented as a therapeutic good. Provided the hemp has a level of THC less than 0.35%, it is able to be sold in Australia without contravening this Code. APH’s FINOLA seeds are typically approximately 0.2% THC, under this threshold and therefore able to be sold in Australia.

Industry Growth

Industry growth is likely to be driven by the following:

- sustainability – hemp products are recyclable and biodegradable. Production of hemp does not require pesticides, and leaves no lasting negative impact on the environment;
- growing health awareness in society – with people becoming more aware of the relationship between processed food and meat with heart disease and cancer, there is a trend towards consumers turning to vegan options; and
- legislative approval – with hemp only approved for consumption in Australia as recently as November 2017 the Industry is in its infancy and is expected to grow as hemp becomes associated with food among consumers.

Key risks

Key Industry risks are presented below:

- regulatory reform – hemp is a relatively new product and there is a risk that its sale for consumption could be restricted in the future;
- commodity price risk – the commodity prices for hemp supply are dependent on global economic factors, and may fluctuate to impact the production costs and availability of raw inputs for growers;
- stagnating demand – hemp is a relatively new product and therefore does not have an established customer base. While current indications of demand are encouraging for the Industry, there is a possibility this does not translate to long term growth; and
- agricultural risk – the Industry is subject to weather conditions, wildlife, plant disease and other events outside the control of hemp growers. As such there is ongoing risk the revenue and profitability will be impacted by the external environment.

For further detail on the Hemp Production Industry, please refer to the Notice of Meeting.

THE POWER OF BEING UNDERSTOOD
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RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU.

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SCHEDULE 2: PROXY FORM

See following page.

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Alchemia Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474

LODGE MENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **10:00am (AEST) on Saturday, 14 September 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **ONLINE**
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in 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 A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

NAME SURNAME
 ADDRESS LINE 1
 ADDRESS LINE 2
 ADDRESS LINE 3
 ADDRESS LINE 4
 ADDRESS LINE 5
 ADDRESS LINE 6



X99999999999

PROXY FORM

I/We being a member(s) of Alchemia Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (AEST) on Monday, 16 September 2019 at Holding Redlich Lawyers, Level 8, 555 Bourke Street, Melbourne VIC 3000** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for 1, 6, 8, 18 and 20: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 6, 8, 18 and 20, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Approval of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Issue of Shares to Advisory Board Members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14 Election of Director – Charles Mann	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Change in Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15 Election of Director – James Hood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	16 Election of Director – Pauline Gately	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Consideration Shares and Consideration Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	17 Re-election of Director – Cameron Petricevic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Capital Raising pursuant to a Prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	18 Non-Executive Director's Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Issue of Shares and Options to the Lead Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	19 Participation of Directors in the Capital Raising - Cameron Petricevic, Lynden Polonsky, Melanie Leydin and Pauline Gately	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Issue of Shares and Options to the Corporate Advisor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	20 Adoption of Equity Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Issue of Shares to Related Party of James Hood in consideration for debt conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	21 Election of Director – Lynden Polonsky	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Issue of Shares to Noteholder in consideration for Note conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	22 Election of Director – Melanie Leydin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

