



2021 ANNUAL GENERAL MEETING DOCUMENTS

Melbourne, Australia, 12 November 2021 – Cronos Australia Limited (ASX:CAU, “Cronos Australia” or the “Company”) is pleased to provide the Notice of Meeting and accompanying Explanatory Statement in relation to the Company’s 2021 Annual General Meeting (“AGM”) of shareholders which is to be held at **3.30 pm** (AEDT) on **Wednesday, 15 December 2021**.

As announced on 14 September 2021, the Company has executed a Merger Implementation Agreement to acquire 100% of the issued capital of Queensland-based medicinal cannabis company CDA Health Pty Ltd (“Merger”). As part of the Merger, certain approvals are required from the shareholders of the Company. A total of 16 separate resolutions relating to the Merger are included in the attached documents for the AGM.

In line with the federal and state government’s current public health restrictions on large public gatherings in response to the COVID-19 pandemic, there will be no ability to attend the AGM in person. Shareholders may attend and participate in the AGM (including voting on resolutions) via the online virtual platform, in respect of which further details are set out in the attached Notice of Meeting.

**** ENDS ****

About Cronos Australia Limited

The vision of Cronos Australia is to become a leading health and wellness company in the Asia Pacific region through the creation and distribution of premium medical and consumer cannabinoid products and services. The Company's largest shareholder is Cronos Group Inc. (NASDAQ:CRON; TSX:CRON). Cronos Australia Limited is listed on the ASX (ASX:CAU).

- Cronos Australia distributes the Adaya and PEACE NATURALS™ ranges of medicinal cannabis products nationwide in Australia through medical practitioners via the Special Access Scheme and Authorised Prescribers.
See www.adaya.co
- Cronos Australia owns 75.5% of Cannadoc Health Pty Ltd, a medicinal cannabis clinic business that undertakes face-to-face and nationwide telehealth consultations with patients seeking access to medicinal cannabis.
See www.cannadoc.com.au and www.cannadoc.co.nz
- Cronos Australia has established operations in Hong Kong and Japan for the development of ranges of cannabinoid brands and products and their distribution into global consumer markets. The current three ranges of products are Bathing Shed, FCTR and Saiph.
See www.bathingshed.com, www.getfctr.com and www.saiphlife.com
- Cronos Australia has a 50/50 joint venture with A&S Branding, the founders of Sukin Organic Skincare, for the development of CBD products for sale in domestic and export markets.

Merger announced with CDA Health Pty Ltd

On 14 September 2021, Cronos Australia announced a merger with CDA Health Pty Ltd, which is expected to close, subject to shareholder and other approvals, on or about 16 December 2021.

Authorised by

Rodney Cocks, Chief Executive Officer and Executive Director

Contact

Cronos Australia Limited

Rodney Cocks

Chief Executive Officer & Executive Director

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Forward-looking statements

This announcement may include forward-looking statements. These forward-looking statements are based on Cronos Australia's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Cronos Australia, which could cause actual results to differ materially from such statements. Cronos Australia makes no undertaking to update or revise the forward-looking statements made in this announcement to reflect any change in circumstances or events after the date of this announcement.

Notice of annual general meeting and explanatory statement

Cronos Australia Limited ACN 629 071 594

Date: Wednesday, 15 December 2021

Time: 3.30pm (Melbourne time)

Location: This meeting will be conducted as a virtual meeting, accessible online

IMPORTANT INFORMATION REGARDING COVID-19: Due to the COVID-19 pandemic, the Meeting will be held as a virtual meeting. Shareholders will be able to participate in the Meeting by:

- 1 voting prior to the Meeting by lodging the Proxy Form attached to the Notice of Meeting in Section 12 by no later than 3.30pm (Melbourne time) on Monday, 13 December 2021;
- 2 submitting questions in advance of the Meeting by emailing the questions to companysecretary@cronosaustralia.com by no later than 5.00pm (Melbourne time) on Monday, 13 December 2021;
- 3 attending the virtual meeting by going to <https://meetings.linkgroup.com/CAU21> and entering their details when prompted; and
- 4 speaking and asking questions during the virtual Meeting (details of which will be provided to Shareholders in a separate correspondence).

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER OR NOT TO VOTE IN FAVOUR OF THE RESOLUTIONS. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

All Shareholders should refer to the Independent Expert's Report attached to this Notice of Meeting (in Section 11 of the Explanatory Statement). The Independent Expert has determined that the Merger is not fair, but reasonable to Shareholders for the reasons set out in the Independent Expert's Report.

If you have recently sold all of your Shares, please disregard this Notice of Meeting.

Notice of Annual General Meeting

Notice is given that the 2021 Annual General Meeting of Shareholders of Cronos Australia Limited will be held at 3.30pm (Melbourne time) on Wednesday, 15 December 2021 as a virtual meeting.

The business to be considered at the Meeting is set out below. Information on the Resolutions to which the business relates is contained in the Explanatory Statement.

This Notice of Meeting should be read in conjunction with the Explanatory Statement. This Notice of Meeting and Explanatory Statement is not investment advice. You should seek your own financial and professional advice before making any decision on how to vote at the Meeting.

Terms used in this Notice of Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary contained in Section 10 of the Explanatory Statement.

ORDINARY BUSINESS

CONSIDERATION OF FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2021.

** This item of business is for discussion only and is not a resolution.*

Pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the meeting to ask questions about, or make comments in relation to, each of the aforementioned reports during consideration of these items.

RESOLUTION A – ADOPTION OF THE REMUNERATION REPORT

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

That the Remuneration Report section of the Directors' Report for Cronos Australia for the year ended 30 June 2021 be adopted.

* Please note that section 250R(3) of the Corporations Act provides that the vote on this resolution is advisory only and does not bind the Directors or Cronos Australia.

RESOLUTION B – RE-ELECTION OF DIRECTOR – SHANE FRANCIS TANNER

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

That Shane Francis Tanner, being an Independent Non-Executive Director, who retires by rotation in accordance with the Constitution and ASX Listing Rule 14.5, and being eligible, is re-elected as a Director of Cronos Australia, effective immediately.

RESOLUTION C – APPOINTMENT OF AUDITOR – PILOT PARTNERS

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

That, subject to the Appointment Conditions, for the purposes of section 327B(1) of the Corporations Act and for all other purposes, Pilot Partners of Level 10, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000, having been nominated by a Shareholder and having consented in writing to act as auditor of Cronos Australia, be appointed as auditor of Cronos Australia, from Completion.

SPECIAL BUSINESS

RESOLUTION 1 – APPROVAL OF ACQUISITION OF MAXIMUM VOTING POWER BY MAJOR CDA ACQUIRERS

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

That, subject to each of the other Merger Resolutions being duly passed, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act and for all other purposes,

approval is given for the issue of up to 349,684,521 Shares to the Major CDA Acquirers who will have a maximum voting power of up to 63.75% of the issued share capital of Cronos Australia following completion of the Merger as set out in the Explanatory Statement.

RESOLUTION 2 – APPROVAL OF THE ISSUE OF SHARES TO THE CDA SHAREHOLDERS UNDER THE MERGER IMPLEMENTATION AGREEMENT

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

That, subject to each of the other Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to 439,784,283 Shares to the CDA Shareholders on the terms set out in the Explanatory Statement.

RESOLUTION 3 – APPROVAL OF THE ISSUE OF SHARES UNDER THE LOAN CONVERSION DEED

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

That, subject to each of the other Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 15,176,065 Shares to Cronos Global Holdings Inc upon Completion under the terms of the Loan Conversion Deed.

RESOLUTION 4 – ELECTION OF DIRECTOR – GUY ROTHWELL HEADLEY

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

That, subject to the Merger Resolutions being duly passed, for the purposes of clause 39.3 of the Constitution and for all other purposes, approval is given for the appointment of Guy Rothwell Headley as a Director, subject to and with effect from Completion.

RESOLUTION 5 – ELECTION OF DIRECTOR – DR BENJAMIN DAVID NGAHUIA JANSEN

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

That, subject to the Merger Resolutions being duly passed, for the purposes of clause 39.3 of the Constitution and for all other purposes, approval is given for the appointment of Dr Benjamin David Ngahuia Jansen as a Director, subject to and with effect from Completion.

RESOLUTION 6 – ELECTION OF DIRECTOR – DR MARCIA ANI MATEKINO WALKER

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

That, subject to the Merger Resolutions being duly passed, for the purposes of clause 39.3 of the Constitution and for all other purposes, approval is given for the appointment of Dr Marcia Ani Matekino Walker as a Director, subject to and with effect from Completion.

RESOLUTION 7 – ELECTION OF DIRECTOR – KURT THOMAS SCHMIDT

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

That, subject to the Merger Resolutions being duly passed, for the purposes of clause 39.3 of the Constitution and for all other purposes, approval is given for the appointment of Kurt Thomas Schmidt as a Director, subject to and with effect from Completion.

RESOLUTION 8 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO GUY ROTHWELL HEADLEY

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

That, subject to the Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of

1,000,000 Performance Rights and 4,500,000 Options to Guy Rothwell Headley (or his nominee) on the terms and conditions set out in the Explanatory Statement.

RESOLUTION 9 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO BENJAMIN DAVID NGAHUIA JANSEN

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

That, subject to the Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of 1,000,000 Performance Rights and 4,500,000 Options to Dr Benjamin David Ngahua Jansen (or his nominee) on the terms and conditions set out in the Explanatory Statement.

RESOLUTION 10 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO RODNEY DAMON COCKS

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

That, subject to the Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of 1,000,000 Performance Rights and 4,500,000 Options to Rodney Damon Cocks (or his nominee) on the terms and conditions set out in the Explanatory Statement.

RESOLUTION 11 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO SHANE FRANCIS TANNER

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

That, subject to the Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of 1,000,000 Performance Rights to Shane Francis Tanner (or his nominee) on the terms and conditions set out in the Explanatory Statement.

RESOLUTION 12 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO JESSIMINE CHARLES KIRITEA JANSEN

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

That, subject to the Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of 1,000,000 Performance Rights and 4,500,000 Options to Jessimine Charles Kiritea Jansen (or her nominee) on the terms and conditions set out in the Explanatory Statement.

RESOLUTION 13 – APPROVAL OF ISSUE OF SECURITIES UNDER THE EQUITY INCENTIVE PLAN

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

That, subject to the Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 7.2 (Exception 13(b)) and for all other purposes, approval is given for the issue of securities under the employee incentive scheme titled Equity Incentive Plan on the terms and conditions described in the Explanatory Statement.

RESOLUTION 14 – AMENDMENT TO CONSTITUTION – BOARD MEETING QUORUM

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

That, subject to the Merger Resolutions being duly passed, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for Cronos Australia to amend the Constitution by deleting clause 49.5 and replacing it with the clause below:

"49.5 Unless the Board determines otherwise, the quorum for a Board meeting is the majority of the Directors and the quorum must be present at all times during the meeting."

RESOLUTION 15 – AMENDMENT TO CONSTITUTION – CASTING VOTE OF CHAIR AT BOARD MEETINGS

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

That, subject to the Merger Resolutions being duly passed, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for Cronos Australia to amend the Constitution by deleting clause 49.7 and replacing it with the clause below:

"49.7 The chair of the Board meeting shall not have a casting vote in the event of an equal number of votes for and against a resolution."

RESOLUTION 16 – APPROVAL OF POTENTIAL TERMINATION BENEFITS

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

That, subject to the Merger Resolutions being duly passed, for the purposes of section 200E of the Corporations Act and for all other purposes, approval is given to the termination benefits payable to Rodney Damon Cocks on the terms and conditions set out in the Explanatory Statement.

RESOLUTION 17 – APPROVAL OF ADDITIONAL 10% ISSUANCE CAPACITY

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

That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for Cronos Australia to have additional capacity to issue equity securities totalling up to 10% of the issued capital of Cronos Australia at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.

Majorities required for the Resolutions to be passed

Each Resolution (except Resolutions 14, 15 and 17 which each require a majority of at least 75% of the votes cast) will be passed if more than 50% of the votes cast on the relevant Resolution (either in person, proxy, attorney or by corporate representative) are in favour of the relevant Resolution.

Interdependent Resolutions

The Merger Resolutions (being Resolutions 1, 2 and 3) are required for the Merger to proceed. The Merger Resolutions are conditional and interdependent, meaning if any of those Merger Resolutions is not passed, then none of the Merger Resolutions will be taken to have been passed and the Merger will not proceed.

None of Resolutions C and 4 to 16 (inclusive) will be taken to have been passed if any of the Merger Resolutions are not passed by Shareholders. However, the Merger Resolutions are not conditional upon Resolutions C and 4 to 16 (inclusive) being passed by Shareholders.

None of Resolutions A, B or 17 are conditional on or interdependent with any other Resolution.

Under the terms of the Merger Implementation Agreement, even if Shareholder approval is not received for any of Resolutions 4 to 7 (inclusive), the Board is still obliged to procure the appointment of Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen, Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt to the Board.

Entitlement to vote

Cronos Australia has determined, in accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded on the register of members at 7.00pm (Melbourne time) on Tuesday, 14 December 2021. Accordingly, transfers registered after that time will be disregarded in determining entitlements to vote at the Meeting.

Voting

There will be no ability to attend the Meeting in person in line with the federal and state government's public health restrictions on large public gatherings in response to the COVID-19 pandemic. You may attend and participate in the Meeting (including voting on Resolutions) via the online virtual platform, in respect of which further details are set out below.

To vote at the Meeting virtually, login to the Meeting at <https://meetings.linkgroup.com/CAU21> at 3.30pm (Melbourne time) on Wednesday, 15 December 2021.

Attending the Meeting online enables Shareholders to view the Meeting live, ask questions and cast votes on the Resolutions at the appropriate times whilst the Meeting is in progress. The votes on the Resolution will be cast through a poll.

To vote by proxy, a completed proxy form must be delivered to and received by the Share Registry on or before 3.30pm (Melbourne time) on Monday, 13 December 2021. The attached Proxy Form in Section 12 sets out the instructions for the return of that Proxy Form.

Voting exclusion

Cronos Australia will disregard any votes cast in favour of:

- Resolution 1 by or on behalf of any person proposing to make the acquisition (in this case of new Shares) and their Associates, or the persons (if any) from whom the acquisition is to be made and their Associates;
- Resolutions 2 or 3 by or on behalf of a 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 Cronos Australia), or an Associate of that person or those persons;
- Resolutions 8, 9, 10, 11 or 12 by or on behalf of the proposed recipient (or their nominee) of the Performance Rights and/or Options and their Associates or another person referred to in ASX Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in Cronos Australia's Equity Incentive Plan; and
- Resolution 13 by or on behalf of a person who is eligible to participate in Cronos Australia's Equity Incentive Plan or an Associate of that person or those persons.

However, the above exclusions do not apply to a vote cast in favour of the Resolution by:

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

Voting prohibition

Resolutions 1, 8, 9, 10, 11, 12 or 16

In accordance with section 224 of the Corporations Act, a vote on Resolutions 1, 8, 9, 10, 11, 12 or 16 must not be cast (in any capacity) by or on behalf of a related party of Cronos Australia to whom the Resolution would permit a financial benefit to be given, or an Associate of such a related party. However, the above prohibition does not apply if the vote is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of such a related party.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on the Resolution if:

- the proxy is either:
 - a member of the key management personnel of Cronos Australia; or

- a closely related party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

The above prohibition does not apply if the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though the Resolution is connected directly or indirectly with remuneration of a member of the key management personnel of Cronos Australia.

Resolution A

In accordance with section 250R of the Corporations Act, a vote on Resolution A must not be cast by or on behalf of a key management personnel whose remuneration details are included in the Remuneration Report or a closely related party of such a member.

However, this prohibition does not apply if the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution, or the voter is the chair of the meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on the resolution and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the company or, if the company is part of a consolidated entity, for the entity.

Proxies

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder entitled to vote at the Meeting has a right to appoint a proxy;
- the proxy need not be a Shareholder;
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportional number is specified, each proxy may exercise half of the Shareholder's votes; and
- a Shareholder may specify the way in which the proxy is to vote on the Resolutions or may allow the proxy to vote at its discretion. If the way in which a proxy is to vote on the Resolutions are specified by a Shareholder, the proxy may not vote on that Resolution except as specified by the Shareholder.

Voting of proxies

A proxy may decide whether to vote on any motion, except where the proxy is required by law or under the constitution of Cronos Australia to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Share Registry, at least 48 hours before the time for holding the Meeting (i.e. by no later than 3.30pm (Melbourne time) on Monday, 13 December 2021:

- by mail: Cronos Australia Limited, c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235, Australia;
- by fax: +61 2 9287 0309; or
- by hand: Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

Voting by corporate representatives

Corporate Shareholders or proxies wishing to vote by corporate representative should obtain an appointment of corporate representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received before the start or resumption of the meeting at which the representative is to vote, by post in the reply paid envelope provided.

Directors' recommendations

The Directors believe that the potential advantages of the Merger outweigh the risks and potential disadvantages of the Merger.

Other than where a Director is excluded from voting on a Resolution (as set out in this Notice of Meeting):

- the Directors unanimously recommend that Shareholders who are not excluded from voting, vote in favour of the Resolutions in the absence of a superior proposal; and
- each Director intends to vote the Shares the Director controls in favour of the Resolutions in the absence of a superior proposal.

The Board abstains from making a recommendation in relation to Resolution A.

How the Chairman will vote undirected proxies

If you return your Proxy Form but do not nominate a proxy, the Chairman will be your proxy and will vote on your behalf as you direct on the Proxy Form. If your nominated representative does not attend the meeting then your proxy will revert to the Chairman and he will vote on your behalf as you direct on the Proxy Form.

If a proxy is not directed how to vote on an item of business or Resolutions, the proxy (including, if applicable, the Chairman) may vote, or abstain from voting, as they think fit.

Except as prohibited for Resolution A above, if you appoint the Chairman as your proxy (or if the Chairman is appointed by default) and you do not direct the Chairman how to vote on the Resolutions, the Chairman will vote your proxy in favour of that item of business, even if the Chairman has an interest in the outcome of the Resolutions and votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

By order of the Board



Shane Francis Tanner
Chairman
Cronos Australia Limited

Important Notices

General

This Notice of Meeting (including the Explanatory Statement) is dated 12 November 2021.

This document is important. The Explanatory Statement provides additional information on matters to be considered at the Meeting and forms part of the Notice of Meeting. You should read this document in its entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting.

A Proxy Form for the Meeting is also attached to this Notice of Meeting in Section 12. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Interpretation

Capitalised terms used in the Notice of Meeting are defined in the Glossary in Section 10, or where the relevant term is first used.

Any documents reproduced in this Notice of Meeting may have their own defined terms, which are sometimes different from those in the Glossary.

All numbers are rounded unless otherwise indicated. A reference to \$ and cents is to Australian currency, unless otherwise stated. All times referred to in this Notice of Meeting are references to the time in Melbourne, Australia, unless otherwise stated.

A reference to a Section is to a section in the Notice of Meeting, unless otherwise stated.

Responsibility for information

Except as outlined below, the information contained in this Notice of Meeting has been prepared by Cronos Australia and is its responsibility. Except as outlined below, neither Cronos Australia nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

CDA Health has prepared and provided all information relating to CDA Health and its subsidiaries, directors, officers and employees set out in this document (including in Sections 5, 6 and 7) and is responsible for that information. Cronos Australia does not assume any responsibility for the accuracy or completeness of such information.

The Independent Expert has prepared the Independent Expert's Report and takes responsibility for that report. Neither Cronos Australia, CDA Health nor any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Cronos Australia and CDA Health, in relation to the information that they have provided to the Independent Expert. Shareholders should read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Cronos Australia is responsible for the balance of this document but accepts no responsibility for any errors, omissions or misstatements in the Notice of Meeting that are attributable to errors, omissions or misstatements in publicly available information or third party sources or otherwise. Subject to the Corporations Act, Cronos Australia makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

ASIC and ASX

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Notice of Meeting.

Forward looking statements

Some of the statements appearing in this document may be in the nature of forward looking statements. These are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may" and other similar words that involve risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of Cronos Australia, its directors, officers, or any person named in this document or involved in the preparation of this document, make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this document reflect views held only as at the date of this document. Cronos Australia has no obligation to disseminate after the date of this document any updates or revisions to any such statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless required under the Corporations Act to update or correct this document or pursuant to Cronos Australia's continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Privacy and personal information

Cronos Australia may be required to collect personal information about you to implement the Merger. That personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Meeting. The collection of some of this information is required or authorised to be collected under the Corporations Act.

Information may be disclosed to Cronos Australia and its related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to implement the Merger. If the information outlined above is not collected, Cronos Australia may be hindered in, or prevented from, conducting the Meeting or implementing the Merger effectively, or at all. If you appoint an individual as your proxy, corporate representative or attorney to vote at the Meeting you should inform that individual of the matters outlined above and that Cronos Australia has collected their personal information from you.

If you are an individual, you have certain rights to access or correct the personal information collected about you. You may also contact the Share Registry if you wish to exercise those rights to update your personal information held by the Share Registry. Cronos Australia will otherwise collect, hold, use and disclose your personal information in accordance with our Privacy Policy, which sets out how you can access and correct the personal information that Cronos Australia holds about you and how to lodge a complaint relating to Cronos Australia's treatment of your personal information (and how Cronos Australia will deal with your complaint).

No financial product advice

This document is not financial product or investment advice nor is it a recommendation in respect of the Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders and other persons should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, and seek legal, taxation, financial and other advice appropriate to their jurisdiction and circumstances. Cronos Australia is not licensed to provide financial product advice in respect of the Shares.

Financial information presentation

Investors should be aware that certain financial data included in this Notice of Meeting is 'non-IFRS financial information' under *Regulatory Guide 230 Disclosing non-IFRS financial information*, published by ASIC. Cronos Australia believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Combined Group. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Notice of Meeting.

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Key dates

Date of this Notice of Meeting	Friday, 12 November 2021
Deadline for receipt of Proxy Forms by Cronos Australia	3.30pm (Melbourne time) on Monday, 13 December 2021
Record date for determining eligibility to vote at the Meeting	7.00pm (Melbourne time) on Tuesday, 14 December 2021
Time and date of the Meeting	3.30pm (Melbourne time) on Wednesday, 15 December 2021
Completion of the Merger	Thursday, 16 December 2021

The above dates are subject to change and are indicative only. Cronos Australia reserves the right to vary the dates and times.

Chairman's Letter

12 November 2021

Dear Shareholder,

On 14 September 2021, Cronos Australia announced that it had agreed to merge its business with the Queensland-based medicinal cannabis company CDA Health. The Merger is subject to various conditions and is structured as the acquisition of 100% of the shares in CDA Health by Cronos Australia. Cronos Australia will issue the CDA Shareholders up to 439,784,283 Shares at a deemed value of \$0.138 per Share as consideration for the sale of CDA Health. Cronos Australia will also pay up to \$5 million in aggregate in cash to CDA Health's shareholders, which is to be deducted from the total consideration for the Merger, thereby reducing the number of Shares that will be issued. As a result of the Merger, CDA Health will become a wholly-owned subsidiary of Cronos Australia.

In addition to the ordinary business, the purpose of the 2021 Annual General Meeting on Wednesday, 15 December 2021 is to seek your approval of the Resolutions relating to the Merger. Due to the dilutionary effect of the Merger on the shareholding of existing Shareholders, the approval of such Resolutions by Shareholders is required in order for the Merger to be implemented. Assuming the full \$5,000,000 cash is taken up, the CDA Shareholders are expected to hold 73.57% of the Cronos Australia share capital upon Completion. If none of the \$5,000,000 cash is taken up, the CDA Shareholders are expected to hold approximately 75.20% of the Cronos Australia share capital upon Completion.

If the Merger is implemented, your proportionate shareholding in Cronos Australia will be diluted significantly by the issue of new Shares under the Merger. Further, on Completion, the Combined Group will be effectively controlled by CDA Shareholders, particularly the Major CDA Shareholders. Immediately following Completion, the 128,750,000 Shares on issue as at the date of this Notice of Meeting are expected to only comprise around 22.02% of the Combined Group's share capital (assuming no cash consideration is taken) or up to approximately 23.47% of the Combined Group's share capital (if the full \$5 million cash consideration is taken).

Upon Completion, current Cronos Australia Directors, Anna Elizabeth Burke AO, Daniel Ernest Abrahams, Michael Ryan Gorenstein and Jason Marc Adler will leave the Board. CDA Health co-founders Guy Rothwell Headley and Dr Benjamin David Ngahua Jansen will become executive Directors, while Dr Marcia Ani Matekino Walker will become an independent non-executive Director. At that time, current Cronos Group President and CEO, Kurt Thomas Schmidt, will also be appointed as a non-independent non-executive Director. The remaining Directors are most grateful for the substantial contributions Anna, Daniel, Michael and Jason have each made to Cronos Australia.

Guy Rothwell Headley will also become the Cronos Australia's Chief Commercial Officer, Dr Benjamin David Ngahua Jansen will become the Chief Medical Officer and Jessimine Charles Kiritea Jansen will become Chief Operating Officer.

Benefits of the Merger

The Directors believe the Merger will be highly accretive to the equity value of Cronos Australia.

The Merger will enable the Combined Group to expand its scale of operations in the medicinal cannabis industry while realising efficiencies in the post-Merger integration of the two businesses.

The Directors believe the Merger will provide a material increase in both size and scale of Cronos Australia and CDA Health's operations and a route to early profitability for the Combined Group. The prominent position already held by CDA Health in the Australian medicinal cannabis industry, when added to Cronos Australia's existing operations and strategic opportunities, should deliver synergistic benefits for the Combined Group where the combined value exceeds the sum of its parts.

CDA Health provides a significant and diversified revenue stream. Post-Completion, existing Shareholders will benefit from the significant market share held by CDA Health and the profitable businesses it operates. The current multinational medicinal cannabis products, clinic and consumer operations, public markets and corporate experience, all offered by Cronos Australia, will assist with the expansion of the operations of both businesses and maximise the opportunities available to them, with the aim of delivering increased shareholder value for all post-Completion shareholders in Cronos Australia.

The Merger has possible risks and disadvantages for Shareholders. The most significant risks and potential disadvantages are summarised in Section 8.

The Directors believe that the potential advantages of the Merger outweigh the risks and potential disadvantages of the Merger.

Conditions of the Merger

Shareholders are being asked to approve the Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Merger to proceed. There are several conditions that are required before Completion can occur. See Section 9.1 for further information.

Directors' recommendation

The Directors unanimously consider the Merger to be in the best interests of Shareholders in the absence of a superior proposal.

Other than where a Director is excluded from voting on a Resolution (as set out in this Notice of Meeting):

- the Directors unanimously recommend that Shareholders who are not excluded from voting, vote in favour of the Resolutions in the absence of a superior proposal; and
- each Director intends to vote the Shares the Director controls in favour of the Resolutions in the absence of a superior proposal.

The Board abstains from making a recommendation in relation to Resolution A.

Independent Expert

The Board engaged PKF Melbourne Corporate Pty Ltd as the Independent Expert for the purposes of preparing an Independent Expert's Report with respect to the Merger in accordance with the Corporations Act.

The Independent Expert has determined that the Merger is not fair, but reasonable to Shareholders.

Shareholders should read the Independent Expert's Report contained at Section 11 in its entirety before making a decision as to whether or not to vote in favour of the Resolutions.

Conclusion

I strongly encourage you to read the full contents of the accompanying documents carefully and participate in the voting process. If you are unable to attend the Meeting, please complete the enclosed Proxy Form in Section 12 and return it in accordance with the instructions on the form.

If you have any questions or queries about this Notice of Meeting or the Merger, please contact Cronos Australia at companysecretary@cronosaustralia.com for more information. Alternatively, seek independent professional advice on any aspects of which you are not certain.

I look forward to your participation at the Meeting.

If you have any queries regarding your holding of Shares or other Share registry matters, please contact Link Market Services Limited (being the Share Registry) on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia).

Yours sincerely



Shane Francis Tanner
Chairman
Cronos Australia Limited

Explanatory Statement

This Explanatory Statement should be read in conjunction with this Notice of Meeting. Terms used in this Explanatory Statement will, unless the context otherwise requires, have the same meaning given to them in the Glossary at the end of this document.

1 What to do now and how to vote

1.1 What to do now

(a) Carefully read this document

Shareholders are being asked to consider, and if thought fit approve, the Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Merger to proceed.

This document sets out information about the Merger and provides Shareholders with the information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting. This information is important.

You should read this document carefully, and in its entirety, before making a decision as to how to vote at the Meeting.

(b) Seek further information if required

If you have any queries about any matter contained in this document please contact Cronos Australia for more information. Alternatively, seek independent professional advice on any aspects of which you are not certain.

1.2 How to vote

(a) Vote in person

There will be no ability to attend the Meeting in person in line with the federal and state governments' public health restrictions on large public gatherings in response to the COVID-19 pandemic. You may attend and participate in the Meeting (including voting on Resolutions) via the online virtual platform, in respect of which further details are set out below.

(b) Vote virtually

To vote at the Meeting virtually, login to the Meeting at <https://meetings.linkgroup.com/CAU21> at 3.30pm (Melbourne time) on Wednesday, 15 December 2021.

Attending the Meeting online enables Shareholders to view the Meeting live, ask questions and cast votes on the Resolutions at the appropriate times whilst the Meeting is in progress. The votes on the Resolutions will be cast through a Poll.

(c) Vote by proxy

If you are not able to attend the Meeting, please complete and sign the Proxy Form enclosed with the Notice of Meeting as soon as possible.

To complete the Proxy Form, record your vote on the Proxy Form in relation to the each of the Resolutions to be considered at the Meeting as follows:

- If you wish to approve the Resolution, place a cross (X) in the space provided under the word 'FOR' in respect of that Resolution.
- If you do not wish to approve the Resolution, place a cross (X), in the space provided under the word 'AGAINST' in respect of that Resolution.
- If you do not wish to vote in respect of the Resolution, place a cross (X) in the space provided under the word 'ABSTAIN' in respect of that Resolution.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Share Registry, at least 48 hours before the time for holding the Meeting (i.e. by no later than 3.30pm (Melbourne time) on Monday, 13 December 2021):

- (i) by mail: Cronos Australia Limited, c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235, Australia;
- (ii) by fax: +61 2 9287 0309; or
- (iii) by hand: Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions or under the hand of a duly authorised attorney.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as they think fit.

If a Shareholder appoints the chairperson of the Meeting as the Shareholder's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that Shareholder, in favour of the item on a poll. This does not apply for Resolution A, as it is connected directly or indirectly with the remuneration of members of the key management personnel of Cronos Australia.

(d) Vote by corporate representatives

Corporate Shareholders, or proxies wishing to vote by corporate representative, should obtain an appointment of corporate representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received by Cronos Australia before the start or resumption of the Meeting at which the representative is to vote, in person or by post in the reply paid envelope provided.

(e) Vote through broker or nominees

If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them on how to vote on your behalf.

(f) Scrutineer

The Share Registry (being Cronos Australia's registrar) will act as scrutineer for any polls that may be required at the Meeting.

2 Important information

This Section provides a summary of important information about the Merger, the Resolutions and information on how to vote at the Meeting. This Section also highlights key information about Cronos Australia, CDA Health and the Combined Group, and explains where you can find more detailed information about the Merger within the Notice of Meeting. This Section should be read in conjunction with the entire Notice of Meeting before you decide how to vote on the Resolutions.

Information about the Merger

What is the Merger?

As per Cronos Australia's announcement on 14 September 2021, the Merger involves Cronos Australia acquiring 100% of the issued shares in CDA Health in exchange for the issue of Shares to the CDA Shareholders.

See Section 3 for further information.

What is the consideration Cronos Australia has agreed to pay under the Merger?

Subject to Shareholder approval, Cronos Australia will issue to CDA Shareholders up to a total of 439,784,283 Shares at a deemed value of \$0.138 per Share as consideration for the sale of their shares in CDA Health (being the Consideration Shares).

This represents an offer to CDA Shareholders of approximately 21.534 Shares for every 1 CDA Health share held by the CDA Shareholder as at 2 business days before the date of Completion.

Cronos Australia will also pay up to \$5 million in cash in aggregate to CDA Shareholders (at a deemed value of \$0.138 per Share), which is to be deducted from the total consideration payable for the Merger, thereby reducing the number of Shares that will be issued. As a result of the Merger, CDA Health will become a wholly-owned subsidiary of Cronos Australia.

See Section 3.1 for further information.

What is Cronos Australia acquiring under the Merger?

Cronos Australia is acquiring all of the shares in CDA Health to create the Combined Group (which will have all of the assets and trading liabilities of CDA Health and its subsidiaries).

See Section 6 for further information.

What are the conditions to the Merger being completed?

Completion is conditional on, among other things:

- Cronos Australia Shareholders approving the Resolutions set out in this Notice of Meeting;
- approval of certain amendments to the CDA Health constitution by CDA Shareholders in order to facilitate the Merger;
- no material adverse change or prescribed occurrence (each as defined in the MIA) occurring in respect of either CDA Health or Cronos Australia;
- the Board confirming that the Merger will not trigger the early vesting of any Options on issue in Cronos Australia as at the date of the MIA;
- amending the IP Licence on terms agreed by the parties thereto;
- conversion of the existing loan owing under the Loan Agreement into Shares; and
- other conditions customary for a transaction of this nature.

See Section 9.1 for further information.

What will happen to my Shares if the Merger proceeds?

Nothing will happen to the Shares held by existing Shareholders under the Merger, except that their proportionate ownership of Cronos Australia will be diluted significantly by the issue of new Shares under the Merger.

If the Merger is implemented, on Completion, the Combined Group will be effectively controlled by CDA Shareholders, particularly the Major CDA Shareholders. Immediately following Completion, the 128,750,000 Shares on issue as at the date of this Notice of Meeting are expected to only comprise around 22.02% of the Combined Group's share capital (assuming no cash consideration is taken) or up to

	<p>approximately 23.47% of the Combined Group's share capital (if the full \$5 million cash consideration is taken).</p> <p>See Section 6.7 for further information.</p>
<p>How will the structure of Cronos Australia's ownership change if the Merger proceeds?</p>	<p>If Shareholders vote in favour of the Resolutions, upon Completion, the existing CDA Shareholders will, in aggregate, hold approximately 75.20% of the Shares (if no cash was elected) and 73.57% (if the full \$5 million cash is taken up) and, accordingly, may separately or together be in a position to influence the election of the Directors, the appointment of new management and the potential outcome of matters submitted to a vote of the Shareholders.</p> <p>The Major CDA Shareholders will hold a majority stake in Cronos Australia post-Merger.</p> <p>See Section 6.6 for further information.</p>
<p>Will there be management changes if the Merger proceeds?</p>	<p>As part of the Merger, Cronos Australia will be supported by the following new senior executives:</p> <ul style="list-style-type: none"> • Guy Rothwell Headley – Chief Commercial Officer; • Dr Benjamin David Ngahuia Jansen – Chief Medical Officer; and • Jessimine Charles Kiritea Jansen – Chief Operating Officer. <p>Rodney Damon Cocks will remain Chief Executive Officer of the Combined Group and Thomas Godfrey Howitt will remain Chief Financial Officer and Company Secretary of the Combined Group.</p> <p>See Section 6.10 for further information.</p>
<p>Will Cronos Australia remain listed on ASX if the Merger proceeds?</p>	<p>Yes, Cronos Australia will remain listed on ASX after Completion.</p>
<p>Will the Shares issued under the Merger be escrowed?</p>	<p>It is proposed that Cronos Australia will enter into voluntary escrow agreements with the Escrowed Parties (being the 3 current largest Shareholders as well as the 3 major CDA Shareholders), in each case for 100% of their Shares. The Escrowed Shares (comprised of some existing Shares and some new Shares to be issued under the Merger) will be up to 442,707,207 Shares (or up to approximately 75.70% of the total Shares if no cash consideration is taken) on Completion.</p> <p>Except for the Escrowed Shares, none of the Shares (including the other Consideration Shares offered under the Prospectus) will be treated as restricted securities and will be freely transferable from their date of allotment.</p> <p>See Section 6.20 for further information.</p>
<p>What will happen if the Merger does not proceed?</p>	<p>If the Merger does not proceed, Cronos Australia will not acquire CDA Health and no new Shares will be issued under the MIA or the Share Purchase Deed. In those circumstances, the Board intends to continue to focus on Cronos Australia's existing core businesses. Further, the debt amount under the Loan Agreement will not convert into equity unless and until Completion occurs. The amendments to the Cronos Group IP Licence are subject to and take effect from Completion, so if the Merger does not proceed, the current contractual arrangements will remain in place.</p>
<p>What will happen to Cronos Australia's debt?</p>	<p>As part of the Merger, Cronos Group, Cronos Operations and Cronos Australia have agreed to convert the principal plus the accrued interest owing to Cronos Group under the Loan Agreement and certain royalties owing under the IP Licence into 15,176,065 new Shares under a Loan Conversion Deed. Subject to Shareholder approval of the conversion of such debt to equity, Cronos Australia will not have any shareholder or third party loans.</p> <p>See Section 3.8 for further information.</p>

Highlights of the Merger

Reasons to vote in favour of the Merger

The Directors believe the Merger will be highly accretive to the equity value of Cronos Australia.

The Merger will enable Cronos Australia to broaden its scale of operations in the medicinal cannabis industry while realising efficiencies in the post-Merger integration of the two businesses.

The Directors believe the Merger will provide a material increase in both size and scale of Cronos Australia's operations and a route to early profitability for the Combined Group. The prominent position already held by CDA Health in the Australian medicinal cannabis industry and its significant and diversified revenue stream, when added to Cronos Australia's existing operations and strategic opportunities, should deliver synergistic benefits for the Combined Group where the combined value exceeds the sum of its parts and increased shareholder value for all Shareholders.

See Section 6 for further information on the potential benefits of the Merger and the Combined Group.

See Sections 4 and 5 for further information in relation to the existing operations of Cronos Australia and CDA Health, respectively.

Potential reasons to vote against the Merger

As a Shareholder, you may form the view that the Merger as currently proposed and structured is not in your best interests.

There are inherent risks associated with the Merger and you may consider that these risks outweigh the potential benefits from the Merger.

You may want to maintain your current investment profile. The profile, capital structure and size of the Combined Group after the Merger is implemented will be significantly different from that of Cronos Australia as it currently stands. Some Cronos Australia Shareholders may prefer to continue to invest in a listed company with the specific characteristics, operational focus and scale of the current Cronos Australia, and not seek an exposure to the business of CDA Health.

As a Shareholder, you may not agree with the value attributed to CDA Health or Cronos Australia by the Merger.

If the Merger is implemented, your proportionate shareholding in Cronos Australia will be diluted significantly. Further, on Completion, the Combined Group will be effectively controlled by CDA Shareholders, particularly the Major CDA Shareholders. As a Shareholder, you may not want your proportionate ownership of Cronos Australia to be diluted in this way or to this extent.

See Section 8 for further information on significant risks and potential disadvantages associated with the Merger and the Combined Group.

What is the Independent Expert's recommendation?

The Independent Expert has determined that the Merger is not fair, but reasonable to Shareholders. In forming this opinion, the Independent Expert assessed whether the proposal is "fair" by comparing the value of the consideration and the value of the equity of CDA Health, and the value of a Share before the Merger against the value of a Share in the Combined Group following Completion. The Independent Expert assessed whether the Merger is "reasonable" for the Shareholders by assessing the implications of the Merger, any available alternatives and the consequences if the Merger were not completed.

See Section 11 for the Independent Expert's Report.

What are the recommendations of the Directors?	<p>The Directors unanimously recommend that Shareholders who are not excluded from voting, vote in favour of the Resolutions at the Meeting in the absence of a superior proposal.</p> <p>Other than where a Director is excluded from voting on a Resolution (as set out in this Notice of Meeting), each Director intends to vote the Shares the Director controls in favour of the Resolutions at the Meeting, in the absence of a superior proposal.</p> <p>The Board abstains from making a recommendation in relation to Resolution A.</p>
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Key information about Cronos Australia, CDA Health and the Combined Group

What is the Combined Group?	<p>On Completion, Cronos Australia will acquire CDA Health and create the Combined Group (being Cronos Australia as the holding company of CDA Health and its subsidiaries).</p> <p>Following Completion, the scale of Cronos Australia's existing operations will be materially expanded. The shared capabilities and expertise will create a broader medicinal cannabis products organisation provided by the Combined Group.</p> <p>See Section 6.1 for further information.</p>
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What will be the strategy of the Combined Group?	<p>Following Completion, the intention of Cronos Australia and CDA Health is that the Combined Group focuses on expanding its service offerings and business operations, creating proprietary brands and products and pursuing strategic opportunities.</p> <p>See Section 6.3 for further information.</p>
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What are the key risks for the Combined Group?	<p>There are a number of risks associated with the Combined Group that may affect its financial performance, financial position, cash flows, distributions, growth prospects and share price. The following are some of the specific key risks to which the Combined Group is exposed:</p> <ul style="list-style-type: none"> • <u>Contractual / Completion risk:</u> Completion is subject to the fulfilment of certain conditions precedent particularly those as set out in the MIA. The ability of Cronos Australia to achieve its stated objectives will depend on the performance by the parties of their obligations under those agreements. • <u>Risk of high volume of Share sales:</u> Subject to Completion, Cronos Australia will have issued a significant number of new Shares to various parties. Some of the CDA Shareholders and others that receive Shares as a result of the Merger may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the number of people wanting to sell their Shares may adversely affect the market price of Cronos Australia's Shares. There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. • <u>Integration risk:</u> The Merger has the potential for integration risk. As two separate entities merge, there is the potential for the integration of technology, processes, information, departments and organisations to fail. In general, integration can be a complicated process that requires multiple levels of coordination, with each level posing its own risks. • <u>Failure to achieve expected synergies:</u> The Board believes the Merger will provide a material increase in both the size and scale of Cronos Australia's operations and increased profitability for the Combined Group. There can be no guarantee that the expected synergies between the two companies might be realised. • <u>Concentration of shareholding:</u> Following Completion, the existing CDA Shareholders will, in aggregate, hold up to approximately 75.20% of the Shares (assuming no cash consideration is taken) and, accordingly, may separately or collectively be in a position to influence the election of the Directors, the appointment of new management and the potential outcome of matters submitted to a vote of the Shareholders. In particular, the maximum combined voting power that the Major CDA Shareholders (and their Associates) will obtain
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in Cronos Australia as a result of being issued Shares at Completion is approximately 63.75%, which is an increase of approximately 63.75% (from 0%).

- Dilution risk: There is a risk that the interests of Shareholders will be further diluted as a result of any future capital raisings or equity issues that may be undertaken after Completion in order to fund the development or expansion of the Combined Group's business.
- Maintaining medicinal cannabis licences and permits: The Combined Group's ability to commercialise products for sale in Australia is reliant on the renewal of licences and permits that have been granted to it by Federal and State authorities. The Combined Group is cognisant of submitting renewal applications by the required deadlines, and is not aware of any reasons why an authority would refuse such renewals; however, the Combined Group cannot guarantee that the licences and permits will always be renewed.
- Regulatory risk: In addition to the regulatory risks around maintaining licences and permits for medicinal cannabis products, and their equivalents in other jurisdictions, there are additional regulatory risks that may affect the Combined Group. The Combined Group must abide by the regulations set by the governing bodies that oversee it in each relevant jurisdiction. Any changes to regulations can affect the business of the Combined Group. Any changes to, or the establishment of, regulations may have a significant effect on the costs of operations, presenting legal and administrative hurdles for the Combined Group.
- COVID-19 pandemic: The global economy has been adversely affected by the COVID-19 pandemic, and the medicinal cannabis products industry and, in turn, the Combined Group, are not immune from its effects. The Combined Group will actively pursue its strategic plan and objectives; however, further restrictions globally, and the uncertainty surrounding the pandemic in Australia and other target countries, pose a risk to the Combined Group's future activities, operations and financial performance.
- Loss of IP Licence: If the IP Licence is terminated for any reason, the loss of the rights to use the intellectual property licensed under the IP Licence may negatively affect Cronos Australia's ability to continue its business. In particular, the loss of the licence to use the CRONOS GROUP™ trademark will require Cronos Australia (and its subsidiaries) to change their company names and otherwise cease using the trademark and trademarks that are similar to the CRONOS GROUP™ trademark (within 180 days). The Combined Group will also need to cease using other licensed trademarks including PEACE NATURALS™. The termination of the IP Licence could have a material adverse impact on sales and, accordingly, the financial performance and prospects of Cronos Australia.
- Reliance on key relationships: Cronos Australia and CDA Health currently rely on various key customer and supplier relationships in certain parts of their respective businesses. Post-Merger, the loss or impairment of any of these relationships could have a material adverse effect on the Combined Group's results or operations, financial condition and prospects, at least until alternative arrangements can be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements.
- Reliance on key management: The responsibility of overseeing the day-to-day operations and the strategic management of the Combined Group will depend substantially on its senior management and the Board. There can be no assurance that there will be no detrimental impact on the performance of the Combined Group or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and appointed in a timely manner.
- Future revenue and profitability: Cronos Australia has to date only generated modest revenue. While CDA Health currently generates a profit from its operations, future sales of products by the Combined Group and its future profitability are reliant on its ability to maintain the required licences and permits, develop new brands and products, enter into supply, distribution, import and export arrangements, and broader market conditions. There can be no guarantee that the Combined Group will generate a profit post-Merger.

	<ul style="list-style-type: none"> • <u>Growth prospects and expansion plans:</u> A significant factor to the Combined Group's growth prospects and expansion plans is the acceptance of its brands and products. A failure of the Combined Group to execute its plans would affect its financial performance. The Combined Group's financial prospects are dependent on sufficient public and customer demand for cannabinoid and related consumer products, as well as other emerging markets. As more competitors enter the Australian market, there is the risk that the supply of medicinal cannabis products in Australia will outstrip the demand for the products. This would, in turn, result in a reduction of product prices that may adversely affect the Combined Group's performance. <p>See Section 8 for further information.</p>
What is the Combined Group's aggregated historical pro forma performance?	A summary of the Combined Group's aggregated historical pro forma financial information for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 is set out in Section 7.5.
Where can I find more financial information about the Combined Group?	<p>Section 7.5 contains a summary of the financial information in relation to the Combined Group.</p> <p>Significant accounting policies upon which that information is based are included in Section 7.7.</p>
Who will sit on the board of the Combined Group after the Merger is completed?	<p>On Completion, the Board will comprise:</p> <ul style="list-style-type: none"> • Shane Francis Tanner – Independent Non-Executive Chairman; • Rodney Damon Cocks – Executive Director; • Guy Rothwell Headley – Executive Director; • Dr Benjamin David Ngahuia Jansen – Executive Director; • Kurt Thomas Schmidt – Non-Executive Director; and • Dr Marcia Ani Matekino Walker – Independent Non-Executive Director. <p>See Sections 3.4 and 6.9 for further information.</p>
Who will manage the Combined Group after the Merger is completed?	<p>On Completion, the senior management team of the Combined Group will include:</p> <ul style="list-style-type: none"> • Rodney Damon Cocks – Chief Executive Officer; • Thomas Godfrey Howitt – Chief Financial Officer and Company Secretary; • Guy Rothwell Headley – Chief Commercial Officer; • Dr Benjamin David Ngahuia Jansen – Chief Medical Officer; and • Jessimine Charles Kiritea Jansen – Chief Operating Officer. <p>See Section 6.10 for further information.</p>
What significant benefits are payable to the Directors and other persons connected to the Merger, and what significant interests do they hold?	<p>Subject to Completion, certain Directors, Proposed Directors and key management are expected to acquire:</p> <ul style="list-style-type: none"> • Shares under the Merger; • Performance Rights in conjunction with the proposed transaction; and/or • Options that are issued as new long-term incentives, <p>which will (including their Associates) represent in aggregate approximately 51.2% of the total Securities on a fully diluted basis (assuming no cash consideration is taken).</p>

	<p>Certain Directors and key management also hold existing Shares, Performance Rights and Options.</p> <p>See Sections 6.14 and 6.19 for further information.</p>
What employee incentives are in place?	<p>As part of the Merger, CDA Health and Cronos Australia have agreed to award under the terms of Cronos Australia's Equity Incentive Plan:</p> <ul style="list-style-type: none"> • 6,000,000 Performance Rights and 22,500,000 Options in aggregate to certain Directors and members of the future executive team of the Combined Group; • 2,173,913 Performance Rights in aggregate to 70 (non-executive) employees of CDA Health (who will be employed by the Combined Group); and • 434,783 Performance Rights in aggregate to 12 existing (non-executive) employees of Cronos Australia, <p>primarily to align their interests with those of the Shareholders by providing equity exposure while at the same time helping control the cash cost of employee salaries and also to aid in the retention of those employees post-Merger.</p> <p>The issue of these performance securities to employees is to be made under the Prospectus to be issued by Cronos Australia.</p> <p>See Section 6.19 for further information.</p>
Information about Shareholder approvals required for the Merger	
Why is Shareholder approval required for the Merger?	<p>The Resolutions seek the approval of the Shareholders for the issue of new Shares to the CDA Shareholders for the purposes of Chapter 6 and Chapter 2E of the Corporations Act and the ASX Listing Rules. The issue of Shares to the Major CDA Acquirers (comprising the 3 Major CDA Shareholders and a sole Associate) will mean they have will have a collective voting power of up to approximately 63.75% upon Completion in aggregate.</p> <p>The Resolutions also seek approval of the Shareholders to issue Shares to Cronos Global Holdings Inc under the Loan Conversion Deed.</p> <p>In conjunction with the Merger, Shareholder approval is also sought for:</p> <ul style="list-style-type: none"> • the appointment of new Directors to the Board with effect from Completion; • the issue of certain incentive securities to directors and employees (management and non-management) of Cronos Australia and CDA Health upon Completion; • certain amendments to the Constitution brought about due to the Merger; and • the approval of potential termination benefits to Rodney Damon Cocks in connection with proposed variations to his executive employment agreement and the proposed issue of incentive securities to him.
What am I being asked to vote on?	<p>Shareholders are being asked to vote on the Resolutions set out in this Notice of Meeting, which are necessary in order for the Merger to proceed.</p> <p>See Section 9.4 for further information.</p>
What are the voting intentions of the Chairman as proxy?	<p>With the exception of Resolution A, the Chairman intends to vote all undirected proxies over which he has control in favour of the Resolutions, in the absence of a superior proposal.</p>
When and where will the Meeting be held?	<p>The Meeting will take place at 3.30pm (Melbourne time) on Wednesday, 15 December 2021 and will be held as a virtual meeting by going to https://meetings.linkgroup.com/CAU21.</p>
What are the voting approval thresholds for the Resolutions?	<p>The Resolutions (other than Resolutions 14, 15 and 17) are ordinary resolutions, requiring simple majority approval. This means that more than 50% of the votes cast on a Resolution, by Shareholders who are eligible to vote on the Resolution, must be cast in favour of the Resolution in order for it to be passed.</p>

	<p>Resolutions 14 and 15 (which involve amendments to the Cronos Australia Constitution) and Resolution 17 (which involves allowing Cronos Australia to issue additional equity securities beyond its placement capacity) are special resolutions, requiring special majority approval. This means that, for each of Resolutions 14, 15 and 17, at least 75% of the votes cast on, by Shareholders who are eligible to vote on those Resolutions, must be cast in favour of the Resolution in order for it to be passed.</p> <p>See Section 9.4 for further information.</p>										
Who is eligible to vote on the Resolutions?	<p>In accordance with the Corporations Regulations, the Board has determined that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded in Cronos Australia's share register at 7.00pm (Melbourne time) on Tuesday, 14 December 2021.</p> <p>See the Notice of Meeting for further information.</p>										
Is voting compulsory?	<p>Voting is not compulsory. However, your vote is important.</p> <p>If you cannot attend the Meeting you are strongly encouraged to complete and return the Proxy Form that is enclosed with the Notice of Meeting.</p> <p>If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf.</p> <p>If you require any assistance in completing or lodging your Proxy Form, please contact the Share Registry on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) or contact your legal, financial or other professional advisor.</p>										
Transaction timetable											
What is the indicative timetable for the Merger?	<table><tr><td>Date of this Notice of Meeting and Explanatory Statement</td><td>Friday, 12 November 2021</td></tr><tr><td>Deadline for receipt of Proxy Forms by Cronos Australia</td><td>3.30pm (Melbourne time) on Monday, 13 December 2021</td></tr><tr><td>Record date for determining eligibility to vote at the Meeting</td><td>7.00pm (Melbourne time) on Tuesday, 14 December 2021</td></tr><tr><td>Time and date of the Meeting</td><td>3.30pm (Melbourne time) on Wednesday, 15 December 2021</td></tr><tr><td>Completion of the Merger</td><td>Thursday, 16 December 2021</td></tr></table>	Date of this Notice of Meeting and Explanatory Statement	Friday, 12 November 2021	Deadline for receipt of Proxy Forms by Cronos Australia	3.30pm (Melbourne time) on Monday, 13 December 2021	Record date for determining eligibility to vote at the Meeting	7.00pm (Melbourne time) on Tuesday, 14 December 2021	Time and date of the Meeting	3.30pm (Melbourne time) on Wednesday, 15 December 2021	Completion of the Merger	Thursday, 16 December 2021
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Time and date of the Meeting	3.30pm (Melbourne time) on Wednesday, 15 December 2021										
Completion of the Merger	Thursday, 16 December 2021										
Further questions											
Where can I find more information about CDA Health, including financial information?	<p>See Section 5 for information about CDA Health.</p> <p>See Sections 7.2(b) and 7.2(c) for historical financial information about CDA Health and pro forma financial information about the Combined Group respectively.</p>										
Where can I find more information about Cronos Australia, including financial information?	<p>See Section 4 for information about Cronos Australia.</p> <p>See Sections 7.2(a) and 7.2(c) for historical financial information about Cronos Australia and pro forma financial information about the Combined Group respectively.</p>										
What should I do if I have further questions about the Merger?	<p>If you have any queries about any matter contained in this document please contact Cronos Australia for more information or alternatively seek independent professional advice on any aspects of which you are not certain.</p>										

3 Overview of the Merger

This Section 3 sets out a brief overview of the Merger and should be read in conjunction with the entire Notice of Meeting and Explanatory Statement before Shareholders decide how to vote on the Resolutions.

3.1 Acquisition of CDA Health

On 14 September 2021, Cronos Australia announced that it had entered into the MIA with CDA Health, under which Cronos Australia has agreed to acquire 100% of the issued share capital of CDA Health from all shareholders of CDA Health.

The CDA Shareholders will be issued up to 439,784,283 Shares in consideration for the sale of all of the shares in CDA Health at a deemed effective value of \$0.138 per Share (being the Consideration Shares). These Shares represent approximately 75.20% of the total issued Shares in Cronos Australia after Completion. These new Shares will rank equally with the existing Shares on issue.

Cronos Australia has also agreed to pay up to \$5 million in cash in aggregate to CDA Shareholders, which is to be deducted from the total consideration for the Merger. If the full \$5 million cash is taken up, CDA Shareholders will own approximately 73.57% of the issued share capital in Cronos Australia post-Completion.

More detailed information about the MIA is set out in Section 9.1.

3.2 Valuation methodology

In connection with the Independent Expert's Report, the Independent Expert conducted a valuation of Cronos Australia before the proposed Merger, a valuation of CDA and a valuation of the Combined Group. In doing so, the Independent Expert considered the appropriateness of a number of valuation methodologies. The Independent Expert indicated it has only been able to apply a share price valuation methodology to assess the value of Cronos Australia shares. It has concluded the fair market value of a Cronos Australia share lies in a range of \$0.131 to \$0.163 per Share, with a mid-point of \$0.147 per share, on a control basis.

Refer to sections, 7, 9 and 10 of the Independent Expert's Report for further information on the methodologies used to value CDA Health, Cronos Australia and the Combined Group.

3.3 Combined Group aggregated historical pro forma performance

An overview of the aggregated audited historical financial performance of CDA Health combined with the audited financial performance of Cronos Australia businesses is set out below:

PRO-FORMA FINANCIAL INFORMATION**Statement of comprehensive income**

	2019	2020	2021
	\$	\$	\$
Continuing operations			
Revenue	574,325	4,655,790	23,186,498
Cost of sales	(140,062)	(2,578,172)	(15,612,837)
Gross profit	434,263	2,077,618	7,573,661
Other income	58,471	520,071	391,678
Accounting, tax and audit fees	(354,746)	(288,641)	(197,326)
Administration expenses	(441,206)	(998,711)	(2,356,043)
Finance costs	(127,047)	(218,443)	(336,692)
Legal and regulatory expenses	(194,681)	(756,696)	(325,147)
Personnel expenses	(1,962,721)	(4,767,908)	(6,172,601)
Sales, marketing and distribution	(58,499)	(189,968)	(751,118)
Site-related expenses	(292,203)	-	-
Travel and accommodation	(85,545)	(127,467)	(75,820)
Loss before income tax	(3,023,914)	(4,750,145)	(2,249,408)
Income tax benefit	40,542	(9,309)	(487,459)
Loss for the year	(2,983,372)	(4,759,454)	(2,736,867)
Other comprehensive income/(loss)			
Exchange gains on translation	-	205	54,355
Other comprehensive income/(loss)	-	205	54,355
Total comprehensive loss	(2,983,372)	(4,759,249)	(2,682,512)

See Section 7 for further information.

3.4 Changes to the Board

Upon Completion, the Board will be reconstituted.

Post-Completion, Shane Francis Tanner will continue as Cronos Australia's Independent Chairman and Rodney Damon Cocks will remain as an Executive Director.

Subject to and with effect from Completion, CDA Health is entitled to appoint three Directors to the Board. CDA Health has nominated Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen and Dr Marcia Ani Matekino Walker. Cronos Group President and CEO, Kurt Thomas Schmidt, will also be appointed to the Board at that time. The appointments of Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen, Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt as Directors are subject to and will take effect upon Completion. See profiles of the Proposed Directors in Section 6.9.

Pursuant to the MIA, even if Shareholder approval is not given for each of Resolutions 4 to 7 (inclusive), the Board will still appoint Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen, Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt to the Board.

Anna Elizabeth Burke AO, Daniel Ernest Abrahams, Michael Ryan Gorenstein and Jason Marc Adler have each agreed to resign as Directors effective on Completion. The Directors who are resigning are in unanimous support of the Merger. In advance of their proposed resignations, Cronos Australia would like to acknowledge and thank Anna, Daniel, Michael and Jason for their vision, efforts and support of Cronos Australia over the past years.

3.5 Changes to senior management

Following Completion, Rodney Damon Cocks will continue as Chief Executive Officer and Thomas Godfrey Howitt will continue as Chief Financial Officer and Company Secretary.

Subject to and with effect from Completion, Guy Rothwell Headley will become Chief Commercial Officer, Dr Benjamin David Ngahuia Jansen will become Chief Medical Officer and Jessimine Charles Kiritea Jansen will become Chief Operating Officer. See profiles of the new members of Cronos Australia's senior management in Section 6.10.

3.6 Capital structure of the Combined Group

The following table sets out the indicative capital structure of Cronos Australia before and after Completion:

Securities in CAU	Pre-Completion			Post-Completion								
				No cash consideration is taken by CDA Shareholders			\$5m cash consideration taken in full by CDA Shareholders ⁵			\$5m cash consideration taken in full by CDA Shareholders ⁶		
	CAU securities	% of CAU securities	% of CAU Shares	CAU securities	% of CAU securities	% of CAU Shares	CAU securities	% of CAU securities	% of CAU Shares	CAU securities	% of CAU securities	% of CAU Shares
CAU shareholders												
Cronos Global Holdings Inc ¹	40,000,000	30.45%	31.07%	55,176,065	8.92%	9.44%	55,176,065	9.48%	10.06%	55,176,065	9.48%	10.06%
NewSouthern Investment Holdings 1 Pty. Ltd.	20,000,000	15.22%	15.53%	20,000,000	3.23%	3.42%	20,000,000	3.43%	3.65%	20,000,000	3.43%	3.65%
NewSouthern Investment Holdings A Pty. Ltd.	20,000,000	15.22%	15.53%	20,000,000	3.23%	3.42%	20,000,000	3.43%	3.65%	20,000,000	3.43%	3.65%
Other CAU shareholders	48,750,000	37.11%	37.86%	48,750,000	7.88%	8.34%	48,750,000	8.37%	8.89%	48,750,000	8.37%	8.89%
Total CAU Shares held by CAU Shareholders	128,750,000	98.00%	100.00%	143,926,065	23.27%	24.61%	143,926,065	24.72%	26.24%	143,926,065	24.72%	26.24%
CDA shareholders												
Elizabeth Sarah Jansen atf the Stanford Investment Trust	-	-	-	144,745,252	23.40%	24.75%	132,820,330	22.81%	24.21%	144,745,252	24.86%	26.39%
Guy Rothwell Headley	-	-	-	141,299,867	22.84%	24.16%	129,658,795	22.27%	23.64%	141,299,867	24.27%	25.76%
Matua Hasyo Charlie Jansen	-	-	-	61,486,023	9.94%	10.51%	56,420,461	9.69%	10.29%	61,486,023	10.56%	11.21%
Jessimine Charles Kiritea Jansen	-	-	-	2,153,379	0.35%	0.37%	1,975,972	0.34%	0.36%	2,153,379	0.37%	0.39%
Other CDA shareholders	-	-	-	90,099,762	14.57%	15.41%	82,676,841	14.20%	15.07%	53,867,878	9.25%	9.82%
Total CAU Shares held by CDA Shareholders	-	-	-	439,784,283	71.10%	75.20%	403,552,399	69.30%	73.57%	403,552,399	69.30%	73.57%
Cornwalls	-	-	-	1,086,957	0.18%	0.19%	1,086,957	0.19%	0.20%	1,086,957	0.19%	0.20%
Total ordinary shares (undiluted)	128,750,000	98.00%	100.00%	584,797,305	94.55%	100.00%	548,565,421	94.21%	100.00%	548,565,421	94.21%	100.00%
Performance rights ^{2,3}	60,000	0.05%	-	8,668,696	1.40%	-	8,668,696	1.49%	-	8,668,696	1.49%	-
Options ^{2,4}	2,565,000	1.95%	-	25,065,000	4.05%	-	25,065,000	4.30%	-	25,065,000	4.30%	-
Total number of CAU securities (fully diluted)	131,375,000	100.00%	-	618,531,001	100.00%	-	582,299,117	100.00%	-	582,299,117	100.00%	-

NOTES

¹ This includes the issue of 15,176,065 Shares to Cronos Group on conversion of its loan to a wholly-owned subsidiary of Cronos Australia.

² Performance Rights and Options are unlisted. As at the date of this Notice of Meeting, there are currently 60,000 Performance Rights on issue and 2,565,000 Options on issue.

³ Upon Completion, subject to the approval of its Shareholders, Cronos Australia has agreed to issue 8,608,696 Performance Rights to existing directors, senior executives and employees of Cronos Australia and CDA Health (as set out in Section 6.19).

⁴ Upon Completion, subject to the approval of its Shareholders, Cronos Australia has agreed to issue 22,500,000 Options as long-term incentives to senior executives of Cronos Australia and CDA Health, subject to time-based vesting and performance hurdles based on the revenue of the Combined Group for the three years following Completion (as set out in Section 6.19).

⁵ Based on the apportionment of the full \$5 million pool of cash consideration to CDA Shareholders on a pro rata basis.

⁶ Based on the apportionment of the full \$5 million pool of cash consideration to other CDA Shareholders only.

3.7 Conditions of Merger

Completion is conditional on, among other things:

- Cronos Australia Shareholders approving the Resolutions set out in this Notice of Meeting;
- approval of certain amendments to the CDA Health constitution by CDA Shareholders in order to facilitate the Merger;
- no material adverse change or prescribed occurrence (each as defined in the MIA) in relation to either CDA Health or Cronos Australia;
- the Board confirming that the Merger will not trigger the early vesting of any Options on issue in Cronos Australia as at the date of the MIA;
- amending the IP Licence on terms agreed by the parties thereto;
- conversion of the existing loan owing under the Loan Agreement into Shares; and
- other conditions customary for a transaction of this nature.

Refer to Section 9 for further information about the conditions to the Merger being completed.

3.8 Loan Conversion Deed

Pursuant to the Loan Agreement, Cronos Operations (being a subsidiary of Cronos Australia) owes a loan to Cronos Group.

In connection with the Merger, Cronos Group, Cronos Operations and Cronos Australia have agreed to convert the principal plus the accrued interest owing to Cronos Group under the Loan Agreement and certain royalties payable under the IP Licence into equity in Cronos Australia under a Loan Conversion Deed on the following terms:

- (a) The debt amount will not convert into equity unless and until Completion occurs.
- (b) The debt amount under the Loan Agreement is deemed to be \$2,094,297 on Completion.
- (c) On Completion, the debt amount is to be converted into 15,176,065 fully paid ordinary Shares to pay the debt amount (at \$0.138 per Share, being the same Share price Cronos Australia has agreed to pay to CDA Shareholders under the Merger).
- (d) Upon being issued with the new Shares, Cronos Operations' obligations to repay the debt amount will be fully discharged.

3.9 IP Licence

Pursuant to the IP Licence, Cronos Group has granted Cronos Operations (being a subsidiary of Cronos Australia) a sole licence within a specified territory in relation to (amongst other things) certain cannabis cultivars, certain facility designs and drawings for the growing and production of cannabis, a series of registered trademarks and pending trademark applications, including the trademark "CRONOS GROUP™".

As part of the Merger, the parties have agreed to amend and restate the IP Licence under an Amended and Restated Intellectual Property License Deed to be entered into between Cronos Group, Cronos Operations and Cronos Australia on the following terms:

- (a) Cronos Group can terminate that part of the IP Licence relating to the licensed trademarks (including the trademark "CRONOS GROUP™") where Cronos Group ceases to hold (directly or indirectly) at least 5% of the total voting shares in Cronos Australia. This threshold has been reduced to 5% down from 20% in the original IP Licence.
- (b) Cronos Group may only update the royalty payment with effect from the next anniversary of the term of the IP Licence, which must be no more than once in each year of the term of the IP Licence and if Cronos Group provides at least 4 months' written notice prior to the expiry of the

then term. There is no cap on royalty increases in the original IP Licence (other than any royalty increase having to be reasonable).

- (c) On termination of the IP Licence, the licensee will have 180 days to cease all uses of the licensed intellectual property, which means that Cronos Australia would need to cease using the trademark "CRONOS GROUP"™ and any trademarks similar to that trademark. This would require Cronos Australia to change its company name. The 180-day period is reduced from 365 days in the original IP Licence.
- (d) The amended and restated IP Licence takes effect from Completion, for an initial period of 12 months, which will be extended from the expiry date for further 12-month periods unless one of the parties provides at least 3 months' written notice that it does not wish to renew the deed for a further term.
- (e) Cronos Australia will itself be a party to and be bound by the terms and conditions of the amended and restated IP Licence primarily for the purposes of providing certain warranties and representations.

4 Information about Cronos Australia

This Section provides information on Cronos Australia.

4.1 Overview of Cronos Australia's key business components

Cronos Australia was incorporated on 27 September 2018 and admitted to the official list of ASX on 7 November 2019.

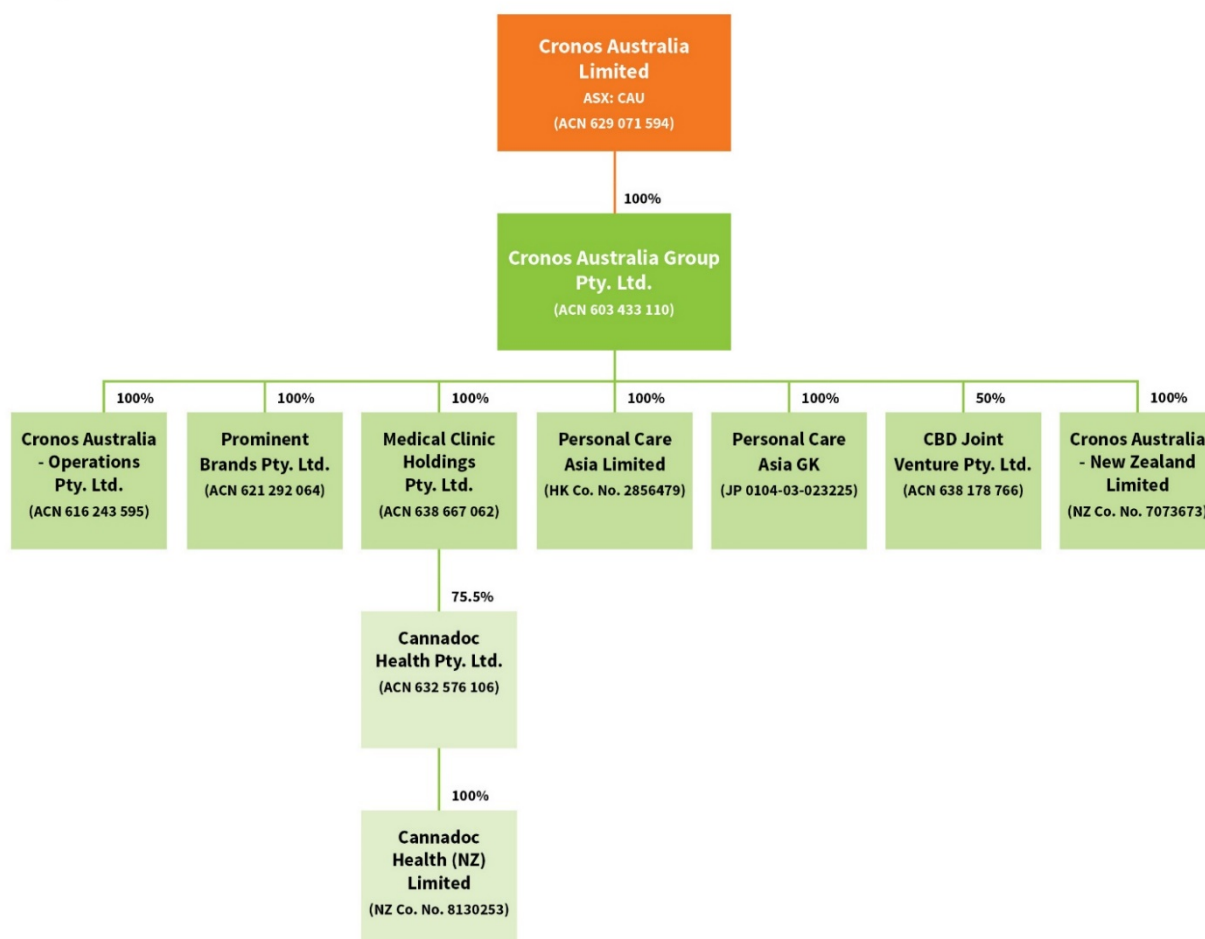
Cronos Australia is a medicinal cannabis company that has developed ranges of brands and products, having secured all necessary permits and licences to operate in Australia.

On 14 September 2021, Cronos Australia announced that it had entered into the MIA, under which Cronos Australia agreed to acquire 100% of the issued share capital of CDA Health from all CDA Shareholders. In consideration for the shares in CDA Health, Cronos Australia will issue new Shares to the CDA Shareholders.

As at the date of this Notice of Meeting, Cronos Australia's group structure is as follows:

Cronos Australia Limited

CAU group structure



4.2 Overview of Cronos Australia's business model

Cronos Australia currently has 3 operational business units, plus a corporate function, to facilitate the management and growth of its activities, in accordance with its "asset-light" business model:

- (a) **Medical** – Development of medicinal cannabis products and brands, and the sale and distribution of these products in Australia, including Cronos Australia's proprietary brand, Adaya, and PEACE NATURALS™, which is an imported brand owned by Cronos Group;

- (b) **Clinics** – Operation of medicinal cannabis clinics via its investment in Cannadoc Health Pty Ltd through face-to-face and nationwide telehealth patient consultations; and
- (c) **Consumer** – Development of consumer brands and products for sale in the Asian markets of Hong Kong and Japan, and in certain cases Australia, including Bathing Shed (premium hemp seed oil personal care range), FCTR (pronounced “factor”, CBD based sports performance and topical recovery product) and Saiph (premium CBD personal care range). Cronos Australia is also in a joint venture with A&S Branding Pty Ltd for the development of cannabinoid-based products.

The current growth strategy of Cronos Australia is based off these 3 distinct, but interrelated, pillars. These pillars provide Cronos Australia with a diversified portfolio of business, while at the same time, reducing business risk. Cronos Australia believes the pillars help to maximise opportunities in a number of growing global markets, including Japan and Hong Kong.

4.3 **Securities on issue**

As at the date of this Notice of Meeting:

- there are a total of 128,750,000 Shares on issue held by approximately 1,100 Shareholders;
- the top 20 Shareholders hold approximately 76.5% of all issued Shares; and
- there are also a total of 2,565,000 Options and 60,000 Performance Rights on issue.

Cronos Australia does not currently have any other type of Securities on issue.

4.4 **Substantial shareholders**

As at the date of this Notice of Meeting, Cronos Australia's substantial shareholders are set out as follows:

Name	Number of Shares held	% of all Shares on issue
Cronos Global Holdings Inc ¹	40,000,000	31.07%
Peter John Righetti and associated entities ²	20,625,000	16.02%
Rodney Damon Cocks and associated entities ³	20,000,000	15.53%

Notes:

¹ Hortican Inc and Cronos Group have a relevant interest in the Shares held by Cronos Global Holdings Inc.

² Peter John Righetti has a relevant interest in the Shares held by NewSouthern Investment Holdings A Pty Ltd (20,000,000 Shares) and Seascope Avenue Pty Ltd (625,000 Shares).

³ Rodney Damon Cocks has a relevant interest in the Shares held by NewSouthern Investment Holdings 1 Pty Ltd.

Of these current substantial Shareholders, only Cronos Global Holdings Inc is expected to remain a substantial shareholder post-Completion.

4.5 **Publicly available information**

Shares are listed for quotation on ASX and Cronos Australia is obliged to comply with the continuous disclosure requirements of ASX and the Corporations Act.

Announcements made by Cronos Australia to the ASX announcement platform are available from the ASX's website at www.asx.com.au.

5 Information about CDA Health

This Section provides information on CDA Health.

5.1 What is CDA Health?

The CDA Health business was founded in 2016 by Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen, Jessimine Charles Kiritea Jansen and Dr Matua Jansen, following the legislation change to allow medical practitioners to prescribe medical cannabis via the Therapeutic Goods Administration (**TGA**) Special Access Scheme.

As a family of progressive professionals, the CDA Health team applied for medical cannabis wholesale licences. In 2018, CDA Health was incorporated and became the parent company of the CDA Health Group.

Since launching CDA Health's clinical brand, Cannabis Doctors Australia (now known as CDA Clinics) in October 2018, CDA Health's doctors have been approved by the TGA to prescribe medicinal cannabis products and have more than 8,000 patients.

Today, CDA Health is a doctor-led group of companies that is patient-focused to provide high-quality service and cannabis products.

CDA Health operates in the Australian and New Zealand medicinal cannabis industry, the Australian retail-ready food and nutraceutical products industries, and the Australian medical clinics industry. Based on audited accounts for CDA Health for the financial year ended 30 June 2021, CDA Health generated more than \$21 million in revenue.

CDA Health offers a clinical service alongside a product supply chain through four of its subsidiaries:

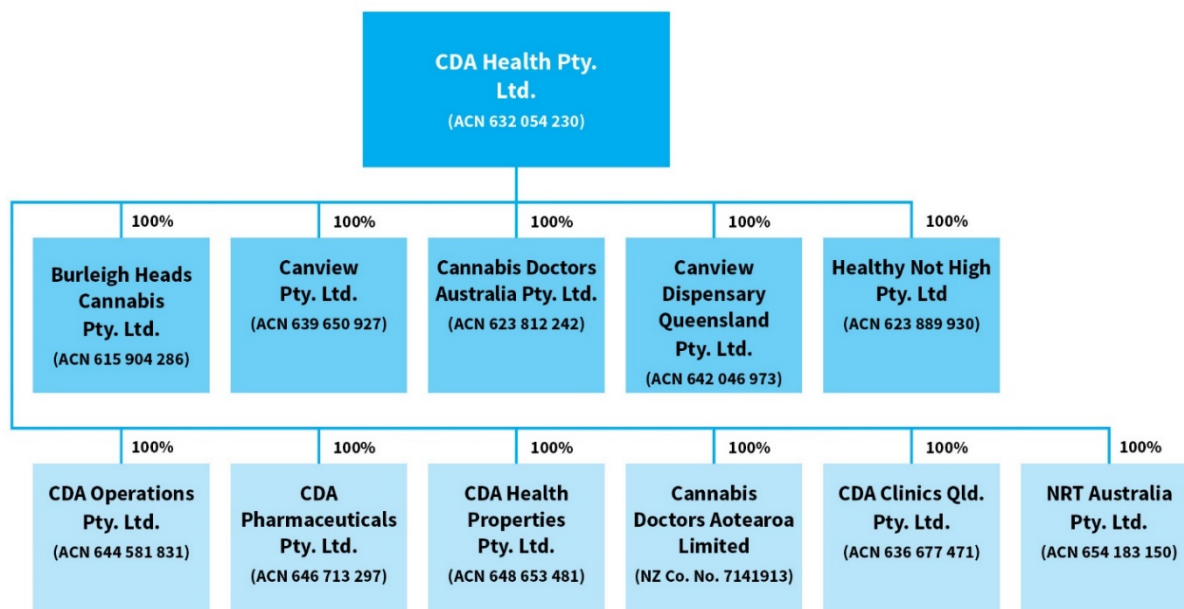
- **BHC:** Fully licensed to import and wholesale medicinal cannabis, BHC uses its secure temperature-regulated storage facility on the Gold Coast and national pharmacy partner network to provide local and domestic producers with streamlined importation and distribution services nation-wide.
- **CDA Clinics:** Leading provider of patient access to legal medicinal cannabis through face-to-face clinics, telehealth services and affiliated doctors and clinics. Since launching in 2018, CDA Clinics has developed into one of the most well-established medicinal cannabis clinic brands in Australia. In the 2021 financial year, the clinics completed more than 30,000 consultations with CDA Health's medical practitioners.
- **HNH:** A retail-ready hemp food and nutraceutical products company that is based on the Gold Coast, and expands CDA Health's offerings into the growing hemp market in Australia. HNH aims for consumers to be able to access quality products from Australian-grown hemp through retail outlets and online sales.
- **Cannabis Doctors Aotearoa:** Provider of legal medicinal cannabis in New Zealand.

5.2 How is CDA Health structured?

As at the date of this Notice of Meeting, the current corporate structure of CDA Health is as follows:

Cronos Australia Limited

CDA group structure



5.3 What is CDA Health's business model?

CDA Health has seen rapid growth over the last two financial years generating more than \$21 million¹ in revenue for the financial year ended 30 June 2021 and generating a profit.

Today, CDA Health is a doctor-led group of companies that is patient-focused to provide high-quality service and cannabis products. CDA Health operates across various facets of the medicinal cannabis industry:

(a) Nationwide wholesale distribution of medicinal cannabis products – BHC's CanView

CDA Health's wholly-owned subsidiary BHC operates a successful pharmacy and doctor online portal "CanView" which distributes over 120 different product SKUs within Australia from some of the most well-known international and domestic producers.

As at 14 September 2021 (being the date at which the MIA was executed), BHC had opened 2,169 pharmacy wholesale accounts and registered 565 doctor accounts to its CanView platform, since CanView's launch in June 2020, resulting in 194,561 medical cannabis products having been sold in the same period.

(b) Medicinal Cannabis Clinics – CDA Clinics

CDA Health, via its subsidiary CDA Clinics, operates a successful network of clinics on the Gold Coast, Brisbane and Sunshine Coast, in addition to nationwide telehealth services. CDA Health also operates Cannabis Doctors Aotearoa Ltd, which imports medicinal cannabis products prescribed by doctors in New Zealand.

Since launching in 2018, CDA Clinics has developed into one of the most well-established medicinal cannabis clinic brands in Australia. In the last financial year, the clinics completed more than 30,000 consultations with CDA Health's medical practitioners. In the September 2021 quarter alone, CDA Clinics provided 5,933 patient consultations.

¹ Based on audited accounts for CDA Health for the year ended 30 June 2021.

(c) **Hemp-based foods – Healthy Not High (HNH)**

CDA Health also owns HNH, a retail-ready hemp food and nutraceutical products company that is based on the Gold Coast, and expands CDA Health's offerings into the growing hemp market in Australia. HNH aims for consumers to be able to access quality products from Australian-grown hemp through retail outlets and online sales.

5.4 **Sources of revenue**

CDA Health has a number of revenue streams from its vertically integrated business model:

- (a) **Consultation fees:** CDA Health receives a number of revenue streams through the in-person clinics and telehealth services it provides, including fees for initial consultations, follow-up consultations and renewal consultations.
- (b) **Product wholesaling:** BHC has been able to import, store and supply the Australian medicinal cannabis industry with a diverse range of medicinal cannabis product types and brands. BHC leverages its supplier status to provide Australian doctors, pharmacies and institutions with reliable sources of medicinal cannabis products.
- (c) **Contract research and development:** CDA Health is a provider to a number of companies, including Bod Australia and Little Green Pharma, of services relating to clinical trial activities via CDA Health's in-house research team. CDA Health is in discussions with a number of parties relating to the provision of Schedule 3, over-the-counter clinical trial services.
- (d) **Hemp goods and complimentary products:** CDA Health offers patients and the general public access to non-scheduled products, including educational resources, vaporisers, and various hemp and wellbeing products.

5.5 **What is CDA Health's strategy?**

CDA Health aims to become Australasia's leading patient-focused medicinal cannabis organisation.

CDA Health intends to expand its consultation services through expanding the CDA Clinics brand, while at the same time increasing its medical practitioner numbers for in-person clinics and telehealth services.

CDA Health believes it can further develop its existing relationships with key stakeholders in New Zealand. Just as CDA Health has entered into the New Zealand market, it hopes to be able to be able to expand into other jurisdictions.

Beyond this, CDA Health's strategy aligns with the Combined Group's strategy as set out in Section 6.3.

5.6 **Who are the directors of CDA Health?**

Guy Rothwell Headley and Dr Benjamin David Ngahuia Jansen are the two directors of CDA Health.

Upon successful Completion, Mr Headley and Dr Jansen will join the Cronos Australia board. See Sections 3.4 and 6.9 for further information.

5.7 **CDA Health's shareholding**

As at the date of this Notice of Meeting, the issued share capital of CDA Health consists of 20,422,982 shares (including 1,421,166 crowd-sourced funding (**CSF**) shares which carry the same rights as ordinary shares). The shareholders of CDA Health are listed in the table below:

Holders	Aggregate number of CDA Health shares held	Aggregate % of CDA Health shares held
Major CDA Shareholders (as set out below)	16,138,872	79.02%
Ordinary shareholders (other than those ordinary shares held by the Major CDA Shareholders)	2,862,944	14.02%
CSF shareholders (other than those CSF shares held by the Major CDA Shareholders)	1,421,166	6.96%
TOTAL	20,422,982	100%

The Major CDA Shareholders' holdings are as follows:

Major CDA Shareholder	Aggregate number of CDA Health shares held	Aggregate % of CDA Health shares held
Elizabeth Sarah Jansen as trustee for the Stanford Investment Trust	6,721,772	32.91%
Guy Rothwell Headley	6,561,773	32.13%
Matua Hasyo Charlie Jansen ¹	2,855,327	13.96%
TOTAL	16,138,872	79.02%

Note

¹ Matua Jansen holds 5,152 CSF shares in CDA Health personally and 2,850,175 ordinary shares in CDA Health as trustee for the Whanau Family Trust.

5.8 Is there any litigation affecting CDA Health?

Throughout the due diligence process, Cronos Australia has not become aware of any material ongoing litigation impacting CDA Health.

6 Information about the Combined Group

This Section provides information about the Combined Group.

6.1 Overview of the Combined Group

Cronos Australia believes the Merger will be highly accretive to the equity value of Cronos Australia and that combining Cronos Australia's business with that of CDA Health would create a market leader and, in addition to organic growth, could unlock strategic opportunities for the Combined Group in Australia and offshore.

The Directors believe CDA Health would bring an immediate and significant revenue uplift to Cronos Australia and fast track its route to profitability. Additionally, the Directors expect Cronos Australia would be able to significantly broaden its scale of operations in the medicinal cannabis industry while realising efficiencies in the post-merger integration of the two businesses.

The Board is of the opinion that the opportunity structured and presented under the Merger represents an opportunity for Cronos Australia to hold a position in a business with the ability to generate greater revenue in a growing market in the best interests of the existing Shareholders.

The Merger will enable Cronos Australia to broaden its scale of operations in the medicinal cannabis industry while realising efficiencies in the post-merger integration of the two businesses.

The Directors believe the Merger will provide a material increase in both size and scale of Cronos Australia's operations and a route to early profitability for the Combined Group. The prominent position already held by CDA Health in the Australian medicinal cannabis industry, when added to Cronos Australia's existing operations and strategic opportunities, should deliver synergistic benefits for the Combined Group where the combined value exceeds the sum of its parts.

CDA Health provides a significant and diversified revenue stream. Post-Completion, existing Shareholders will benefit from the significant market share held by CDA Health and the profitable businesses it operates. The current multinational medicinal cannabis products, clinic and consumer operations, public markets and corporate experience, all offered by Cronos Australia, will assist the expansion of the operations of both businesses and maximise the opportunities available to them, with the aim of delivering increased shareholder value for all post-Completion Shareholders.

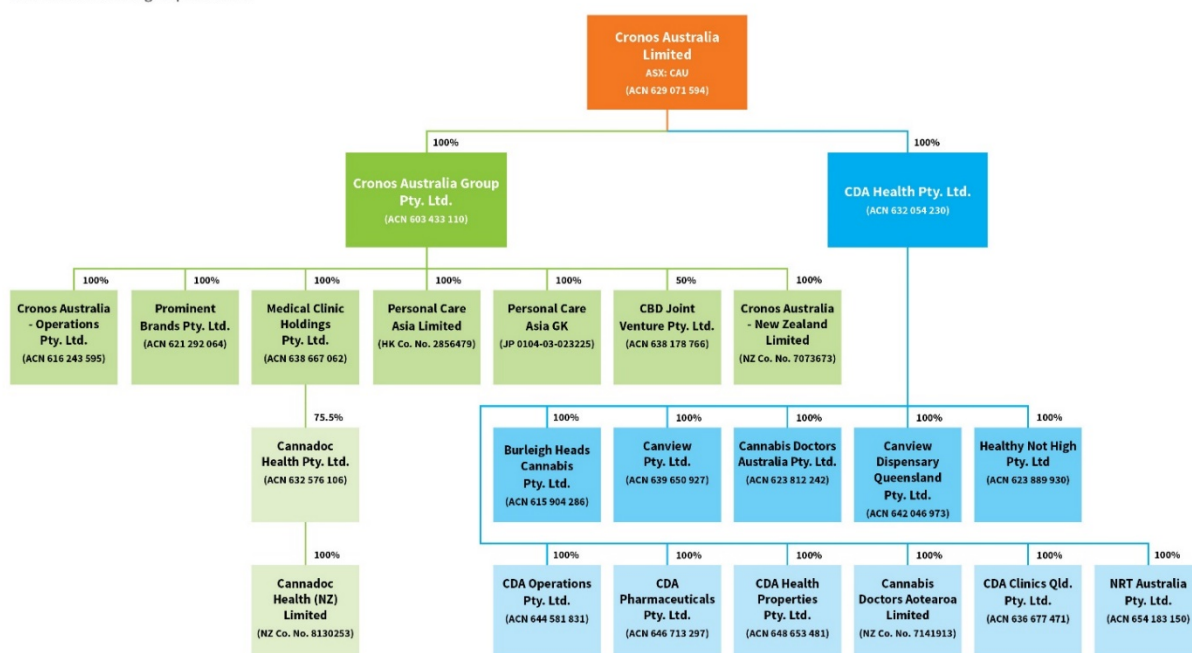
For further information in relation to the existing operations of Cronos Australia and CDA Health refer to Sections 4 and 5 respectively.

6.2 Combined Group's corporate structure

Assuming Completion, the corporate structure of the merged group of companies is as follows:

Cronos Australia Limited

CAU CDA combined group structure



6.3 What will the Combined Group's strategy be?

Following Completion, the strategy of Cronos Australia and CDA Health is for the Combined Group to focus on the creation of shareholder value:

- expanding the scale and scope of its offerings to existing and potential customers;
- expanding its business operations in the medicinal cannabis and consumer markets focusing domestically and in targeted international markets (subject to prevailing legislation);
- expanding proprietary brands and product ranges for the sale in key markets; and
- pursuing strategic acquisition opportunities with a view to expanding its business options into high-growth markets and enhancing its service offerings.

The significant prospects for growth and expansion of the business model include the continued development by the Combined Group of cannabinoid-based brands, products and related services. In parallel with this, the Combined Group intends to leverage its position to take advantage of significant legislative reform on the medicinal cannabis products market globally.

The ability for the Combined Group to expand into jurisdictions outside of Australia will be subject to legal and technical advice concerning any regulatory or technological impediments and/or compliance requirements to the Combined Group providing its current products or services into those jurisdictions and, if there are compliance requirements, complying with such requirements. In the event the Combined Group identifies regulatory or technological impediments that lead to a decision not to proceed in a particular jurisdiction, this could affect the Combined Group's ability to generate revenue and profit.

The statements set out in this Section 6 are statements of current intentions only, which may change as new information becomes available or prevailing circumstances change. Any decisions will only be reached after implementation when all material facts and circumstances are known to the Board of the Combined Group.

6.4 Synergies between Cronos Australia and CDA Health

Synergies that may result from the Merger include:

- (a) harmonising systems and processes used by the two companies to drive operational efficiencies and cost savings;
- (b) leveraging in-house technical experience and expertise to remove the need for external consultants, driving cost savings for the Combined Group;
- (c) leveraging complementary skills and experience of key staff in each company to assist in the growth and development of the other's businesses;
- (d) leveraging intellectual property and customer relationships to de-risk the supply chain for the Combined Group;
- (e) using the established relationships in the Cronos Australia sales team to expand the Combined Group;
- (a) integration of operational systems within the two clinic businesses to remove duplication and improve efficiencies;
- (b) merging of support functions including finance, secretarial, IT, HR, design and legal (some of which are currently outsourced) to reduce cost and improve performance;
- (c) integration of distribution of medicinal cannabis products across the businesses to remove cost and maintain service delivery standards;
- (d) cost savings through core business and non-core business procurement at a larger scale than pre-Merger; and
- (f) merging of ongoing research and development projects to remove duplication and combine current findings and outcomes.

6.5 Key dependencies of the business model

The key factors that Cronos Australia and CDA Health will depend on to meet its objectives are:

- (a) the successful completion of the Merger;
- (b) the continuing ability of CDA Health and Cronos Australia to attract customers to its business post-Merger;
- (c) the continuing ability of CDA Health to provide a superior service to its customers;
- (d) the continued performance of third parties' obligations pursuant to Cronos Australia's and CDA Health's material contracts;
- (e) the acceptance of the internet as a commerce platform for individuals, devices and enterprises to procure products and services from Cronos Australia and CDA Health;
- (f) the continued retention and incentivisation of key personnel;
- (g) the maintenance and continued protection of Cronos Australia's and CDA Health's respective intellectual property rights;
- (h) the stability of the regulatory framework applicable to Cronos Australia's and CDA Health's businesses;
- (i) the continuing ability of Cronos Australia and CDA Health to hold Federal and State licenses to operate in accordance with prevailing legislation; and
- (j) the continuing acceptance by healthcare professionals to regard medicinal cannabis as a safe and efficacious therapy and the commensurate demand from patients.

6.6 What will the Combined Group capital and ownership structure be?

- (a) **Securities on issue after Completion**

The following table sets out the indicative capital structure of Cronos Australia following Completion:

	No cash consideration is taken by CDA Shareholders		\$5m cash consideration taken in full by CDA Shareholders on a pro rata basis	
Securities	CAU securities	% of CAU securities	CAU securities	% of CAU securities
Shares	584,797,305	94.55%	548,565,421	94.21%
Performance Rights ^{1, 2}	8,668,696	1.40%	8,668,696	1.49%
Options ^{1, 3}	25,065,000	4.05%	25,065,000	4.30%
Total number of CAU securities (fully diluted)	618,531,001	100.00%	582,299,117	100%

Notes:

¹ Performance Rights and Options are unlisted. As at the date of this Notice of Meeting, there are currently 60,000 Performance Rights on issue and 2,565,000 Options on issue.

² Upon Completion, subject to the approval of its Shareholders, Cronos Australia has agreed to issue 8,608,696 Performance Rights to existing directors, senior executives and employees of Cronos Australia and CDA Health (as set out in Section 6.19).

³ Upon Completion, subject to the approval of its Shareholders, Cronos Australia has agreed to issue 22,500,000 Options as long-term incentives to senior executives of Cronos Australia and CDA Health, subject to time-based vesting and performance hurdles based on the revenue of the Combined Group for the three years following Completion (as set out in Section 6.19).

Refer to Section 3.6 for further details of the indicative capital structure of Cronos Australia before and after Completion.

(b) Voting power of substantial shareholders of the Combined Group at Completion

The following table shows the voting power of the current substantial shareholders of the Combined Group and the maximum possible voting power of those expected to be substantial shareholders of the Combined Group following Completion.

Beneficial Shareholder	Voting power before the Merger		Maximum voting power after the Merger	
	No. of Shares in which hold a Relevant Interest (including via Associates)	% of Shares on issue ¹	No. of Shares in which hold a Relevant Interest (including via Associates)	% of Shares on issue ^{1,2}
Cronos Global Holdings Inc	40,000,000	31.07%	55,176,065	10.06%
Peter John Righetti and associated entities ³	20,625,000	16.02%	20,625,000	3.76%
Rodney Damon Cocks and associated entities ⁴	20,000,000	15.53%	20,000,000	3.65%
Elizabeth Sarah Jansen (as trustee for the Stanford Investment Trust) ⁵	Nil	Nil	144,745,252	26.39%
Guy Rothwell Headley and Jessimine Charles Kiritea Jansen ⁶	Nil	Nil	143,453,246	26.15%
Matua Hasyo Charlie Jansen ⁷	Nil	Nil	61,486,023	11.21%

Notes:

¹ Assuming existing Options and existing Performance Rights on issue are not exercised.

² Assumes no cash consideration is taken by the Major CDA Shareholders but the full \$5 million cash consideration is taken by the other CDA shareholders as part of the Merger (i.e. the maximum number of Shares which the Major CDA Shareholders may hold).

³ Peter John Righetti has a relevant interest in the Shares held by NewSouthern Investment Holdings A Pty Ltd (20,000,000 Shares) and Seascope Avenue Pty Ltd (625,000 Shares).

⁴ Rodney Damon Cocks has a relevant interest in the Shares held by NewSouthern Investment Holdings 1 Pty Ltd.

⁵ Dr Benjamin David Ngahuia Jansen will have a relevant interest in these Shares being issued to his Associate at Completion.

⁶ Guy Rothwell Headley and Jessimine Charles Kiritea Jansen are Associates of each other and will have a relevant interest in each other's Shares following Completion (Guy's 141,299,867 Shares and Jessimine's 2,153,379 Shares would lead to a maximum collective voting power of approximately 26.15%).

⁷ Matua Jansen is expected to hold certain Shares in his own capacity and certain Shares for the Whanau Family Trust.

6.7 What is the dilutive impact of Shares issued under the Merger on existing Shareholders?

Immediately following Completion, the 128,750,000 Shares on issue as at the date of this Notice of Meeting are expected to only comprise around 22.02% of the Combined Group's share capital (assuming no cash consideration is taken) or up to approximately 23.47% of the Combined Group's share capital (if the full \$5 million cash consideration is taken). In any event, the existing Shareholders will have their proportional ownership of Cronos Australia reduced significantly.

In addition, Cronos Australia may wish to raise further capital after Completion. Any further capital raisings will have a further dilutive effect on the holdings of an existing Shareholder.

6.8 How will the Combined Group be financed?

It is expected that the Combined Group's operations in the short term will be financed out of existing cash balances and operating cash flows. Following the conversion of the Cronos Group loan to Shares at Completion, the Combined Group will not have any external debt facilities.

Cronos Australia's commercial objectives will continue to evolve as strategic opportunities present themselves in a relatively early stage, emerging industry. Some of those objectives, although there is no guarantee, may require additional capital. Cronos Australia will consider the best sources of this capital, as and when required, and may seek to raise further capital to fund its ongoing working capital requirements and the expansion of its businesses in 2022.

Cronos Australia has to date been a loss-making entity and on Completion this may remain the case. Based on the current profitability of CDA Health, it is expected that the losses historically generated by Cronos Australia will reduce post-Merger.

(a) Pro forma net cash

The Combined Group had pro forma cash and cash equivalents of approximately \$11.25 million at 30 June 2021 (based on audited financial statements), which will reduce to the extent that CDA Shareholders elect to receive the \$5 million available in cash as part consideration for the Merger.

(b) Transaction costs

Certain costs will be incurred by Cronos Australia in connection with the Merger, including due diligence, adviser, legal, printing and other service provider costs, which are estimated at \$900,000 (excluding GST) in total.

The costs incurred by CDA Health in connection with the Merger include due diligence, adviser, legal and other service provider costs, and are estimated at \$350,000 (excluding GST). In addition, a further \$750,000 (excluding GST) success fee is payable by CDA Health to Cornwalls as its corporate adviser for the Merger, as described in Section 6.15.

6.9 Who will be the directors of the Combined Group?

On Completion, the Board will be reconstituted and comprise of the following Directors:

(a) Shane Francis Tanner – Independent Chairman

Shane is the Independent Non-Executive Chairman of Cronos Australia. Shane is currently the Chairman of Paragon Care Limited (ASX:PGC). Formerly, he was Chairman of Vision Eye Institute (ASX:VEI) and Zenitas Healthcare Limited (ASX:ZNT), Chief Executive Officer of Mayne Nickless Diagnostic Services (later renamed Symbion Health (ASX:SYB)) and Chief Financial Officer of Mayne Group. Shane also has significant strategy and transaction experience through the Mayne Group via the initial public offering of the telecommunications company, Optus Communications. Shane holds Business and Finance qualifications from RMIT University and Swinburne University of Technology.

(b) **Rodney Damon Cocks – Executive Director and CEO**

Rodney is an Executive Director and Chief Executive Officer of Cronos Australia. Rodney is a Director of NewSouthern Capital, a private equity firm he co-founded. Prior to Cronos Australia, he was on the Senior Leadership Team at Linfox and was a Consultant at the Boston Consulting Group. Rodney also served on the Counter Narcotics Team of the British Embassy in Kabul, Afghanistan and with the United Nations in Afghanistan, Sri Lanka, Pakistan and Iraq. He started his career as an Infantry Officer in the Australian Army. Rodney holds a Bachelor of Commerce from the University of Melbourne, Bachelor of Laws from the Queensland University of Technology, Master of Business Administration from the Wharton School, University of Pennsylvania, Master of Public Administration from the Harvard Kennedy School, Harvard University and is a Graduate of the Australian Institute of Company Directors and the Royal Military College, Duntroon. He is an admitted Lawyer to the Supreme Court of New South Wales and was also a Fellow at Harvard University and the 2005 Victorian Australian of the Year. In 2003 Rodney was awarded a Conspicuous Service Medal for his actions in the aftermath of the 2002 Bali bombings.

(c) **Guy Rothwell Headley – Executive Director**

Guy has operated in the Australian medical cannabis space since 2016. He is a founding director of CDA Health and has acted as a director of BHC over the last four years. He brings a wealth of knowledge regarding medicinal cannabis distribution and compliance in the heavily regulated industry. Prior to working in the cannabis space, Guy spent more than 15 years in the construction and development sector overseeing the procurement and management of multimillion dollar projects across New Zealand, Australia and the United Kingdom.

(d) **Dr Benjamin David Ngahuia Jansen – Executive Director**

As a founding Director of CDA Health and Cannabis Doctors Australia, Dr Jansen has played a key role in advancing and advocating access and education for medicinal cannabis patients within Australia and New Zealand. Dr Jansen is arguably Australia's most experienced medicinal cannabis clinician, having been directly involved with the treatment of thousands of patients. Dr Jansen is a Fellow of both the Royal Australian and Royal New Zealand Colleges of General Practitioners, and a Fellow of the Royal New Zealand College of Urgent Care Physicians. He received a Bachelor degree of Medicine, a Bachelor of Surgery, a Bachelor of Human Biology, and a Post Graduate Diploma in Community Emergency Medicine from the University of Auckland. He also received a Post Graduate Diploma in Sports Medicine from the University of Otago, NZ. Dr Jansen was also a founder of BHC and served as a director of BHC.

(e) **Dr Marcia Ani Matekino Walker – Independent Non-Executive Director**

Dr Walker brings significant experience in medical governance. She currently serves as a board member of the New Zealand Medical Association (**NZMA**), a member of the General Practitioner Council of the NZMA and a member of the Medicines Classifications Committee for the Ministry of Health NZ. She also acts as a Medical Examiner for the Royal New Zealand College of General Practitioners. Previously, Dr Walker acted as a Medical Advisor to the Rua BioScience (formerly Hikurangi Hemp Company) and Treasurer for the New Zealand Resident Doctors Association. She received a Bachelor of Medicine and a Bachelor of Surgery/Chirurgery from the University of Auckland, and is a fellow of the Royal New Zealand College of General Practitioners. Dr Walker also acts as the Medical Director of both the Manly Medical Centre and The Cosmetic Clinic NZ.

(f) **Kurt Thomas Schmidt – Non-Executive Director**

Kurt serves as Cronos Group's President and Chief Executive Officer. Before joining Cronos Group, Kurt served as director and Chief Executive Officer of Blue Buffalo Company, Ltd. from 2012 through 2016. Prior to joining Blue Buffalo, Kurt was Deputy Executive Vice President at Nestlé S.A., where he was responsible for Nestlé Nutrition, including several science-oriented and heavily regulated businesses. He also served as a member of Nestlé Nutrition's Executive Committee. Kurt joined Nestlé in 2007 as part of its acquisition of Gerber Products from Novartis, where he was the President and Chief Executive Officer of Gerber Products Company from 2004 to 2007. Prior to Gerber, Kurt held a variety of leadership roles at Kraft Foods, Inc. Kurt currently serves on the board of directors of Campbell Soup Company. He received a Bachelor of Science in Chemistry from the United States Naval Academy and a Master of Business Administration from the University of Chicago.

6.10 Who will be the senior management of the Combined Group?

Subject to and with effect from Completion, the senior management team of the Combined Group will comprise:

- (a) Rodney Damon Cocks – Chief Executive Officer (currently Cronos Australia's Chief Executive Officer);
- (b) Thomas Godfrey Howitt – Chief Financial Officer and Company Secretary (currently Cronos Australia's Chief Financial Officer and Company Secretary). Tom was appointed Chief Financial Officer of Cronos Australia on 3 December 2018 and Company Secretary on 14 August 2020. Prior to joining Cronos Australia, he was the Chief Financial Officer of Global Kinetics Corporation, a pre-IPO life sciences company, Chief Financial Officer/Company Secretary of Simavita (ASX:SVA, TSX-V:SV) a digital healthcare company, Chief Financial Officer/Company Secretary of Genetic Technologies Limited (ASX:GTG, NASDAQ:GENE) a genetic testing company, and several other listed life science companies. Prior to that, Tom worked in the investment banking and resources industries and was a Taxation Manager at EY. He is a member of the Victorian Branch Committee of AusBiotech and a member of the CCRM Australia Industry Interface Committee based at Monash University;
- (c) Guy Rothwell Headley – Chief Commercial Officer (currently CDA Health's Director of Operations), whose profile is set out above in Section 6.9(c);
- (d) Dr Benjamin David Ngahuia Jansen – Chief Medical Officer (currently CDA Health's Chairman and Clinical Director), whose profile is set out above in Section 6.9(d); and
- (e) Jessimine Charles Kiritea Jansen – Chief Operating Officer. Jessimine brings to the Combined Group extensive experience in media production, business administration and project management within the professional services, media, and technology industries. In 2008, Jessimine was awarded two Bachelor of Arts degrees (Psychology and Communication and Media Studies) from the University of Auckland and has since worked in large global organisations such as EY, Sky Television, and the Commonwealth Games. With a real passion for increasing efficiencies programs, Jessimine was nominated in 2015 for a global award for her work on EY's Vision 2020 program. During her tenure at EY in London, Jessimine worked as a business analyst and project manager playing a key role in the marketing division's integration of the annual marketing strategies and associated initiatives from across 54 global offices. Jessimine's strengths lie in creating and developing lean business units from conception through to success. She has a strong focus on innovation, brand, people, and operational automation to keep costs down and retain talent while cementing market leadership.

6.11 Employment terms of the Proposed Executives

All of the Cronos Australia senior executive team will be employed on substantially the same terms upon Completion occurring. Rodney Damon Cocks, Thomas Godfrey Howitt, Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen and Jessimine Charles Kiritea Jansen will each be paid a salary package of \$306,800 per annum excluding statutory superannuation. None of their appointments is for a fixed term.

Rodney Damon Cocks and Thomas Godfrey Howitt have each agreed to amend their existing employment agreements (subject to and with effect from Completion) to ensure their employment terms are substantially identical to those of the incoming senior executives.

As Chief Executive Officer, Rodney Damon Cocks' agreement is subject to a mutual 12-month notice period for the first 12 months, which then reduces to a 6-month notice period thereafter (but which in any event may be immediately terminated by Cronos Australia in the event of serious misconduct). Cronos Australia may elect to make a lump sum payment in lieu of notice. The mutual notice period for Guy Rothwell Headley and Dr Benjamin David Ngahua Jansen is 6 months. The mutual notice period for Thomas Godfrey Howitt and Jessimine Charles Kiritea Jansen is 3 months.

Under Rodney Damon Cocks' amended agreement, if Cronos Australia makes his role redundant and does not redeploy him to a comparable, senior executive role that is on terms and conditions that are, considered overall, no less favourable than his current position, Cronos Australia will provide:

- 3 months' pay in lieu of notice of termination; and
- 12 weeks' redundancy pay.

Shareholder approval is being sought for the termination benefits under Rodney Damon Cocks' proposed new executive employment agreement and incentive securities under Resolution 16 of this Notice of Meeting, for the purpose of section 200E of the Corporations Act and for all other purposes.

The post-Completion executive team's employment agreements also include identical post-employment non-compete and non-solicitation provisions, which operate worldwide (as the maximum area) for 12 months from the date of cessation of employment (as the maximum period).

Cronos Australia also intends to grant the above executives (amongst others) Options and Performance Rights immediately after Completion. Please see Section 6.19 for further information.

6.12 Terms of appointment of Directors and Proposed Directors

Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt have each entered into a letter of appointment (on identical terms) to serve as non-executive Director. The letter of appointment, amongst other things:

- provides for them to be paid an annual director's fee of \$50,000 (excluding GST);
- is effective from Completion and continues until the date that they cease to hold office as a Director;
- provides they may resign as a Director at any time by written notice; and
- contains provisions that are customary for appointment letters of this nature.

There will be no change to the current remuneration of any other remaining Director as a result of the Merger.

6.13 Indemnity of Proposed Directors

Cronos Australia has agreed to indemnify the Proposed Directors against all liabilities to another person (other than Cronos Australia or a related body corporate) that may arise from their position as an officer of Cronos Australia, to the extent permitted by law. They will be indemnified on the same terms as all existing officers of Cronos Australia.

6.14 Interests and benefits of Directors and Proposed Directors

The indicative number of Securities owned or controlled by the Directors and the Proposed Directors at the date of this Notice of Meeting and following Completion (including their Associates) is as follows:

Director	Pre-Completion		Post-Completion ¹	
	Equity interest	% holding (fully diluted)	Equity interest	% holding (fully diluted)
Shane Francis Tanner	350,000 Shares	0.27%	350,000 Shares 1,000,000 Performance Rights	0.22%
Rodney Damon Cocks	20,000,000 Shares	15.22%	20,000,000 Shares 1,000,000 Performance Rights 4,500,000 Options	4.12%

Daniel Ernest Abrahams ²	100,000 Shares	0.08%	100,000 Shares	0.02%
Anna Elizabeth Burke AO ²	50,000 Shares	0.04%	50,000 Shares	0.01%
Jason Marc Adler ²	Nil	Nil	Nil	Nil
Michael Ryan Gorenstein ²	Nil	Nil	Nil	Nil
Guy Rothwell Headley ^{3,4}	Nil	Nil	143,453,246 Shares 2,000,000 Performance Rights 9,000,000 Options	24.97%
Dr Benjamin David Ngahuia Jansen ^{3,5}	Nil	Nil	144,745,252 Shares 1,000,000 Performance Rights 4,500,000 Options	24.29%
Dr Marcia Ani Matekino Walker ³	Nil	Nil	Nil	Nil
Kurt Thomas Schmidt ³	Nil	Nil	Nil	Nil

NOTES:

¹ Assumes no cash consideration is taken.

² Resigning as Directors with effect from Completion (see Section 3.4).

³ Appointed as Directors with effect from Completion (see Section 3.4).

⁴ Guy Rothwell Headley will hold 141,299,867 Shares personally and have a relevant interest in the 2,153,379 Shares to be issued to his Associate, Jessimine Jansen, and subject to Shareholder approval, each will also be granted 1,000,000 Performance Rights and 4,500,000 Options.

⁵ Includes Shares to be issued to Elizabeth Sarah Jansen as trustee for the Stanford Investment Trust in connection with the Merger.

6.15 Fees given or agreed to be given in connection with the Merger

CDA Health engaged Cornwalls as its corporate adviser on the Merger.

The success fee payable by CDA Health for Cornwalls' engagement is capped at \$750,000 plus GST, of which \$600,000 is payable in cash (being \$300,000 on receipt of consideration by CDA Health on Completion and the remaining \$300,000 no later than 2 months after Completion) and \$150,000 is payable in equivalent Shares (to be issued on Completion at a deemed issue price of \$0.138 per Share, being the same Share price Cronos Australia has agreed to pay to CDA Shareholders under the Merger).

Under the engagement, CDA Health must also use reasonable endeavours (so far as it is within its power to do so) to procure that Cornwalls is able to participate in the next capital raise of Cronos Australia.

6.16 Corporate governance of the Combined Group

The Board is responsible for the corporate governance of Cronos Australia.

The Combined Group intends to remain listed on ASX.

The ASX Corporate Governance Council has developed and released the ASX Recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The Combined Group is required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period.

The Board believes it is important that the Combined Group is properly managed to protect and enhance Shareholder interests, and that the Combined Group, its Directors, officers, employees and contractors operate in an appropriate environment.

The Board believes, notwithstanding the substantial changes to Cronos Australia (including to the reconstitution of the Board) as a result of Completion and the issue of the new Shares that Cronos Australia will, in most respects, still comply with the ASX Recommendations.

The Combined Group intends that Cronos Australia's existing charters, policies and procedures will remain effective immediately following Completion. Those corporate governance charters and policies reflect the ASX Recommendations to the extent the Board considers it reasonable for Cronos Australia to comply with them.

Assuming Completion occurs:

- (a) Cronos Australia's Audit and Risk Committee will be reconstituted to comprise of Shane Francis Tanner (already a member of that committee), Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt. Shane and Marcia are two independent non-executive Director members of the committee. The Committee will be chaired by Dr Marcia Ani Matekino Walker.
- (b) Cronos Australia's Nomination and Remuneration Committee will be reconstituted to comprise of Shane Francis Tanner (already a member of that committee), Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt. Shane and Marcia are two independent non-executive Director members of the committee. The Committee will be chaired by Kurt Thomas Schmidt.

6.17 **Dividend policy of the Combined Group**

The future payment of dividends by Cronos Australia, if any, subject to any contractual, legal or regulatory restrictions, is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends that may be paid by Cronos Australia. The ability of Cronos Australia to pay dividends will depend on a number of factors, many of which are beyond the control of Cronos Australia. In determining whether to declare future dividends, the Directors will have regard to Cronos Australia's earnings, overall financial condition and capital requirements, taxation considerations (including the level of any franking credits that may be available), the general business environment, and any other factors that the Directors may consider to be relevant.

It is the Directors' and the Proposed Directors' current intention to reinvest future cash flows generated in the further growth of Cronos Australia. The payment of a dividend by Cronos Australia is at the discretion of the Directors and will be a function of a number of factors including the Combined Group's operating results, cash flows, future capital requirements, and financial condition.

No assurances can be given by any person, including the directors, about the payment of any dividend and the level of franking on any such dividend.

6.18 **Related party transactions of the Combined Group**

(a) **Cronos Group – Loan Conversion Deed**

As part of the Merger, Cronos Group, Cronos Operations and Cronos Australia have agreed to convert the principal plus the accrued interest owing to Cronos Group under the Loan Agreement and certain royalties owing under the IP Licence into 15,176,065 new Shares under a Loan Conversion Deed. Subject to Shareholder approval of the conversion of such debt to equity, Cronos Australia will not have any shareholder or third party loans.

See Section 3.8 for further information.

(b) **Cronos Group – IP Licence**

As part of the Merger, Cronos Group, Cronos Operations and Cronos Australia have agreed to amend and restate the existing IP Licence under an Amended and Restated Intellectual Property License Deed to be entered into between those parties, with effect from Completion, to make such changes as are described in Section 3.9.

See Section 3.9 for further information.

(c) **Award of incentives**

As part of the Merger, CDA Health and Cronos Australia have agreed to award under the terms of Cronos Australia's Equity Incentive Plan 5,000,000 Performance Rights and 18,000,000

Options in aggregate to certain Directors and Proposed Directors (and an Associate of a Proposed Director), who are or will become related parties of Cronos Australia.

The issue of these performance securities to such persons is to be made under the Prospectus to be issued by Cronos Australia, and is subject to Shareholder approval.

See Section 6.19 for further information.

6.19 Award of incentive securities

Subject to Shareholder approval, the Combined Group intends to issue the following Performance Rights and Options to certain directors and employees of the Combined Group under the Cronos Australia Equity Incentive Plan (each a **Recipient**):

Recipient	Number of Performance Rights	Number of Options
Shane Francis Tanner (Chairman)	1,000,000	Nil
Rodney Damon Cocks (Director and Chief Executive Officer)	1,000,000	4,500,000
Guy Rothwell Headley (CDA Health co-founder, proposed Director of Cronos Australia and proposed Chief Commercial Officer of Cronos Australia)	1,000,000	4,500,000
Dr Benjamin David Ngahua Jansen (CDA Health co-founder, proposed Director of Cronos Australia and proposed Chief Medical Officer of Cronos Australia)	1,000,000	4,500,000
Thomas Godfrey Howitt (Chief Financial Officer and Company Secretary)	1,000,000	4,500,000
Jessimine Charles Kiritea Jansen (CDA Health co-founder, proposed Chief Operating Officer of Cronos Australia and an Associate of Guy Rothwell Headley)	1,000,000	4,500,000
12 current non-executive Cronos Australia employees	434,783	Nil
70 current non-executive CDA Health employees	2,173,913	Nil
Total	8,608,696	22,500,000

The Combined Group has chosen to issue these securities to the Recipients as it seeks to further align their interests with those of Shareholders. The issue of the securities is believed by the Combined Group to be a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Combined Group to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Recipients.

The Performance Rights for Directors also seek to recognise their substantial efforts in negotiating the terms of and delivering the Merger (well over and above their existing duties), which the current Board believes will deliver significant benefits for Cronos Australia shareholders. The Performance Rights also seek to aid in the retention of the Recipients, particularly in the critical post-Merger period, as they will be tasked with and critical in helping realise the successful integration and ongoing growth and success of the Combined Group post-Merger, having direct involvement in the execution of Cronos Australia's strategy and delivery of Shareholder returns.

The issue of the securities is expected to provide a deferred taxation benefit that is available to the Recipients in respect of an issue of the securities. This may also be beneficial to the Combined Group as it means the Recipients less likely to be required to immediately sell the securities to fund a tax liability (as could be the case in an issue of Shares where the tax liability arises upon issue of the Shares).

The Combined Group does not consider that there are any significant opportunity costs to Cronos Australia or benefits foregone by Cronos Australia in issuing the securities on the terms proposed.

The issue price of the securities will be nil and as such no funds will be raised from the issue of the securities (other than in respect of funds received on exercise of the Options).

No loan is being made to any Recipient in connection with the acquisition of the securities.

A summary of the key terms and conditions of the Performance Rights is set out below:

Vesting condition:	The Performance Rights (or part thereof) will vest if the Recipient remains employed by Cronos Australia at the vesting date and has not given, or been given, notice of termination of employment prior to the relevant vesting date:		
	Recipient	Vesting date	Number of Performance Rights
	Tranche 1	On the date of Completion	One third
	Tranche 2	6 months from the date of Completion	One third
Tranche 3	12 months from the date of Completion	One third	
Voting and dividend entitlements:	<p>For each Performance Right allocated, a Recipient will not be entitled to vote, receive dividends or distributions, or have any other rights of a Cronos Australia shareholder in respect of that security (including participating in other corporate actions such as bonus issues) until the underlying Shares are allocated to the recipient following vesting and exercise.</p> <p>For each Share allocated, a Recipient will be entitled to vote, receive dividends or distributions, and have any other rights of an ordinary Shareholder in respect of the Shares.</p>		
Cash:	Performance Rights cannot be settled in cash.		
Lapse of Performance Rights:	All unexercised Performance Rights (which have vested) will lapse and expire 4 years from the date of Completion.		
Disposal restrictions:	<p>Shares allocated on the exercise of vested Performance Rights will not be subject to additional disposal restrictions (although may be subject to ASX-imposed disposal restrictions).</p> <p>Subject to complying with the Cronos Australia securities trading policy, recipients will be free to sell, transfer or otherwise deal with their Shares.</p>		
Transferability:	<p>Performance Rights are not transferable and may not be dealt with (except with Board approval or by force of law upon death or bankruptcy) and will lapse immediately if purported to be dealt with in breach.</p> <p>Recipients are prohibited from entering into any scheme or arrangement under which they “hedge” or alter the economic benefit they may derive in respect of their Performance Rights.</p>		
Change of Control:	<p>If a Change of Control occurs, the Board has ultimate discretion to determine the treatment that will apply to Performance Rights and the timing of such treatment in accordance with the plan rules.</p> <p>Unless the Board determines another period, recipients will have 30 days from the date of the Change of Control to exercise their vested Performance Rights (including the proportion of those awards that vest on a Change of Control in accordance with the plan rules). Any vested Performance Rights which are not exercised during this period will lapse immediately following the end of the period.</p>		
Reorganisation of capital:	If there is a reorganisation of capital, the rights of each recipient who has been allocated Performance Rights will be adjusted in the manner required by the ASX Listing Rules applying at the time of the reorganisation.		
Ceasing employment:	<p>If a recipient's employment is terminated by Cronos Australia without cause during the period which is 12 months from the date of Completion, all of their unvested Performance Rights will vest immediately.</p> <p>If a Recipient ceases to be an employee prior to the Performance Rights vesting by reason of resignation, termination for cause (including gross misconduct) or death, those Performance Rights will lapse immediately.</p>		
Bonus or pro rata issues:	If there is a pro rata issue or bonus issue of new Shares to Shareholders, each participant who has been allocated Performance Rights may not participate in the new issue unless their Performance Rights have vested and been exercised in accordance with their terms.		

A summary of the key terms and conditions of the Options is set out below:

Vesting Conditions:	<p>The vesting of each tranche of the Options is subject to the following vesting conditions:</p> <ul style="list-style-type: none"> the recipient's continued employment with Cronos Australia at the relevant Vesting Date (as defined below) (Employment Vesting Condition); and the satisfaction of the relevant Performance Hurdles (as defined below).
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Vesting Date and Exercise Price for the Options:	The Options to be issued to each recipient will have Vesting Dates and Exercise Prices as set out below:			
	Tranche	Number of Options	Vesting Date	Exercise Price of each Option
	Tranche 1	1,500,000	30 June 2022	33.3% premium to Cronos Australia's share price at the date of Completion
	Tranche 2	1,500,000	30 June 2023	66.7% premium to Cronos Australia's share price at the date of Completion
	Tranche 3	1,500,000	30 June 2024	100% premium to Cronos Australia's share price at the date of Completion
Performance Hurdles for the Options	The Performance Hurdles for the Options are as follows:			
	Tranche	Performance Hurdle		
	Tranche 1	The gross revenue of Cronos Australia group (incorporating the CDA Health group of companies) for the financial year ending 30 June 2022 (FY22) must exceed the combined revenues for the financial year ended 30 June 2021 (FY21) by 25% or more.		
	Tranche 2	The gross revenue of Cronos Australia group (incorporating the CDA Health group of companies) for the financial year ending 30 June 2023 (FY23) must exceed the revenue for Cronos Australia group for FY22 by 25% or more.		
	Tranche 3	The gross revenues of Cronos Australia group (incorporating the CDA Health group of companies) for the financial year ending 30 June 2024 must exceed revenue for Cronos Australia group for FY23 by 25% or more.		
	Revenue will be calculated with reference to the audited financial statements for Cronos Australia, and CDA Health in respect of FY21, as approved by the Cronos Australia board, and the following will be excluded from revenue:			
	<ul style="list-style-type: none">• one-off or extraordinary revenue items;• revenue received in the form of government grants, allowance, rebates or other hand-outs; or• revenue or profit that has been manufactured or generated artificially (or not on a bona fide basis) with the dominant purpose of achieving a Performance Hurdle.			
Each tranche of Options is exercisable at any time on and from the corresponding Vesting Date, subject to the Employment Vesting Condition and applicable Performance Hurdle being satisfied at that time				
Lapse of Options:	All unexercised Options (which have vested) will lapse and expire 4 years from the date of Completion			
Voting and dividend entitlements:	<p>For each Option allocated, a recipient will not be entitled to vote, receive dividends or distributions, or have any other rights of a Cronos Australia shareholder in respect of that security (including participating in other corporate actions such as bonus issues) until the underlying Shares are allocated to the recipient following vesting and exercise.</p> <p>For each Share allocated, a recipient will be entitled to vote, receive dividends or distributions, and have any other rights of an ordinary Shareholder in respect of the Shares.</p>			
Disposal restrictions:	<p>Shares allocated on the exercise of vested Options will not be subject to additional disposal restrictions (although may be subject to ASX imposed disposal restrictions).</p> <p>Subject to complying with the Cronos Australia securities trading policy, recipients will be free to sell, transfer or otherwise deal with their Shares.</p>			
Transferability:	Options are not transferable and may not be dealt with (except with Board approval or by force of law upon death or bankruptcy) and will lapse immediately if purported to be dealt with in breach.			
Change of Control:	<p>If a Change of Control occurs, the Board has ultimate discretion to determine the treatment that will apply to Options and the timing of such treatment in accordance with the Plan Rules.</p> <p>Unless the Board determines another period, recipients will have 30 days from the date of the Change of Control to exercise their vested Options (including the proportion of those awards that vest on a Change of Control in accordance with the Plan Rules). Any vested Options which are not exercised during this period will lapse immediately following the end of the period.</p>			

Reorganisation of capital:	If there is a reorganisation of capital, the rights of each recipient who has been allocated Options will be adjusted in the manner required by the ASX Listing Rules applying at the time of the reorganisation.
Ceasing employment:	If a participant ceases to be an employee prior to the Options vesting by reason of resignation, termination for cause (including gross misconduct) or death, those Options will lapse immediately.
Bonus or pro rata issues:	If there is a pro rata issue or bonus issue of new Shares to Shareholders, each participant who has been allocated Options may not participate in the new issue unless their Options have vested and been exercised in accordance with their terms.

6.20 Escrow

Certain existing Shareholders were subject to mandatory escrow arrangements under the ASX Listing Rules which were imposed when Cronos Australia was admitted to the official list of the ASX on 7 November 2019:

	Escrowed Shares	% holding	% Shares on issue	Mandatory escrow period ended
Cronos Global Holdings Inc	40,000,000	100%	31.07%	7 November 2021
NewSouthern Investment Holdings 1 Pty Ltd	20,000,000	100%	15.53%	7 November 2021
NewSouthern Investment Holdings A Pty Ltd	20,000,000	100%	15.53%	7 November 2021
Seascope Avenue Pty Ltd	125,000	20%	0.001%	7 November 2021
Total	80,125,000		62.23%	

Subject to Completion, the following voluntary escrow arrangements will be in place with certain Shareholders (**Escrowed Parties**) in respect of all of their Shares (being the **Escrowed Shares**):

Shareholder	Escrowed Shares ¹	% holding	Expected % of Cronos Australia securities (fully diluted) ¹	Escrow period
Cronos Global Holdings Inc	55,176,065	100%	8.92%	7 November 2021 until the date that is 12 months after Completion ²
NewSouthern Investment Holdings 1 Pty Ltd	20,000,000	100%	3.23%	7 November 2021 until the date that is 12 months after Completion
NewSouthern Investment Holdings A Pty Ltd	20,000,000	100%	3.23%	7 November 2021 until the date that is 12 months after Completion
Elizabeth Sarah Jansen as trustee for the Stanford Investment Trust	144,745,252	100%	23.40%	12 months after Completion
Guy Rothwell Headley	141,299,867	100%	22.84%	12 months after Completion
Matua Hasyo Charlie Jansen ³	61,486,023	100%	9.94%	12 months after Completion
Total	442,707,207		71.57%	

NOTES:

¹ Based on the maximum number of Shares to be issued to the CDA Shareholders in connection with the Merger (and no cash consideration being taken by the CDA Shareholders).

² Excluding the 15,176,065 fully paid ordinary shares which are issued to Cronos Global Holdings Inc at Completion under the Loan Conversion Deed, which escrow period would commence at Completion and run for 12 months post-Completion.

³ Matua Jansen is expected to hold certain Shares in his own capacity and certain Shares as trustee for the Whanau Family Trust.

Cronos Global Holdings Inc, NewSouthern Investment Holdings 1 Pty Ltd and NewSouthern Investment Holdings A Pty Ltd have voluntarily agreed to extend their escrow period until 12 months after Completion. In the event that Completion does not occur by 31 December 2021, these voluntary escrow agreements will terminate and all of the Shares held by these three shareholders will be immediately released from voluntary escrow.

The Escrowed Shares will give Cronos Australia a relevant interest in up to 442,707,207 Shares (or up to approximately 75.70% of its Shares) on issue at Completion.

As a result of Cronos Australia entering into escrow deeds with each Escrowed Party, Cronos Australia may be found to have acquired a relevant interest in the Escrowed Shares pursuant to section 608 of the Corporations Act as Cronos Australia will control the exercise of the power to dispose of the Escrowed Shares. As such, Cronos Australia will be subject to the restrictions and requirements set out in the takeover provisions of the Corporations Act.

Cronos Australia has obtained ASIC relief in relation to Cronos Australia acquiring a relevant interest in its Shares as a result of the voluntary escrow arrangements.

6.21 Effect of Merger on the Loan Agreement and the IP Licence

As part of the Merger, upon Completion:

- (a) The loan owing under the Loan Agreement will be converted into Shares. See Section 3.8 for further information.
- (b) The IP Licence will be amended with effect from Completion. See Section 3.9 for further information.

7 Financial information

This Section 7 provides an overview of relevant financial information relating to Cronos Australia and CDA Health and the Combined Group on Completion.

7.1 Introduction

This Section 7 comprises a summary of the financial information that the Directors consider is relevant for:

- Cronos Australia for the years ended 30 June 2019 (**FY19**), 30 June 2020 (**FY20**) and 30 June 2021 (**FY21**);
- CDA Health for FY19, FY20 and FY21; and
- the Combined Group on Completion.

7.2 Overview and basis of preparation

(a) Cronos Australia Overview

Section 7.3 contains a summary of the following financial information in relation to Cronos Australia:

- (i) the historical consolidated Statements of Comprehensive Income/Loss for FY19, FY20 and FY21, as set out in Section 7.3(a);
- (ii) the historical consolidated Statements of Financial Position as at the end of FY19, FY20 and FY21, as set out in Section 7.3(b); and
- (iii) the historical consolidated Statements of Cash Flows for FY19, FY20 and FY21, as set out in Section 7.3(c),

(Historical Financial Information – Cronos Australia).

Historical Financial Information – Cronos Australia summarises selected financial data derived from Cronos Australia's audited financial statements. Cronos Australia's consolidated financial statements for FY19, FY20 and FY21 were audited by KPMG.

Cronos Australia is listed on ASX and is obligated to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.

Announcements made by Cronos Australia to the ASX Company's announcement platform are available from the ASX website at www.asx.com.au.

(b) CDA Health Overview

Section 7.4 contains a summary of the following financial information in relation to CDA Health:

- (i) the historical consolidated Statements of Comprehensive Income/Loss for FY19, FY20 and FY21, as set out in Section 7.4(a);
- (ii) the historical consolidated Statements of Financial Position as at the end of FY19, FY20 and FY21, as set out in Section 7.4(b); and
- (iii) the historical consolidated Statements of Cash Flows for FY19, FY20 and FY21, as set out in Section 7.4(c),

(Historical Financial Information – CDA Health).

Historical Financial Information – CDA Health summarises selected financial data derived from CDA Health's audited financial statements. CDA Health's consolidated financial statements for FY19, FY20 and FY21 were audited by Pilot Partners.

(c) **Combined Group**

Section 7.5 contains a summary of the following financial information in relation to the Combined Group:

- (i) the pro forma consolidated Statements of Comprehensive Income/Loss for FY19, FY20 and FY21;
 - (ii) the pro forma consolidated Statements of Financial Position as at the end of FY19, FY20 and FY21; and
 - (iii) the pro forma consolidated Statements of Cash Flows for FY19, FY20 and FY21,
- as set out in Section 7.5 (**Pro Forma Financial Information – Combined Group**).

Investors should be aware that past performance is not an indication of future performance.

(d) **Reconciliation of Combined Group Pro Forma Financial Statements**

Section 7.6 contains a summary of the following financial information in relation to the Combined Group:

- (i) reconciliation of pro forma consolidated Statement of Comprehensive Income/Loss for FY21;
- (ii) reconciliation of the pro forma consolidated Statement of Financial Position as at the end of FY21; and
- (iii) reconciliation of the pro forma consolidated Statement of Cash Flows for FY21,

(**Reconciliation of Combined Group Pro Forma Financial Statements**).

Investors should be aware that past performance is not an indication of future performance.

(e) **Basis of Preparation**

The Historical Financial Information – Cronos Australia, the Historical Financial Information – CDA Health and the Pro Forma Financial Information – Combined Group have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act. These have been prepared in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards. The Historical Financial Information – Cronos Australia, the Historical Financial Information – CDA Health and the Pro Forma Financial Information – Combined Group are presented in an abbreviated form and do not include all of the disclosures usually provided in financial statements prepared in accordance with the Corporations Act.

The information set out in Sections 7.3, 7.4 and 7.5 should be read together with:

- the information outlined in Sections 4 and 5; and
- the risk factors described in Section 8.

The Pro Forma Financial Statements – Combined Group has been prepared in order to give investors a guide as to the performance and position as if the Merger had taken place at 30 June 2021 and in the circumstances noted in this Notice of Meeting, and does not purport to state the actual financial performance and position at the time the Merger is effected and implemented.

Investors should be aware that past performance is not an indication of future performance.

7.3 Historical Financial Information – Cronos Australia

(a) Historical consolidated Statements of Comprehensive Income/Loss

Table 1 below sets out the audited consolidated statements of comprehensive income/(loss) for Cronos Australia for FY19, FY20 and FY21.

	2019	2020	2021
	\$	\$	\$
Continuing operations			
Revenue	-	123,850	1,692,840
Cost of sales	-	(7,064)	(819,912)
Gross profit	-	116,786	872,928
Other income	58,448	340,078	129,101
Accounting, tax and audit fees	(319,348)	(211,715)	(113,319)
Administration expenses	(305,155)	(533,321)	(725,329)
Finance costs	(125,741)	(205,136)	(294,158)
Legal and regulatory expenses	(189,007)	(166,051)	(309,550)
Personnel expenses	(1,713,193)	(3,145,372)	(3,425,074)
Sales, marketing and distribution	-	(65,510)	(285,629)
Site-related expenses	(292,203)	-	-
Travel and accommodation	(72,039)	(119,437)	(54,820)
Loss before income tax	(2,958,238)	(3,989,678)	(4,205,850)
Income tax benefit	43,937	-	-
Loss for the year	(2,914,301)	(3,989,678)	(4,205,850)
Other comprehensive income/(loss)			
Exchange gains on translation	-	205	54,355
Other comprehensive income/(loss)	-	205	54,355
Total comprehensive loss	(2,914,301)	(3,989,473)	(4,151,495)

(b) Historical consolidated Statements of Financial Position

Table 2 below sets out the audited consolidated statements of financial position for Cronos Australia as at the end of FY19, FY20 and FY21.

	2019	2020	2021
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	159,679	14,685,943	9,467,175
Trade and other receivables	39,447	27,200	433,328
Inventories	-	192,450	1,338,747
Other current assets	1,373,527	339,780	519,507
Total assets	1,572,653	15,245,373	11,758,757
Non-current assets			
Property, plant and equipment	76,402	490,380	437,862
Other intangible assets and goodwill	200,000	491,457	491,457
Total non-current assets	276,402	981,837	929,319
Total assets	1,849,055	16,227,210	12,688,076
Liabilities			
Current liabilities			
Trade and other payables	2,436,354	452,436	1,002,226
Interest-bearing liabilities	513,923	72,584	2,110,217
Provisions	2,968	70,516	99,516
Other current liabilities	17,337	31,892	-
Total current liabilities	2,970,582	627,428	3,211,959
Non-current liabilities			
Interest-bearing liabilities - unsecured loan	1,606,027	1,786,521	-
Other non-current liabilities	64,639	316,592	253,687
Total non-current liabilities	1,670,666	2,103,113	253,687
Total liabilities	4,641,248	2,730,541	3,465,646
Net assets/(liabilities)	(2,792,193)	13,496,669	9,222,430
Equity			
Share capital	54,655	20,012,053	20,012,053
Reserves	-	214,934	116,827
Accumulated losses	(2,846,848)	(6,784,061)	(10,833,270)
Equity attributable to owners	(2,792,193)	13,442,926	9,295,610
Non-controlling interests	-	53,743	(73,180)
Total equity	(2,792,193)	13,496,669	9,222,430

(c) **Historical consolidated Statements of Cash Flows**

Table 3 below sets out the audited consolidated statements of cash flow for Cronos Australia for FY19, FY20 and FY21.

The closing cash position of Cronos Australia as at 30 June 2021 was approximately \$9.5 million.

	2019	2020	2021
	\$	\$	\$
Cash flows - operating activities			
Receipts from customers	-	114,783	1,228,932
Payments made to suppliers	(1,698,244)	(5,211,988)	(6,250,341)
Receipt of stimulus payments	-	75,478	179,263
R&D tax incentive received	43,937	-	-
Interest received	1,243	131,924	46,091
Interest paid	(734)	-	-
Net cash flows - operating activities	(1,653,798)	(4,889,803)	(4,796,055)
Cash flows - investing activities			
Landlord incentive received	-	49,384	-
Proceeds from sale of equipment	-	-	500
Purchases of plant and equipment	(7,179)	(120,201)	(40,185)
Net assets assumed on restructure	73,322	-	-
Payments for acquisition of subsidiaries	-	(295,894)	(101,000)
Payment for security deposits	-	(149,204)	(20,000)
Net cash flows - investing activities	66,143	(515,915)	(160,685)
Cash flows - financing activities			
Proceeds from the issue of shares	-	20,000,000	-
Proceeds from loans	2,000,000	3,500,000	-
Proceeds from shares to non-controlling interests	-	98,000	-
Payment of transaction costs	(290,090)	(3,092,824)	-
Movements in loans with related parties	-	(519,512)	30,000
Payment of equity issuance costs	-	-	(171,889)
Payment of lease liabilities	-	-	(87,316)
Chattel mortgage repayments	(21,278)	(53,682)	(32,823)
Net cash flows - financing activities	1,688,632	19,931,982	(262,028)
Net increase/(decrease) in cash	100,977	14,526,264	(5,218,768)
Cash at the beginning of the year	58,702	159,679	14,685,943
Cash at the end of the year	159,679	14,685,943	9,467,175

7.4 **Historical Financial Information – CDA Health**(a) **Historical consolidated Statements of Comprehensive Income/Loss**

Table 4 below sets out the audited consolidated statements of comprehensive income/(loss) for CDA Health for FY19, FY20 and FY21.

	2019	2020	2021
	\$	\$	\$
Continuing operations			
Revenue	574,325	4,531,940	21,724,241
Cost of sales	(140,062)	(2,571,108)	(15,023,508)
Gross profit	434,263	1,960,832	6,700,733
Other income	23	179,993	262,577
Accounting, tax and audit fees	(35,398)	(76,926)	(84,007)
Administration expenses	(136,051)	(465,390)	(1,630,714)
Finance costs	(1,306)	(13,307)	(42,534)
Legal and regulatory expenses	(5,674)	(590,645)	(15,597)
Personnel expenses	(249,528)	(1,622,536)	(2,747,527)
Sales, marketing and distribution	(58,499)	(124,458)	(465,489)
Travel and accommodation	(13,506)	(8,030)	(21,000)
Profit/(loss) before income tax	(65,676)	(760,467)	1,956,442
Income tax expense	(3,395)	(9,309)	(487,459)
Profit/(loss) for the year	(69,071)	(769,776)	1,468,983
Other comprehensive income/(loss)			
Exchange gains on translation	-	-	-
Other comprehensive income/(loss)	-	-	-
Total comprehensive income/(loss)	(69,071)	(769,776)	1,468,983

(b) **Historical consolidated Statements of Financial Position**

Table 5 below sets out the audited consolidated statements of financial position for CDA Health as at the end of FY19, FY20 and FY21.

	2019 \$	2020 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	47,885	1,534,830	2,078,620
Trade and other receivables	36,045	379,105	2,161,422
Inventories	88,487	1,236,579	3,101,137
Other current assets	1,524	137,157	164,460
Total assets	173,941	3,287,671	7,505,639
Non-current assets			
Property, plant and equipment	26,250	520,202	907,028
Other intangible assets and goodwill	20,540	96,566	156,976
Deferred tax assets	-	-	59,138
Other non-current assets	12,650	35,981	138,118
Total non-current assets	59,440	652,749	1,261,260
Total assets	233,381	3,940,420	8,766,899
Liabilities			
Current liabilities			
Trade and other payables	46,340	715,365	3,308,782
Interest-bearing liabilities	-	119,907	182,060
Provisions	40,287	96,553	170,031
Current tax liabilities	3,395	3,395	542,548
Total current liabilities	90,022	935,220	4,203,421
Non-current liabilities			
Interest-bearing liabilities - unsecured loan	284,764	252,373	-
Interest-bearing liabilities - leases	-	309,391	535,964
Provisions	716	4,324	13,234
Deferred tax liabilities	-	9,309	-
Total non-current liabilities	285,480	575,397	549,198
Total liabilities	375,502	1,510,617	4,752,619
Net assets/(liabilities)	(142,121)	2,429,803	4,014,280
Equity			
Share capital	-	3,341,700	3,536,374
Retained profits/(accumulated losses)	(103,158)	(991,077)	477,906
Equity attributable to owners	(103,158)	2,350,623	4,014,280
Non-controlling interests	(38,963)	79,180	-
Total equity	(142,121)	2,429,803	4,014,280

(c) **Historical consolidated Statements of Cash Flows**

The closing cash position of CDA Health as at 30 June 2021 was approximately \$2.1 million.

Table 6 below sets out the audited consolidated statements of cash flow for CDA Health for FY19, FY20 and FY21.

	2019 \$	2020 \$	2021 \$
Cash flows - operating activities			
Receipts from customers	538,280	4,324,768	20,191,937
Payments made to suppliers	(640,013)	(6,113,430)	(19,308,383)
Receipt of stimulus payments	-	168,963	56,321
Interest received	23	1,178	150
Net cash flows - operating activities	(101,710)	(1,618,521)	940,025
Cash flows - investing activities			
Purchases of plant and equipment	(2,282)	(103,237)	(174,986)
Purchases of intangible assets	(20,950)	(87,299)	(84,370)
Payments for acquisition of subsidiaries	-	-	(220,000)
Net cash flows - investing activities	(23,232)	(190,536)	(479,356)
Cash flows - financing activities			
Proceeds from the issue of shares	-	3,411,656	337,136
Payment of transaction costs	-	(69,956)	-
Movements in loans with related parties	172,304	(45,698)	(252,373)
Payment of equity issuance costs	-	-	(1,642)
Net cash flows - financing activities	172,304	3,296,002	83,121
Net increase in cash	47,362	1,486,945	543,790
Cash at the beginning of the year	523	47,885	1,534,830
Cash at the end of the year	47,885	1,534,830	2,078,620

7.5 **Pro Forma Historical Financial Information – Combined Group**(a) **Pro Forma consolidated Statements of Comprehensive Income/Loss**

Table 7 below sets out the pro forma consolidated statements of comprehensive income/(loss) for the Combined Group for FY19, FY20 and FY21.

	2019 \$	2020 \$	2021 \$
Continuing operations			
Revenue	574,325	4,655,790	23,186,498
Cost of sales	(140,062)	(2,578,172)	(15,612,837)
Gross profit	434,263	2,077,618	7,573,661
Other income	58,471	520,071	391,678
Accounting, tax and audit fees	(354,746)	(288,641)	(197,326)
Administration expenses	(441,206)	(998,711)	(2,356,043)
Finance costs	(127,047)	(218,443)	(336,692)
Legal and regulatory expenses	(194,681)	(756,696)	(325,147)
Personnel expenses	(1,962,721)	(4,767,908)	(6,172,601)
Sales, marketing and distribution	(58,499)	(189,968)	(751,118)
Site-related expenses	(292,203)	-	-
Travel and accommodation	(85,545)	(127,467)	(75,820)
Loss before income tax	(3,023,914)	(4,750,145)	(2,249,408)
Income tax benefit	40,542	(9,309)	(487,459)
Loss for the year	(2,983,372)	(4,759,454)	(2,736,867)
Other comprehensive income/(loss)			
Exchange gains on translation	-	205	54,355
Other comprehensive income/(loss)	-	205	54,355
Total comprehensive loss	(2,983,372)	(4,759,249)	(2,682,512)

(b) **Pro Forma consolidated Statements of Financial Position**

Table 8 below sets out the pro forma consolidated statements of financial position for the Combined Group as at the end of FY19, FY20 and FY21.

	2019	2020	2021
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	207,564	16,220,773	6,245,795
Trade and other receivables	75,492	406,305	2,390,724
Inventories	88,487	1,429,029	4,439,884
Other current assets	1,375,051	476,937	683,967
Total assets	1,746,594	18,533,044	13,760,370
Non-current assets			
Property, plant and equipment	102,652	1,010,582	1,344,890
Goodwill arising on acquisition	-	-	8,637,541
Other intangible assets and goodwill	220,540	588,023	648,433
Deferred tax assets	-	-	59,138
Other non-current assets	12,650	35,981	138,118
Total non-current assets	335,842	1,634,586	10,828,120
Total assets	2,082,436	20,167,630	24,588,490
Liabilities			
Current liabilities			
Trade and other payables	2,482,694	1,167,801	4,406,982
Interest-bearing liabilities	513,923	192,491	282,171
Provisions	43,255	167,069	269,547
Current tax liabilities	3,395	3,395	542,548
Other current liabilities	17,337	31,892	-
Total current liabilities	3,060,604	1,562,648	5,501,248
Non-current liabilities			
Interest-bearing liabilities - unsecured loan	1,890,791	2,038,894	-
Interest-bearing liabilities - leases	-	625,983	789,651
Provisions	716	4,324	13,234
Deferred tax liabilities	-	9,309	-
Other non-current liabilities	64,639	-	-
Total non-current liabilities	1,956,146	2,678,510	802,885
Total liabilities	5,016,750	4,241,158	6,304,133
Net assets/(liabilities)	(2,934,314)	15,926,472	18,284,357
Equity			
Share capital			17,798,171
Retained profits			477,906
Equity attributable to owners			18,276,077
Non-controlling interests			8,280
Total equity			18,284,357

(c) **Pro Forma consolidated Statements of Cash Flows**

Table 9 below sets out the pro forma consolidated statements of cash flow for the Combined Group for FY19, FY20 and FY21.

	2019	2020	2021
	\$	\$	\$
Cash flows - operating activities			
Receipts from customers	538,280	4,439,551	21,274,193
Payments made to suppliers	(2,338,257)	(11,325,418)	(25,412,048)
Receipt of stimulus payments	-	244,441	235,584
R&D tax incentive received	43,937	-	-
Interest received	1,266	133,102	46,241
Interest paid	(734)	-	-
Net cash flows - operating activities	(1,755,508)	(6,508,324)	(3,856,030)
Cash flows - investing activities			
Landlord incentive received	-	49,384	-
Proceeds from sale of equipment	-	-	500
Cash consideration paid on acq.	-	-	(5,300,000)
Purchases of plant and equipment	(9,461)	(223,438)	(215,171)
Purchases of intangible assets	(20,950)	(87,299)	(84,370)
Net assets assumed on restructure	73,322	-	-
Payments for acquisition of subsidiaries	-	(295,894)	(321,000)
Payment for security deposits	-	(149,204)	(20,000)
Net cash flows - investing activities	42,911	(706,451)	(5,940,041)
Cash flows - financing activities			
Proceeds from the issue of shares	-	23,411,656	337,136
Proceeds from loans	2,000,000	3,500,000	-
Proceeds from shares to NCIs	-	98,000	-
Payment of transaction costs	(290,090)	(3,162,780)	-
Movements in loans with related parties	172,304	(565,210)	(222,373)
Payment of equity issuance costs	-	-	(173,531)
Payment of lease liabilities	-	-	(87,316)
Chattel mortgage repayments	(21,278)	(53,682)	(32,823)
Net cash flows - financing activities	1,860,936	23,227,984	(178,907)
Net increase/(decrease) in cash	148,339	16,013,209	(9,974,978)
Cash at the beginning of the year	59,225	207,564	16,220,773
Cash at the end of the year	207,564	16,220,773	6,245,795

The Pro Forma Historical Financial Statements – Combined Group have been prepared in order to give investors a guide as to the performance and position as if the Merger had taken place at 30 June 2021 and in the circumstances noted in this Notice of Meeting, and does not purport to state the actual financial performance and position at the time the Merger is effected and implemented.

Investors should be aware that past performance is not an indication of future performance.

7.6 Reconciliation of Combined Group Pro Forma Historical Financial Statements

Table 10 below sets out the reconciliation of the pro forma consolidated statements of comprehensive income/(loss) for the Combined Group for FY21.

	CAU	CDA	Adjustments	Pro-forma	Notes
	\$	\$	\$	\$	
Continuing operations					
Revenue	1,692,840	21,724,241	(230,583)	23,186,498	1
Cost of sales	(819,912)	(15,023,508)	230,583	(15,612,837)	1
Gross profit	872,928	6,700,733	-	7,573,661	
Other income	129,101	262,577	-	391,678	
Accounting, tax and audit fees	(113,319)	(84,007)	-	(197,326)	
Administration expenses	(725,329)	(1,630,714)	-	(2,356,043)	
Finance costs	(294,158)	(42,534)	-	(336,692)	
Legal and regulatory expenses	(309,550)	(15,597)	-	(325,147)	
Personnel expenses	(3,425,074)	(2,747,527)	-	(6,172,601)	
Sales, marketing and distribution	(285,629)	(465,489)	-	(751,118)	
Travel and accommodation	(54,820)	(21,000)	-	(75,820)	
Profit/(loss) before income tax	(4,205,850)	1,956,442	-	(2,249,408)	
Income tax expense	-	(487,459)	-	(487,459)	
Profit/(loss) for the year	(4,205,850)	1,468,983	-	(2,736,867)	
Other comprehensive income/(loss)					
Exchange gains on translation	54,355	-	-	54,355	
Other comprehensive income/(loss)	54,355	-	-	54,355	
Total comprehensive profit/(loss)	(4,151,495)	1,468,983	-	(2,682,512)	

Notes

- Adjustment 1 eliminates the distribution fees paid by Cronos Australia to CDA Health during FY21.

Table 11 below sets out the reconciliation of the pro forma consolidated statements of financial position for the Combined Group as at the end of FY21.

	CAU	CDA	Adjustments	Pro-forma	Notes
Assets	\$	\$	\$	\$	
Current assets					
Cash and cash equivalents	9,467,175	2,078,620	(5,300,000)	6,245,795	2
Trade and other receivables	433,328	2,161,422	(204,026)	2,390,724	3
Inventories	1,338,747	3,101,137	-	4,439,884	
Other current assets	519,507	164,460	-	683,967	
Total assets	11,758,757	7,505,639	(5,504,026)	13,760,370	
Non-current assets					
Property, plant and equipment	437,862	907,028	-	1,344,890	
Other intangible assets / goodwill	491,457	156,976	-	648,433	
Goodwill arising on acquisition	-	-	8,637,541	8,637,541	4
Deferred tax assets	-	59,138	-	59,138	
Other non-current assets	-	138,118	-	138,118	
Total non-current assets	929,319	1,261,260	8,637,541	10,828,120	
Total assets	12,688,076	8,766,899	3,133,515	24,588,490	
Liabilities					
Current liabilities					
Trade and other payables	1,002,226	3,308,782	95,974	4,406,982	5
Interest-bearing liabilities	2,110,217	182,060	(2,010,106)	282,171	6
Current tax liabilities	-	542,548	-	542,548	
Provisions	99,516	170,031	-	269,547	
Total current liabilities	3,211,959	4,203,421	(1,914,132)	5,501,248	
Non-current liabilities					
Interest-bearing liabilities - leases	253,687	535,964	-	789,651	
Provisions	-	13,234	-	13,234	
Total non-current liabilities	253,687	549,198	-	802,885	
Total liabilities	3,465,646	4,752,619	(1,914,132)	6,304,133	
Net assets	9,222,430	4,014,280	5,047,647	18,284,357	
Equity					
Share capital	20,012,053	3,536,374	(5,750,256)	17,798,171	7
Reserves	116,827	-	(116,827)	-	8
Retained profits/(accum. losses)	(10,833,270)	477,906	10,833,270	477,906	9
Equity attributable to owners	9,295,610	4,014,280	4,966,187	18,276,077	
Non-controlling interests	(73,180)	-	81,460	8,280	10
Total equity	9,222,430	4,014,280	5,047,647	18,284,357	

Notes

- Adjustment 2 recognises the full \$5,000,000 in cash that Cronos Australia expects to pay to the shareholders of CDA Health in consideration for the purchase of their shares and \$300,000 of transaction fees that will be paid to Cornwalls Capital Australia Pty Ltd on Completion.
- Adjustment 3 eliminates the distribution fees payable by Cronos Australia to CDA Health as at the end of FY21.
- Adjustment 4 recognises the goodwill arising on acquisition of CDA Health as if the transaction had occurred as at the end of FY21.
- Adjustment 5 eliminates the \$204,026 of distribution fees payable by Cronos Australia to CDA Health as at the end of FY21 and recognises a further amount of \$300,000 of transaction fees that will be payable to Cornwalls Capital Australia Pty Ltd on Completion.
- Adjustment 6 eliminates the outstanding balance of the loan from Cronos Group to Cronos Australia that will be converted into Cronos Australia shares on Completion.
- Adjustment 7 eliminates the balance of equity of Cronos Australia as at the end of FY21 and recognises the shares that will be issued to Cronos Group in conversion of the outstanding loan to Cronos Australia and the \$150,000 worth of shares that will be issued to Cornwalls Capital Australia Pty Ltd. as further transaction fees.

8. Adjustment 8 eliminates the balance of reserves of Cronos Australia as at the end of FY21.
9. Adjustment 9 eliminates the balance of accumulated losses of Cronos Australia as at the end of FY21.
10. Adjustment 10 eliminates the balance of non-controlling interests of Cronos Australia as at the end of FY21 and recognises the value of performance rights on issue immediately prior to Completion.

Table 12 below sets out the reconciliation of the pro forma consolidated statements of cash flows for the Combined Group for FY21.

	CAU	CDA	Adjustments	Pro-forma	Notes
	\$	\$	\$	\$	
Cash flows - operating activities					
Receipts from customers	1,228,932	20,191,937	(146,676)	21,274,193	11
Payments made to suppliers	(6,250,341)	(19,308,383)	146,676	(25,412,048)	11
Receipt of stimulus payments	179,263	56,321	-	235,584	
Interest received	46,091	150	-	46,241	
Net cash flows - operating activities	(4,796,055)	940,025	-	(3,856,030)	
Cash flows - investing activities					
Proceeds from sale of equipment	500	-	-	500	
Cash consideration paid on acq.	-	-	(5,300,000)	(5,300,000)	12
Acquisition of NC interests	(101,000)	(220,000)	-	(321,000)	
Purchases of plant and equipment	(40,185)	(174,986)	-	(215,171)	
Payments for intangible assets	-	(84,370)	-	(84,370)	
Payment of security deposit	(20,000)	-	-	(20,000)	
Net cash flows - investing activities	(160,685)	(479,356)	(5,300,000)	(5,940,041)	
Cash flows - financing activities					
Proceeds from the issue of shares	-	337,136	-	337,136	
Movement in loans with rel. parties	30,000	(252,373)	-	(222,373)	
Payment of equity issuance costs	(171,889)	(1,642)	-	(173,531)	
Payment of lease liabilities	(87,316)	-	-	(87,316)	
Chattel mortgage repayments	(32,823)	-	-	(32,823)	
Net cash flows - financing activities	(262,028)	83,121	-	(178,907)	
Net increase/(decrease) in cash	(5,218,768)	543,790	(5,300,000)	(9,974,978)	
Cash at the beginning of the year	14,685,943	1,534,830	-	16,220,773	
Cash at the end of the year	9,467,175	2,078,620	(5,300,000)	6,245,795	

Notes

11. Adjustment 11 eliminates the cash component of distribution fees paid by Cronos Australia to CDA Health during FY21.
12. Adjustment 12 recognises the full \$5,000,000 in cash that Cronos Australia expects to pay to the shareholders of CDA Health in consideration for the purchase of their shares and \$300,000 of transaction fees that will be paid to Cornwalls Capital Australia Pty Ltd on Completion.

7.7 Significant accounting policies

Cronos Australia's significant accounting policies are described in Note 2 to Cronos Australia's financial statements for the year ended 30 June 2021, as set out on pages 60 to 68 of Cronos Australia's 2021 Annual Report which can be found on Cronos Australia's website at www.cronosaustralia.com. Cronos Australia has consistently applied the accounting policies described in that Annual Report to all periods presented in the Financial Information. Certain comparative amounts have been reclassified to conform to the current period's presentation.

The significant accounting policies of CDA Health, which accompany that company's financial statements for the year ended 30 June 2021, are disclosed below.

Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act.

(b) Basis of measurement

The consolidated financial statements have been prepared on the accrual basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of CDA Health.

(d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of the entities within the CDA Health Group. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Inventories
- Right-of-use assets and lease liabilities
- Intangible assets
- Taxation

The accounting policies set out in the individual notes to the consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

(e) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(f) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent (CDA Health Pty Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the CDA Health Group ("Group") from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(g) **Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(h) **Financial instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at: amortised cost; or fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if: it is incurred for the purpose of repurchasing or repaying in the near term; part of a portfolio where there is an actual pattern of short-term profit taking; or a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income. A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at: amortised cost; fair value through other comprehensive income; or fair value through profit or loss.

Measurement is on the basis of two primary criteria: the contractual cash flow characteristics of the financial asset; and the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost: the financial asset is managed solely to collect contractual cash flows; and the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income: the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: *Business Combinations* applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with

substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset: the right to receive cash flows from the asset has expired or been transferred; all risk and rewards of ownership of the asset have been substantially transferred; and the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on: financial assets that are measured at amortised cost or fair value through other comprehensive income; lease receivables; contract assets (e.g. amounts due from customers under construction contracts); loan commitments that are not measured at fair value through profit or loss; and financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for: financial assets measured at fair value through profit or loss; or equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the Simplified Approach to impairment, as applicable under AASB 9.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to: trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and which do not contain a significant financing component; and lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an

impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(i) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the Parent Entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except exchange differences that arise from net investment hedges.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows: assets and liabilities are translated at exchange rates prevailing at the end of the reporting period; income and expenses are translated at exchange rates on the date of transaction; and all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position and allocated to non-controlling interest where relevant. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

8 Risk Factors

Before deciding how to vote on the Resolutions, you should carefully consider the risk factors discussed in this Section 8 and other information contained in this document and seek independent professional advice.

This Section 8 provides a summary of risks only. It does not consider the investment objectives, financial situation, taxation position or particular needs of Shareholders.

Additional risks and uncertainties not currently known to Cronos Australia, or which Cronos Australia considers to be immaterial, may also have an adverse effect on the value of Shares. The information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of all possible risks.

8.1 Introduction

This Section 8 outlines the key, but not all, risks associated with an investment in the Combined Group and the value of the Shares and other risks of which Shareholders should be aware.

These risks include risks specific to the Merger, risks to the Combined Group and general risks.

8.2 Risks specific to the Merger

(a) Contractual / completion risk

Completion is subject to the fulfilment of certain conditions precedent, particularly those as set out in the MIA. The ability of Cronos Australia to achieve its stated objectives will depend on the performance by the parties of their obligations under those agreements. If any party defaults in the performance of their obligations, it may be necessary for Cronos Australia to approach a court to seek a legal remedy, which can be costly, and there can be no guarantee that such an approach would be successful.

If the Merger does not proceed, then CDA Health may be entitled to terminate the MIA. In the event CDA Health terminated the MIA, Completion would not occur and Cronos Australia may be potentially exposed to a break fee of \$500,000 which it has agreed to pay CDA Health in certain circumstances under the MIA.

(b) Risk of high volume of Share sales

Subject to Completion, Cronos Australia will have issued a significant number of new Shares to various parties. Some of the CDA Shareholders and others that receive Shares as a result of the Merger may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the number of people wanting to sell their Shares may have an adverse impact on the market price of Shares. There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Shareholders may, upon selling their Shares, receive a market price for their securities that is less than the price of Shares offered.

8.3 Risks specific to the Combined Group

(a) Integration risk

The Merger has the potential for integration risk. As two separate (though similar) businesses merge, there is the potential for the integration of technology, processes, information, departments and organisations to fail.

Cronos Australia believes it has the appropriate practices and processes, supported by a risk-aware culture and enabling technology, which would help to mitigate any integration risk. However, in general, integration can be a complicated process that requires multiple levels of coordination, with each level posing its own risks.

(b) Failure to achieve expected synergies

The Board believes the Merger will provide a material increase in both the size and scale of Cronos Australia's operations and increased profitability for the Combined Group.

The prominent position already held by CDA Health in the Australian medicinal cannabis industry, when added to Cronos Australia's existing operations and strategic opportunities, should deliver synergistic benefits for the integrated group where the combined value exceeds the sum of its parts.

However, there can be no guarantee that the expected synergies between the two companies might be realised. A failure of the Combined Group to achieve the expected synergies could mean that the Merger might not be any more successful than Cronos Australia's current business strategy.

(c) **Concentration of shareholding**

Following Completion, the existing CDA Shareholders will, in aggregate, hold approximately 75.20% of the Shares (assuming no cash consideration is taken) and, accordingly, may separately or together be in a position to influence the election of the Directors, the appointment of new management and the potential outcome of matters submitted to a vote of the Shareholders. In particular, the maximum combined voting power that the Major CDA Acquirers (and their Associates) will obtain in Cronos Australia as a result of being issued the Shares at Completion is approximately 63.75%, which is an increase of approximately 63.75% (from 0%).

Given the change in the control of Cronos Australia contemplated by the Merger, there is a risk that Cronos Australia's business strategy may undergo wholesale changes, and if that occurs, there is no guarantee that any such changes will be any more successful than Cronos Australia's current business strategy.

(d) **Dilution risk**

There are currently 128,750,000 Shares on issue in Cronos Australia. Upon Completion, Cronos Australia proposes to issue:

- (i) Shares to the CDA Shareholders as part consideration for the Merger;
- (ii) Shares on conversion of the loan owing under the Loan Agreement; and
- (iii) awards of Performance Rights and Options to integrate, incentivise and reward members of the Cronos Australia senior executive team as well as non-executive employees of CDA Health and Cronos Australia.

Immediately following Completion, the 128,750,000 Shares on issue as at the date of this Notice of Meeting are expected to only comprise around 22.02% of Cronos Australia's share capital (assuming no cash consideration is taken) or up to approximately 23.47% of Cronos Australia's share capital (if the full \$5 million cash consideration is taken). In any event, the existing Shareholders will have their proportional ownership of Cronos Australia reduced significantly.

There is a risk that the interests of Shareholders will be further diluted as a result of any future capital raisings or equity issues that may be undertaken after Completion in order to fund the development or expansion of the Combined Group's business.

(e) **Maintaining medicinal cannabis licences and permits**

The Combined Group's ability to commercialise products for sale in Australia is reliant on the renewal of licences and permits that have been granted to it by Federal and State. The Combined Group is cognisant of submitting renewal applications by the required deadlines, and is not aware of any reasons why a regulatory authority would refuse such renewals, however, the Combined Group cannot guarantee that the licences and permits will always be renewed.

There is no guarantee that the Combined Group will be granted any licence and permit which is subject to pending applications already made or which have not yet been applied for. The processing time for the approval of applications varies considerably and there is no guarantee that each licence or permit will be granted expeditiously or will be granted on such terms that are required by the Combined Group to continue to operate its businesses. There is also no guarantee that any licence or permit that has already been issued will not be suspended or revoked during the term of the relevant licence or permit, or that the licence or permit will be renewed, or renewed on such terms that are necessary for the Combined Group to continue to operate its businesses. If this happens, this will adversely affect the Combined Group's ability

to generate revenue, which will reduce its overall profitability and adversely affect its financial performance.

(f) **"Fit and proper person" test**

The Office of Drug Control (**ODC**) must be satisfied of the integrity of the person applying for a licence or a person who has the ability to substantially influence the conduct of activities under a licence. This is known as the "fit and proper person" test.

In respect of an applicant who is a company, this test is applied to the directors of the company and any shareholder (or ultimate holder) who has the ability to influence the conduct of the company. If there is a change in the board or shareholding of a licence holder (or its subsidiary) and that change results in a person having the ability to substantially influence the conduct of a licence holder, and that person does not pass the fit and proper person test, the ODC may determine that the licence holder is not a fit and proper person to hold relevant licences or permits, and any licences granted to that entity will be revoked.

(g) **Regulatory risk**

In addition to the regulatory risks around maintaining licences and permits for medicinal cannabis products, and its equivalent in other jurisdictions, there are additional regulatory risks that may affect the Combined Group.

The Combined Group must abide by the regulations set by the governing bodies that oversee it in each relevant jurisdiction. Any changes to regulations can affect the business of the Combined Group. Any changes to, or the establishment of, regulations may have a significant effect on the costs of operations, presenting legal and administrative hurdles for the Combined Group.

Significantly, given the global nature of Cronos Australia's business, changes to international trade policies may affect its ability to import and export medicinal cannabis products.

(h) **Unexpected product side effects**

Should any of the Combined Group's products be associated with safety risks such as misuse or abuse, inadvertent mislabelling, tampering by unauthorised third parties or product contamination or spoilage, a number of materially adverse outcomes could occur. For example, regulatory authorities may revoke approvals that have been granted to the Combined Group, impose more onerous facility standards or product labelling requirements, or force the Combined Group to conduct a product recall. The Combined Group could also be subject to regulatory action or be sued and held liable for any harm caused to customers.

The Combined Group will maintain rigorous standards in respect of product safety and has insurance coverage to mitigate these risks in a manner customary with industry practice. However, there can be no guarantee that all such risks will be adequately managed through maintaining rigorous standards or insurance policies. These risks could result in the loss or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and damage to the Combined Group's reputation and result in increased insurance premiums being applied to the Combined Group.

(i) **COVID-19 pandemic**

The global economy has been adversely affected by the COVID-19 pandemic, and the medicinal cannabis products industry and, in turn, the Combined Group, are not immune from its effects. The Combined Group will actively pursue its strategic plan and objectives, however, further restrictions globally, and the uncertainty surrounding the pandemic in Australia and other target countries, pose a risk to the Combined Group's future activities, operations and financial performance.

(j) **Uncertain revenue and profitability**

Future sales of medicinal cannabis by the Combined Group and its profitability is contingent on:

- (i) patient uptake of the medical cannabis products it sells and distributes;

- (ii) the results of further medical research and clinical trials in relation to medicinal cannabis;
- (iii) general economic conditions;
- (iv) the level of competition in the industry; and
- (v) regulatory factors.

Additionally, there is no guarantee that medical practitioners will be authorised under the Special Access Scheme or that they will elect to prescribe products supplied by the Combined Group.

These risks may affect the profitability of the Combined Group and its financial prospects. Consequently, the level of any future sales by the Combined Group cannot be accurately determined and no guarantee is given that future sales targets will be achieved or that the Combined Group will be profitable.

(k) Loss of IP Licence from Cronos Group

As part of the Merger, the IP Licence will be amended with effect from Completion. See Section 3.9 for further information.

As a result of the Merger, Cronos Global Holdings Inc (an indirect wholly-owned subsidiary of Cronos Group) is expected to hold approximately 10.06% of the Shares (if the full \$5 million in cash consideration is taken in connection with the Merger). This includes the 15,176,065 Shares that are to be issued in respect of the conversion on Completion of its existing loan to Cronos Operations under the Loan Agreement.

Cronos Global Holdings Inc has agreed to enter into voluntary escrow in respect of all of its Shares. See Section 6.20 for further information.

As with any medicinal or pharmaceutical product, the loss of use of a trademark can have a material and adverse impact on sales of the relevant product to which the trademarks relate having regard to prescriber, patient and market awareness and loyalty to established brands.

If the IP Licence is terminated for any reason, the loss of use of the rights to use the intellectual property licensed under the IP Licence may negatively affect Cronos Australia's ability to continue its business. In particular, the loss of the licence to use the CRONOS GROUP™ trademark will require Cronos Australia (and its subsidiaries) to change their company names and otherwise cease using the trademark and trademarks that are similar to the CRONOS GROUP™ trademark (within 180 days). The Combined Group will also need to cease using other licensed trademarks including PEACE NATURALS™. As such, the termination of the IP Licence could have a material adverse impact on sales and, accordingly, the financial performance and prospects of the Combined Group. This may be offset at least in part by being able to rely on the extensive CDA Health intellectual property portfolio (and the various brands which CDA Health has built).

(l) Reliance on key relationships

Cronos Australia and CDA Health currently rely on various key customer and supplier relationships in certain parts of their respective businesses. Post-Merger, the loss or impairment of any of these relationships could have a material adverse effect on the Combined Group's results or operations, financial condition and prospects, at least until alternative arrangements can be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements.

(m) Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of the Combined Group will depend substantially on its senior management and the Board. The proposed senior management team of the Combined Group has a detailed understanding of the medicinal cannabis industry and, more broadly, the pharmaceutical industry. There can be no assurance that there will be no detrimental impact on the performance of the Combined Group or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and appointed in a timely manner. There is also a risk that CDA

Health cannot attract, retain or develop the relevant skilled individuals it requires to successfully execute its business plan. Should this occur, it is likely to have a materially adverse impact on the CDA Group's operations, financial performance and future prospects.

(n) **Competition**

The medicinal cannabis industry is subject to domestic and international competition and while the Combined Group will exercise all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, which may, positively or negatively, affect the operating and financial performance of the Combined Group.

Some of the Combined Group's competitors and potential competitors may have significantly more financial resources than the Combined Group, which may lead to reduced margins and loss of revenue or loss of market share. Further, revenues in the future may be reduced as the industry consolidates and seeks revenue accretion at the expense of profit margin.

Permits for importation, cultivation, manufacturing and export are subject to quotas controlled by Federal and State authorities and increased competition in the medicinal cannabis industry may result in increased competition for permits issued. If this occurs, it is possible that the Combined Group will be unable to obtain sufficient permits to undertake all of its desired commercial activities.

(o) **Future revenue and profitability**

To date, Cronos Australia has generated relatively modest revenue. The Merger has the potential to increase Cronos Australia's revenues at least in the short term. That said, future sales of products by Cronos Australia and its future profitability are reliant on its ability to maintain the required licences and permits, develop new brands and products, enter into supply, distribution, import and export arrangements, and broader market conditions.

As such, the level of future sales cannot be accurately determined, and Cronos Australia cannot provide any guarantee that future sales will be achieved, and if future sales are achieved, they may not result in Cronos Australia generating a profit.

(p) **Growth prospects and expansion plans**

A significant factor to the Combined Group's growth prospects and expansion plans is the acceptance of its brands and products. A failure of the Combined Group to execute its plans would affect its financial performance. The Combined Group's financial prospects are dependent on sufficient public and customer demand for cannabinoid and related consumer products, as well as other emerging markets.

Furthermore, as additional competitors enter the Australian market, there is the risk that the supply of medicinal cannabis products in Australia will outstrip the demand for the products. This would, in turn, result in a reduction of product prices that may adversely affect the Combined Group's performance.

To mitigate the risk of supply outstripping demand, and to achieve its growth strategy, the Combined Group needs to be able to export its products internationally, which would be highly dependent on legislative changes relating to the sale and distribution of medicinal cannabis in each country. There is no guarantee that the laws of any of the target countries will be amended and whether the Combined Group will find success in these markets.

(q) **Force majeure events**

Force majeure events may occur within or outside Australia that could impact upon the Australian economy, the Combined Group's operations and the Cronos Australia share price. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events. The Combined Group will only have a limited ability to insure against some of these risks.

8.4 General risks

(a) General equity market risks

There can be no certainty that an active market in the Shares will develop. The price at which Shares trade on the ASX may be affected by a number of factors, including the financial and operating performance of the Combined Group and external factors over which the Combined Group and its Directors have no control.

These external factors include actual, expected and perceived general economic conditions, changes in government policy or regulation, significant events such as natural disasters or acts of terrorism, epidemics and pandemics, investor attitudes, changes in taxation, movements in interest rates, movements in stock markets, and general conditions in the markets in which the Combined Group will operate.

In addition, investors should consider the historical volatility of Australian and overseas share markets.

(b) General industry risks

There is a risk that incidents beyond the control of the Combined Group could occur which would have the effect of reducing patient, medical/scientific or regulatory confidence in the Combined Group or preferences for medicinal cannabis products generally. This reputational risk could result from incidents involving the Combined Group, business partners or other non-related industry participants.

(c) Economic conditions

The performance of the Combined Group is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some of the matters listed below. The Directors make no forecast in regard to:

- (i) the future demand for the Combined Group's products and services;
- (ii) general financial issues which may affect policies, exchange rates, inflation and interest rates;
- (iii) deterioration in economic conditions, possibly leading to reductions in business spending and other potential revenues which could be expected to have a corresponding adverse impact on the Combined Group's operating and financial performance;
- (iv) the strength of the equity and share markets in Australia and throughout the world;
- (v) financial failure or default by any entity with which a member of the Combined Group is or may become involved in a contractual relationship; or
- (vi) industrial disputes in Australia and overseas.

(d) Geopolitical factors

The Combined Group may be affected by the impact that geopolitical factors have on the world or Australian economy or on financial markets and investments generally or specifically. This may include international wars, terrorist type activities and governmental responses to such activities.

(e) Currency fluctuations

Entities related to Cronos Australia operate in international jurisdictions, which means the Combined Group will operate and be affected by multiple currencies and their future fluctuations. This unpredictable volatility this may affect the future profitability of the Combined Group.

(f) Government policies and legislation

The Combined Group may be affected by changes to government policies and legislation, including those relating to domestic and international taxation regimes, grants for research and development, technology companies and international incentive programs. As noted above, the Combined Group may also be affected by changes to government policies and legislation in relation to the regulation and licensing of its products.

(g) **Litigation**

The Combined Group may in the ordinary course of business become involved in litigation and disputes (e.g. with suppliers or customers). Any litigation or dispute could be costly and damaging to the Combined Group's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

(h) **Taxation**

Any changes to the current rate of company income tax or any changes to the tax treatment of the Combined Group's operations will impact on Shareholder returns. Any changes to the current rates of income tax applying to different types of Shareholders will impact Shareholder returns. In addition, any change in tax rules could have an adverse impact on the level of dividend imputation and franking.

(i) **Accounting standards**

Changes in accounting standards or their interpretation may adversely affect the Combined Group's reported financial performance and/or financial position.

(j) **Acquisitions**

As part of its business strategy, post-Completion, the Combined Group may make acquisitions of, or significant investments in, companies, technologies and/or products that are complementary to its business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

9 Additional Information

This Section provides you with additional information regarding the Merger.

9.1 Merger Implementation Agreement

As announced by Cronos Australia on 14 September 2021, Cronos Australia has agreed to acquire the entire share capital of CDA Health pursuant to the MIA. The key terms of the MIA are set out below.

Topic	Summary
Outline of proposed transaction	<p>Cronos Australia entered into the MIA with CDA Health dated 14 September 2021 to acquire 100% of the issued share capital in CDA Health, subject to customary conditions including both Cronos Australia and CDA Health obtaining the required shareholder approvals.</p> <p>The consideration payable by Cronos Australia to CDA Shareholders will comprise a combination of Shares and cash (the cash being capped at \$5 million in aggregate).</p>
Purchase price	<p>Cronos Australia will offer a total of up to 439,784,283 fully paid ordinary shares to CDA Shareholders to acquire 100% of the issued capital of CDA Health.</p> <p>CDA Shareholders will be offered approximately 21.534 Cronos Australia shares for every 1 CDA Health share held by them 2 business days before the Completion date.</p> <p>The maximum number of Shares to be issued by Cronos Australia will be reduced to the extent that certain CDA Shareholders elect to take a portion of the consideration payable by Cronos Australia in cash (up to \$5 million in aggregate at a deemed value of \$0.138 per share).</p>
Conditions precedent	<p>Key customary conditions to the implementation of the Merger include:</p> <ul style="list-style-type: none"> • Cronos Australia Shareholders approving the Resolutions set out in this Notice of Meeting; • approval of certain amendments to the CDA Health constitution by CDA Shareholders in order to facilitate the Merger; • no material adverse change or prescribed occurrence (each as defined in the MIA) occurring in respect of either CDA Health or Cronos Australia; • the Board confirming that the Merger will not trigger the early vesting of any Options on issue in Cronos Australia as at the date of the MIA; • amending the IP Licence on terms agreed by the parties thereto; • conversion of the existing loan owing under the Loan Agreement into Shares; and • other conditions customary for a transaction of this nature.
Warranties and indemnities	<p>CDA Health and Cronos Australia have each provided substantially similar warranties customary and usual for a transaction of this nature. CDA Health and Cronos Australia have also agreed to indemnify each other against all losses incurred as a result of any of the other party's breach of warranties.</p>
Break fee	<p>CDA Health and Cronos Australia have each agreed that if the MIA is terminated by a party because of an insolvency event occurring in respect of the other party or due to a material unremedied breach of the MIA by the other party (where the quantum of the claim exceeds \$500,000), the party in breach must pay \$500,000 to the non-defaulting party within 10 business days of receipt of a written demand from the non-defaulting party.</p>
Other	<p>The MIA includes reciprocal exclusivity arrangements (including customary non-solicitation and no-talk restrictions and notification obligations) and break fees apply to both parties (as noted above). The exclusivity mechanisms are subject to</p>

Topic	Summary														
	customary exceptions that enable either party's directors to comply with their fiduciary and/or statutory duties.														
Period before Completion	<p>An indicative timetable to complete the Merger is set out below:</p> <table> <tr> <td>Dispatch of Cronos Australia Notice of Meeting and Explanatory Statement to Cronos Australia shareholders</td><td>Monday, 15 November 2021</td></tr> <tr> <td>Dispatch of CDA Health Notice of Meeting and Explanatory Statement to CDA Shareholders</td><td>Friday, 19 November 2021</td></tr> <tr> <td>Lodge Prospectus with ASIC and release to ASX</td><td>Friday, 19 November 2021</td></tr> <tr> <td>Dispatch Prospectus and Share Purchase Deed to CDA Shareholders</td><td>Friday, 19 November 2021</td></tr> <tr> <td>CDA Health General Meeting</td><td>Tuesday, 14 December 2021</td></tr> <tr> <td>Cronos Australia General Meeting</td><td>Wednesday, 15 December 2021</td></tr> <tr> <td>Completion – issue of Shares to CDA Health's shareholders</td><td>Thursday, 16 December 2021</td></tr> </table>	Dispatch of Cronos Australia Notice of Meeting and Explanatory Statement to Cronos Australia shareholders	Monday, 15 November 2021	Dispatch of CDA Health Notice of Meeting and Explanatory Statement to CDA Shareholders	Friday, 19 November 2021	Lodge Prospectus with ASIC and release to ASX	Friday, 19 November 2021	Dispatch Prospectus and Share Purchase Deed to CDA Shareholders	Friday, 19 November 2021	CDA Health General Meeting	Tuesday, 14 December 2021	Cronos Australia General Meeting	Wednesday, 15 December 2021	Completion – issue of Shares to CDA Health's shareholders	Thursday, 16 December 2021
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Cronos Australia General Meeting	Wednesday, 15 December 2021														
Completion – issue of Shares to CDA Health's shareholders	Thursday, 16 December 2021														

9.2 Independent Expert's Report

In accordance with the requirements of ASIC's Regulatory Guide 74, Cronos Australia engaged the Independent Expert to prepare and provide the Independent Expert's Report, which contains an analysis of whether the Merger is fair and reasonable to the Shareholders.

The Independent Expert's Report compares the likely advantages and disadvantages for the Shareholders if the Merger is agreed to, with the advantages and disadvantages to those Shareholders if they are not implemented.

The Independent Expert has determined that the Merger is not fair, but reasonable to Shareholders. For a summary of the Independent Expert's findings, please refer to section 12 of the attached Independent Expert's Report.

The Independent Expert has given, and has not before the date of this Notice of Meeting withdrawn, its consent to the inclusion of the Independent Expert's Report in this Notice of Meeting and to the references to the Independent Expert's Report in this Notice of Meeting being made in the form and context in which each such reference is included.

9.3 No requirement to satisfy ASX admission requirements

Cronos Australia has consulted ASX with respect to the Merger and ASX has provided in-principle advice that it will not require Cronos Australia to seek approval of its shareholders under ASX Listing Rule 11.1.2 and will not require Cronos Australia to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

9.4 Further information about the Resolutions

(a) RESOLUTION A – ADOPTION OF THE REMUNERATION REPORT

The Resolution seeks the approval of the Shareholders to adopt the Remuneration Report section of the Directors' Report for Cronos Australia for the year ended 30 June 2021.

Section 250R(2) of the Corporations Act

Pursuant to section 250R(2) of the Corporations Act, listed entities such as Cronos Australia are required to put to the vote a resolution that the Remuneration Report section of the Directors'

Report be adopted by the Shareholders. The Remuneration Report can be found on pages 35 to 42 of Cronos Australia's 2021 Annual Report, which is available at its website at <https://cronosaustralia.com/investors>.

The Remuneration Report sets out a range of matters relating to the remuneration of Directors, the Company Secretary and senior executives of Cronos Australia.

A vote on this resolution is advisory only and does not bind the Directors or Cronos Australia. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of Cronos Australia.

Pursuant to the Corporations Act, Directors, the Company Secretary and senior executives of Cronos Australia whose remuneration details are included in the Remuneration Report (and any closely related party of those members) are not permitted to vote on a resolution to approve the remuneration report. Further, if the vote to approve the Remuneration Report receives a "no" vote by at least 25% of the votes cast, this will constitute a "first strike".

A "first strike" did not occur at Cronos Australia's 2020 Annual General Meeting. If a "first strike" occurs at the Meeting:

- Cronos Australia's subsequent Remuneration Report (being the Remuneration Report to be included in the 2022 Annual Report) must include an explanation of the Board's proposed action in response to the "no vote" or an explanation as to why no action has been taken; and
- if Cronos Australia's subsequent Remuneration Report also receives a "no vote" at the 2022 Annual General Meeting of at least 25% of the votes cast, then Shareholders at the 2022 Annual General Meeting will be asked to vote on whether or not Cronos Australia is to hold another general Shareholder's meeting (within the following 90 days) to vote on a "spill resolution" under section 250V of the Corporations Act.

Accordingly, the Board abstains from making a recommendation in relation to Resolution A.

(b) RESOLUTION B – RE-ELECTION OF DIRECTOR – SHANE FRANCIS TANNER

The Resolution seeks the approval of the Shareholders to re-elect Shane Francis Tanner as an Independent Non-Executive Director.

Clause 41.1 of the Constitution requires that, at Cronos Australia's Annual General Meeting every year, a Director must retire from office at the end of the third Annual General Meeting following the Director's last appointment or three years, whichever is longer. ASX Listing Rule 14.5 also requires that Cronos Australia must have at least one Director stand for election or re-election at each Annual General Meeting.

Shane Francis Tanner was appointed a Director on 9 October 2018. He will retire by rotation in accordance with clause 41.1 of the Constitution, and being eligible, seeks re-election as a Director at the Meeting.

See Shane's profile at Section 6.9(a).

The Board (excluding Shane Francis Tanner) unanimously recommends that Shareholders vote in favour of Resolution B.

(c) RESOLUTION C – APPOINTMENT OF AUDITOR – PILOT PARTNERS

Cronos Australia's current auditor is KPMG, which manages the audits of Cronos Australia's financial statements out of its Melbourne offices. In reviewing the audit requirements of the Combined Group post-Merger, Cronos Australia has considered the logistical requirements of the audit (incorporating the financial results of CDA Health) for the financial years ending 30 June 2022 and beyond.

Given the significant size of CDA Health's current and future business relative to that of Cronos Australia, the majority of the Combined Group's financial transactions (by volume) post-Merger are likely to be undertaken in Queensland. The Directors believe this is likely to cause logistical issues and potential inefficiencies managing the audit using an audit team based in Melbourne.

For the past three financial years, CDA Health's financial statements were audited by Brisbane-based firm, Pilot Partners. The firm is preparing the investigating accountant's report for Cronos Australia, which will be incorporated in Cronos Australia's prospectus as part of the proposed Merger. Pilot Partners is therefore well acquainted with the businesses of both CDA Health and Cronos Australia, and the terms of the proposed transaction.

Cronos Australia has sought and received a proposal from Pilot Partners to undertake the audit of the financial statements of the Combined Group post-Merger. Cronos Australia believes the estimated cost for completing the audits for the year ending 30 June 2022, as provided by Pilot Partners, is competitive and will provide Cronos Australia with an efficient solution to meeting its audit needs going forward.

This Resolution, which contemplates the appointment of a new auditor, Pilot Partners, is subject to:

- ASIC consenting to the resignation of KPMG;
- KPMG submitting a resignation to Cronos Australia; and
- Completion occurring,

(together, the **Appointment Conditions**).

On 1 November 2021, Cronos Australia's current auditor, KPMG, sought consent from ASIC to resign as auditor of Cronos Australia on Completion pursuant to section 329(5) of the Corporations Act. As of the date of this Notice of Meeting, ASIC consent for the resignation has not been received.

Pursuant to section 328B of the Corporations Act, Cronos Australia has received a valid notice of nomination from a Shareholder nominating Pilot Partners of Level 10, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 to be appointed as the new auditor of Cronos Australia subject to the Appointment Conditions. A copy of the notice of nomination is set out in Annexure A of this Notice of Meeting.

Pilot Partners has provided Cronos Australia with a written consent to act on and from Completion, subject to the Appointment Conditions, as Cronos Australia's auditor in accordance with section 328A(1) of the Corporations Act. A copy of the written consent to act is set out in Annexure B of this Notice of Meeting.

Accordingly, subject to the Appointment Conditions, under this Resolution, Shareholder approval is being sought to appoint Pilot Partners as the auditor of Cronos Australia.

KPMG will continue as Cronos Australia's auditor if any of the Appointment Conditions are not satisfied.

The Directors unanimously recommend that Shareholders vote in favour of Resolution C.

(d) **RESOLUTION 1 – APPROVAL OF ACQUISITION OF MAXIMUM VOTING POWER BY MAJOR CDA ACQUIRERS**

The Resolution seeks the approval of the Shareholders to the acquisition of new Shares by the CDA Shareholders for the purposes of Chapters 6 and 2E of the Corporations Act.

Chapter 6 of the Corporations Act

Pursuant to section 606 of the Corporations Act, a person must not acquire shares in an ASX-listed company if it causes their voting power in the company to increase from 20% or below to more than 20% or from a starting point that is above 20% and below 90% unless certain limited exceptions apply.

A person's voting power in a designated body is defined as all of the votes attaching to voting shares of the designated body in which that person and its Associates have a Relevant Interest, as a proportion of the total votes attaching to all of the voting shares in the designated body. It is aimed at grouping together and counting the percentage of all voting shares in a company that are controlled by a person or its Associates (i.e. their Relevant Interests).

Under section 608(1) of the Corporations Act, a person has a Relevant Interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities. It is immaterial whether the power or control is direct or indirect, and it does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In determining who is an associate for the purposes of calculating a person's voting power, section 12(2) of the Corporations Act provides that:

- a person will be an associate of another person if they have, or propose to enter into, a relevant agreement for the purpose of controlling or influencing the composition of a body's board or the conduct of a body's affairs; or
- a person will be an associate of another person if they are acting, or propose to act, in concert in relation to the affairs of a body.

Under item 7 of section 611 of the Corporations Act, an acquisition previously approved by a resolution passed at a general meeting of the listed company is exempt from the prohibition in section 606, provided that:

- no votes are cast in favour of the resolution by the person proposing to make the acquisition or their Associates; and
- shareholders are given all information known to the acquirer of the company that was material to the decision on how to vote.

In total, CDA Shareholders are expected to own between approximately 73.57% (if the full \$5 million cash is taken up) or approximately 75.20% (if no cash is elected) of the issued Shares post-Merger. Current Shareholders are expected to own between approximately 22.02% (if no cash is elected) or approximately 23.47% (if the full \$5 million cash is taken up) of the issued Shares post-Merger.

The issue of the new Shares under the Merger will result in certain CDA Shareholders (and their Associates) acquiring a Relevant Interest in Shares, which will increase their combined voting power from 0% to more than 20%.

Assuming no cash consideration is taken by the following four CDA Shareholders (being the **Major CDA Acquirers**), the Major CDA Acquirers are expected to have a Relevant Interest in up to 349,684,521 Shares (being approximately 63.75% of the Shares expected to be on issue) post-Completion, as follows:

Shareholder	Voting power before the Merger		Maximum voting Power after the Merger	
	No. of Shares in which hold a Relevant Interest (including via Associates)	% of Shares on issue	No. of Shares in which hold a Relevant Interest (including via Associates)	% of Shares on issue ^{1,2}
Elizabeth Sarah Jansen (as trustee for the Stanford Investment Trust)	Nil	Nil	144,745,252	26.39%
Guy Rothwell Headley ³	Nil	Nil	143,453,246	26.15%
Matua Hasyo Charlie Jansen ⁴	Nil	Nil	61,486,023	11.21%
Jessimine Charles Kiritea Jansen ³	Nil	Nil	143,453,246	26.15%

Notes:

¹ Assuming existing Options and existing Performance Rights are not exercised.

² Assumes no cash consideration is taken as part of the Merger by the Major CDA Acquirers (i.e. the maximum number of Shares which each Major CDA Acquirer may hold) and assumes the full \$5 million available cash consideration is taken by the other CDA Shareholders.

³ Guy Rothwell Headley and Jessimine Charles Kiritea Jansen are Associates of each other and will have a relevant interest in each other's Shares following Completion (Guy's 141,299,867 Shares and Jessimine's 2,153,379 Shares would lead to a maximum collective voting power of approximately 26.15%).

⁴ Matua Jansen is expected to hold certain Shares in his own capacity and certain Shares as trustee for the Whanau Family Trust.

The maximum combined voting power that the Major CDA Acquirers (and their Associates) will obtain in Cronos Australia as a result of being issued the Shares at Completion is approximately 63.75%, which is an increase of approximately 63.75% (from 0%).

None of the Major CDA Acquirers is a related party of Cronos Australia, holds Shares at the date of this Notice of Meeting or has a Relevant Interest in any Shares.

The Major CDA Acquirers do not consider that they will all be Associates with respect to their interests in Cronos Australia following Completion. However, under section 12(b) and section 12(c) of the Corporations Act, they may be considered Associates due to either or both of the MIA and the Share Purchase Deed constituting a relevant agreement that will influence the conduct of Cronos Australia's affairs, and due to the above four CDA Shareholders acting in concert in relation to Cronos Australia's affairs through their common understanding and intentions with respect to the Merger and by all agreeing to sell their shares in CDA Health to Cronos Australia.

Because of this potential Associate relationship, at the point in time when the Shares are issued, the Major CDA Acquirers (and their Associates) will have a maximum combined voting power of up to approximately 63.75%. Completion will effectively bring to an end the rights, obligations and circumstances of the parties that may be said to create an Associate relationship. Accordingly, immediately following Completion, any Associate relationship between all of the Major CDA Acquirers with respect to Cronos Australia will no longer exist, and their respective voting powers will cease to be aggregated (other than Guy Rothwell Headley and Jessimine Charles Kiritea Jansen who will continue to be Associates). The voting power of each Major CDA Acquirer (other than Guy Rothwell Headley and Jessimine Charles Kiritea Jansen) will be determined on an individual basis.

On an individual basis:

- Elizabeth Sarah Jansen (as trustee for the Stanford Investment Trust) is expected to have voting power in Cronos Australia in excess of 20% post-Merger; and
- Guy Rothwell Headley (together with his Associate, Jessimine Charles Kiritea Jansen) is expected to have voting power in Cronos Australia in excess of 20% post-Merger.

In light of the above, this Resolution seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the Major CDA Acquirers to acquire a voting power in Cronos Australia in excess of 20% for the purposes of section 606 of the Corporations Act.

Prescribed information

The information required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74: Acquisitions approved by members for the purposes of obtaining approval under item 7 of section 611 of the Corporations Act is set out in this Notice of Meeting.

Reasons for the proposed acquisition:

The Shares are being issued to (amongst others) the Major CDA Acquirers in connection with the Merger, under the Share Purchase Deed as partial consideration for all of the shares in CDA Health. Upon Completion, Cronos Australia will wholly own CDA Health.

See Section 5.6 and 6 for further information on the directors, management team, benefits and strategy of the Combined Group.

See Section 8 for further information on significant risks and potential disadvantages associated with the Merger and the Combined Group.

Timing of the proposed acquisition:

The Major CDA Acquirers will acquire the Shares at Completion, which is anticipated to occur on or about Thursday, 16 December 2021. The indicative timetable for the Merger is set out in Section 9.1.

Material terms of the proposed acquisition:

See Section 3 for an overview of the Merger and Section 9.1 for more detailed information about the MIA including a summary of its key terms.

Other relevant agreements:

Elizabeth Sarah Jansen (as trustee for the Stanford Investment Trust), Guy Rothwell Headley and Matua Hasyo Charlie Jansen (in his own capacity and as trustee for the Whanau Family Trust) have each agreed to enter into voluntary escrow agreements with Cronos Australia for the 12-month period following Completion. See Section 6.20 for further information.

Other than as disclosed in this Explanatory Statement (including the Share Purchase Deed and the MIA), there are no material agreements that are relevant to the Merger.

Acquirers' intentions regarding the future of Cronos Australia:

Other than as disclosed elsewhere in this Notice of Meeting, the Major CDA Acquirers have advised Cronos Australia that they:

- have no current intention of making any changes to the business of Cronos Australia;
- do not propose to inject further capital into Cronos Australia;
- do not intend to change the employment arrangements of Cronos Australia;
- do not proposed to transfer any assets between Cronos Australia and the Major CDA Acquirers;
- have no intention to otherwise redeploy the fixed assets of Cronos Australia; and
- do not intend to change the financial or dividend distribution policies of Cronos Australia.

These intentions mentioned in this Section are based on the facts and information regarding Cronos Australia, its business and the general business environment which are known to the Major CDA Acquirers as at the date of this Notice of Meeting. Any future decisions regarding these matters will only be made based on all material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of present intention only which, if circumstances change or new information becomes available in the future, could change accordingly.

Directors' interests:

None of the current Board members have a material personal interest in the outcome of Resolution 1 other than their interests arising solely in their capacity as Shareholders (to the extent they hold Shares).

Independent Expert's Report:

The Independent Expert's Report assesses whether the Merger is fair and reasonable to the Shareholders who are not associated with the Major CDA Acquirers (or their Associates). The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Merger. This assessment is designed to assist Shareholders in reaching their voting decision.

The Independent Expert has prepared the Independent Expert's Report and has determined that the Merger is not fair, but reasonable to Shareholders.

It is recommended that all Shareholders read the Independent Expert's Report in full, which is set out in Section 11.

Chapter 2E of the Corporations Act

For a public company to give a financial benefit to a related party of the public company, the public company must:

- (i) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (ii) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Section 210 of the Corporations Act states that member approval is not needed to give a financial benefit on terms that:

- (i) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or
- (ii) are less favourable to the related party than the terms referred to in paragraph (i) above.

Section 211 of the Corporations Act states that member approval is not needed to give a financial benefit if:

- (i) the benefit is remuneration to a related party as an officer or employee; and
- (ii) to give the remuneration would be reasonable.

Section 228(2) of the Corporations Act defines 'related parties' of a public company as:

- (i) directors of the public company;
- (ii) directors (if any) of an entity that controls the public company;
- (iii) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity; or
- (iv) spouses and de facto spouses of the persons referred to in paragraphs (i) to (iii) above.

The issue of the new Shares under the Merger to certain Proposed Directors would constitute giving a financial benefit.

Dr Benjamin David Ngahuia Jansen and Guy Rothwell Headley, being Proposed Directors, are considered to be related parties of Cronos Australia, as is Jessimine Charles Kiritea Jansen (being an Associate of Guy Rothwell Headley, a Proposed Director).

Pursuant to Section 208 of the Corporations Act, Shareholder approval is required before Cronos Australia can provide a financial benefit to a related party.

If Resolution 1 is not passed, Cronos Australia will not be able to proceed with the issue of new Shares contemplated by the MIA, none of the Merger Resolutions will be taken to have been passed and the Merger will not proceed.

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

(e) RESOLUTION 2 – APPROVAL OF THE ISSUE OF SHARES TO THE CDA SHAREHOLDERS UNDER THE MERGER IMPLEMENTATION AGREEMENT

The Resolution seeks the approval of the Shareholders for the issue of up to 439,784,283 new Shares to the CDA Shareholders for the purposes of ASX Listing Rule 7.1 and for all other purposes.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that an ASX-listed company must not, without the prior approval of shareholders or otherwise pursuant to limited exceptions, issue securities if the number of securities issued, when aggregated with the number of securities issued by the company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12-month period. Under ASX Listing Rules 7.1A, eligible ASX-listed companies have the opportunity to extend their placement capacity to 25% in a 12-month period, with shareholder approval.

The Shares to be issued under the Merger will be issued for \$0.138 per Share on Completion, which is scheduled to occur on or around Thursday, 16 December 2021, subject to satisfaction of the conditions in the MIA, but will in any event be issued within 3 months after the date of the Meeting if Completion occurs. The Shares to be issued will rank equally with other existing Shares.

CDA Shareholders will be offered approximately 21.534 Cronos Australia shares for every 1 CDA Health share held by them 2 business days before the date of Completion. Cronos Australia will issue to CDA Shareholders up to a total of 439,784,283 new Shares, being between 75.20% (if no cash is elected) and 73.57% (if the full \$5 million cash is taken up) of the issued Shares upon Completion.

At the date of this Notice of Meeting, there are more than 500 CDA Shareholders. A breakdown of the ownership structure of CDA Health is outlined in Section 5.7.

If Resolution 2 is not passed, Cronos Australia will not be able to proceed with the issue of Shares, none of the Merger Resolutions will be taken to have been passed and the Merger will not proceed.

A summary of the material terms of the MIA is set out in Section 9.1.

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

(f) **RESOLUTION 3 – CONVERSION OF CRONOS GROUP LOAN**

The Resolution seeks the approval of the Shareholders for the issue of 15,176,065 new Shares to Cronos Global Holdings Inc upon Completion under the terms of the Loan Conversion Deed for the purposes of ASX Listing Rule 10.11 and for all other purposes.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in ASX Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in ASX Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

As part of the Merger, Cronos Group, Cronos Operations and Cronos Australia have agreed to convert the principal plus the accrued interest owing to Cronos Group under the Loan

Agreement and certain royalties owing under the IP Licence into 15,176,065 new Shares under a Loan Conversion Deed. See Section 3.8 for further information.

The issue of the Shares falls within ASX Listing Rule 10.11.1 and does not fall within any of the exceptions in ASX Listing Rule 10.12 so the issue requires the approval of Shareholders under ASX Listing Rule 10.11.

Resolution 3 seeks the required Shareholder approval to the issue under, and for the purposes of, Listing Rule 10.11. These new Shares will be issued upon Completion and, in accordance with ASX Listing Rule 10.13.5, these Shares will not in any event be issued more than 1 month after the date of this Meeting.

If Resolution 3 is passed, the issue of the Shares is expected to give Cronos Group an interest in 55,176,065 Shares in total upon Completion (or 10.06% of the Shares expected to be on issue at Completion if the full \$5 million in cash is taken).

If Resolution 3 is not passed, Cronos Australia will not be able to proceed with the issue of Shares to Cronos Global Holdings Inc and none of the Merger Resolutions will be taken to have been passed and the Merger will not proceed.

The Directors (other than Michael Ryan Gorenstein and Jason Marc Adler) recommend that Shareholders vote in favour of this Resolution.

(g) RESOLUTION 4 TO 7 (INCLUSIVE) – APPOINTMENT OF PROPOSED DIRECTORS

The Resolutions seek the approval of the Shareholders to the appointments of Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen, Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt respectively as Directors under rule 39.3 of the Constitution, subject to and with effect from Completion.

Under rule 39.3 of the Constitution, the Shareholders may, by resolution appoint any person as a Director but not to exceed the maximum number of Directors fixed in accordance with the Constitution (being 10).

Mr Headley and Dr Jansen are founders of CDA Health and together with Dr Walker are the 3 CDA Health nominees to be appointed to the Board subject to and with effect from Completion. Mr Schmidt is the Cronos Group President and CEO to be appointed to the Board at the same time. See Sections 3.4 and 6.9 for further information.

Having regard to the ASX Recommendations, the Board considers that:

- Mr Headley will not be an independent Director due to him being a substantial shareholder of Cronos Australia post-Completion;
- Dr Jansen will not be an independent Director due to him being an Associate of a substantial shareholder of Cronos Australia post-Completion;
- Dr Walker will be an independent Director; and
- Mr Schmidt will not be an independent Director due to his relationship with a substantial shareholder of Cronos Australia.

Under the terms of the Merger Implementation Agreement, even if Shareholder approval is not received for any of Resolutions 4 to 7 (inclusive), the Board is still obliged to procure the appointment of Guy Rothwell Headley, Dr Benjamin David Ngahuia Jansen, Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt to the Board.

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

(h) RESOLUTIONS 8 TO 12 (INCLUSIVE) – INCENTIVE AWARDS

Resolutions 8 to 12 (inclusive) seek the approval of the Shareholders to the issue of the following Performance Rights and Options to the Directors (and Proposed Directors) and their respective Associates (as is the case with Jessimine Charles Kiritea Jansen, an Associate of Guy Rothwell

Headley) on the terms and conditions described in the Explanatory Statement for the purposes of ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes:

Resolution	Recipient	Performance Rights	Options
Resolution 8	Guy Rothwell Headley	1,000,000	4,500,000
Resolution 9	Benjamin David Ngahuia Jansen	1,000,000	4,500,000
Resolution 10	Rodney Damon Cocks	1,000,000	4,500,000
Resolution 11	Shane Francis Tanner	1,000,000	-
Resolution 12	Jessimine Charles Kiritea Jansen	1,000,000	4,500,000

ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire equity securities under an employee incentive scheme without the approval of the holders of its ordinary securities:

- 10.14.1 a director of the entity;
- 10.14.2 an associate of a director of the entity; or
- 10.14.3 a person whose relationship with the entity or a person referred to in ASX Listing Rules 10.14.1 to 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by security holders.

The issue of Performance Rights and Options (as the case may be) to the Directors falls within ASX Listing Rule 10.14.1 and therefore requires the approval of Shareholders under ASX Listing Rule 10.14.

The issue of Performance Rights and Options to Jessimine Charles Kiritea Jansen (considered an Associate of Guy Rothwell Headley, a Proposed Director) falls within ASX Listing Rule 10.14.1 and therefore requires the approval of Shareholders under ASX Listing Rule 10.14.

Details of the recipients' proposed total remuneration package upon Completion are as follows:

Recipient	Remuneration package (per annum)
Shane Francis Tanner	Director's fee of \$120,000
Rodney Damon Cocks	Salary of \$306,800 excl superannuation
Guy Rothwell Headley	Salary of \$306,800 excl superannuation
Benjamin David Ngahuia Jansen	Salary of \$306,800 excl superannuation
Jessimine Charles Kiritea Jansen	Salary of \$306,800 excl superannuation

These Performance Rights and Options (as the case may be) will be issued upon Completion and, in accordance with ASX Listing Rule 10.15.7, these Securities will not in any event be issued more than 3 years after the date of this Meeting.

Resolutions 8 to 12 (inclusive) seek the required Shareholder approval for the issue of the Performance Rights and Options under, and for the purposes of, ASX Listing Rule 10.14.

If a Resolution is passed, Cronos Australia will be able to proceed with the issue of the Performance Rights and/or Options (as the case may be) the subject of the Resolution.

If a Resolution is not passed, Cronos Australia will not be able to proceed with the issue of the Performance Rights and/or Options (as the case may be) the subject of the Resolution.

Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Performance Rights and Options to certain Directors, Proposed Directors and Jessimine Charles Kiritea Jansen (or their respective nominees) constitutes giving a financial benefit and the parties are related parties of Cronos Australia by virtue of their position as Directors, Proposed Directors or related parties.

The Directors (other than Shane Francis Tanner and Rodney Damon Cocks) consider the Performance Rights and Options are reasonable in the circumstances and were negotiated on an arm's length basis. Further, the Board has taken advice from a reputable independent professional services firm that indicates the Performance Rights and Options are in line with market practice.

Subject to the approval of Shareholders, Cronos Australia proposes to issue a total of 8,608,696 Performance Rights on Completion, including the following 5,000,000 Performance Rights to certain Directors and certain Proposed Directors (and their Associates) as follows:

Recipient	Number of Performance Rights	Deemed value (\$0.138 per Performance Right)	% of Cronos Australia securities post-Completion (assuming no cash consideration is taken)
Shane Francis Tanner (Chairman)	1,000,000	\$138,000	0.16%
Rodney Damon Cocks (Director and Chief Executive Officer)	1,000,000	\$138,000	0.16%
Guy Rothwell Headley (CDA Health co-founder, proposed Director of Cronos Australia and proposed Chief Commercial Officer of Cronos Australia)	1,000,000	\$138,000	0.16%
Dr Benjamin David Ngahuia Jansen (CDA Health co-founder, proposed Director of Cronos Australia and proposed Chief Medical Officer of Cronos Australia)	1,000,000	\$138,000	0.16%
Jessimine Charles Kiritea Jansen (CDA Health co-founder, proposed Chief Operating Officer of Cronos Australia and an Associate of Guy Rothwell Headley)	1,000,000	\$138,000	0.16%
Total	5,000,000	\$690,000	0.81%

These Performance Rights are being issued to certain Directors, certain Proposed Directors and Jessimine Charles Kiritea Jansen in recognition of their substantial efforts in negotiating the terms of and delivering the Merger (well over and above their existing duties), which the current Cronos Australia board believes will have significant benefits for Cronos Australia shareholders. Further, they are to reward and incentivise such persons who will be tasked with and critical in helping realise the successful integration and ongoing growth and success of the merged group following Completion, having direct involvement in the execution of Cronos Australia's strategy and delivery of shareholder returns.

Subject to the approval of Shareholders, Cronos Australia proposes to also issue a total of 22,500,000 Options on Completion, including the following 18,000,000 Options to certain Directors and certain Proposed Directors (and their Associates) as follows:

Recipient	Number of Options	Deemed value	% of Cronos Australia securities post-Completion (assuming no cash consideration is taken)
Rodney Damon Cocks (Director and Chief Executive Officer)	4,500,000	\$300,333	0.73%
Guy Rothwell Headley (CDA Health co-founder, proposed Director of Cronos Australia and proposed Chief Commercial Officer of Cronos Australia)	4,500,000	\$300,333	0.73%
Dr Benjamin David Ngahuia Jansen (CDA Health co-founder, proposed Director of Cronos Australia and proposed Chief Medical Officer of Cronos Australia)	4,500,000	\$300,333	0.73%
Jessimine Charles Kiritea Jansen (CDA Health co-founder, proposed Chief Operating Officer of Cronos Australia and an Associate of Guy Rothwell Headley)	4,500,000	\$300,333	0.73%
Total	18,000,000	\$1,201,332	2.91%

The issue of Options to the future senior executive team is aimed at ensuring the interests of Shareholders and the recipients are aligned and accordingly focused on optimising the Share price and performance of Cronos Australia.

The above deemed values are based on a series of assumptions that have been used to calculate the estimated values of each tranche of options using a Black Scholes option pricing model in accordance with AASB 2 *Share-based payments*. While the principles of AASB 2 have been applied, the deemed values cannot be considered fully compliant with the AASB 2 standard as they are not calculated at the grant date.

The key assumptions used in arriving at the estimated deemed values above include:

- The expiry date of the options is 4 years from the date of Completion.
- The current Share price of \$0.17 is used as a proxy for the Share price at the date of Completion (given this cannot yet be known).
- The estimated share price volatility is 80%.
- The Options will be exercised halfway between the respective vesting and expiry dates.

Please see Section 6.19 for further details of the award of incentive securities, including the terms and conditions of their issue.

Cronos Australia has sought and received in-principle advice from ASX confirming that the terms of the proposed Performance Rights are appropriate and equitable for the purposes of Listing Rules 6.1.

Details of any incentive securities issued under the Cronos Australia Equity Incentive Plan will be published in the annual report of Cronos Australia relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of incentive securities under the Cronos Australia Equity Incentive Plan after the Resolution is approved and who were not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14.

The Board seeks Shareholder approval for the issue of the above Performance Rights and Options to certain Directors (and certain Proposed Directors) and their respective Associates (as is the case with Jessimine Charles Kiritea Jansen).

In addition to the Performance Rights and Options relating to Resolutions 8 to 12 (inclusive), Cronos Australia intends to issue a further 3,608,696 Performance Rights and 4,500,000 Options to certain employees upon Completion.

The Directors (other than Shane Francis Tanner and Rodney Damon Cocks) recommend that Shareholders vote in favour of these Resolutions.

(i) **RESOLUTION 13 – APPROVAL OF ISSUE OF SECURITIES UNDER CRONOS AUSTRALIA'S EQUITY INCENTIVE PLAN**

The Resolution seeks the approval of the Shareholders of the issue of securities under Cronos Australia's employee incentive scheme titled Equity Incentive Plan, for the purposes of ASX Listing Rule 7.2 (Exception 13(b)) and for all other purposes.

A key purpose of the Equity Incentive Plan is to give eligible participants an opportunity to subscribe for securities in lieu of salary or fees, allowing Cronos Australia to retain cash reserves. The Equity Incentive Plan also seeks to motivate and retain key employees and is considered by Cronos Australia to provide selected directors and employees with the opportunity to participate in the future growth of the Combined Group.

ASX Listing Rule 7.2

In general, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

However, ASX Listing Rule 7.2 (Exception 13(b)) provides that ASX Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if, within three years before the date of issue of the securities, the holders of the entity's ordinary securities have approved the issue of equity securities under the scheme as an exception to ASX Listing Rule 7.1.

Exception 13(b) is only available if and to the extent that the number of equity securities issued under the scheme does not exceed the maximum number set out in the entity's notice of meeting dispatched to shareholders in respect of the meeting at which shareholder approval was obtained pursuant to ASX Listing Rule 7.2 (Exception 13(b)). Exception 13(b) also ceases to be available if there is a material change to the terms of the scheme from those set out in the notice of meeting.

If this Resolution is passed, Cronos Australia will be able to issue Shares under the Equity Incentive Plan to eligible participants over a period of 3 years. The issue of any securities to eligible participants under the Equity Incentive Plan (up to the maximum number of stated) will be excluded from the calculation of the number of equity securities that Cronos Australia can issue without Shareholder approval under ASX Listing Rule 7.1.

For the avoidance of doubt, Cronos Australia must seek Shareholder approval under ASX Listing Rule 10.14 in respect of any future issues of securities under the Equity Incentive Plan to a related party or a person whose relationship with Cronos Australia or the related party is, in ASX's opinion, such that approval should be obtained.

If this Resolution is not passed, Cronos Australia will be able to proceed with the issue of securities under the Equity Incentive Plan to eligible participants, but any issues of securities will reduce, to that extent, Cronos Australia's capacity to issue equity securities without Shareholder approval under ASX Listing Rule 7.1 for the 12-month period following the issue of the securities.

Directors are eligible to be offered Options under the Equity Incentive Plan, however, any proposed grant of Options to a Director or their Associates requires prior Shareholder approval under ASX Listing Rule 10.14 before it can be made, and the passing of the Resolution will not enable Cronos Australia to issue any equity securities to a Director or their Associates.

Pursuant to and in accordance with ASX Listing Rule 7.2 (Exception 13), the following information is provided in relation to the Resolution:

- (i) A summary of the key terms and conditions of the Equity Incentive Plan is as follows:

Invitation	The Board may, from time to time, in its absolute discretion, operate the Equity Incentive Plan and invite eligible participants to participate in the Equity Incentive Plan. The Board may determine the type and number of
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	securities to be issued under the Equity Incentive Plan and other terms of issue of the securities.
Terms	Participants are deemed to have agreed to be bound by: (a) the rules of the Equity Incentive Plan; (b) the terms of the invitation letter received from Cronos Australia; and (c) the Trading Policy and any other relevant Cronos Australia and/or Cronos Australia Group policies.
Title	A grant of securities is personal to the participant (or their nominee) and cannot be transferred to other persons or entities.
Restricted Shares	Shares allocated under the Equity Incentive Plan may be subject to a disposal restriction which prevents dealings with Shares before or after vesting.
Entitlements	For each security allocated, a participant shall not be entitled to vote, receive dividends or distributions, or have any other rights of a Shareholder in respect of the security until the underlying Shares are allocated to the participant following vesting and, if applicable, exercise. For each Share allocated, a participant shall be entitled to vote, receive dividends or distributions, and have any other rights of an ordinary Shareholder in respect of the Shares.
Lapse	Unvested securities will lapse in whole or in part upon the earliest of: (a) the date specified in the invitation letter, or if no date is specified, 10 years after the security was granted to the participant; (b) a circumstance or event described in the Equity Incentive Plan rules or the invitation letter that has the effect of lapsing a security; or (c) any condition imposed under the Equity Incentive Plan rules or an invitation letter not being satisfied.
Transferability	A security is only transferable with the written consent of the Board.
Vesting	The Board will determine the extent to which securities vest and the date that the securities will vest.
Bonus issues	If there is a pro rata issue or bonus issue of new Shares to Shareholders: (a) each participant who has been allocated Shares will participate in the issue in the same manner as Shareholders; and (b) each participant who has been allocated securities may not participate in the new issue unless their securities have vested and, if applicable, been exercised in accordance with the Equity Incentive Plan's rules.
Change of control	Upon a change of control of Cronos Australia, all securities which are unvested at that time shall automatically vest.
Ceasing employment	If a participant ceases to be an employee prior to the securities vesting by reason of resignation or termination for cause (including gross misconduct), those securities will lapse immediately.
Vested securities	A participant who ceases to be an employee must exercise any vested securities that require manual exercise by the earlier of 60 days of ceasing to be an employee, or the date the securities lapses. Securities not exercised within the period specified in this rule will lapse.

- (ii) In 2019, Cronos Australia granted to Thomas Godfrey Howitt a total of 565,000 Options (of which 86,300 have vested but remain unexercised as at the date of this Notice of Meeting), and an additional 461,400 Options to another recipient, which have now lapsed due to that recipient's cessation of employment.
- (iii) The maximum number of securities proposed to be issued under the Equity Incentive Plan (other than issues approved by Shareholders under ASX Listing Rule 10.14) following approval under this Resolution at any given time, unless otherwise approved by Shareholders, will be 9,135,096. This comprises:

- (A) the 1,026,400 Options which were historically granted to two senior executives (as described in paragraph (ii) above) under the Company's prospectus dated 15 October 2019;
- (B) the 4,500,000 Options and 1,000,000 Performance Rights to be issued to Thomas Godfrey Howitt (or his nominee) (on the same terms as those Options and Performance Rights proposed to be awarded under Resolutions 8 to 12 (inclusive)) upon Completion;
- (C) the 2,173,913 Performance Rights in aggregate to be issued to existing (non-executive) employees of CDA Health who will become part of Cronos Australia upon Completion; and
- (D) the 434,783 Performance Rights in aggregate to be issued to existing (non-executive) employees of Cronos Australia upon Completion.

It is envisaged that the balance of the maximum number of securities for which approval is sought will be issued within 3 months after the date of the Meeting, assuming Completion occurs.

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

(j) **RESOLUTIONS 14 TO 15 (INCLUSIVE) – AMENDMENTS TO CONSTITUTION**

Resolution 14 seeks the approval of the Shareholders to amend the Constitution so that the quorum required for a Board meeting is the majority of Directors to better reflect the membership of the Board post-Completion and to ensure greater representation in the decision-making ability of the Board.

Resolution 15 seeks the approval of the Shareholders to amend the Constitution so that the chair of a Board meeting will not have a casting vote.

Under section 136(2) of the Corporations Act, the Shareholders may, by special resolution, modify a provision of Cronos Australia's Constitution.

The Directors unanimously recommend that Shareholders vote in favour of these Resolutions.

(k) **RESOLUTION 16 – APPROVAL OF POTENTIAL TERMINATION BENEFITS**

The Resolution seeks the approval of the Shareholders to approve the termination benefits payable to Rodney Damon Cocks at any time up to the first anniversary of Completion.

Sections 200B and 200E of the Corporations Act

The Corporations Act restricts the benefits that can be given to individuals who hold a managerial or executive offer in connection with the retirement from their position of employment in the company or its related body corporate.

Under section 200B of the Corporations Act, a company must obtain shareholder approval in the manner set out in section 200E of the Corporations Act in order to give a benefit in connection with a person's retirement from an office.

The Board has formed the view that the termination benefits payable to Rodney Damon Cocks could constitute a benefit given in connection with retirement for the purpose of section 200B of the Corporations Act. Accordingly, Cronos Australia is seeking Shareholder approval for the purposes of section 200E of the Corporations Act.

Rodney Damon Cocks' amended agreement is subject to a mutual 12-month notice period for the first 12 months, which then reduces to a 6-month notice period thereafter (but which in any event may be immediately terminated by Cronos Australia in the event of serious misconduct). Cronos Australia may elect to make a lump sum payment in lieu of notice.

Also, if Cronos Australia makes Rodney Damon Cocks' role redundant and does not redeploy him to a comparable, senior executive role that is on terms and conditions that are, considered

overall, no less favourable than under his employment agreement at any time up to the first anniversary of Completion, Cronos will provide to him:

- (i) 3 months' pay in lieu of notice of termination; and
- (ii) 12 weeks' redundancy pay.

Further, Rodney Damon Cocks may become entitled to automatic or accelerated vesting of the 1,000,000 Performance Rights to be issued to him on Completion if his employment is terminated by Cronos Australia without cause during the period which is 12 months from the date of Completion or if the Board exercises a discretion upon cessation of his employment. Rodney Damon Cocks may also become entitled to accelerated vesting of the 4,500,000 Options to be issued to him on Completion if the Board exercises a discretion upon cessation of his employment. See Sections 6.19 and 9.4(h) for further information, including the terms of and current deemed value of the Performance Rights and Options.

The value of the termination benefits that might be given to Rodney Damon Cocks will depend on a number of factors. Accordingly, the precise value of the benefit cannot be ascertained at the present time. The matters, events and circumstances that will, or are likely to, affect the calculation of that value are:

- the timing and reason of the cessation of employment;
- the amount of any payment in lieu of notice and redundancy pay;
- the future market price of the Shares;
- the number and remaining hurdles of the Performance Rights and Options held by him prior to the cessation of his employment; and
- the exercise of the Board's discretion at the relevant time.

The total value of the termination benefits could potentially exceed the statutory cap in section 200G of the Corporations Act.

The Directors (other than Rodney Damon Cocks) recommend that Shareholders vote in favour of these Resolutions.

(I) **RESOLUTION 17 – APPROVAL OF ADDITIONAL 10% ISSUANCE CAPACITY**

The Resolution seeks the approval of Shareholders to allow Cronos Australia to have an additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval.

If Resolution 17 is not passed, Cronos Australia will not have access to the additional 10% issuance capacity and will be limited to 15% on issuing equity securities.

Listing Rule 7.1A

As set out above, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Listing Rule 7.1A provides that 'eligible entities' (defined as those not included in the S&P / ASX300 Index and which have a market capitalisation of \$300 million or less at the date of the Meeting), can seek approval from shareholders to increase this 15% limit to 25%.

Cronos Australia must issue equity securities that belong to existing quoted classes of Cronos Australia's securities under the additional 10% issuance capacity. Cronos Australia currently has on issue one class of quoted equity securities, being fully paid ordinary shares.

Any equity securities issued under the additional 10% issuance capacity must be for cash consideration that cannot be less than 75% of the volume weighted average market price for the securities, calculated over the 15 ASX trading days on which trades of securities in that class were recorded immediately before:

- the date on which the price at which the securities are to be issued is agreed by Cronos Australia and the recipient of the securities; or
- if the securities are not issued within 10 ASX trading days of the date above, the date on which the securities are issued.

The Board will disclose this information if the Board considers it appropriate to issue any equity securities under the additional 10% issuance capacity.

If Resolution 17 is passed, the additional 10% issuance capacity will be valid from the date of the Meeting and expires on the earlier of:

- the date that is 12 months after the date of the Meeting;
- the time and date of Cronos Australia's next annual general meeting; or
- if Cronos Australia receives Shareholder approval for a proposed transaction under ASX Listing Rule 11.1.2 (significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking), the time and date of that approval.

There is the risk of economic and voting dilution to existing Shareholders that may result from an issue of equity securities under Listing Rule 7.1A, including the risk that:

- the market price for equity securities in the class of securities issued under the additional issuance capacity may be significantly lower on the issue date than on the date of the approval under ASX Listing Rule 7.1A; and
- the equity securities may be issued under the additional issuance capacity at a discount to the market price for those equity securities on the issue date.

The following table illustrates the potential dilution of existing Shareholders on the basis of the market price of Shares and the number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2:

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A.2)	Dilution			
	Issue Price (per Share)	\$0.085 (50% decrease in Issue Price)	\$0.17 (Issue Price)	\$0.255 (50% increase in Issue Price)
548,565,421 (Current variable A)	Shares issued – 10% voting dilution	54,856,542	54,856,542	54,856,542
	Funds raised	\$4,662,806	\$9,325,612	\$13,988,418
822,848,132 (50% increase in variable A)	Shares issued – 10% voting dilution	82,284,813	82,284,813	82,284,813
	Funds raised	\$6,994,209	\$13,988,418	\$20,982,627
1,097,130,842 (100% increase in variable A)	Shares issued – 10% voting dilution	109,713,084	109,713,084	109,713,084
	Funds raised	\$9,325,612	\$18,651,224	\$27,976,836

The above figures assume that the full \$5 million in cash consideration will be taken by the CDA Shareholders and that the current Share price of \$0.17 is used as the Issue Price.

The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (e.g. a pro rata entitlement offer or securities issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future general meeting.

Cronos Australia may issue equity securities under the additional 10% issuance capacity to fund the following:

- expansion of the Combined Group's current business operations;
- taking advantage of potential opportunities, including potential strategic acquisitions; and

- research and development activities.

Cronos Australia's allocation policy and the identity of the recipients of equity securities issued under Listing Rule 7.1A will be determined on a case-by-case basis at the time of issue and in the Company's discretion. No decision has been made in relation to an issue of equity securities under the additional 10% issuance capacity, including whether the Company will engage with new investors or existing Shareholders, and if so the identities of any such persons.

Cronos Australia has not issued any equity securities pursuant to Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting.

The Board considers that it is in the best interest of Cronos Australia to give the new Board the opportunity to take advantage of the flexibility to issue additional securities provided under ASX Listing Rule 7.1A; however, no such decision has been made by the Board to undertake any issue of securities under the additional 10% capacity if Resolution 17 is approved as at the date of this Notice of Meeting.

As there are no current plans to use the additional 10% issuance capacity, no Shareholder is excluded from voting.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 17.

9.5 **Documents available**

You can view or download an electronic version of this Notice of Meeting at Cronos Australia's website at <http://www.cronosaustralia.com>.

9.6 **No other material information**

Except as set out in this Notice of Meeting, in the opinion of the Directors, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Director which has not been previously disclosed to Shareholders.

10 Glossary

Unless the context otherwise requires, the singular includes the plural and vice versa, and the following terms will have the following meaning:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in the meaning given in Division 2 of Part 1.2 of the Corporations Act as if:

- (a) section 12(1) of the Corporations Act included a reference to this Notice of Meeting; and
- (b) Cronos Australia was the "designated body".

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

ASX Listing Rules means the official listing rules of ASX.

ASX Recommendations means the ASX Corporate Governance Principles and Recommendations, 4th edition.

BHC means Burleigh Heads Cannabis Pty Ltd ACN 615 904 286.

Board means the board of directors of Cronos Australia at the date of this Notice of Meeting.

Cannabis Doctors Aotearoa means Cannabis Doctors Aotearoa Limited.

CDA Clinics means Cannabis Doctors Australia Pty Ltd ACN 623 812 242.

CDA Group means CDA and its subsidiaries.

CDA Health means CDA Health Pty Ltd ACN 632 054 230.

CDA Shareholders means the holders of shares in CDA Health entitled to receive Consideration Shares under the Share Purchase Deed.

Chairman means the chairman of Cronos Australia, who is currently Shane Francis Tanner.

Combined Group means Cronos Australia following Completion, which will be the holding company of CDA Health and its subsidiaries.

Completion means completion of the Merger.

Consideration Shares means the number of Shares to be issued to the CDA Shareholders as consideration for the purchase of all the shares in CDA Health under the Share Purchase Deed.

Constitution means Cronos Australia's constitution.

Cornwalls means Cornwalls Capital Australia Pty Ltd ACN 641 054 604.

Corporations Act means the *Corporations Act 2001* (Cth), as amended from time to time.

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

Cronos Australia or Company means Cronos Australia Limited ACN 629 071 594.

Cronos Group means Cronos Group Inc.

Cronos Operations means Cronos Australia – Operations Pty Ltd ACN 616 243 595.

Directors means the directors of Cronos Australia at the date of this Notice of Meeting.

Escrowed Parties means the 3 current largest Shareholders (as specified in Section 4.4) as well as the Major CDA Shareholders.

Escrowed Shares means 100% of the Shares held on or prior to Completion by the Escrowed Parties.

Explanatory Statement means the explanatory statement enclosed with the Notice of Meeting.

HNH means Healthy Not High Pty Ltd ACN 623 889 930.

Independent Expert means PKF Melbourne Corporate Pty Ltd ACN 063 564 045.

Independent Expert's Report means the report of the Independent Expert dated 10 November 2021 attached as Section 11.

IP Licence means the intellectual property license deed dated 1 April 2019 between Cronos Group and Cronos Operations.

Loan Agreement means the loan agreement dated 25 September 2018 between Cronos Group and Cronos Operations, as varied from time to time by agreements between the parties.

Loan Conversion Deed means the loan conversion deed to be entered into between Cronos Group, Cronos Operations and Cronos Australia.

Major CDA Acquirers means the 4 CDA Shareholders specified in Section 9.4(d).

Major CDA Shareholders means the 3 major CDA Shareholders specified in Section 5.7.

Meeting means the 2021 Annual General Meeting of the Shareholders of Cronos Australia to which this Notice of Meeting relates, which has been convened to be held as a virtual meeting at 3.30pm (Melbourne time) on Wednesday, 15 December 2021.

Merger means the proposed acquisition by Cronos Australia of 100% of the issued share capital of CDA Health.

Merger Implementation Agreement or **MIA** means the binding conditional merger implementation agreement dated 14 September 2021 between Cronos Australia and CDA Health.

Merger Resolutions means Resolutions 1 to 3 (inclusive).

Notice of Meeting means this notice of annual general meeting and explanatory statement.

Option means an option to acquire a Share.

Performance Right means an entitlement to acquire a Share on the terms and conditions determined by the Board.

Proposed Directors means Guy Rothwell Headley, Dr Benjamin David Ngahua Jansen, Dr Marcia Ani Matekino Walker and Kurt Thomas Schmidt.

Proxy Form means the proxy form that accompanies the Notice of Meeting.

Relevant Interest has the meaning given in section 608 of the Corporations Act, as qualified by section 609 of the Corporations Act.

Resolutions means the resolutions that are set out and explained in the Notice of Meeting.

Security means a security in the capital of Cronos Australia.

Share means a fully paid ordinary share in the capital of Cronos Australia.

Share Purchase Deed means the share purchase deed to be entered into between Cronos Australia and the CDA Shareholders to facilitate the sale of 100% of the share capital of CDA Health to Cronos Australia.

Share Registry means Link Market Services Limited.

Shareholder means a holder of one or more Shares.

Special Access Scheme means the special access scheme created under the *Therapeutic Goods Act 1989* (Cth).

voting power has the meaning given in section 610 of the Corporations Act.

11 Independent Expert's Report

Independent Expert's Report **attached**.

10 November 2021

The Directors
Cronos Australia Limited
Suite 8, Level 3
299 Toorak Road
South Yarra VIC 3141

Dear Directors

Re: Independent Expert's Report

1. Introduction

The directors of Cronos Australia Limited ("**Cronos**" or "**the Company**") have requested PKF Melbourne Corporate Pty Ltd ("**PKF Corporate**") to prepare an Independent Expert's Report ("**IER**") in respect of the proposed transaction that would see the Company acquire 100% of the issued capital in CDA Health Pty Ltd ("**CDA**" or "**the Target**") from its current shareholders.

The proposed transaction will result in the CDA shareholders controlling up to 75.20% of the voting power in Cronos. As the combined voting power of the CDA shareholders will increase beyond the 20% limit imposed by Section 606 of the Corporations Act 2001 ("**the Act**"), the proposed transaction cannot proceed without the prior approval of the Cronos shareholders.

2. The Proposed Transaction

2.1 Background to the Proposed Transaction

Cronos has entered into a Merger Implementation Agreement with CDA, under which the Company has conditionally agreed to acquire all of the issued capital of CDA from its shareholders (the "**Agreement**").

Completion of the Agreement is subject to the following conditions precedent, among other things:

- Cronos' shareholders approving the acquisition of CDA by Cronos;
- any and all regulatory approvals, waivers and/or consents being satisfied and received to effect the proposed transaction;
- each Major CDA Shareholder (see Table 2) executing a binding share sale and purchase agreement with Cronos in relation to the sale of all of the CDA Shares held by them. Pursuant to "drag along" provisions contained in CDA's constitution, the remaining CDA shareholders will also be required to sell their CDA shares to Cronos; and
- Cronos Group Inc, ("**CGI**") the largest shareholder in Cronos, converting its loan amount to Cronos of AU\$2,094,297 into 15,176,065 CAU Ordinary Shares at a deemed issue price of AU\$0.138 per CAU Ordinary Share.

Upon completion of the proposed transaction Cronos and CDA will, amongst other things restructure the Board of Cronos to include three CDA nominated Directors as well as Kurt Schmidt, the CGI President and CEO and appoint Guy Headley, Dr Ben Jansen and Jessimine Jansen as Chief Commercial Officer, Chief Medical Officer and Chief Operating Officer of Cronos, respectively.

2.2 The Consideration Payable

The consideration payable by Cronos to the CDA shareholders will be the issue of up to 439,784,283 Ordinary Shares in Cronos (the “**Scrip Consideration**”). Each CDA shareholder will be provided with the option to receive cash consideration in lieu of the Scrip Consideration up to a maximum combined value of AU\$5 million (the “**Cash Consideration**”). The Cash Consideration will be priced at AU\$0.138 per Cronos share. Should the CDA shareholders elect to receive the maximum Cash Consideration payable of AU\$5 million, the Scrip Consideration would be reduced to 403,552,399 Cronos shares.

2.3 Proposed Resolutions to be Approved by Shareholders

Cronos is seeking shareholder approval at the forthcoming Annual General Meeting for a number of resolutions that are divided into Ordinary Business and Special Business. The Special Business is set out in resolutions 1 to 17. Resolutions 1 to 3 are inter-conditional and are detailed below:

Resolution 1: Approval of Acquisition of Maximum Voting Power by Major CDA Acquirers

“That, subject to each of the other Merger Resolutions being duly passed, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of up to 349,684,521 Shares to the Major CDA Acquirers who, will have a maximum voting power of up to 63.75% of the issued share capital of Cronos Australia following completion of the Merger as set out in the Explanatory Statement.”

Resolution 2: Approval of the Issue of Shares to the CDA Shareholders Under the Merger Implementation Agreement

“That, subject to each of the other Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to 439,784,283 Shares to the CDA Shareholders on the terms set out in the Explanatory Statement.”

Resolution 3: Approval of the Issue of Shares under the Loan Conversion Deed

“That, subject to each of the other Merger Resolutions being duly passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 15,176,065 Shares to Cronos Global Holdings Inc. upon Completion under the terms of the Loan Conversion Deed.”

We have only been requested to provide an opinion on whether Resolution 1 is fair and reasonable to the Non-Associated Shareholders. As Resolutions 1 to 3 are interdependent on each other, shareholders have to approve all of these resolutions for them to become effective. For this reason, we regard them as together forming part of one overall transaction and in the balance of this report we refer to this transaction as the proposed transaction (the “**Proposed Transaction**”).

For the avoidance of doubt, Resolutions 4 to 17 are not interdependent with Resolutions 1 to 3 and we have not considered these resolutions in our assessment of the Proposed Transaction. In particular Resolutions 8 to 12 seek approval to issue a range of performance rights and options to existing Directors, proposed Directors and senior executives. An assessment of the terms and values of these performance rights and options is outside the scope of this report.

2.4 Impact of the Proposed Transaction

The Proposed Transaction will result in the following changes to the capital structure of Cronos:

- the issue of up to 439,784,283 new Ordinary Shares in Cronos as the maximum Scrip Consideration, refer to Resolution 2;

- the issue of 15,176,065 new Ordinary Shares in Cronos to satisfy the repayment of a loan from CGI (the “**Debt Conversion**”), refer to Resolution 3; and
- the issue of new Ordinary Shares in Cronos to an advisor of CDA as a component of their corporate advisor fee in respect to the Proposed Transaction (the “**Advisor Shares**”). The number of new Ordinary Shares in Cronos to be issued is to reflect a value of AU\$150,000 and, as such, represent 1,086,957 CAU Ordinary Shares at a deemed issue price of AU\$0.138 per CAU Ordinary Shares;

We have summarised the impact of the Proposed Transaction on the capital structure of Cronos in the table below.

Table 1

Cronos Australia Limited Impact on capital structure	Number of shares
Cronos shares on issue	128,750,000
Shares to be issued to CDA shareholders	439,784,283
Shares to be issued to CGI	15,176,065
Advisor Shares	1,086,957
	<u>584,797,305</u>

The shareholders of CDA will be offered an option to take part of their consideration in cash. A maximum amount of up to AU\$5 million will be available to them in lieu of Cronos shares. The cash consideration will reduce the number of shares issued to the CDA shareholders at a rate of AU\$0.138 per share. We have summarised the impact the Proposed Transaction may have on Cronos’ voting power in the table below. We have provided the voting power based on two scenarios, no Cash Consideration or maximum Cash Consideration.

Table 2

Cronos Australia Limited Impact on voting power	Nil Cash Consideration		Max Cash Consideration	
	Number of shares	Voting Power	Number of shares	Voting Power
Cronos Group Inc				
Current shareholding	40,000,000		40,000,000	
Shares to be issued to Cronos Group Inc	15,176,065		15,176,065	
Cronos Group Inc shareholding	<u>55,176,065</u>	<u>9.44%</u>	<u>55,176,065</u>	<u>10.06%</u>
Other current shareholders of Cronos	88,750,000	15.18%	88,750,000	16.18%
Shares to be issued to CDA shareholders				
Major CDA Shareholders				
Elizabeth Sarah Jansen	144,745,252	24.75%	144,745,252	26.39%
Guy Rothwell Headley	141,299,867	24.16%	141,299,867	25.76%
Matua Hasyo Charlie Jansen	61,486,023	10.51%	61,486,023	11.21%
Jessimine Charles Kiritea Jansen	2,153,379	0.37%	2,153,379	0.39%
Total Major CDA Shareholders	<u>349,684,521</u>	<u>59.80%</u>	<u>349,684,521</u>	<u>63.75%</u>
Other CDA shareholders	90,099,762	15.41%	53,867,878	9.82%
Total CDA shareholders	<u>439,784,283</u>	<u>75.20%</u>	<u>403,552,399</u>	<u>73.57%</u>
Advisor Shares to be issued	1,086,957	0.19%	1,086,957	0.20%
Total shares on issue	<u>584,797,305</u>	<u>100.00%</u>	<u>548,565,421</u>	<u>100.00%</u>

The Proposed Transaction will result in the following change to the shareholding and voting power in Cronos:

- CGI currently holds 31.07% of the voting power in Cronos. Despite the issue of a further 15,176,065 shares as part of the Debt Conversion, its voting power will reduce to 9.44% should the CDA shareholders elect to not take any Cash Consideration and up to 10.06% should the CDA shareholders take the maximum Cash Consideration of AU\$5 million;
- the CDA shareholders will collectively hold up to 75.20% of the voting power in Cronos should the CDA shareholders not take any Cash Consideration; and
- the Major CDA Shareholders (refer Table 2 above), will hold up to 63.75% of Cronos' voting power respectively on the assumption that the other CDA shareholders will take up the maximum Cash Consideration and Elizabeth Jansen and Guy Headley and their associates receive only Scrip Consideration.

As can be seen from the above table, if the Non-Associated Shareholders approve the Proposed Transaction this will result in an increase in the voting power of the CDA shareholders from below 20% to up to 75.20%. Accordingly, the Proposed Transaction cannot take place without prior approval by the Cronos shareholders in accordance with Section 611 item 7 of the Act.

The Directors of Cronos have requested PKF Corporate to prepare an IER in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise the shareholders whether Resolution 3 is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders (all shareholders entitled to vote on the Proposed Transaction).

3. Summary opinions

In our opinion, the Proposed Transaction is **not fair but is reasonable to the Non-Associated Shareholders**. Our principal reasons for reaching this opinion are:

Fairness

- In Section 7 of this report, we assessed the value of a Cronos Ordinary Share on a control basis before the Proposed Transaction to be in a range of AU\$0.131 to AU\$0.163 per share;
- In Section 10 of this report, we assessed the value of a Cronos Ordinary Share on a minority basis after the Proposed Transaction to be in a range of AU\$0.097 to AU\$0.122 per share; and
- As the minority value range mid-point (AU\$0.110 per share) of a Cronos Ordinary Share after the Proposed Transaction is less than the control value range mid-point (AU\$0.147 per share) of a Cronos Ordinary Share before the Proposed Transaction, we have concluded that the Proposed Transaction is **not fair**.

Reasonableness

The reasons for assessing the Proposed Transaction as **reasonable** are:

- If Shareholders approve the Proposed Transaction and assuming no Cash Consideration is taken up, the Directors of CDA and their associates may control up to 59.80% of Cronos' voting power and the CDA Shareholders may collectively control up to 75.20% of Cronos' voting power (refer to Table 2 of this report). As a result, the combined shareholding of the Non-Associated Shareholders may be diluted from 100.00% to 24.61% and they will have reduced ability to influence the operating, financing and strategic decision of Cronos. If the CDA Shareholders take up the maximum Cash Consideration and if the Directors of CDA and their associates only receive the Scrip Consideration, the CDA Directors' voting power will each increase beyond 25% (refer to Table 2 of this report) and they may have the capacity to block the passing of a special resolution.

- The Proposed Transaction is likely to result in Cronos having a higher market capitalisation which may lead to greater market awareness as well as investment analyst and broker coverage and, as such, this may improve the Company's ability to raise funds in the future, attract strategic investors and provide greater liquidity of the market in Cronos' shares.
- The acquisition of CDA may be earnings accretive and although CDA is effectively a scale-up business it has demonstrated an ability to generate revenues and more recently positive earnings (refer to Sections 8.5 and 8.6 of this report). Accordingly, the shareholders of Cronos will be exposed to a business that has operating medicinal cannabis clinics and that distributes medicinal cannabis products which generate larger revenues when compared to the current operations of Cronos.
- Approval of the Proposed Transaction will allow Cronos to affect the Debt Conversion and repay loans to CGI, its major shareholder, through the issue of shares and without using cash from working capital or external funding. Approval of the Proposed Transaction will also see CGI's President and CEO taking a position on Cronos' board and, as such, this may strengthen the support from CGI. If shareholders do not approve the Proposed Transaction, the loan provided by CGI may be required to be satisfied using existing cash resources and may require Cronos to seek additional capital to advance its business operations which may be on substantially unfavourable terms or be highly dilutive to shareholders and may require extensive management focus and expense to secure.
- The acquisition of CDA will provide Cronos with key personnel who have the relevant market expertise and have successfully established an Australian medicinal cannabis business. Although we have not considered any speculative upside in our valuation of Cronos post completion of the Proposed Transaction, we recognise that investors may place speculative value on the combined business of Cronos and CDA upon successful integration by achieving synergy benefits and cost savings. The Proposed Transaction may see the emergence of Cronos as a leading Australian medicinal cannabis company and improve the ability to compete in a global market. This may be attractive to investors who have an appetite for speculative gains and may result in greater coverage by analysts, resulting in greater liquidity of the market in Cronos' shares.
- The Cash Consideration of the Proposed Transaction is AU\$5 million and, as such, if the CDA Shareholders opt for the maximum Cash Consideration and if the Proposed Transaction is approved Cronos will be left with cash resources of approximately AU\$5.5 million to advance its business operations and that of CDA. Further, Cronos will also have access to the CDA cash resources of approximately AU\$2.0 million as well as future operating cash flows generated by CDA which can be utilised by Cronos.
- Following the announcement of the Proposed Transaction on the ASX on 14 September 2021, we observed that the Cronos shares have traded higher on greater volume and more recently traded at a high of AU\$0.195. On 14 September 2021, the Cronos share price closed at AU\$0.130 and this represents a premium of 13.0% to the mid point of the assessed value of a Cronos share before the Proposed Transaction on a minority value (AU\$0.115). Accordingly, there is evidence that the share market has viewed the Proposed Transaction as favourable for the Cronos shareholders.
- If shareholders do not approve the Proposed Transaction, Cronos' proposition will be limited to its existing medicinal cannabis products. Cronos may also have to identify and pursue new complementary acquisition targets which may require extensive management focus and expense to secure in order to provide shareholders with a new value proposition.

Related Party – Financial Benefits

In Section 14 of this report, we assessed the value of the financial benefits to be received by related parties, namely Guy Headley and Ben Jansen and his associate. In our assessment, Guy Headley will receive Cronos shares with a value in a range of AU\$17,912,368 to AU\$21,627,857 and Dr Ben Jansen and his associate will receive Cronos shares with a value in a range of AU\$18,349,135 to AU\$22,155,220. It should be noted that the share values quoted above include a control premium as each of Guy Headley and Dr Ben Jansen and his associate will control in excess of 20% of the voting power in Cronos.

4. Structure of this report

The remainder of this report is divided into the following sections:

<u>Section</u>		<u>Page</u>
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6	Cronos - key information	12
7	Valuation of Cronos before the Proposed Transaction	19
8	CDA – key information	26
9	Valuation of CDA	31
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11	Assessment as to Fairness	36
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A	Sources of Information	41
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5. Purpose of the report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001 – Section 611**

Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company:

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

Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company in which shares will be acquired.

Cronos is seeking shareholder approval for the Proposed Transaction under item 7 of Section 611 of the Act, as the voting power of the CDA shareholders will increase from 20% or below to more than 20% as provided by Section 606 of the Act. Furthermore, each of Elizabeth Jansen and Guy Headley, the largest shareholders of CDA, may control up to 26.39% and 25.76% of Cronos' voting power respectively.

- **Corporations Act 2001 – Chapter 2E**

Section 208 of the Act states that a public company must obtain approval from the company's members if it gives a financial benefit to a related party unless the benefit falls within the scope of an exception to the Act as set out in Section 210 to 216 of the Act.

Section 210 of the Act states that member approval is not needed to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a) above.

Section 211 of the Act states that member approval is not needed to give a financial benefit if:

- (a) the benefit is remuneration to a related party as an officer or employee; and
- (b) to give the remuneration would be reasonable.

Section 228(2) of the Act defines 'related parties' of a public company as:

- (a) directors of the public company;
- (b) directors (if any) of an entity that controls the public company;
- (c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- (d) spouses and de facto spouses of the persons referred to in paragraphs (a) to (c) above.

As Guy Headley and Ben Jansen are proposed to be appointed Directors of Cronos and they together with their associates are Major CDA Shareholders, they are considered to be related parties of Cronos under Section 228(2) of the Act, and the shares to be issued to them will constitute a financial benefit.

The Proposed Transaction incorporating the issue of shares to the Major CDA Shareholders is permitted by the Act, however, Section 208 of the Act provides that prior shareholder approval is required before a public company can provide a financial benefit to a related party. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the company's interests to approve the giving of the financial benefit.

The Directors of Cronos have requested PKF Corporate to independently assess the value of the financial benefits.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 111 – Content of Expert Reports (“RG111”)

RG 111.24 An issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company's shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of s611 that are comparable to takeover bids under Ch 6 include:

- (a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged business. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company.

RG 111.55 Generally, ASIC expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members.

RG 111.53 When analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction.

RG 111.54 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: see also RG 111.4. 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.

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Ch 2E or ASX Listing Rule 10.1), this should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information. See Regulatory Guide 76 Related Party Transactions (RG 76) at RG 76.106 – RG 76.111 for further details.

RG 111.57 A proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made:

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- (b) for control transactions, on the basis referred to in RG 111.11.

RG 111.58 Where the proposed transaction consists of an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. Where the financial benefit given by the entity is securities in the entity and the consideration is securities in another entity held by a related party, the value of the entity's securities should be compared to the value of the securities it is purchasing.

RG 111.10 It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 establish two distinct criteria for an expert analysing a control transaction:

- (a) is the offer 'fair'; and
- (b) is it 'reasonable'?

That is, 'fair and reasonable' is not regarded as a compound phrase.

RG 111.11 Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- (b) assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.

RG 111.12 An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.27 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is 'reasonable' if it has assessed the issue price as being 'not fair' applying the test in RG 111.11.

RG 111.30 If the bidder is offering non-cash consideration in a control transaction, the expert should examine the value of that consideration and compare it with the valuation of the target's securities, whether the transaction is effected by a takeover bid, a scheme of arrangement or an issue of shares.

RG 111.31 The comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- (a) the acquirer is obtaining and increasing control of the target; and
- (b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

However, the expert may need to assess whether a scrip takeover is in effect a merger of entities of equivalent value when control of the merged entity will be shared equally between the 'bidder' and the 'target'. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.

ASIC Regulatory Guide 111 requires that the Proposed Transaction be assessed as if it was a takeover of Cronos. In assessing a takeover bid, Regulatory Guide 111 states that the expert should consider whether the Proposed Transaction is both "fair" and "reasonable".

RG 76 – Related Party Transactions ("RG 76")

RG 76.105 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 Ch 2E or Pt 5C.7 where:

- (a) the financial benefit is difficult to value;
- (b) the transaction is significant from the point of view of the entity (see RG 76.113); or
- (c) the non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

RG 76.107 Independent valuation advice on a proposed related party transaction can help members better understand and assess the proposal and make an informed decision about how to vote. Independent valuation advice can also play an important part in maintaining investor confidence in the management of the entity.

RG 76.109 There is no express requirement in Ch 2E for an independent expert report to be obtained for provision to members with a notice of meeting. However, we encourage independent expert reports to be obtained and sent to members with the accompanying explanatory material in the circumstances set out in RG 76.105.

RG 76.110 In our view, under Ch 2E and directors' duties, directors have a general obligation to include information about the value of a financial benefit in a notice of meeting for member approval of a related party benefit. The directors' fiduciary duty of disclosure generally requires notices of meeting for approval of asset sales or acquisitions to include the material information necessary for members to assess whether a transaction is for a fair price, and whether the terms and conditions are onerous or disadvantageous: *Sunraysia* at 635.

- RG 76.111 The economic and commercial considerations addressed in the examples in s219(2) would often require directors to provide information about the value of the benefit.
- RG 76.112 In some cases, a notice of meeting for approval of a related party benefit could include information about the value of the financial benefit in the form of advice from the non-interested directors. However, given the complexities and inherent conflicts of interest involved in many related party transactions, it is sometimes more appropriate for an entity to commission an independent expert to give an opinion on the proposed transaction.
- RG 76.113 A transaction can be significant from the point of view of an entity – so that an independent expert report may be necessary (see RG 76.104(b)) – for reasons other than the dollar value involved. For example, a transaction may be considered to be significant if it involves a change of business activities or strategic direction, the replacement of the full board, substantial dilution of existing members, or if it is very complex.
- RG 76.114 Regulatory guide 111 *Content of Expert Reports* (RG 111) provides guidance on the content of expert reports for related party and other transactions and how experts should assess related party transactions.

- **General**

The terms “fair” and “reasonable” are not defined in the Act, however, guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

- | | |
|----------------|--|
| Fairness | the Proposed Transaction is “fair” if the value of the minority shares held by the Non-Associated Shareholders’ in Cronos after the Proposed Transaction is equal to or greater than the control value of the shares in Cronos before the Proposed Transaction. |
| Reasonableness | the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received. |

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as follows:

- (i) In determining whether the Proposed Transaction is fair, we have:
 - assessed the value of Cronos before the Proposed Transaction and determined the control value of one Cronos Ordinary Share;
 - assessed the value of Cronos after the Proposed Transaction and determined the minority value of one Cronos Ordinary Share; and
 - compared the control value of one Cronos Ordinary Share before the Proposed Transaction with the minority value of one Cronos Ordinary Share after the Proposed Transaction.
- (ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors that the Non-Associated Shareholders should review and consider prior to accepting or rejecting the Proposed Transaction.

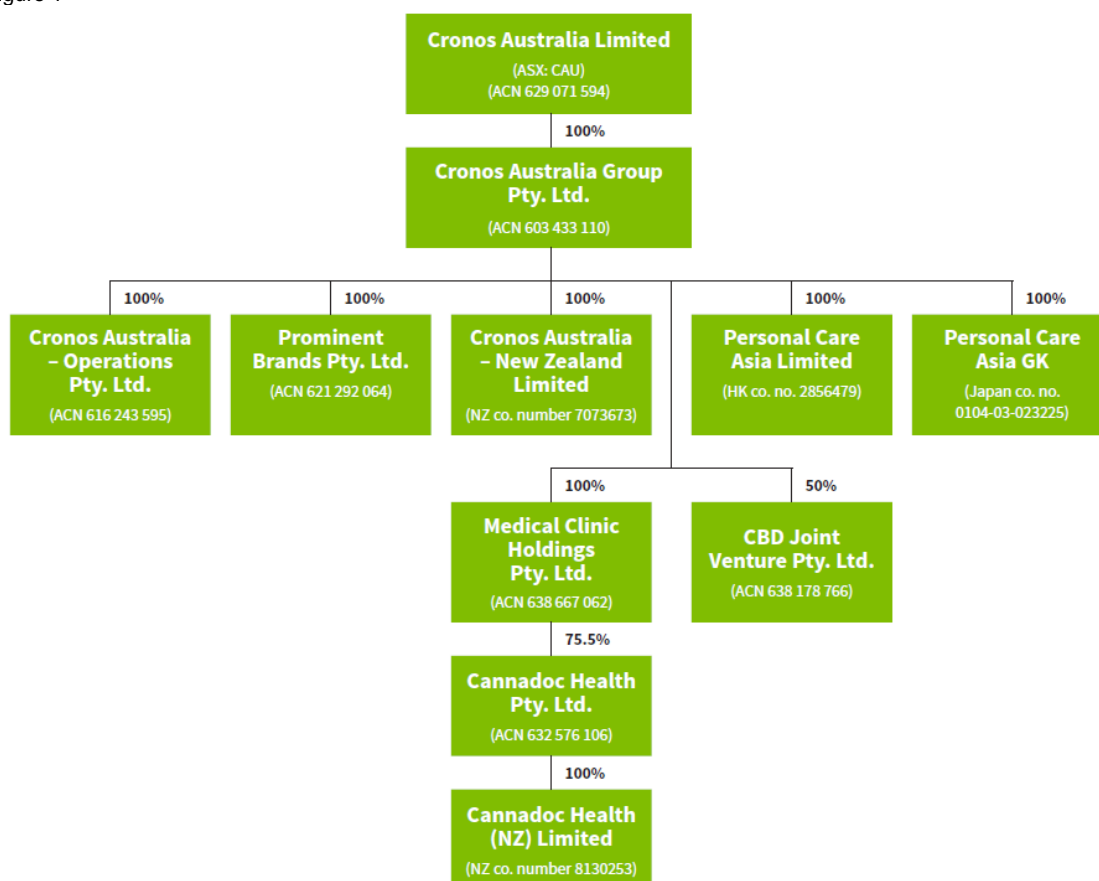
6. Cronos - key information

6.1 Background

- 6.1.1 Cronos is an Australian company focused on the creation and distribution of medical and consumer cannabinoid (CBD) products and services through the Asia Pacific region. Cronos was admitted to the Official List of the ASX on 7 November 2019 and currently has three business segments – *medical*, *clinics* and *consumer*. The Company's largest shareholder is Cronos Group Inc, a dual listed company with its securities listed on both Nasdaq and the Toronto Stock Exchange.

The group structure of Cronos incorporating its subsidiaries is presented below.

Figure 1



Source: Cronos

- 6.1.2 Cronos has created a number of cannabinoid-based medicinal and consumer products and brands which it is selling in Australia and Asian markets. These products are:

- **PEACE NATURALS™** and **Adaya** are ranges of medicinal cannabis products.
Adaya comprises of seven products which are manufactured in Australia to Australian Good Manufacturing Practices (AU GMP) standards. To increase both awareness and understanding of medicinal cannabis, Cronos has focused on various doctor engagement activities, including educational seminars, webinars and on-demand videos of RACGP-accredited education programs.
- **Bathing Shed**, **FCTR** and **Saiph** are ranges of consumer products.
Bathing Shed is a range of premium hemp seed oil personal care consumer products which has been launched in certain North Asian markets, including Japan and Hong Kong as well as in Australia.
FCTR is a range of performance products designed to be a recovery partner for a wide range of athletes which has been launched in certain North Asian markets, including Japan and Hong Kong, but for regulatory reasons, not in Australia.

Saiph is a newly launched range of CBD premium personal care consumer products formulated for use on sensitive skin. This product range has been launched in the Hong Kong and Japan markets however, for regulatory reasons, is not available for sale in the Australian market. The 'Saiph' range of products currently includes 'Ablution', a gentle gel CBD cleaner, and 'Tranquillity', a protective CBD moisturiser. Both products have been allergy tested to Japanese cosmetic standards and are manufactured in Japan.

Cronos' business segment financial reporting for the financial years ended 30 June 2019 ("FY19"), 30 June 2020 ("FY20") and 30 June 2021 ("FY21") are presented in the table below.

Table 3

Cronos Australia Limited Segment results	Audited FY19 AU\$	Audited FY20 AU\$	Audited FY21 AU\$
Medicinal cannabis			
Sales revenue	-	11,430	1,211,626
Other income	-	21,798	-
Expenses	(313,353)	(553,281)	(1,672,979)
Profit/(loss) for the year	(313,353)	(520,053)	(461,353)
Clinics			
Sales revenue	-	112,420	471,795
Other income	-	62,500	-
Expenses	-	(280,962)	(1,042,877)
Profit/(loss) for the year	-	(106,042)	(571,082)
Consumer			
Sales revenue	-	-	9,419
Other income	-	-	-
Expenses	-	(451,673)	(1,023,254)
Profit/(loss) for the year	-	(451,673)	(1,013,835)

Source: Cronos' annual reports for the financial years ended 30 June 2020 and 30 June 2021

In addition to the above, Cronos holds the following interests:

- a 75.5% ownership in Cannadoc Health Pty Ltd ("**Cannadoc**"), a medicinal cannabis clinic business with clinics based in Melbourne, Australia and New Zealand. The medicinal clinics specialise in the provision of cannabinoid-based therapies and treatments via face-to-face and telehealth consultations. The Company is exploring opportunities to replicate the Cannadoc business model in other cities in Australia and New Zealand; and
- a Joint Venture partnership with A&S Branding Pty Ltd, the founders of Sukin Organic Skincare, for the development of CBD-based products for sale in domestic and export markets.

6.2 Directors

Cronos' Board of Directors at the date of this report is presented in the table below.

Table 4

Cronos Australia Limited Board of Directors
Shane Tanner (Non Executive Chairman)
Rodney D Cocks (CEO & Executive Director)
Daniel Abrahams (Non Executive Director)
Jason Adler (Non Executive Director)
Anna Burke (Non Executive Director)
Michael Gorenstein (Non Executive Director)

Source: ASX

6.3 Share capital

- 6.3.1 As at the date of this report, Cronos had on issue 128,750,000 fully paid Ordinary Shares. The substantial shareholders of Cronos are presented in the table below and they held approximately 62.6% of the issued ordinary capital of Cronos.

Table 5

Cronos Australia Limited Shareholder name	Number of shares held	Percentage interest
Cronos Global Holdings Inc	40,000,000	31.07%
Peter J Righetti and associated entities	20,625,000	16.02%
Rodney D Cocks and associated entities	20,000,000	15.53%
	80,625,000	62.62%

Source: ASX

- 6.3.2 As at the date of this report, shares held by strategic shareholders, directors and employees total 88,364,785¹ Cronos shares or 68.6% of the issued capital. The balance of the issued capital is 40,385,215 Cronos shares or 31.4% of the issued capital and this represents the 'free float' that is readily tradeable on market.

¹ sourced from S&P Capital IQ

- 6.3.3 Cronos also has 2,565,000 options and 60,000 performance rights on issue that are convertible into Ordinary Shares of Cronos. We have presented the terms of these securities in the table below.

Table 6

Cronos Australia Limited Options & Performance Rights	Total number	Exercise price	Vesting date	Expiry date
Options	86,300	\$0.500	Vested	7 November 2023
Options	2,000,000	\$0.650	Vested	31 December 2021
Options	181,200	\$0.670	7 November 2021	7 November 2023
Options	297,500	\$0.830	7 November 2022	7 November 2023
	<u>2,565,000</u>			
Performance rights	60,000	nil	Vested	7 November 2029
	<u>60,000</u>			

Source: Cronos' annual report for the financial year ended 30 June 2021

After considering the exercise prices and expiry dates of the options, we have not considered these to be dilutive at the date of this report.

As the performance rights have vested and have a nil exercise price, they can effectively be converted into Ordinary Shares of Cronos at any time. As such, we have treated the performance rights on an as converted basis in the balance of this report.

6.4 Statements of financial position

Cronos' consolidated statements of financial position as at 30 June 2019, 30 June 2020 and 30 June 2021 are presented in the table below.

Table 7

Cronos Australia Limited	Audited	Audited	Audited
Consolidated Statement of Financial Position	30-Jun-19	30-Jun-20	30-Jun-21
	AU\$	AU\$	AU\$
Current Assets			
Cash and cash equivalents	159,679	14,685,943	9,467,175
Trade and other receivables	39,447	27,200	433,328
Inventories	-	192,450	1,338,747
Other assets	1,373,527	339,780	519,507
	<u>1,572,653</u>	<u>15,245,373</u>	<u>11,758,757</u>
Non-Current Assets			
Property, plant and equipment	76,402	490,380	437,862
Intangible assets and goodwill	200,000	491,457	491,457
	<u>276,402</u>	<u>981,837</u>	<u>929,319</u>
Total Assets	<u>1,849,055</u>	<u>16,227,210</u>	<u>12,688,076</u>
Current Liabilities			
Trade and other payables	2,436,354	452,436	1,002,225
Interest-bearing liabilities	513,923	72,584	2,110,217
Chattel mortgage liabilities	17,337	31,892	-
Employee benefit provisions	2,968	70,516	99,516
	<u>2,970,582</u>	<u>627,428</u>	<u>3,211,958</u>
Non-Current Liabilities			
Interest-bearing liabilities	1,606,027	2,103,113	253,687
Chattel mortgage liabilities	64,639	-	-
	<u>1,670,666</u>	<u>2,103,113</u>	<u>253,687</u>
Total Liabilities	<u>4,641,248</u>	<u>2,730,541</u>	<u>3,465,646</u>
Net Assets/(Liabilities)	<u>(2,792,193)</u>	<u>13,496,669</u>	<u>9,222,430</u>
Equity			
Share capital	54,655	20,012,053	20,012,053
Reserves	-	214,934	116,827
Accumulated losses	(2,846,848)	(6,784,061)	(10,833,270)
Equity attributable to owners of the Company	<u>(2,792,193)</u>	<u>13,442,926</u>	<u>9,295,610</u>
Non-controlling interests	-	53,743	(73,180)
Total Equity	<u>(2,792,193)</u>	<u>13,496,669</u>	<u>9,222,430</u>

Source: Cronos' annual reports for the financial years ended 30 June 2020 and 30 June 2021

6.5 Operating performance

Cronos' consolidated statements of comprehensive income for the financial years ended FY19, FY20 and FY21 are presented in the table below.

Table 8

Cronos Australia Limited	Audited	Audited	Audited
Consolidated Statement of	FY19	FY20	FY21
Comprehensive Income/(Loss)	AU\$	AU\$	AU\$
Continuing operations			
Revenue	-	123,850	1,692,840
Cost of sales	-	(7,064)	(819,912)
Gross profit	-	116,786	872,928
Other income	58,448	340,078	129,101
Accounting, tax and audit fees	(319,348)	(211,715)	(113,319)
Administration expenses	(305,155)	(533,321)	(725,329)
Finance costs	(125,741)	(205,136)	(294,158)
Legal and regulatory expenses	(189,007)	(166,051)	(309,550)
Personnel expenses	(1,713,193)	(3,145,372)	(3,425,074)
Sales, marketing and distribution	-	(65,510)	(285,629)
Site-related expenses	(292,203)	-	-
Travel and accommodation	(72,039)	(119,437)	(54,820)
Loss before income tax	(2,958,238)	(3,989,678)	(4,205,850)
Income tax benefit	43,937	-	-
Loss for the year	(2,914,301)	(3,989,678)	(4,205,850)
Other comprehensive income/(loss)			
Exchange gains on translation of controlled foreign operations	-	205	54,355
Other comprehensive income/(loss) for the year, net of tax	-	205	54,355
Total comprehensive loss for the year	(2,914,301)	(3,989,473)	(4,151,495)

Source: Cronos' annual reports for the financial years ended 30 June 2020 and 30 June 2021

6.6 Cash flow statements

Cronos' consolidated statements of cash flows for FY19, FY20 and FY21 are presented in the table below.

Table 9

Cronos Australia Limited	Audited	Audited	Audited
Consolidated Statement of Cash Flows	FY19	FY20	FY21
	AU\$	AU\$	AU\$
Cash flows from/(used in) operating activities			
Receipts from customers	-	114,783	1,228,932
Payments made to suppliers and employees	(1,698,244)	(5,200,773)	(6,250,341)
Interest received	1,243	131,924	46,091
Receipts from Government stimulus schemes	-	75,478	179,263
Interest paid	(734)	-	-
Research and development tax incentive received	43,937	-	-
Net cash used in operating activities	(1,653,798)	(4,878,588)	(4,796,055)
Cash flows from investing activities			
Landlord incentive received	-	49,384	-
Payment for acquisition of subsidiary, net of cash	-	(295,894)	-
Acquisition of non-controlling interests	-	-	(101,000)
Payment for security deposits	-	(149,204)	(20,000)
Purchases of plant and equipment	(7,179)	(120,201)	(40,185)
Proceeds from sale of plant and equipment	-	-	500
Net assets assumed on restructure	73,322	-	-
Net cash from/(used in) investing activities	66,143	(515,915)	(160,685)
Cash flows from financing activities			
Proceeds from the issue of shares	-	20,000,000	-
Proceeds from convertible loans	2,000,000	3,500,000	-
Proceeds from the issue of shares to non-controlling interests	-	98,000	-
Proceeds from non-controlling interests	-	-	30,000
Payment of transaction costs related to the issue of shares	(290,090)	(3,092,824)	-
Payment of equity issuance costs	-	-	(171,889)
Payment of lease liabilities	-	(11,215)	(87,316)
Repayment of loan from related parties	-	(519,512)	-
Chattel mortgage repayments	(21,278)	(53,682)	(32,823)
Net cash from/(used in) financing activities	1,688,632	19,920,767	(262,028)
Net increase/(decrease) in cash and cash equivalent	100,977	14,526,264	(5,218,768)
Cash and cash equivalent at beginning of period	58,702	159,679	14,685,943
Cash and cash equivalent at end of period	159,679	14,685,943	9,467,175

Source: Cronos' annual reports for the financial years ended 30 June 2020 and 30 June 2021

7. Valuation of Cronos before the Proposed Transaction

7.1 Value definition

PKF Corporate's valuation of Cronos is on the basis of 'fair market value', defined as:

'the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length'.

7.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

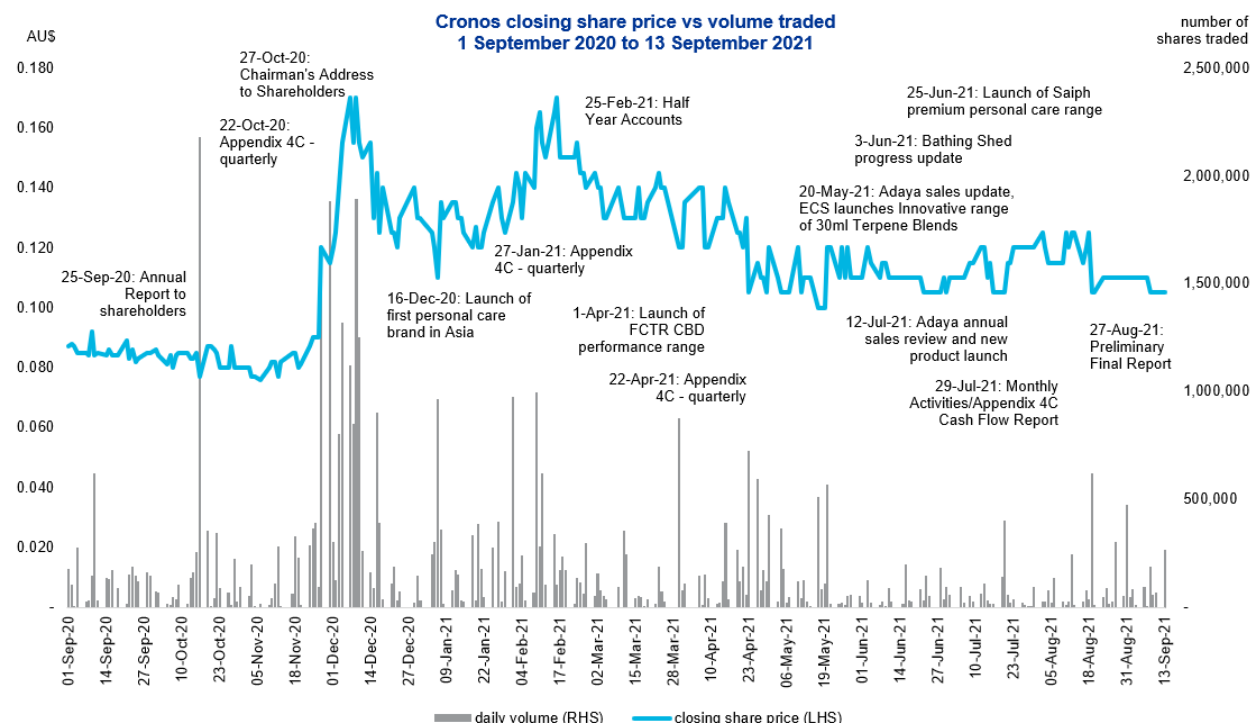
- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods;
- comparable market transactions; and
- alternate acquirer.

7.3 Share price history

- 7.3.1 The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of any proposed transaction.
- 7.3.2 As the share price history of Cronos will incorporate all publicly available information, we consider that the share price history is an appropriate methodology to consider in assessing the value of a share in Cronos.
- 7.3.3 We note that the Proposed Transaction was announced to the ASX on 14 September 2021 and we have analysed the share price of Cronos up to 13 September 2021 being the last trading day prior to the announcement of the Proposed Transaction.

7.3.4 We have set out below a graph showing the daily closing share price and volume of Cronos shares up to 13 September 2021 as well as a selection of market sensitive announcements on the ASX.

Graph 1



Source: ASX, PKF Corporate analysis

As can be seen from the graph above, over the past three month period leading up to 13 September 2021 Cronos' share price has traded in a range of AU\$0.100 to AU\$0.125 per share despite the announcement of several market sensitive announcements in particular in relation to Cronos' products.

7.3.4 We have also examined the recent share prices and trading volumes in Cronos shares up to 13 September 2021 including the volume weighted average price ("VWAP") of Cronos shares based on closing daily prices on the ASX for business trading dates. We have set out our analysis in the table below.

Table 10

Cronos Australia Limited Share price analysis	Shares Traded		VWAP	Share Price (AU)	
	Number	Value		Low	High
10 days to 13 September 2021	1,269,984	AU\$136,857	AU\$0.108	AU\$0.105	AU\$0.110
20 days to 13 September 2021	2,521,301	AU\$272,607	AU\$0.108	AU\$0.105	AU\$0.125
30 days to 13 September 2021	3,101,683	AU\$342,183	AU\$0.110	AU\$0.105	AU\$0.125
60 days to 13 September 2021	4,875,890	AU\$536,477	AU\$0.110	AU\$0.105	AU\$0.125
90 days to 13 September 2021	7,297,495	AU\$804,788	AU\$0.110	AU\$0.100	AU\$0.125

Source: ASX, PKF Corporate analysis

As can be seen from the above table, the VWAP has fluctuated within a tight range leading up to 13 September 2021 and during the more recent trading period leading up to 13 September 2021, Cronos shares traded in a range of AU\$0.105 to AU\$0.125 per share.

- 7.3.5 As set out in paragraph 6.3.2 of this report, the 'free float' of Cronos shares that is readily tradeable on market comprise of 40,385,215 shares. We have also calculated the volume of shares traded in Cronos over the past 60 business trading days of the 'free float'. We have set out our analysis in the table below.

Table 11

Cronos Australia Limited		% of free float traded			
Share volume		10 days	20 days	30 days	60 days
Number of shares traded to 13 September 2021		1,269,984	2,521,301	3,101,683	4,875,890
CAU free float	40,385,215	3.14%	6.24%	7.68%	12.07%

Source: ASX, PKF Corporate analysis

- 7.3.6 Based on the above information and our analysis, we consider that despite the low value of shares traded in Cronos as a result of the low free float (31.4% as assessed in paragraph 6.3.2 of this report) the market in Cronos shares is relatively liquid. Accordingly, we have considered the share price valuation methodology in assessing the market value of Cronos shares. Accordingly, we have formed the opinion that the Cronos shares have a market value in a range of AU\$0.105 to AU\$0.125 per share after considering the trading range over the past month leading up to 13 September 2021 on account of the relatively low value of the shares traded.
- 7.3.7 The share prices upon which we have formed our opinion reflect the prices at which minority parcels of shares are traded on a daily basis and, as such, do not incorporate a control premium. Accordingly, we have considered the application of a control premium which represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of Cronos could be acquired.
- 7.3.8 In assessing the control premium to be applied to the share price of Cronos, we have relied on the relevant matrix from the RSM Control Premium Study – 2021 applicable to Cronos. We have summarised this research in the table below.

Table 12

Analysis by	Criteria	Control premium	
		20 days pre-announcement	
		Average	Median
All transactions		48.00%	27.50%
Industry	Health Care	48.60%	33.00%
Consideration type	Cash	36.20%	28.60%
Size	<= \$25m	50.80%	n/a

Source: RSM Control Premium Study - 2021

- 7.3.9 The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets. We note that the above research sets out statistical information about actual control premia paid and, as such, includes an unknown uplift on account of potential acquisition synergy benefits. We are of the opinion that the control premium in a transaction that did not include expected synergies would be lower.

- 7.3.10 After considering the above, we have applied a control premium in a range of 25.0% to 30.0% to the minority share price of one Cronos share in a range of AU\$0.105 to AU\$0.125 per share. We have summarised the results of this calculation in the table below.

Table 13

Cronos Australia Limited		
Share price methodology	Low	High
Value per CAU share (minority)	AU\$0.105	AU\$0.125
Control premium	25.0%	30.0%
Value per CAU share (control)	AU\$0.131	AU\$0.163

Source: PKF Corporate analysis

- 7.3.12 Having regard to the above, we have concluded that the control value of a Cronos share is in a range of **AU\$0.131 to AU\$0.163 per share** as assessed under the share price valuation methodology.

7.4 Capitalisation of future maintainable earnings

- 7.4.1 Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

- 7.4.2 As Cronos is an early stage business that is yet to generate profitable earnings, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value the Cronos shares.

7.5 Net present value of future cash flows

- 7.5.1 An analysis of the net present value of the projected cash flows of a business and/or asset (or discounted cash flow technique) is based on the premise that the value of the business and/or asset is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business and/or asset remaining at the end of the forecast period.
- 7.5.2 Cronos generated negative cash flows from operating activities during FY19, FY20 and FY21 (refer to Section 6.6 of this report). As Cronos does not have any current long term cash flow forecasts available beyond its budgets for the financial year ending 30 June 2022 that can be used to value any of its business segments, the net present value of the future cash flows methodology cannot be used to value Cronos or any of its business segments.

7.6 Asset based methods

7.6.1 This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

As at 30 June 2021, Cronos reported net asset of approximately AU\$9.222 million as per the audited statement of financial position (refer to Section 6.4 of this report). We note that Cronos' reported cash at bank totals approximately AU\$9.467 million as at 30 June 2021 which represents the most significant reported asset held by Cronos.

The net asset backing of Cronos includes AU\$491,457 of intangible assets which relates to capitalised costs associated with licences acquired by Cronos (AU\$200,000) and goodwill on acquisition of its interest in Cannadoc Health Pty Ltd (AU\$291,457). Accordingly, the net asset backing of Cronos does not attribute value to any other intangible assets of Cronos such as brand names in relation to its range of branded products as well as customer, supplier and distributor contractors.

As mentioned above and save for approximately AU\$490,000 of intangible assets, the net asset backing of Cronos does not attribute any value to any other intangible assets of Cronos. In light of this observation, we have reviewed available information regarding Cronos and comparable ASX and New Zealand Stock Exchange (NZSE) cannabis focused companies.

From our research we observed that many of the ASX and NZSE listed cannabis companies are focused on large scale cultivation, production and manufacturing of products which require a capital-intensive business model. Accordingly, we have focused our selection of comparable listed companies towards those which generate revenues from the sale of consumer and medicinal products as well as the provision of clinical services.

We have set out in the table below our analysis and calculations of key valuation metrics placed by the market on these companies.

Table 14

Comparable companies		Stock	Market ¹	Enterprise	LTM ²	Implied	Assessed ³	Implied ⁴	Implied ⁵
Company name	note	Code	Cap	Value	Revenue	Revenue	NTAB	IA	IA
		ASX	AU m	AU m	AU m	multiple	AU m	AU m	on MC
Althea Group Holdings Limited	1	AGH	78.2	75.9	11.6	6.6	22.8	55.5	70.90%
Elixinol Wellness Limited	2	EXL	33.1	16.9	11.9	1.4	22.1	11.0	33.32%
Bod Australia Limited	3	BDA	29.7	21.6	7.4	2.9	8.3	21.3	71.94%
Cronos Australia Limited		CAU	13.5	6.3	1.7	3.7	6.2	7.3	53.97%

Source: ASX announcements, S&P Capital IQ, PKF Corporate analysis

¹ market capitalisation based on closing share prices as at 13 September 2021

² last twelve months to 30 June 2021

³ assessed net tangible asset backing = reported net asset backing less reported intangible assets/goodwill and equity investments

⁴ implied intangible assets = market capitalisation less assessed net tangible asset backing

⁵ implied intangible assets on market capitalisation = implied intangible assets divided by market capitalisation

Note 1: Althea is a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products. Althea has reported approximately AU\$8.5 million in revenue from Australian operations. In addition to Althea's medicinal cannabis focus it also operates as a recreational cannabis product manufacturer in Canada which has a legalised cannabis market.

Note 2: Elixinol is a global leader in the hemp derived food and CBD industry, innovating, and selling hemp derived food and CBD products. Elixinol's Australian hemp food operations contribute approximately 40% of total revenues.

Note 3: Bod is a cannabis focused healthcare company marketing products in the consumer and medical markets.

Having regard to the above analysis, the comparable ASX companies as well as Cronos are trading at a significant premium to their respective net tangible asset backing and, as such, this suggests that the market is placing a significant value on the intangible assets of these cannabis focused companies.

Based on the calculations and analysis, the implied intangible assets of Cronos reflect approximately 54.0% of its market capitalisation whilst the implied intangible assets of its comparable ASX companies reflect on average approximately 59.0% of their market capitalisations. Accordingly, Cronos is trading at a smaller premium to its net asset backing compared to its ASX peers on average.

In light of the above comments, we have concluded that the net asset approach does not reflect the collective market value of Cronos' intangible assets and, as such, we do not consider this to be a valid valuation methodology to be used to value Cronos shares at this point in time.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

As Cronos has substantial cash resources available and is working to market and develop its consumer products, we do not consider that an orderly realisation of assets is an appropriate valuation methodology to use in assessing the value of Cronos shares at this point in time.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

We consider that this methodology is an inappropriate valuation methodology to use in assessing the value of Cronos shares at this point in time as Cronos has existing cash resources.

7.7 Comparable market transactions

- 7.7.1 Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an asset than other valuation methods because they may not account for specific factors.
- 7.7.2 We are not aware of any specific rules of thumb to be applied to valuing Cronos or its assets and, as such, we have not used the comparable market transaction valuation methodology to value Cronos.
- 7.7.3 We note that on 1 February 2021 Cronos' wholly owned subsidiary, Medical Clinic Holdings Pty Ltd, acquired a further 24.5% in Cannadoc for AU\$101,000. Accordingly, this implies an equity value of approximately AU\$412,000 of Cannadoc. As Cronos currently holds 75.5% of the issued capital in Cannadoc, the implied value of Cronos' interest in Cannadoc is approximately AU\$311,000. We note that although this value is not fully reflected in the book value of Cronos' net assets as at 30 June 2021, it will not have a materially impact on the net asset backing of Cronos.

7.8 Alternate acquirer

- 7.8.1 The value that an alternative offeror may be prepared to pay to acquire Cronos is a relevant valuation methodology to be considered.
- 7.8.2 We are not aware of any offers for the Cronos shares nor any of its assets and we can see no reason as to why an offer would be initiated at this time without the consent and support of its shareholders.

7.9 Conclusion

- 7.9.1 In the current circumstances of Cronos, we have only been able to apply the share price valuation methodology to assess the value of Cronos shares. We have therefore concluded the fair market value of a Cronos share lies in a range of **AU\$0.131 to AU\$0.163 per share, with a mid-point of AU\$0.147 per share, on a control basis.**

8. CDA - key information

8.1 Background

- 8.1.1 CDA and its wholly owned subsidiaries are a group of private Australian companies which operate medicinal cannabis clinics in Australia including patient consultations and the distribution of medicinal cannabis products.

The group business structure of CDA is presented below.

Figure 2



Source: CDA

BHC's CanView operates through CDA's subsidiary Canview Pty Ltd as the Burleigh Heads Cannabis online hub, an online medical cannabis marketplace to medical practitioners, pharmacists and patients for the accessing, prescribing and ordering of Medicinal Cannabis products.

Healthy not high operates through CDA's subsidiary Healthy Not High Pty Ltd as a hemp-based food and nutraceutical consumer product retailer.

CDA Clinics operates through CDA's subsidiary Cannabis Doctors Australia Pty Ltd a group of medical cannabis clinics in Australia providing face-to-face patient consultations through its Gold Coast and Brisbane, Australia, clinics as well as telehealth patient consultations Australia-wide.

Burleigh Heads Cannabis (BHC) operates through CDA's subsidiary Burleigh Heads Cannabis Pty Ltd as a fully licensed importer, exporter and wholesaler of Medicinal Cannabis products.

CDA Aotearoa operates through CDA's subsidiary Cannabis Doctors Aotearoa Ltd as a supplier and distributor of Medicinal Cannabis in New Zealand.

In addition to the above, CDA also has four other subsidiaries which have various operating functions.

8.1.2 CDA's revenue breakdown for FY19, FY20 and FY21 are presented in the table below.

Table 15

CDA Health Pty Ltd Revenue by type	Audited FY19 AU\$	Audited FY20 AU\$	Audited FY21 AU\$
Sale of goods	418,787	3,842,916	19,538,773
Revenue from rendering of services	155,538	689,024	1,334,053
Dispensing income	-	-	851,415
Total Revenue	574,325	4,531,940	21,724,241

Source: CDA's audited financial statements for the financial years ended 30 June 2020 and 30 June 2021

CDA's recent improved performance has been driven by its online marketplace which has increased its access to suppliers and products as well as its distribution to pharmacies. CDA estimates that it currently services approximately 30% of the Australian Pharmacy market and that this market capture trend is growing.

8.2 Directors

CDA's Board of Directors at the date of this report are presented in the table below.

Table 16

CDA Health Pty Ltd Board of Directors
Benjamin Jansen (Director)
Guy Headley (Director)

Source: CDA

8.3 Share capital

8.3.1 As at the date of this report, CDA had on issue 20,422,982 ordinary shares. The top five shareholders of CDA and their associates are presented in the table below and they held approximately 88.80% of the issued ordinary capital of CDA.

Table 17

CDA Health Pty Ltd Shareholder name	Number of shares held	Percentage interest
Elizabeth Sarah Jansen	6,721,772	32.91%
Guy Rothwell Headley	6,561,773	32.13%
Matua Hasyo Charlie Jansen	2,850,175	13.96%
Hektares Sg Holdings Pte Ltd	1,049,402	5.14%
Stone Group Pty Ltd	968,679	4.74%
	18,151,801	88.88%

Source: CDA's share register as at 4 November 2021

8.4 Statements of financial position

CDA's statements of financial position as at 30 June 2019, 30 June 2020 and 30 June 2021 are presented in the table below.

Table 18

CDA Health Pty Ltd	Audited	Audited	Audited
Consolidated Statement of Financial Position	30-Jun-19	30-Jun-20	30-Jun-21
	AU\$	AU\$	AU\$
Current Assets			
Cash and cash equivalents	47,885	1,534,830	2,078,620
Trade and other receivables	36,045	379,105	2,161,422
Inventories	88,487	1,236,579	3,101,137
Other receivables	1,524	137,157	164,460
	173,941	3,287,671	7,505,639
Non-Current Assets			
Property, plant and equipment	26,250	100,875	217,620
Right-of-use assets	-	419,327	689,408
Deferred tax assets	-	-	59,138
Intangibles	20,540	96,566	156,976
Other assets	12,650	35,981	138,118
	59,440	652,749	1,261,260
Total Assets	233,381	3,940,420	8,766,899
Current Liabilities			
Trade and other payables	46,340	715,365	3,308,782
Current tax liabilities	3,395	3,395	542,548
Lease liabilities	-	119,907	182,060
Employee benefits	40,287	96,553	170,031
	90,022	935,220	4,203,421
Non-Current Liabilities			
Unsecured borrowings	284,764	252,373	-
Lease liabilities	-	309,391	535,964
Employee benefits	716	4,324	13,234
Deferred tax liabilities	-	9,309	-
	285,480	575,397	549,198
Total Liabilities	375,502	1,510,617	4,752,619
Net Assets/(Liabilities)	(142,121)	2,429,803	4,014,280
Equity			
Issued capital	-	3,341,700	3,536,374
Retained earnings/(Accumulated losses)	(103,158)	(991,077)	477,906
Non-controlling interests	(38,963)	79,180	-
Total Equity	(142,121)	2,429,803	4,014,280

Source: CDA's audited financial statements for the financial year ended 30 June 2020 and 30 June 2021

8.5 Operating performance

CDA's statements of profit or loss and other comprehensive income for FY19, FY20 and FY21 are presented in the table below.

Table 19

CDA Health Pty Ltd	Audited	Audited	Audited
Consolidated Statement of Profit or Loss and Other	FY19	FY20	FY21
Comprehensive Income	AU\$	AU\$	AU\$
Revenue	574,325	4,531,940	21,724,241
Interest revenue	23	1,178	150
Other income	-	9,852	206,106
Government subsidies received	-	168,963	56,321
Raw materials and consumables used	(140,062)	(2,571,108)	(15,023,508)
Employee benefits expense	(142,149)	(1,343,414)	(2,747,527)
Depreciation and amortisation expense	(14,440)	(122,284)	(228,118)
Administration and other expenses	(342,067)	(1,422,287)	(1,988,689)
Finance costs	(1,306)	(13,307)	(42,534)
Profit/(Loss) before income tax	(65,676)	(760,467)	1,956,442
Income tax benefit/(expense)	(3,395)	(9,309)	(487,459)
Profit/(Loss) for the year	(69,071)	(769,776)	1,468,983
Other comprehensive income/(loss)	-	-	-
Total comprehensive income/(loss) for the year	(69,071)	(769,776)	1,468,983
Total comprehensive income/(loss) attributable to:			
Owners of the Company	(61,882)	(887,919)	1,468,983
Non-controlling interests	(7,189)	118,143	-
	(69,071)	(769,776)	1,468,983

Source: CDA's audited financial statements for the financial year ended 30 June 2020 and 30 June 2021

8.6 Cash flow statements

CDA's statements of cash flows for FY19, FY20 and FY21 are presented in the table below.

Table 20

CDA Health Pty Ltd	Audited	Audited	Audited
Consolidated Statement of Cash Flows	FY19	FY20	FY21
	AU\$	AU\$	AU\$
Cash flows from operating activities			
Cash receipts from customers	538,280	4,324,768	20,191,937
Cash paid to suppliers and employees	(640,013)	(6,113,430)	(19,308,383)
Interest received	23	1,178	150
Government grants received	-	168,963	56,321
Net cash from operating activities	(101,710)	(1,618,521)	940,025
Cash flows from investing activities			
Payments for intangible assets	(20,950)	(87,299)	(84,370)
Payments for property, plant and equipment	(2,282)	(103,237)	(174,986)
Net cash used in investing activities	(23,232)	(190,536)	(259,356)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	-	3,341,700	335,494
Payment for buyout of non-controlling interests	-	-	(220,000)
Proceeds from borrowings from related parties	172,304	-	-
Repayment of borrowings from related parties	-	(45,698)	(252,373)
Net cash from financing activities	172,304	3,296,002	(136,879)
Net increase in cash and cash equivalents	47,362	1,486,945	543,790
Cash and cash equivalent at the beginning of period	523	47,885	1,534,830
Cash and cash equivalent at end of period	47,885	1,534,830	2,078,620

Source: CDA's audited financial statements for the financial year ended 30 June 2020 and 30 June 2021

9. Valuation of CDA

9.1 Value definition

PKF Corporate's valuation of the securities of CDA to be acquired by Cronos is on the basis of 'fair market value' as defined in paragraph 7.1 of this report.

9.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of the generally accepted valuation methodologies as set out in paragraph 7.2 of this report.

9.3 Share price history

9.3.1 CDA is an unlisted private company and, as such, there is no active market in its shares. However, CDA released a Crowd-Sourced Funding Offer ("**Crowd Funding Offer**") document in May 2019 seeking to raise up to AU\$2 million at AU\$1.00 per share. During FY20, CDA issued 1,421,166 shares at \$1.00 each pursuant to the Crowd Funding Offer. During FY21, we are advised that CDA raised a further AU\$300,000 at a price per CDA Ordinary Share of AU\$1.239, however, this was agreed during late 2019.

9.3.2 During FY21, in particular since January 2021, CDA has demonstrated a significant increase in the scale and performance of its business since the time of the above-mentioned capital raisings. Accordingly, we do not consider that the past transactions in CDA's shares provide recent market evidence of the share price in CDA that can be relied upon and, as such, we consider that the share price history is not an applicable methodology to use to value CDA at this point in time.

9.4 Capitalisation of future maintainable earnings

9.4.1 Use of the capitalisation of maintainable earnings methodology requires making an assessment of a level of maintainable earnings that is expected to be sustained over the medium term. As can be seen from Table 19 of this report, CDA achieved profitable earnings for the first time during FY21, however it was not profitable in prior years. Given the rapid development in CDA's business during FY21, it is difficult to assess a sustainable level of maintainable earnings of CDA at this point in time.

9.4.2 In addition, through our research we have observed that there are a number of companies listed on the ASX that operate in the medicinal cannabis sector, however none of these companies are yet to generate positive earnings. Accordingly, we cannot derive a capitalisation multiple that we could apply to the current level of earnings of CDA.

9.4.3 Having regard to the above comments, we consider that CDA is a 'scale up' business that is experiencing rapid growth and, as such, is not yet a mature business with an established level of earnings that we could use to assess a level of maintainable earnings. Accordingly, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value CDA at this point in time.

9.5 Net present value of future cash flows

9.5.1 CDA has generated positive cash flows for FY21, however CDA does not prepare forecasts that can be used to assess the medium to long term cash flow forecasts of CDA. As CDA's business is developing rapidly in what is an emerging market, there is insufficient information available that would allow us to prepare projections of future cash flows that would be based on assumptions.

9.5.2 As CDA does not have any forecasts and given the significant uncertainty as to CDA's future cash flows, we have concluded that the net present value of the future cash flows methodology cannot be used to value CDA.

9.6 Asset based methods

9.6.1 This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

As at 30 June 2021, CDA reported net assets as per the audited statement of financial position of approximately AU\$4.014 million (refer to Section 8.4 of this report). The total assets of CDA reported as at 30 June 2021 had a book value of approximately AU\$8.767 million which largely comprised of cash of approximately AU\$2.079 million, receivables of approximately AU\$2.161 million and inventories of approximately AU\$3.101 million.

The net asset backing of CDA includes approximately AU\$157,000 of intangible assets comprising of trademarks and software. As CDA has developed a profitable business, it has also developed significant intangible assets. Accordingly, the net asset backing of CDA does not attribute much value to any other intangible assets of CDA such as its brands, online marketplace or its supplier and customer base.

The premise of the net asset approach is that CDA is worth the book value of its net assets at a point in time and, as such, this does not attribute much value to major intangible assets of CDA.

We have observed from our research set out in Table 14 of this report that medicinal cannabis companies are typically valued at a significant premium to their respective net tangible asset backing to account for the value of their intangible assets and, as such, this suggests that a potential acquirer may place a significant value on the intangible assets of CDA. In light of this comment, we have concluded that the net asset approach does not reflect the market value of CDA's intangible assets and, as such, we do not consider this approach to be an appropriate valuation methodology to use in assessing the value of CDA.

(b) Orderly realisation of assets

Given CDA's level of cash assets and the recent operating profits, we do not consider that an orderly realisation of the assets of CDA is an appropriate valuation methodology to use in assessing the value of CDA.

(c) Liquidation of assets

We consider that this methodology is an inappropriate valuation methodology to use as CDA has existing cash resources and an ability to raise capital as demonstrated by past capital raisings.

9.7 Comparable market transactions

9.7.1 It is common for companies at a 'scale up' stage experiencing rapid growth to be valued using a revenue multiple. Typically, the revenue multiples are applied to an assessment of annualised revenues of the company. We have observed that the capitalisation of revenues has been a valuation methodology utilised in the medicinal cannabis sector in particular the Australian medicinal cannabis sector which is not yet established and with Australian companies that are yet to generate a sufficient level of earnings that can be capitalised.

- 9.7.2 CDA achieved revenue of approximately AU\$21.7 million for FY21. Based on management financial statements provided for the quarter ended June 2021, CDA achieved approximately AU\$8.1 million of revenue for that quarter, which demonstrates accelerated growth throughout FY21. The annualised revenues achieved by CDA for the quarter ended June 2021 result in revenues of approximately AU\$32.4 million, however, this does not consider any seasonality in CDA's revenues over a full 12-month period. Given the rapid growth experienced by CDA during FY21, it would be reasonable to expect continued growth as CDA continues to advance its business and increase its market share in the Australian cannabis market through product sales, dispensing and medical clinic consultations. However, this also makes it difficult to assess the level of revenue growth CDA may achieve for the financial year ending 30 June 2022 and beyond.
- 9.7.3 In assessing the value of CDA based on the capitalisation of its revenue, consideration also needs to be given to the nature of the revenue types (refer to Table 15 of this report) and in particular the likely annual recurrence of the revenues and the margins of the revenue streams.
- 9.7.4 Having regard to our comments above and for the purpose of the valuation of CDA in the current circumstances, we have preferred to adopt the actual revenues achieved by CDA for FY21 of AU\$21.7 million. For consistency, in selecting a capitalisation multiple we have considered current revenue multiples from comparable listed companies.
- 9.7.5 In order to determine an appropriate revenue multiple to apply to the actual revenues adopted for CDA, we have considered listed revenue multiples of comparable companies and revenue multiples from precedent transactions but only for companies focused on the Australian and New Zealand Cannabis markets. As CDA is currently focused on servicing the Australian and New Zealand market and as the legalisation of cannabis products differs globally, we consider that observing revenue multiples of global companies would not represent the risks and opportunities currently available to CDA in the geographies in which it operates.
- 9.7.6 We have considered the trading revenue multiples from the comparable listed companies in Table 14 of this report. We consider that as Althea has a recreational manufacturing operation in Canada, a jurisdiction where cannabis is legalised, the market capitalisation reflects a premium for this compared to the other comparable listed companies. Accordingly, for the purpose of the valuation of CDA we have excluded the implied revenue multiple of Althea. The average revenue multiples of the remaining comparable listed companies is 2.7 times.
- 9.7.7 The trading multiples derived from the market capitalisation of the comparable listed companies is based on share prices. Share prices reflect trades of small parcels of shares that do not incorporate a control premium. A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets.
- 9.7.8 In assessing the control premium to be applied to the revenue multiple of 2.7 times derived from the comparable listed companies, we have again relied on the relevant matrix from the RSM Control Premium Study – 2021. However, we have considered the acquisition of CDA using scrip consideration and the larger size criteria of the comparable companies on average. Accordingly, we have applied a control premium in the range of 23% to 32% to the market capitalisation of the comparable listed companies to determine the trading multiples on a 'control basis'. This results in a revenue multiple range of 3.8 to 4.3 times.
- 9.7.9 Shares in listed companies are readily marketable and therefore liquid. An investment in a listed company is more valuable than an investment in an unlisted company, due to a lack of marketability, which supports a discount to reduce the listed multiples to an unlisted multiple. Shareholders, whether controlling or non-controlling, in a private company have no ready market for their shares. As such, they do not have the ability to quickly, at low cost, and with some degree of certainty, convert their shareholding to cash. The lack of marketability of a controlling shareholder is due to the absence of a ready private market and the transaction costs to achieve liquidity through either a sale or a public offering.

- 9.7.10 The trading multiples from which we have derived a revenue multiple range is based on market trades, so there is a 'willing buyer' and 'willing seller'. In light of these comments, we have applied a marketability discount of 25% to 30% to the revenue multiple range of 3.8 to 4.3 times. Accordingly, this results in a revenue multiple range of 2.7 to 3.2 times.
- 9.7.11 We have also considered whether it is reasonable to apply a further discount for size, however, given the revenues reported by CDA compared to the listed comparable companies we do not consider a discount to account for size differences is applicable.
- 9.7.12 We have also conducted research of precedent revenue transaction multiples, again with a focus on the Australian and New Zealand Cannabis markets and of companies with a focus on sales of consumer and medicinal products or the provision of clinical services. However, the results of our research were limited. As part of our research, we also reviewed other IERs prepared for ASX listed Cannabis companies.
- 9.7.13 After considering our research as well as the above comments and analysis, we have adopted a revenue multiple range of 2.5 to 3.0 times.
- 9.7.14 We have set out in the table below our assessment of the enterprise value of CDA.

Table 21

CDA Health Pty Ltd		
Enterprise value	Low	High
Revenue	AU\$21,700,000	AU\$21,700,000
Revenue multiple	2.5	3.0
Enterprise value	AU\$54,250,000	AU\$65,100,000

Source: PKF Corporate analysis

- 9.7.15 The assessed enterprise value of CDA assumes that a sufficient level of working capital is available to CDA and, as such, we have not considered any adjustment for working capital deficiencies for the purpose of our calculations. The assessed enterprise value of CDA must be adjusted for non-operating assets/liabilities and net cash/debt in order to arrive at the equity value of CDA. We have set out in the table below our assessment of the equity value of CDA.

Table 22

CDA Health Pty Ltd		
Equity value	Low AU\$	High AU\$
Enterprise value	54,250,000	65,100,000
Cash and cash equivalents	2,078,620	2,078,620
Advisor fee payable in cash ¹	-	-
Equity value	56,328,620	67,178,620

Source: PKF Corporate analysis

¹ CDA have an unrecorded contingent amount payable to an advisor in cash and scrip in respect to the Proposed Transaction. We have not considered this amount in our valuation of CDA, however, we have instead considered it in our valuation of Cronos after the Proposed Transaction in Section 10 of this report.

- 9.7.16 Based on the comparable market transactions methodology, the value of CDA is in a range of say **AU\$56.33 million to AU\$67.18 million**.

9.8 Alternate acquirer

- 9.8.1 We are not aware of any alternative proposals or offers to acquire the CDA shares nor its assets and we can see no reason as to why an offer would be initiated at this time.

9.9 Conclusion

- 9.9.1 Under the comparable market transactions methodology, we have concluded that the value of CDA is in a range of AU\$56.33 million to AU\$67.18 million. In the current circumstances of CDA, we have only been able to utilise this methodology and, as such, we have concluded that the value of CDA is in a range of **AU\$56.33 million to AU\$67.18 million** on a control basis.

10. Valuation of Cronos after the Proposed Transaction

- 10.1 The value of Cronos after the Proposed Transaction will comprise of its value before the Proposed Transaction together with the value of CDA, the impact of the conversion of the loan from CGI, the cash consideration payable to the CDA shareholders and the consideration payable to an advisor of CDA in respect to the Proposed Transaction. In Section 7 of this report, we assessed the value of a Cronos share before the Proposed Transaction and on a control basis to be in a range of AU\$0.131 to AU\$0.163.
- 10.2 To estimate the minority value of a Cronos share after the Proposed Transaction, we have eliminated the premium for control. In Section 7.3 of this report, we selected a control premium in a range of 25.0% to 30.0% and the reciprocal minority discount is in a range of 20.0% to 23.1%. We have set out in the table below our assessment of the value of Cronos after the Proposed Transaction, on a minority basis.

Table 23

Cronos Australia Limited				
Valuation after the Proposed Transaction	section	formula	Low	High
Value of a Cronos share before the Proposed Transaction (control basis)	7.9	a	AU\$0.131	AU\$0.163
Total ordinary shares on issue before the Proposed Transaction	6.3.1	b	128,750,000	128,750,000
Total performance rights vested	6.3.3	c	60,000	60,000
Value of Cronos before the Proposed Transaction (control basis)		$d = a \times (b + c)$	AU\$16,874,110	AU\$20,996,030
Value of CDA	9.9	e	AU\$56,330,000	AU\$67,180,000
Cash Consideration payable to the Vendor Shareholders ¹	2.2	f	AU\$(5,000,000)	-
Advisor fee payable in cash		g	AU\$(750,000)	AU\$(750,000)
CGI Debt Conversion	2.3	h	AU\$2,094,297	AU\$2,094,297
Adjusted value of Cronos after the Proposed Transaction (control basis)		$i = d + e + f + g + h$	AU\$69,548,407	AU\$89,520,327
Control premium elimination to obtain minority value	7.3.10	j	23.1%	20.0%
Value of Cronos after the Proposed Transaction (minority basis)		$k = i \times (1 - j)$	AU\$53,482,725	AU\$71,616,262
Scrip Consideration payable to the Vendor Shareholders ¹		l	403,552,399	439,784,283
CGI Debt Conversion (share issue)	2.3	m	15,176,065	15,176,065
Advisor fee payable in scrip	2.4	n	1,086,957	1,086,957
Total ordinary shares on issue in Cronos after the Proposed Transaction		$o = b + c + l + m + n$	548,625,421	584,857,305
Value of a Cronos share after the Proposed Transaction (control basis)		$p = k / o$	AU\$0.097	AU\$0.122

¹ based on maximum Cash Consideration being taken up by the CDA Shareholders in the low scenario and no Cash Consideration being taken up by CDA Shareholders in the high scenario

- 10.3 In our opinion, after completion of the Proposed Transaction the value of a Cronos ordinary share will be in a range of say **AU\$0.097 to AU\$0.122 per share, with a mid-point of AU\$0.110 per share, on a minority basis.**

11. Assessment as to Fairness

- 11.1 The Proposed Transaction is 'fair' if the value of the minority shares held by the Non-Associated Shareholders' in Cronos after the Proposed Transaction is equal to or greater than the control value of the shares in Cronos before the Proposed Transaction.
- 11.2 In Section 7 of this report, we assessed the value of a Cronos ordinary share on a control basis before the Proposed Transaction to be in a range of AU\$0.131 to AU\$0.163 per share, with a mid-point of AU\$0.147 per share.
- 11.3 In Section 10 of this report, we assessed the value of a Cronos ordinary share on a minority basis after the Proposed Transaction to be in a range of AU\$0.097 to AU\$0.122 per share, with a mid-point of AU\$0.110 per share.
- 11.4 As the minority value range mid-point (AU\$0.110 per share) of a Cronos ordinary share after the Proposed Transaction is less than the control value range mid-point (AU\$0.147 per share) of a Cronos share before the Proposed Transaction, we have concluded that the Proposed Transaction is **not fair**.

12. Assessment as to Reasonableness

- 12.1 Prior to deciding whether to approve or reject the Proposed Transaction, the shareholders of Cronos should also consider the following significant factors:
 - In Section 11 of this report, we assessed the Proposed Transaction as being not fair.
 - If Shareholders approve the Proposed Transaction and assuming no Cash Consideration is taken up, the Directors of CDA and their associates may control up to 59.80% of Cronos' voting power and the CDA Shareholders may collectively control up to 75.20% of Cronos' voting power (refer to Table 2 of this report). As a result, the combined shareholding of the Non-Associated Shareholders may be diluted from 100.00% to 24.61% and they will have reduced ability to influence the operating, financing and strategic decision of Cronos. If the CDA Shareholders take up the maximum Cash Consideration and if the Directors of CDA and their associates only receive the Scrip Consideration, the CDA Directors' voting power will each increase beyond 25% (refer to Table 2 of this report) and they may have the capacity to block the passing of a special resolution.
 - The issue price of the Cronos ordinary shares subject to the Cash Consideration and Debt Conversion as part of the Proposed Transaction (AU\$0.138 per Cronos share) is at a 31.4% premium to the closing share price of a Cronos share on 13 September 2021.
 - The Proposed Transaction is likely to result in Cronos having a higher market capitalisation which may lead to greater market awareness as well as investment analyst and broker coverage and, as such, this may improve the Company's ability to raise funds in the future, attract strategic investors and provide greater liquidity of the market in Cronos' shares.
 - The acquisition of CDA may be earnings accretive and although CDA is effectively a scale-up business it has demonstrated an ability to generate revenues and more recently positive earnings (refer to Sections 8.5 and 8.6 of this report). Accordingly, the shareholders of Cronos will be exposed to a business that has operating medicinal cannabis clinics and that distributes medicinal cannabis products which generate larger revenues when compared to the current operations of Cronos.

- Approval of the Proposed Transaction will allow Cronos to affect the Debt Conversion and repay loans to CGI, its major shareholder, through the issue of shares and without using cash from working capital or external funding. Approval of the Proposed Transaction will also see CGI's President and CEO taking a position on Cronos' board and, as such, this may strengthen the support from CGI. If shareholders do not approve the Proposed Transaction, the loan provided by CGI may be required to be satisfied using existing cash resources and may require Cronos to seek additional capital to advance its business operations which may be on substantially unfavourable terms or be highly dilutive to shareholders and may require extensive management focus and expense to secure.
- The acquisition of CDA will provide Cronos with key personnel who have the relevant market expertise and have successfully established an Australian medicinal cannabis business. Although we have not considered any speculative upside in our valuation of Cronos post completion of the Proposed Transaction, we recognise that investors may place speculative value on the combined business of Cronos and CDA upon successful integration by achieving synergy benefits and cost savings. The Proposed Transaction may see the emergence of Cronos as a leading Australian medicinal cannabis company and improve the ability to compete in a global market. This may be attractive to investors who have an appetite for speculative gains and may result in greater coverage by analysts, resulting in greater liquidity of the market in Cronos' shares.
- The Directors of Cronos have sought external advice and performed due diligence regarding CDA, in particular its strategic fit, which they have subsequently approved.
- The Cash Consideration of the Proposed Transaction is AU\$5 million and, as such, if the CDA Shareholders opt for the maximum Cash Consideration and if the Proposed Transaction is approved Cronos will be left with cash resources of approximately AU\$5.5 million to advance its business operations and that of CDA. Further, Cronos will also have access to the CDA cash resources of approximately AU\$2.0 million as well as future operating cash flows generated by CDA which can be utilised by Cronos.
- Following the announcement of the Proposed Transaction on the ASX on 14 September 2021, we observed that the Cronos shares have traded higher on greater volume and more recently traded at a high of AU\$0.195. On 14 September 2021, the Cronos share price closed at AU\$0.130 and this represents a premium of 13.0% to the mid point of the assessed value of a Cronos share before the Proposed Transaction on a minority value (AU\$0.115). Accordingly, there is evidence that the share market has viewed the Proposed Transaction as favourable for the Cronos shareholders.
- If shareholders do not approve the Proposed Transaction, Cronos' proposition will be limited to its existing medicinal cannabis products. Cronos may also have to identify and pursue new complementary acquisition targets which may require extensive management focus and expense to secure in order to provide shareholders with a new value proposition.
- The manner in which the change to the scale of Cronos' activities is being achieved may not be consistent with the investment, financial, taxation or other objectives of all shareholders.

12.2 Based on the above, we consider that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction, and for this reason, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Cronos.

13. **Assessment as to Fairness and Reasonableness**

After considering the above matters, we have concluded that the Proposed Transaction is **not fair but is reasonable to the Non-Associated Shareholders**.

14. Related Party – Financial Benefits

- 14.1 The Directors of Cronos have determined to seek shareholder approval to the issue of shares under Resolution 1 pursuant to Chapter 2E of the Act. The reason for seeking Chapter 2E approval is that Guy Headley and Dr Ben Jansen are proposed to be appointed Directors of Cronos and they are, or their associates are, the Major CDA Shareholders, and therefore are deemed to be related parties. Accordingly, we have prepared an assessment of the value of the financial benefits to be received by Guy Headley and Dr Ben Jansen and their associates as if the arm's length exemption set out in Chapter 2E was not applicable.
- 14.2 Section 229(1)(c) of the Act states that in determining whether a financial benefit is given, the consideration that is given for the benefit (in this case the shares in Cronos), is to be disregarded. This means that the benefit given is equal to the value of the consideration paid, without taking into account the value of the CDA shares given in return.
- 14.3 It should be noted that the CDA shareholders are entitled to receive between them up to AU\$5.0 million in cash in lieu of Cronos shares. The assessment of the financial benefit set out below has been prepared on the assumption that both Guy Headley and Dr Ben Jansen and his associate will receive their consideration solely in Cronos shares.
- 14.4 Set out below is our estimate of the financial benefit to be received by Guy Headley and Dr Ben Jansen:

Table 24

Cronos Australia Limited				
Valuation of Financial Benefit	table	formula	Low	High
Adjusted value of Cronos after the Proposed Transaction (control basis)	23	a	AU\$69,548,407	AU\$89,520,327
Total ordinary shares on issue in Cronos after the Proposed Transaction	23	b	548,625,421	584,857,305
Value of a Cronos share after the Proposed Transaction (control basis)		c = a / b	AU\$0.127	AU\$0.153
Guy Headley				
No of Cronos shares to be received	2	d	141,299,867	141,299,867
Value of Financial Benefit		e = c x d	AU\$17,912,368	AU\$21,627,857
Dr Ben Jansen				
No of Cronos shares to be received by:				
Elizabeth Sarah Jansen	2	f	144,745,252	144,745,252
Value of Financial Benefit		g = f x c	AU\$18,349,135	AU\$22,155,220

- 14.5 As can be seen from the above table, Guy Headley will receive Cronos shares with a value in a range of AU\$17,912,368 to AU\$21,627,857 and Dr Ben Jansen and his associate will receive Cronos shares with a value in a range of AU\$18,349,135 to AU\$22,155,220. It should be noted that the share values quoted above include a control premium as each of Guy Headley and Dr Ben Jansen and his associates will control in excess of 20% of the voting power in Cronos.

15. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

15.1 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

15.2 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("**Entity**"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

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

15.3 General Financial Product Advice

In the report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

15.4 Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom, Mr Steven Perri nor Mr Stefan Galbo have any interest in the outcome of the Proposed Transaction, nor any relationship with Cronos, CDA and associated entities or any of their directors.

Drafts of this report were provided to and discussed with the management of Cronos and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with Cronos that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

PKF Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

15.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately AU\$60,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

15.6 Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at level 12, 440 Collins Street, Melbourne Vic 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



Paul Lom
Director



Steven Perri
Director

Cronos Resources Limited

Sources of Information

The key documents we have relied upon in preparing this report are:

- Cronos' Annual Reports – 30 June 2020 and 30 June 2021;
- CDA's Audited Financial Reports – 30 June 2020 and 30 June 2021;
- CDA's management financial statements for the quarter ended June 2021;
- CDA's Crowd Funding Offer document;
- Cronos' draft resolution relating to the Proposed Transaction for the purpose of the Notice of General Meeting and Explanatory Memorandum;
- Research data from publicly accessible web sites in particular Cronos' ASX announcements; and
- Discussions with the management of Cronos and CDA.

Cronos Australia Limited**Declarations, Qualifications and Consents****1. Declarations**

This report has been prepared at the request of the Directors of Cronos Australia Limited pursuant to Section 606 and Chapter 2E of the Corporations Act 2001 to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Paul Lom, director of PKF Corporate, and Mr Stefan Galbo, prepared this report. They have been responsible for the preparation of expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist). He has been responsible for the preparation of valuation reports relating to shares, businesses, options and performance rights and intellectual property for the purpose of acquisitions, divestments, litigation, taxation and capital reconstruction.

Mr Steven Perri, a director of PKF Corporate reviewed this report. Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

3. Consent

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

12 Proxy Form

Proxy Form **attached**.

LODGE YOUR VOTE

	ONLINE www.linkmarketservices.com.au
	BY MAIL Cronos Australia 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 Level 12, 680 George Street, Sydney NSW 2000
	ALL ENQUIRIES TO Telephone: 1300 554 474 Overseas: +61 1300 554 474

LODGE 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 **3:30pm (AEDT) on Monday, 13 December 2021**, 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).

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 Resolutions are 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 virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

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 Cronos Australia Limited and entitled to attend and vote hereby appoint:

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 and email of the person or body corporate you are appointing as your proxy

Name

Email

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 **3:30pm (AEDT) on Wednesday, 15 December 2021** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://meetings.linkgroup.com/CAU21> (refer to details in the Virtual Meeting Online Guide).

Important for Resolutions A, 1, 8, 9, 10, 11, 12 and 16: 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 A, 1, 8, 9, 10, 11, 12 and 16, 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.

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*
A ADOPTION OF REMUNERATION REPORT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO GUY ROTHWELL HEADLEY	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B RE-ELECTION OF DIRECTOR – SHANE FRANCIS TANNER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO BENJAMIN DAVID NGAHUIA JANSEN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C APPOINTMENT OF AUDITOR – PILOT PARTNERS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO RODNEY DAMON COCKS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1 APPROVAL OF ACQUISITION OF MAXIMUM VOTING POWER BY MAJOR CDA ACQUIRERS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO SHANE FRANCIS TANNER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 APPROVAL OF THE ISSUE OF SHARES TO THE CDA SHAREHOLDERS UNDER THE MERGER IMPLEMENTATION AGREEMENT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO JESSIMINE CHARLES KIRITEA JANSEN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 APPROVAL OF THE ISSUE OF SHARES UNDER THE LOAN CONVERSION DEED	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 APPROVAL OF ISSUE OF SECURITIES UNDER THE EQUITY INCENTIVE PLAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 ELECTION OF DIRECTOR – GUY ROTHWELL HEADLEY	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14 AMENDMENT TO CONSTITUTION – BOARD MEETING QUORUM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 ELECTION OF DIRECTOR – DR BENJAMIN DAVID NGAHUIA JANSEN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15 AMENDMENT TO CONSTITUTION – CASTING VOTE OF CHAIR AT BOARD MEETINGS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 ELECTION OF DIRECTOR – DR MARCIA ANI MATEKINO WALKER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	16 APPROVAL OF POTENTIAL TERMINATION BENEFITS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 ELECTION OF DIRECTOR – KURT THOMAS SCHMIDT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	17 APPROVAL OF ADDITIONAL 10% ISSUANCE CAPACITY	<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 poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

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).

CAU PRX2101N

Annexure A

Notice of nomination of proposed auditor

See over the page.

11 November 2021

The Directors
Cronos Australia Limited
P.O. Box 6168
South Yarra VIC 3141

Dear Directors

Nomination of Auditor

NewSouthern Investment Holdings 1 Pty. Ltd. ACN 603 415 336 (**NewSouthern**) is a shareholder of Cronos Australia Limited ACN 629 071 594 (**Company**).

Pursuant to section 328B(1) of the *Corporations Act 2001* (Cth), NewSouthern hereby nominates Pilot Partners of Level 10, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 to be appointed as the auditor of the Company.

Executed by NewSouthern Investment Holdings 1 Pty. Ltd. ACN 603 415 336 in accordance with section 127(1) of the *Corporations Act 2001* (Cth):

A handwritten signature in black ink, appearing to be 'Rodney D. Cocks', written over a horizontal line.

Rodney D. Cocks
Sole Director and Sole Company Secretary

Annexure B
Consent to act of proposed auditor

See over the page.



PILOT PARTNERS

Chartered Accountants

Level 10, Waterfront Place
1 Eagle St. Brisbane 4000

PO Box 7095 Brisbane 4001
Queensland Australia

P +61 7 3023 1300

pilotpartners.com.au

REF:CK:je

19 October 2021

Tom Howitt
Cronos Australia Limited
Suite 8, Level 3, 299 Toorak Road
South Yarra VIC 3141

Dear Tom

CRONOS AUSTRALIA LIMITED CONSENT TO ACT AS AUDITOR

In accordance with section 328A of the *Corporations Act 2001* we hereby consent to act as the auditor of Cronos Australia Limited subject to ASIC consent to the resignation of the incumbent auditor.

I look forward to working with you in the future.

Should you require any further information at this point please do not hesitate to contact us.

Yours faithfully

**PILOT PARTNERS
CHARTERED ACCOUNTANTS**

**CHRIS KING
REGISTERED COMPANY AUDITOR**