
MMJ GROUP HOLDINGS LTD

ACN 601 236 417

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 2:00pm (AEST)

DATE: Friday, 19 July 2019

PLACE: The office of the Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000

The business of the Meeting affects your shareholding and your vote is important.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm (AEST) on Wednesday, 17 July 2019.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL TO ENTER INTO MANAGEMENT AGREEMENT

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

"That, for all purposes, approval is given for the Company to engage Embark Ventures under the terms of the Management Agreement on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Embark Ventures Inc. (or its nominee) or any of its associates (**Resolution 1 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 1 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

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

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – ISSUE OF PERFORMANCE RIGHTS TO EMBARK VENTURES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 12,000,000 Performance Rights to Embark Ventures Inc. (or its nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Embark Ventures Inc. or any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

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

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (iii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated: 11 June 2019

By order of the Board

Jim Hallam
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

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

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- 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 the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 2 8098 0819.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – APPROVAL TO ENTER INTO MANAGEMENT AGREEMENT

As announced on 7 June 2019, the Company has agreed, subject to Shareholder approval to appoint Embark Ventures Inc. (**Embark**) as the Company's investment manager on the terms of a management agreement (**Management Agreement**). The commencement date under the Management Agreement is conditional upon the receipt of Shareholder approval (**Management Agreement**).

Under the Management Agreement Embark will provide services including the identification, transacting and review of possible investment opportunities. This role was previously performed by Mr Jason Conroy, who resigned as CEO of the Company on 4 February 2019. The Company has since been seeking a suitable replacement for Mr Conroy. The Company believes that the appointment of Embark will meet this requirement.

As the time the Company completed its re-compliance in November 2018 the Company did not require the services of Embark or any third party investment manager as the services were being provided by Mr Conroy and the Board.

Michael Curtis, a Director of the Company, currently holds a 20% interest in Embark and the Company also has the right to subscribe for a 6.8% interest in Embark (for nominal consideration).

1.1 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:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) 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.

Whilst the Company does not consider that Embark is a Related Party of the Company (as Michael Curtis does not have a controlling interest in Embark), Michael Curtis will receive an indirect financial benefit as a result of Embark entering and receiving remuneration under the Management Agreement by virtue of his 20% interest in Embark.

The Directors (other than Michael Curtis who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Management Agreement and engagement of Embark because Management Agreement was negotiated on an arm's length basis and is considered to be reasonable remuneration in the circumstances.

In negotiating the appointment of an investment manager, the Company confirms that it entered a tender style process with a number of parties in relation to the role. The terms ultimately agreed with Embark under the Management Agreement were materially superior (in the Company's favour) to the terms that were proposed by other third party managers. Accordingly, the terms agreed between the Company and Embark were considered reasonable on the basis that they were materially lower in cost and materially less onerous on the Company in comparison to other terms proposed during the tender process.

1.2 Approval under ASX discretion

Despite the Company not requiring Shareholder approval in accordance with the Corporation Act, ASX have exercised its discretion to require the Company to seek approval of the terms of the Management Agreement as a condition to commencement of Embark's appointment.

Accordingly, the Company is seeking Shareholder approval under Resolution 1 to appoint Embark in accordance with the terms of the Management Agreement.

For the purposes of this approval the material terms of the Management Agreement (in accordance with ASX Guidance Note 26, section 8.1) are set out in Schedule 1 of this Notice.

2. RESOLUTION 2 – ISSUE OF PERFORMANCE RIGHTS TO EMBARK VENTURES

As part of the consideration for Embark's services under the Management Agreement, the Company has agreed, subject to Shareholder approval, to issue to Embark (or its nominee) 12,000,000 performance rights on the terms and conditions as at Schedule 3 (**Performance Rights**).

Michael Curtis, a Director of the Company, currently holds a 20% interest in Embark and the Company also has the right to subscribe for a 6.8% interest in Embark Ventures (for nominal consideration). Mr Curtis is Managing Partner of Embark. His primary role is to scout for potential investments which are unavailable via traditional sources such as investment banks and private placements. Furthermore, Mr Curtis is also responsible for providing advice to Mr Mohan Nair relating to specific technical and commercial practices within the cannabis industry. Mr Nair is the Chief Investment Partner at Embark and is independently empowered and ultimately responsible for all formal recommendations given to the Company's Board. Recommendations will be presented in formal investment recommendation letters under the Embark letterhead.

Notwithstanding the fact that Embark is technically not a 'Related Party' (as defined in the Corporations Act and ASX Listing Rules), as a result of these relationships, ASX has advised the Company that ASX Listing Rule 10.11.2 applies to the proposed issue of Performance Rights to Embark (or its nominee).

Accordingly, Resolution 1 seeks Shareholder approval for the issue of the Performance Rights to Embark (or its nominee).

2.1 Chapter 2E of the Corporations Act

As set out in Section 1.1 of this Notice 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:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) 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.

Whilst the Company does not consider that Embark is a Related Party of the Company (as Michael Curtis does not have a controlling interest in Embark), Michael Curtis will receive an indirect financial benefit as a result of Embark being issued Performance Rights by virtue of his 20% interest in Embark.

The Directors (other than Michael Curtis who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Performance Rights because the agreement to issue the Performance Rights, reached as part of the consideration payable to Embark, was negotiated on an arm's length basis and is considered to be reasonable remuneration in the circumstances.

As per the disclosure in Section 1.1 of this Notice, the remuneration terms agreed between the Company and Embark including the Performance Rights, are considered reasonable on the basis that the terms were materially lower in cost and materially less onerous on the Company in comparison to other terms proposed during the tender process.

2.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As ASX has advised that the issue of the Performance Rights involves the issue of securities to a person whose relationship with the entity is, in ASX's opinion, such that approval should be obtained, Shareholder approval pursuant to ASX Listing Rule 10.11 is required.

2.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 1:

- (a) the Performance Rights will be issued to Embark (or its nominee);
- (b) the maximum number of Performance Rights to be issued is 12,000,000;
- (c) the Performance Rights will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Performance Rights will occur on the same date;
- (d) the Performance Rights will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Performance Rights are set out in Schedule 3.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Performance Rights as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Performance Rights to Embark (or its nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means MMJ Group Holdings Ltd (ACN 601 236 417).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Embark Ventures means Embark Ventures Inc, an entity incorporated under the laws of Canada.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Management Agreement has the meaning as at Section 1 of the Explanatory Statement.

Net Asset Value means the total assets of the Company less all liabilities (including tax liabilities) which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Performance Rights means 12,000,000 performance rights issued to Embark on the terms and conditions in Schedule 3 by the Company as part consideration for the provision of investment management services.

Proxy Form means the proxy form accompanying the Notice.

Related Party carries the meaning as set out in section 228 of the *Corporations Act 2001* (Cth).

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

VWAP means Volume Weighted Average.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – SUMMARY OF MANAGEMENT AGREEMENT

- (a) **(Conditions):** The commencement of the Management Agreement is conditional on the Company receiving Shareholder approval to:
- (i) appoint Embark in accordance with the terms and conditions of the Management Agreement (the Subject of Resolution 1); and
 - (ii) issue the Performance Rights (the subject of Resolution 2),
- (b) **(Services):** Embark will provide the Company with the following services:
- (i) provision of reports to the Board detailing progress or findings on due diligence conducted, to ensure any proposed transaction fits within the cannabis sector and otherwise aligns with the Company's approved investment policy (as included at Schedule 2) **(Investment Policy)**;
 - (ii) provision of monthly, six monthly and yearly reports to the Board;
 - (iii) reviewing the Company's investment portfolio **(Portfolio)** to ensure all investments are operating in compliance with all applicable laws and providing reports to the Board;
 - (iv) provision of access to Embark's key professional persons and assistance with deal sourcing within the cannabis sector;
 - (v) reviewing the Company's existing Portfolio to ensure all investments are operating in full compliance with all applicable laws;
 - (vi) regularly reviewing and conferring at regular intervals with the Company regarding the Portfolio; and
 - (vii) maintaining proper books of accounts for the Portfolio and recording transactions by Embark to assist the Company in the preparation of reports required under the applicable law.
- (c) **(Term):** The appointment of Embark shall be for an initial term of three (3) years commencing on the date Shareholder approval is obtained by the Company **(Term)**.
- The Company has an experienced Board and, unless the Term is varied by the parties, the Board will manage the assets and Portfolio of the Company upon the expiry of the Term (or earlier termination), as it has done since Mr Conroy's resignation.
- (d) **(Extension):** There is no right of extension or renewal. Unless the Term is varied by the parties, the Management Agreement will end on expiry of the Term (if not terminated earlier).
- (e) **(Exclusivity):** Embark will provide the services to the Company on an exclusive basis during the Term. Embark may not assign their obligations without the consent of the Company, however, Embark is not precluded from providing services to another entity.
- (f) **(Consideration):** The Company must pay to Embark annual fees in an amount equal to;

- (i) 0.50% per annum of the book value of the Company's investments as at 1 June 2019; and
- (ii) 1.5% per annum of the book value of the Company's investments that are added after 1 June 2019,

(together, **Management Fees**).

The Management Fees are capped annually at 1.0% per annum of the Company's year-end Net Asset Value.

Subject to Shareholder approval, up to 50% of any Management Fees may be satisfied by the issuance of Shares based on a 20-trading day VWAP for the Shares at the end of the last trading day of the applicable calendar quarter, at the Company's option.

Examples of the possible Management Fee payable (and the potential split between Shares and cash) are shown in the table below:

	Example Added Book Value					
	\$1m increase in Book Value		\$5m increase in Book Value		\$10m increase in Book Value	
0.5% of the book value as at 1 June 2019^{1,2}	\$344,076		\$344,076		\$344,076	
1% of the Example Added Book Value²	\$10,000		\$50,000		\$100,000	
Total Management Fee^{1,2,3,5}	\$354,076		\$394,076		\$444,076	
Percentage to be issued by Shares	Shares⁴	Cash	Shares⁴	Cash	Shares⁴	Cash
0% Shares/100% Cash	Nil	\$354,076	Nil	\$394,076	Nil	\$444,076
25% Shares/75% Cash	384,865	\$265,557	428,343	\$295,557	482,691	\$333,057
50% Shares/50% Cash	769,730	\$177,038	856,687	\$197,038	965,383	\$222,038

Notes:

- The total book value as at 1 June 2019 was \$68,815,233.
- The Management Fee is payable each quarter, however for the purposes of the table a total annual figure has been used.
- Being the total of the book value as at 1 June 2019 and the respective example increase.
- Assuming a 20-trading day VWAP of \$0.23.
- The Management Fee is capped at 1% per annum of the year-end Net Asset Value. Based on a Net Asset Value of \$87,176,130 as at 1 June 2019, the Management Fee would be capped at \$871,761. This cap has not been incorporated into the above table.

Subject to receipt of Shareholder approval (the subject of Resolution 2), the Company will also issue Embark 12,000,000 performance rights on the terms and conditions noted at Schedule 3.

The Management Fee is not subject to review or amendment, other than in accordance with the method described at section (i) below.

- (g) **(Expenses)**: The Company agrees to reimburse Embark on request of all costs and out-of-pocket expenses incurred by Embark in connection with its performance of the services.

- (h) **(Termination)**:

Either party may terminate the Management Agreement by providing 3 months' written notice.

Either party may immediately terminate the Management Agreement at any time by notice to the other party if:

- (i) a receiver, receiver and manager, administrator or similar person is appointed with respect to the assets and undertaking of the other party;
- (ii) the other party goes into liquidation;
- (iii) the other party materially breaches any provision of the Management Agreement and fails to correct such breach or failure within 30 business days of receiving notice of the breach or failure; or
- (iv) any representation or warranty made proves to be materially incorrect, untrue or misleading in any and the party at fault fails to rectify the default or breach 15 days after being notified of the default or breach.

The Company may immediately terminate the Management Agreement at any time by notice to Embark if any key professional person or Michael Curtis leaves the employ of Embark's corporate group without the Company's consent.

- (i) **(Variation)**: The Management Agreement may only be varied or replaced by a document executed by the parties, all material variations will be subject to approval of the Shareholders as required by the ASX Listing Rules.

- (j) **(Powers and discretions)** For the purpose of carrying out its functions and obligations under the Management Agreement, Embark is subject to the limitations imposed by the Management Agreement and the investment strategy (as at Schedule 1), including:

- (i) Embark must not knowingly do anything or omit to do anything prohibited by an applicable law to the extent that it concerns the functions and obligations of Embark under the Management Agreement;
- (ii) Embark must not without the prior consent of the Company (and after having provided all information which the Company requires):
 - (A) commit the Company to invest in any new investment in the Portfolio or sell, dispose or encumber any investment in the Portfolio (other than in accordance with any delegation of authority by the Company or in any urgent situation);
 - (B) borrow cash or scrip on behalf of the Company except to cover the settlement of a transaction as permitted by the applicable law; or

- (C) invest in or lend to Embark or any associate of Embark any money or scrip forming part of the Portfolio, or invest in any interest in or arising out of any policy of insurance managed by Embark.
- (k) **(Common investment of funds):** Subject to obtaining prior Board approval, Embark may invest the Portfolio in investments managed by Embark on behalf of other persons.
- (l) **(Scope of engagement):** For the avoidance of doubt, neither Embark nor its affiliates shall be restricted from making investments or commercial arrangements, that do not involve the Company, in respect of:
 - (i) material ownership (i.e. greater than 20%) in any marijuana licenses offered by states, municipalities or federal governments for the purpose of cultivation, processing, extraction, testing, wholesaling and distribution;
 - (ii) an opportunity requiring an investment equal to the greater of 5% of the Company's net tangible assets from time to time and US\$5.0 million;
 - (iii) an opportunity proposed by Embark to the Company, which the Company fails to approve within a 30-day period of receiving a report on such opportunity from Embark;
 - (iv) an opportunity relating to nutraceutical assets or brands which do not contain cannabis or any cannabis derivative (such as hemp, cannabidiol or terpenes); and
 - (v) investments which are not affiliated with the cannabis sector.
- (m) **(Confidentiality):** Embark will not directly or indirectly disclose to any other person, any information that may be acquired by it under the Management Agreement and must keep all such information confidential (except where required by law, where necessary for the performance of its obligations under the Management Agreement or where the information is publicly available).
- (n) **(Embark's Obligations):** In connection with the provision of the services under the Management Agreement, Embark shall:
 - (i) disclose to the Company any monetary benefits, fees or commissions, received by Embark or by an associate or any related body corporate in relation to the Portfolio and account to the Company for any benefits, fees or commissions received;
 - (ii) obtain the prior written approval of the Company before taking on any advisory role (or any role that would result in Embark or any of its officers, directors or employees being paid a fee) with any entity in which the Company has made an investment;
 - (iii) have in place adequate and appropriate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by Embark under this Agreement; and
 - (iv) subject to applicable tax and securities law compliance, promptly remit or transfer, as applicable, to the Company any fees or compensation securities received by Embark as remuneration for representing the Company on Portfolio company boards.

- (o) **(Ancillary Services):** Embark warrants that it is not (and will not during the Term) become a party to any agreement under which it is, or may, become entitled to a commission, discount, allowance, rebate, brokerage or any other fee arising from, or in connection with, the investment, sale or purchase of any of the assets in the Portfolio that is not in the ordinary course of business, not on arm's length terms and not disclosed in full to the Company.
- (p) **(Insurance):** Embark will take out at its own expense (during the Term and for a period of 7 years after the termination of the Management Agreement), professional indemnity insurance covering such risks and for such amounts as would be maintained in accordance with prudent business practice having regard to its obligations under the Management Agreement.
- (q) **(Indemnity):** The Company will indemnify Embark against any loss or liability arising out of any wilful breach of any obligation by, or the negligence, fraud or dishonesty of, the Company. Except in the case of negligence, wilful default, fraud or dishonesty, neither party will on any account be under any liability to the other by reason of it not having;
 - (i) realised any specific price or reserve for any investment or property disposed of;
 - (ii) acquired any investment at a particular price regarding the Portfolio;
 - (iii) made or not made any investment decision; or
 - (iv) taken or not taken any action in respect of managing the Portfolio.

In addition to the Management Agreement, Embark is currently formulating a manual outlining its compliance policies and procedures. Embark is also seeking a compliance officer to handle compliance responsibilities on a daily basis (until that time Mr Mohan Nair will handle these tasks).

At present, Embark has implemented the following policies to address conflicts until the policy and procedures manual is complete:

- (a) the creation and maintenance of a restricted trading list applicable for all employees of Embark;
- (b) a requirement that all employees of Embark disclose their personal investments (both public and private) and send their monthly statements to the compliance officer;
- (c) all employees are required to provide clear disclosure on benefits and commercial relationships when presenting potential investment ideas to the Chief Investment Partner of Embark;
- (d) investment recommendation letters sent to the Company's Board must clearly outline any actual or perceived conflicts of interest Embark employees or related parties may have;
- (e) with respect to investment opportunities and advice, Embark will provide preference to clients', before participating for its own account (if at all); and
- (f) with respect to investment opportunities and advice, Embark will also provide equal preference to all clients (assuming similar suitability).

Further to this policy, if the Company seeks to acquire assets from, or dispose of assets to, Embark or an associate of the Embark, the Company will, if applicable in the circumstances, seek Shareholder approval in accordance with ASX Listing Rule 10.1.

SCHEDULE 2 – INVESTMENT POLICY

The Company has developed an investment policy which details portfolio constraints which must be satisfied at the date that the Company enters documentation obliging it to acquire an individual investment. This policy is subject to periodic review by the Board of the Company time to time, to reflect market conditions, risk profiles, investment opportunities and the size of the Company.

1. Investment Policy

- (a) **(Investment Objective):** The investment objective of the Company is to realise positive returns on its investments regardless of the underlying movement in value of the investment markets and generate strong risk adjusted returns for shareholders over the medium to long term, whether by way of capital growth and or regular income from interest, dividends, fees or profit from realisation on asset sales. Specifically, the Company aims to invest \$0.5 million to \$5 million per new investment opportunity.
- (b) **(Definition of Cannabis Assets):** Cannabis assets include a project, entity, or business involving emerging cannabis sector leaders in healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail.
- (c) **(Target Geographies):** Investments in jurisdictions such as Australia, Canada and the United States.
- (d) **(Percentage Ownership of a Cannabis Asset):** It is intended that the Company's principal activities will consist of making investments in listed or unlisted securities and derivatives in companies involved in the cannabis industry where the Company Board perceives there to be material upside potential. These investments will be passive or non-controlling, the Company's objectives and investment strategy will not include the exercise of control over these entities or the business of these entities.
- (e) **(Excluded Cannabis Assets):** Federally illegal jurisdictions such as the US.
- (f) **(Single Risk Limit):** None.
- (g) **(Size of Investments):** Investment size of between \$0.5m to \$5m.
- (h) **(Minimum and Maximum Number of Investments):** There will be no minimum or maximum number of investments in the Company's investment portfolio, however more or less may be held depending on the number of suitable investments identified that are expected to meet performance expectations.
- (i) **(Target Returns for Cannabis Assets):** Targeting 2-3x multiple on invested capital (MOIC) in 1-2 year time horizon.
- (j) **(Asset Leverage Guidelines):** None.
- (k) **(Investment Period Length):** 1-2 years.

2. Investment Paper

In respect of a proposed investment opportunity (either acquisition or divestment), Embark will prepare a paper for the Board of the Company

detailing progress or findings on due diligence conducted and Embark's recommendations. The primary objective of the paper is to:

- (a) satisfactorily outline the fundamental characteristics of the opportunity, scope and size of transaction;
- (b) identify the rationale for pursuing the opportunity including estimated returns and transaction size criteria;
- (c) consider the potential exit strategies in respect of the investment;
- (d) provide details of any related party considerations;
- (e) provide details of due diligence undertaken;
- (f) project investment returns before applicable of Australian taxation but after deducting any local taxation;
- (g) identify material risks of the business;
- (h) confirm compliance with the investment strategy;
- (i) summarise the nature of the investment (eg type of security acquired by the Company and the currency to be denominated); and
- (j) obtain approval from the Board to invest.

SCHEDULE 3 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

(a) **Milestones:**

Subject to receipt of Company shareholder approval, the Company will issue Embark 12,000,000 performance rights (**Performance Rights**), as soon as practicable after the date Shareholder approval is received, on the following terms:

- (i) Subject to applicable tax and securities law compliance, the Performance Rights shall vest and be convertible by Embark in accordance with the mechanics set out below, on a one-for-one basis, into Shares in three (3) equal tranches of 4 million Shares (each, a **Tranche**) upon the Company achieving the following NAVS/SP Average hurdles, as follows:
 - (A) the first Tranche will vest upon achieving a NAVS/SP Average of at least \$0.4047, (being a premium of at least 35% to the NAVS/SP Average on 1 June 2019 of \$0.2998);
 - (B) the second Tranche will vest upon achieving a NAVS/SP Average of at least \$0.5096, (being a premium of at least 70% to the NAVS/SP Average on 1 June 2019 of \$0.2998); and
 - (C) the third Tranche will vest upon achieving a NAVS/SP Average of at least \$0.5995, (being a premium of at least 100% to the NAVS/SP Average on 1 June 2019 of \$0.2998),

(together, the **Milestones**).

For the purpose of the Milestones **NAVS/SP Average** is calculated as the simple average of the Net Asset Value per Share (**NAVS**) and the 20-trading day VWAP for Shares calculated at month end.

- (ii) In order to determine if the NAVS/SP Average performance hurdles have been achieved, both the month end NAVS will be determined (as at the close of business on the last calendar day of every calendar month) and the monthly VWAP of the Company's share price will be determined (as at the end close of trade on the last trading day of the calendar month). These two numbers will then be combined and divided by two to ascertain whether the hurdle has been achieved.
- (iii) Where a Performance Right vests as a result of achieving the NAVS/SP Average performance criteria outlined above, Embark will have 12 months to convert the Performance Right into Shares or the applicable Performance Right will lapse.
- (iv) The Performance Right shall have a period of 3 years to achieve the relevant NAVS/SP Average performance vesting hurdle from the date of issue and will lapse immediately if the hurdle is not achieved at the end of the 3-year term. The exception will be the first Tranche which will lapse immediately if the applicable hurdle is not achieved within 18 months after the date of issue.

(b) **Notification to holder:**

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

(c) **Vesting:**

The relevant Performance Rights shall vest on the later to occur of:

- (i) the date that the Milestone relating to that Performance Right has been satisfied; and
- (ii) the date that the holder gives a notice to the Company confirming that the holder would like the Performance Rights to vest.

(d) **Consideration:**

The Performance Rights will be issued nil consideration.

(e) **Conversion:**

Upon satisfaction of the relevant Performance Rights vesting, each Performance Right will, at the election of the holder, vest and convert into one Share.

(f) **Lapsing other than when Milestones are not satisfied**

Where Embark is no longer engaged by the Company as a consultant for whatever reason, any unvested Performance Rights held will automatically lapse.

(g) **Share ranking:**

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

(h) **Listing of Shares on ASX:**

The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.

(i) **Transfer of Performance Rights:**

A Performance Right is only transferable with the prior written consent of the board or by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

(j) **Participation in new issues:**

There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

(k) **Adjustment for bonus issue:**

If securities are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled, will be increased by that number of securities which the holder would have been entitled if the

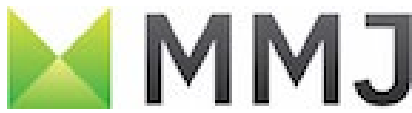
Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the bonus issue.

(l) **Adjustment for reconstruction:**

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right (including the Milestones) are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(m) **Dividend and Voting Rights:**

A Performance Right does not confer upon the holder an entitlement to vote or receive dividends.



MMJ Group Holdings Limited | ACN 601 236

GM Registration Card

If you are attending the meeting in person, please bring this with you for Securityholder registration.

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Vote by Proxy: MMJ

Your proxy voting instruction must be received by **2.00pm (AEST) on Wednesday 17th July 2019** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/lc>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your v



SUBMIT YOUR PROXY VOTE BY PAPER

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

YOUR NAME AND ADDRESS

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

VOTING UNDER STEP 1 - APPOINTING A PROXY

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. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

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

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

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

CORPORATE REPRESENTATIVES

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

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



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