

CRONOS

A U S T R A L I A

PROSPECTUS

Melbourne, Australia, 19 November 2021 – Cronos Australia Limited (ASX:CAU, “Cronos Australia” or the “Company”) is pleased to release its Prospectus for an offer of ordinary shares in the Company to shareholders of the Queensland-based medicinal cannabis company CDA Health Pty Ltd (“CDA Health”) in consideration for the sale of their CDA Health shares to the Company, as contemplated by the Merger Implementation Agreement that was executed by the Company and CDA Health and released on 14 September 2021.

The Prospectus has been lodged with the Australian Securities and Investments Commission and dispatched today to all CDA Health shareholders along with a Notice of Meeting in respect of a meeting of CDA Health shareholders to be held at **4.00pm** (Queensland time) on **Tuesday, 14 December 2021**.

**** 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.

Prospectus

Cronos Australia Limited

ABN 59 629 071 594

MERGER BETWEEN CRONOS AUSTRALIA LIMITED AND CDA HEALTH PTY LTD

For the offer of ordinary shares in Cronos Australia Limited
to CDA Health Pty Ltd shareholders under the Merger

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Important Notices

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This Prospectus is issued by Cronos Australia Limited ACN 629 071 594 (**Cronos Australia**).

Lodgement and quotation

This Prospectus is dated 19 November 2021 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. None of ASIC, ASX Limited (**ASX**) or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. Cronos Australia will apply to ASX for quotation of the Consideration Shares on ASX within 7 days of the Prospectus Date.

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**), and no securities will be issued on the basis of this Prospectus after the Expiry Date.

Continuously Quoted Securities

In preparing this Prospectus, regard has been had to the fact that Cronos Australia is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act. This Prospectus is intended to be read in conjunction with the publicly available information in relation to Cronos Australia which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

Foreign jurisdictions – restrictions on distribution

This Prospectus does not constitute an offer or invitation to subscribe for Consideration Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus. For further information see Section 3.15 entitled "Foreign selling restrictions".

No action has been taken to register or qualify this Prospectus, the Consideration Shares or the Offers or otherwise to permit a public offering of the new Shares in any jurisdiction outside Australia. In particular, the Consideration Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the US Securities Act), or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. This Prospectus may not be distributed in the United States or Canada unless it is attached to, or constitutes part of, an Offering Circular for distribution to institutional and professional investors in accordance with the laws of those jurisdictions.

Note to applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in Cronos Australia. In considering the prospects of Cronos Australia, you should consider the risks that could affect the financial performance or position of Cronos Australia. You should carefully consider these risks in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risks that should be considered by prospective investors are set out in Section 10. There may be risk

factors in addition to these that should be considered in the light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of Cronos Australia, the repayment of capital by Cronos Australia or the payment of a return on the Shares offered under this Prospectus.

No person is authorised to give any information or make any representation in connection with the Offers which is not contained in this Prospectus. You should rely only on information contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Cronos Australia or the Directors.

Obtaining a copy of this Prospectus

Eligible CDA Shareholders will receive a copy of this Prospectus together with an accompanying Acceptance and Election Form.

Statements of past performance

Past performance and pro forma financial information included in this Prospectus is given for illustrative purposes only and should not be relied upon as (and is not) an indication of Cronos Australia's views on its future financial performance or condition. Investors should note that past performance, including past Share price performance, of Cronos Australia cannot be relied upon as an indicator of (and provides no guidance as to) Cronos Australia's future performance including future Share price performance. The historical information included in this Prospectus is, or is based on, information that has previously been released to the market.

Investors should also be aware that certain financial data included in this Prospectus may be '*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 condition of Cronos Australia. The non-IFRS financial information does not have a standardised meaning 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 and ratios (if any) included in this Prospectus.

Financial information and forward looking statements

Certain statements in this Prospectus are about the future. These are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may" and other similar words that involve risks and uncertainties. There are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Cronos Australia to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such forward looking statements are not guarantees of future performance. Deviations as to future conduct, results, performance and achievements are both normal and to be expected. Cronos Australia cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

No cooling-off period

No cooling off rights apply to applications submitted under the Offers.

Disclaimer

The information contained in this Prospectus is not financial product advice. This Prospectus contains general information only, and does not take into account the individual investment objectives, financial situation or particular needs of any person.

Nothing in this Prospectus should be construed as a recommendation by Cronos Australia or any other person concerning an investment in Cronos Australia. You should read the entire Prospectus carefully and, in particular, in considering the prospects for Cronos Australia, you should consider the risk factors that could affect the financial performance of Cronos Australia. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues), and you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser in relation to the Offers and the transactions contemplated in this Prospectus.

Except as required by law, and only to the extent so required, neither Cronos Australia nor any other person warrants or guarantees the future performance of Cronos Australia, or any return on any investment made pursuant to this Prospectus.

Electronic Prospectus

This Prospectus may be viewed online at www.cronosaustralia.com. The website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus. Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Offers to which the electronic Prospectus relates is only available to persons receiving the electronic Prospectus in Australia. Persons having received a copy of this Prospectus in its electronic form in Australia may obtain a paper copy of the Prospectus (including any supplementary document and the Acceptance and Election Form) (free of charge) during the life of this Prospectus by contacting the Cronos Australia Limited Offer Information Line on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) from 8.30am to 5.30pm (Melbourne time), Monday to Friday (excluding public holidays).

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Cronos Australia. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Company website

Any references to documents included on Cronos Australia's website at www.cronosaustralia.com are for convenience only, and none of the documents or other information available on Cronos Australia's website are incorporated herein by reference.

Defined terms and time

Capitalised terms and abbreviations used in this Prospectus have the meanings given to them in the Glossary in Section 13. Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne, Australia time.

Financial amounts

Financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Investigating Accountant's Report

The provider of the Investigating Accountant's Report is required to provide Australian retail investors with a financial services guide in relation to its independent limited review under the Corporations

Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 9.

Privacy

By filling out the personalised Acceptance and Election Form, you are providing personal information to Cronos Australia through Cronos Australia's securities registry, Link Market Services Limited, which is contracted by Cronos Australia to manage applications. Cronos Australia, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. If you do not provide the information requested in the Acceptance and Election Form, Cronos Australia and the Share Registry may not be able to process or accept your application.

Your personal information may also be provided to Cronos Australia's members, agents and service providers on the basis that they deal with such information in accordance with Cronos Australia's privacy policy. The members, agents and service providers of Cronos Australia may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, Cronos Australia's issued securities and for associated actions.

The information contained in Cronos Australia's register of members must remain there even if that person ceases to be a Shareholder. Information contained in Cronos Australia's register of members is also used to facilitate dividend payments and corporate communications (including Cronos Australia's financial results, annual reports and other information that Cronos Australia may wish to communicate to its members) and compliance by Cronos Australia with legal and regulatory requirements. An Eligible CDA Shareholder who receives Consideration Shares has a right to gain access to the information that Cronos Australia and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to Cronos Australia's registered office or the Share Registry's office, details of which are disclosed in the corporate directory set out in Section 14.

Enquiries

Before making a decision about investing in the any of the Offers, you should seek advice from your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether it meets your objectives, financial situation and needs.

If you have misplaced your Acceptance and Election Form and would like a replacement form, please call the applicable number above.

Website

To view annual reports, shareholder and other information about Cronos Australia, announcements, background information on Cronos Australia's operations and historical information, visit Cronos Australia's website at www.cronosaustralia.com.

Cronos Australia Chairman's Letter

19 November 2021

Dear CDA Shareholder

On behalf of the Directors, I am pleased to invite you to become a Shareholder of Cronos Australia Limited ACN 629 071 594 (**Cronos Australia**).

Cronos Australia is a medicinal cannabis company that has agreed to acquire the entire share capital of CDA Health Pty Ltd ACN 632 054 230 (**CDA Health**) (**Merger**). Under the terms of a binding and conditional merger implementation agreement entered into by CDA Health and Cronos Australia on 14 September 2021 (**MIA**), Cronos Australia will issue up to 439,784,283 new shares to Eligible CDA Shareholders in consideration for the sale of all of the CDA Shares. Cronos Australia will also pay up to \$5,000,000 in cash in aggregate to the CDA Shareholders (which is to be deducted from the total consideration for the Merger), thereby reducing the number of Shares that will be issued.

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.

Upon Completion, current Cronos Australia Directors, Anna Burke AO, Daniel Abrahams, Michael Gorenstein and Jason Adler will leave the Board. CDA Health co-founders Guy Headley and Dr Ben Jansen will become executive Directors, while Dr Marcia Walker will become an independent non-executive Director. At that time, current Cronos Group Inc President and CEO, Kurt Schmidt, will also be appointed as a non-independent non-executive Director.

Guy Headley will also become the Cronos Australia's Chief Commercial Officer, Dr Ben Jansen will become the Chief Medical Officer and Jessimine 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.

Post-Completion, investors 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 CDA Shareholders. The most significant risks and potential disadvantages are summarised in Section 10.

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

Conclusion

As a result of the Merger, CDA Health will become a wholly-owned subsidiary of Cronos Australia and Eligible CDA Shareholders will become shareholders in Cronos Australia.

This Prospectus contains detailed information about the Merger, the financial position, operations, management team and future plans of Cronos Australia and the Combined Group. Section 10 includes a description of the key risks associated with an investment in Cronos Australia and this should be read in detail.

I encourage you to read the Prospectus carefully and consult with your professional advisers.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Shane F. Tanner', is positioned above the printed name and title.

Shane F. Tanner
Chairman
Cronos Australia Limited

CDA Health Director's Letter

Dear CDA Shareholder

On behalf of the board of directors of CDA Health, I am pleased to provide you with this Prospectus, which outlines details regarding the proposed merger of CDA Health and Cronos Australia. I encourage you to read this Prospectus carefully to understand how to participate in the Merger.

As announced on 14 September 2021, CDA Health entered into a merger implementation agreement with Cronos Australia under which Cronos Australia will acquire 100% of the issued share capital in CDA Health.

Under the Merger, you will receive a combination of Cronos Australia Shares, which are listed on ASX, and cash (subject to a maximum of \$5 million available in aggregate) in exchange for your CDA Shares. This Prospectus sets out details of the Cronos Australia Shares and how you will be able to elect whether to receive Cronos Australia Shares and/or cash (up to an aggregate maximum of \$5 million for all CDA Shareholders).

Following Completion, it is estimated that CDA Shareholders will collectively hold approximately 75.20% of the shares in Cronos Australia (if none of the \$5,000,000 cash is taken up) and 73.57% (if the full \$5,000,000 cash is taken up).

Upon Completion, CDA Health's current directors, Guy Headley and Dr Benjamin Jansen, together with Dr Marcia Walker, will be appointed as Directors of the Combined Group. In addition, Guy Headley will become Chief Commercial Officer, Dr Benjamin Jansen will become Chief Medical Officer and Jessimine Jansen will become Chief Operating Officer of the Combined Group.

The Merger brings together two highly complementary businesses, and the CDA Health board considers that joining forces with Cronos Australia has the potential to create a market leader in the Australian listed medicinal cannabis space.

Since it was founded in 2018, CDA Health has established a successful medicinal cannabis business with its exceptional team and supported by CDA Shareholders. We believe that the integration of the Cronos Australia and CDA Health businesses will enable the Combined Group to accelerate to the next level of growth, both in Australia and offshore.

The Merger is unanimously supported by the boards of Cronos Australia and CDA Health. The CDA Health co-founders, who in aggregate hold approximately 79.02% of the shares in the capital of CDA Health, have agreed to sell their shares under the Merger.

You should take into consideration all of the information set out in this Prospectus when deciding whether to take new Shares and/or cash in exchange for your CDA Shares, including the risks associated with holding shares in the Combined Group, which are set out in Section 10.

If you have any questions or require further information in relation to this Prospectus or the Merger, you may call the Cronos Australia Limited Offer Information Line, on 1300 554 474 (if calling within Australia) or +61 1300 554 474 (if calling from outside of Australia) from 8.30am to 5.30pm (Melbourne time) Monday to Friday. If you are in any doubt as to what to do in relation to the Offers, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser.

On behalf of the CDA Health board, I would like to take this opportunity to thank you for your ongoing support of CDA Health and I look forward to the next step in our development as part of the Combined Group.

Yours sincerely



Guy Headley
Chief Commercial Officer, Executive Director

1 Key Dates and Capital Structure

1.1 Timetable

| | |
|--|---|
| Cronos Australia Notice of Meeting and Explanatory Statement dispatched to Shareholders | 15 November 2021 |
| Record Date | 7.00pm (Melbourne time) on 18 November 2021 |
| CDA Health Notice of Meeting and Explanatory Statement dispatched to CDA Shareholders | 19 November 2021 |
| Lodgement of Prospectus with ASIC and release to ASX | 19 November 2021 |
| Prospectus and Share Purchase Deed dispatched to Eligible CDA Shareholders | 19 November 2021 |
| Opening Date of Offer | 22 November 2021 |
| Closing Date of Offer | 8 December 2021 |
| CDA Health General Meeting | 14 December 2021 |
| Cronos Australia General Meeting | 15 December 2021 |
| Completion | 16 December 2021 |
| Expected dispatch of holding statements to Eligible CDA Shareholders in respect of Consideration Shares | 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 of the Offer, including to close the Offers early or extend the Offers, without notifying any recipient of this Prospectus or any applicants, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. Applicants are encouraged to submit their applications as early as possible after the Offers open.

| Capital Structure | Assuming all consideration taken in Consideration Shares | Assuming full \$5,000,000 consideration taken in cash and balance in Consideration Shares |
|---|---|--|
| Cronos Australia Shares on issue at the Prospectus Date | 128,750,000 | 128,750,000 |
| Performance Rights on issue at the Prospectus Date | 60,000 | 60,000 |
| Options on issue at the Prospectus Date | 2,565,000 | 2,565,000 |
| Consideration Shares to be issued under the Merger | 439,784,283 | 403,552,399 |
| Issue of Shares to Cronos Group Inc on conversion of existing loan | 15,176,065 | 15,176,065 |

| | | |
|--|-------------|-------------|
| Issue of Performance Rights in connection with the Merger | 8,608,696 | 8,608,696 |
| Issue of EIP Options to senior executives of the Combined Group | 22,500,000 | 22,500,000 |
| Cronos Australia Shares on issue immediately following Completion¹ | 584,797,305 | 548,565,421 |
| Cronos Australia Shares on issue immediately following Completion (fully diluted)¹ | 618,531,001 | 582,299,117 |

Note

¹ Includes 1,086,957 Shares to be issued to Cornwalls in connection with the Merger – see Section 11.6 for further details.

1.2

Questions

Please contact the Cronos Australia Limited Offer Information Line, on 1300 554 474 (if calling within Australia) or +61 1300 554 474 (if calling from outside of Australia) from 8.30am to 5.30pm (Melbourne time) Monday to Friday, if you have any questions about the Acceptance and Election Form.

If you are in any doubt as to what to do in relation to the Offers, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser.

2 Investment Overview

The purpose of this Section 2 is to give CDA Shareholders an investment overview that helps them make an informed investment decision by highlighting key information. It is an introduction to the Offers and the Merger and is not intended to replace the other Sections, which CDA Shareholders should read in full.

| Topic | Summary | For more information |
|---|--|----------------------|
| Background on the Merger | | |
| What is the Merger? | <p>As announced by Cronos Australia in its 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 Consideration Shares and cash to CDA Shareholders.</p> <p>If the Merger completes, Eligible CDA Shareholders will hold between 73.57% and 75.20% of the issued capital of Cronos Australia.</p> | Section 3.1 |
| Why am I receiving this Prospectus? | You are receiving this Prospectus as a CDA Shareholder. Cronos Australia is offering the Consideration Shares to Eligible CDA Shareholders under the Merger under this Prospectus. This Prospectus provides information about Cronos Australia, the Merger and the business and plans for the Combined Group (assuming the Merger completes). | - |
| What is the Merger Implementation Agreement and is it binding on me? | The Merger Implementation Agreement is an agreement between CDA Health and Cronos Australia. The document sets out the terms and conditions for the sale by CDA Shareholders and purchase by Cronos Australia of the CDA Shares. It also sets out the mechanism for Cronos Australia making the Offers under this Prospectus and the Share Purchase Deed. It is not binding on the Eligible CDA Shareholders. | Section 3.4 |
| Who is Cronos Australia? | <p>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.</p> <p>Cronos Australia was admitted to the official list of the Australian Securities Exchange on 7 November 2019.</p> | Section 5 |
| Who is entitled to participate in the Merger Offer? | <p>The Eligible CDA Shareholders are eligible to participate in the Merger Offer. That is, each person who is a CDA Shareholder as at 7.00pm (Melbourne time) on the Record Date (being 18 November 2021) is entitled to participate in the Merger Offer unless they are an Ineligible Foreign Shareholder.</p> <p>Ineligible Foreign Shareholders are CDA Shareholders who have a residential address outside Australia, New Zealand and Singapore. Ineligible Foreign Shareholders will receive Cash Consideration for their CDA Shares.</p> | Section 3 |
| What should I do? | Review this Prospectus, the Acceptance and Election Form and the Share Purchase Deed. If you wish to elect the form of consideration under the Merger, please populate the Acceptance and Election Form and return it to the Share Registry by 6.00pm (Melbourne time) on the Closing Date. | Section 3.3(b) |

| Topic | Summary | For more information |
|--|--|----------------------|
| Offers – Merger Offer and Employee Incentive Offer | | |
| Merger Offer | The Merger Offer under this Prospectus relates to the offer of Consideration Shares to Eligible CDA Shareholders in part consideration for the sale of their shares in CDA Health under the Merger. | Section 3.2 |
| Employee Incentive Offer | <p>Cronos Australia also intends to offer Performance Rights and EIP Options to certain directors and employees of the Combined Group, who will receive an invitation from Cronos Australia to participate in the Employee Incentive Offer under this Prospectus.</p> <p>No consideration is payable for the incentives offered under the Employee Incentive Offer.</p> | Section 3.10 |
| What will Eligible CDA Shareholders receive under the Merger Offer? | | |
| What is my Total Entitlement to Consideration Shares? | An Eligible CDA Shareholder's Total Entitlement to Consideration Shares is calculated on the basis of approximately 21.534 Consideration Shares for every 1 CDA Share held at the Record Date. Each Eligible CDA Shareholder will receive an Acceptance and Election Form setting out that Eligible CDA Shareholder's Total Entitlement. | Section 3.2 |
| What are Consideration Shares? | Consideration Shares are fully paid ordinary shares in the capital of Cronos Australia. Cronos Australia will apply for the Consideration Shares to be quoted on ASX. | Section 3.2 |
| Can I choose to receive cash for my CDA Shares instead of Consideration Shares? | <p>Each Eligible CDA Shareholder may elect to receive their Total Entitlement:</p> <ul style="list-style-type: none"> by way of Cash Consideration of up to 100% of their Total Entitlement; and/or by the issue of Consideration Shares for the balance of their Total Entitlement (calculated on the basis of approximately 21.534 Consideration Shares for every 1 CDA Share held at the Record Date). <p>To the extent that the Eligible CDA Shareholders make elections for Cash Consideration which in aggregate exceed \$5,000,000, the amount of the Total Entitlement to be received by the Eligible CDA Shareholders as Cash Consideration will be scaled back pro rata to their holdings in CDA Health.</p> | Section 3.5 |
| Can I choose to keep my CDA Shares? | No. The Major CDA Shareholders intend to exercise their rights under the Amended CDA Constitution to drag all CDA Shareholders into the Merger. As a result, even if you do not accept the Offer, your CDA Shares will be transferred to Cronos Australia and you will receive Consideration Shares (unless you are an Ineligible Foreign Shareholder, in which case you will receive Cash Consideration). | Section 7.2 |
| Can I subscribe for additional Consideration Shares under the Merger? | No. Eligible CDA Shareholders may only subscribe for such number of Consideration Shares as is equal to their Total Entitlement (see above). | Section 3.5 |

For personal use only

| Topic | Summary | For more information |
|---|--|----------------------|
| What is the offer price for the Consideration Shares? | No Cash Consideration is payable to subscribe for the Consideration Shares under the Merger Offer. | Section 3.1 |
| What rights and liabilities attach to the Consideration Shares? | All Consideration Shares that are issued under the Merger Offer will rank equally in all respects with existing Shares on issue. The rights attaching to the Consideration Shares are described in Section 11.3. | Section 11.3 |
| What happens if I do not complete my Acceptance and Election Form? | As noted above, the Major CDA Shareholders will exercise their “drag along” rights so that your CDA Shares are transferred to Cronos Australia. If you do not complete and return your Acceptance and Election Form, you will receive only Consideration Shares in Cronos Australia and no Cash Consideration (unless you are an Ineligible Foreign Shareholder, in which case you will only receive Cash Consideration). | Section 7.2 |
| Can I sell my Consideration Shares? | Yes, unless you are an Escrowed Party, you will be able to sell your Consideration Shares following Completion. Please see Section 6.7 for further information about those Shareholders who will be subject to escrow arrangements. | Section 6.7 |
| Is there a cooling off period? | No. | - |
| What are the tax implications of acquiring the Consideration Shares? | The taxation implications of the Merger Offer will vary depending upon your particular circumstances. The precise implications of ownership or disposal will depend upon each investor’s specific circumstances. A summary of the general implications of the Merger for Eligible CDA Shareholders is set out in Section 11.8. However, Eligible CDA Shareholders should seek their own independent professional advice on the taxation implications of holding or disposing of the Consideration Shares, taking into account their specific circumstances. | Section 11.8 |
| Completion of the Merger | | |
| Are there any conditions that need to be satisfied before the Merger can go ahead? | <p>Yes. The Merger Offer is conditional on the Merger Implementation Agreement becoming unconditional in all respects. The key conditions as set out in the Merger Implementation Agreement include:</p> <ul style="list-style-type: none"> • Cronos Australia Shareholders approving the resolutions set out in the Cronos Australia Notice of Meeting; • approval of certain amendments to the CDA Health constitution by the Eligible CDA Shareholders in order 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; | Section 3.4 |

| Topic | Summary | For more information |
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| | <ul style="list-style-type: none"> 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. | |
| When will the Merger become effective? | If all of the conditions are satisfied (or waived), the Merger will become effective on Completion, which is expected to occur on or around Thursday, 16 December 2021. | Section 7.2 |
| What happens if the Merger is not implemented? | If the Merger is not implemented, CDA Shareholders will retain their CDA Shares and no consideration will be paid by Cronos Australia to acquire the CDA Shares (including the issue of the Consideration Shares). | Section 7.2 |
| When will I receive confirmation of my holding of Consideration Shares? | A holding statement confirming each Eligible CDA Shareholder's allocation under the Merger Offer will be sent to the Eligible CDA Shareholders shortly following Completion, which is expected to occur on or around Thursday, 16 December 2021. | Section 3.14 |
| AGM and voting | | |
| What is the AGM? | The AGM is an annual general meeting of Cronos Australia at which certain resolutions relating to the Merger will be proposed (in addition to ordinary business of Cronos Australia). | Section 3.5 |
| What shareholder approvals are required for the Merger? | Due to the dilutionary effect of the Merger on the shareholding of existing Cronos Australia Shareholders, shareholder approval is required for the issue of the Consideration Shares and for the acquisition of Consideration Shares by certain Major CDA Shareholders. Cronos Australia Shareholder approval is also required for certain ancillary matters in connection with the Merger. | Section 3.5 |
| Who can vote at the AGM? | All Shareholders in Cronos Australia as at 7.00pm (Melbourne time) on Tuesday, 14 December 2021 can participate in and vote at the AGM. | - |
| Are the major Cronos Australia shareholders supporting the Merger? | Yes. The Directors also support the Merger. The Directors believe that the Merger will be highly accretive to the equity value of Cronos Australia. It will enable Cronos Australia to expand its scale of operations in the medicinal cannabis industry while realising efficiencies in the post-Merger integration of the two businesses. | - |
| Overview of Combined Group | | |
| What will the Combined Group be called? | The Combined Group will continue to be named Cronos Australia Limited after Completion. | - |

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| Topic | Summary | For more information | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|--------------------|----------------|--------------|-----------|-------|--------------|------------|-----------|-------------|-------------|-----------|---------------|-------------|-----------|--------------|-----|----|------------------|-----|----|--------------|
| Who will be the directors of the Combined Group? | <p>Upon Completion, the Directors of Cronos Australia will be:</p> <ul style="list-style-type: none"> • Shane Tanner; • Rodney Cocks; • Guy Headley; • Dr Ben Jansen; • Kurt Schmidt; and • Dr Marcia Walker. <p>See Section 6.11 for details of the Directors, Proposed Directors and their interests in Cronos Australia.</p> | Section 6.9 | | | | | | | | | | | | | | | | | | | | | |
| What will the Directors and Proposed Directors' shareholdings be following Completion? | <p>The following Directors and Proposed Directors are expected to hold a direct or indirect interest in Cronos Australia on Completion (assuming no cash is taken):</p> <table> <tr> <th>Director/Proposed Director (incl. Associates)</th><th>Shares</th><th>% Shareholding</th></tr> <tr> <td>Shane Tanner</td><td>350,000</td><td>0.06%</td></tr> <tr> <td>Rodney Cocks</td><td>20,000,000</td><td>3.42%</td></tr> <tr> <td>Guy Headley</td><td>143,453,246</td><td>24.53%</td></tr> <tr> <td>Dr Ben Jansen</td><td>144,745,252</td><td>24.75%</td></tr> <tr> <td>Kurt Schmidt</td><td>Nil</td><td>0%</td></tr> <tr> <td>Dr Marcia Walker</td><td>Nil</td><td>0%</td></tr> </table> | Director/Proposed Director (incl. Associates) | Shares | % Shareholding | Shane Tanner | 350,000 | 0.06% | Rodney Cocks | 20,000,000 | 3.42% | Guy Headley | 143,453,246 | 24.53% | Dr Ben Jansen | 144,745,252 | 24.75% | Kurt Schmidt | Nil | 0% | Dr Marcia Walker | Nil | 0% | Section 6.11 |
| Director/Proposed Director (incl. Associates) | Shares | % Shareholding | | | | | | | | | | | | | | | | | | | | | |
| Shane Tanner | 350,000 | 0.06% | | | | | | | | | | | | | | | | | | | | | |
| Rodney Cocks | 20,000,000 | 3.42% | | | | | | | | | | | | | | | | | | | | | |
| Guy Headley | 143,453,246 | 24.53% | | | | | | | | | | | | | | | | | | | | | |
| Dr Ben Jansen | 144,745,252 | 24.75% | | | | | | | | | | | | | | | | | | | | | |
| Kurt Schmidt | Nil | 0% | | | | | | | | | | | | | | | | | | | | | |
| Dr Marcia Walker | Nil | 0% | | | | | | | | | | | | | | | | | | | | | |
| Will the Directors or Proposed Directors receive any securities in connection with the Merger? | <p>In addition to the Consideration Shares that Guy Headley and Dr Ben Jansen (through his Associate) will receive under the Merger, as noted above, the following securities are proposed to be granted upon Completion:</p> <table> <tr> <th>Director/Proposed Director</th><th>Performance Rights</th><th>EIP Options</th></tr> <tr> <td>Shane Tanner</td><td>1,000,000</td><td>-</td></tr> <tr> <td>Rodney Cocks</td><td>1,000,000</td><td>4,500,000</td></tr> <tr> <td>Guy Headley</td><td>1,000,000</td><td>4,500,000</td></tr> <tr> <td>Dr Ben Jansen</td><td>1,000,000</td><td>4,500,000</td></tr> </table> | Director/Proposed Director | Performance Rights | EIP Options | Shane Tanner | 1,000,000 | - | Rodney Cocks | 1,000,000 | 4,500,000 | Guy Headley | 1,000,000 | 4,500,000 | Dr Ben Jansen | 1,000,000 | 4,500,000 | Section 6.11 | | | | | | |
| Director/Proposed Director | Performance Rights | EIP Options | | | | | | | | | | | | | | | | | | | | | |
| Shane Tanner | 1,000,000 | - | | | | | | | | | | | | | | | | | | | | | |
| Rodney Cocks | 1,000,000 | 4,500,000 | | | | | | | | | | | | | | | | | | | | | |
| Guy Headley | 1,000,000 | 4,500,000 | | | | | | | | | | | | | | | | | | | | | |
| Dr Ben Jansen | 1,000,000 | 4,500,000 | | | | | | | | | | | | | | | | | | | | | |
| Who will be the senior management of the Combined Group? | <p>In connection with the Merger, the following CDA Health executives will be appointed to the senior management team of the Combined Group:</p> <ul style="list-style-type: none"> • Guy Headley – as Chief Commercial Officer • Dr Ben Jansen – as Chief Medical Officer • Jessimine Jansen – as Chief Operating Officer <p>Rodney Cocks will remain as Chief Executive Officer and Thomas Howitt will remain as Chief Financial Officer and Company Secretary.</p> <p>See Section 6.10 for details of the senior management team and their remuneration following Completion.</p> | Section 6.10 | | | | | | | | | | | | | | | | | | | | | |

| Topic | Summary | For more information | | | | | | | | | | | | | | | | | | |
|---|---|-------------------------------------|---------------------------------------|---------------|--|--|-------------------------------------|----------------------------|-------------|------------------------|--|---------------------------|--------|---|-------------|-----------------|---------------------------|----------------------------|--------|--------------|
| Who will be the substantial holders of the Combined Group? | <p>The following table shows the maximum possible voting power of those expected to be substantial shareholders (≥5% of shareholdings) of the Combined Group following Completion:</p> <table><tr><th>Beneficial Shareholder</th><th colspan="2">Maximum voting power after the Merger</th></tr><tr><th></th><th>No. of Shares in which hold a relevant interest (including via Associates)</th><th>% of Shares on issue^{1,2}</th></tr><tr><td>Cronos Global Holdings Inc</td><td>55,176,065</td><td>10.06%</td></tr><tr><td>Elizabeth Jansen attf the Stanford Investment Trust³</td><td>144,745,252</td><td>26.39%</td></tr><tr><td>Guy Headley and Jessimine Jansen⁴</td><td>143,453,246</td><td>26.15%</td></tr><tr><td>Matua Jansen⁵</td><td>61,486,023</td><td>11.21%</td></tr></table> <p>Notes</p> <p>¹ Assuming existing Options and existing Performance Rights on issue are not exercised.</p> <p>² Assumes no Cash Consideration is taken by the Major CDA Shareholders but the full \$5,000,000 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).</p> <p>³ Proposed Director Dr Ben Jansen will have a relevant interest in the Shares being issued to his Associate at Completion.</p> <p>⁴ Proposed Director Guy Headley and Jessimine 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%).</p> <p>⁵ Matua Jansen is expected to hold certain Shares in his own capacity and certain Shares as trustee for the Whanau Family Trust.</p> | Beneficial Shareholder | Maximum voting power after the Merger | | | No. of Shares in which hold a relevant interest (including via Associates) | % of Shares on issue ^{1,2} | Cronos Global Holdings Inc | 55,176,065 | 10.06% | Elizabeth Jansen attf the Stanford Investment Trust ³ | 144,745,252 | 26.39% | Guy Headley and Jessimine Jansen ⁴ | 143,453,246 | 26.15% | Matua Jansen ⁵ | 61,486,023 | 11.21% | Section 3.12 |
| Beneficial Shareholder | Maximum voting power after the Merger | | | | | | | | | | | | | | | | | | | |
| | No. of Shares in which hold a relevant interest (including via Associates) | % of Shares on issue ^{1,2} | | | | | | | | | | | | | | | | | | |
| Cronos Global Holdings Inc | 55,176,065 | 10.06% | | | | | | | | | | | | | | | | | | |
| Elizabeth Jansen attf the Stanford Investment Trust ³ | 144,745,252 | 26.39% | | | | | | | | | | | | | | | | | | |
| Guy Headley and Jessimine Jansen ⁴ | 143,453,246 | 26.15% | | | | | | | | | | | | | | | | | | |
| Matua Jansen ⁵ | 61,486,023 | 11.21% | | | | | | | | | | | | | | | | | | |
| What will the capital structure of the Combined Group be on Completion? | <p>Post-completion of the Merger and the Offers, the capital structure of Cronos Australia is expected to be as follows (assuming the entire \$5,000,000 maximum cash component of the Total Consideration payable by Cronos Australia in connection with the Merger is taken up by the Eligible CDA Shareholders):</p> <table><tr><th>Groups of security holders</th><th>Securities held</th></tr><tr><td>Shares</td><td></td></tr><tr><td>Current Cronos Australia Shareholders</td><td>143,926,065</td></tr><tr><td>Current CDA Shareholders</td><td>403,552,399</td></tr><tr><td>Cornwalls¹</td><td>1,086,957</td></tr><tr><td>Performance Rights</td><td></td></tr><tr><td>Directors and Executives</td><td>6,060,000</td></tr><tr><td>Other employees</td><td>2,608,696</td></tr><tr><td>Options over Shares</td><td></td></tr></table> | Groups of security holders | Securities held | Shares | | Current Cronos Australia Shareholders | 143,926,065 | Current CDA Shareholders | 403,552,399 | Cornwalls ¹ | 1,086,957 | Performance Rights | | Directors and Executives | 6,060,000 | Other employees | 2,608,696 | Options over Shares | | Section 3.8 |
| Groups of security holders | Securities held | | | | | | | | | | | | | | | | | | | |
| Shares | | | | | | | | | | | | | | | | | | | | |
| Current Cronos Australia Shareholders | 143,926,065 | | | | | | | | | | | | | | | | | | | |
| Current CDA Shareholders | 403,552,399 | | | | | | | | | | | | | | | | | | | |
| Cornwalls ¹ | 1,086,957 | | | | | | | | | | | | | | | | | | | |
| Performance Rights | | | | | | | | | | | | | | | | | | | | |
| Directors and Executives | 6,060,000 | | | | | | | | | | | | | | | | | | | |
| Other employees | 2,608,696 | | | | | | | | | | | | | | | | | | | |
| Options over Shares | | | | | | | | | | | | | | | | | | | | |

| Topic | Summary | | For more information |
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| | Directors and Executives | 23,065,000 | |
| | Other external parties | 2,000,000 | |
| | Total Shares issued (on a fully diluted basis) | 582,299,117 | |
| | ¹ Shares to be issued to Cornwalls, as adviser to CDA Health, in connection with the Merger (see Section 11.6). | | |
| Will there be any restrictions on the shareholders of the Combined Group? | The Escrowed Parties will be restricted from selling their Consideration Shares after Completion. Please see Section 6.7 for further information about those Shareholders who will be subject to escrow arrangements, and the applicable escrow period. | | Section 6.7 |
| What will be the 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. | | Section 6.17 |
| What are the related party transactions of the Combined Group? | (a) Cronos Group Inc – Loan Conversion Deed As part of the Merger, Cronos Group Inc, Cronos Operations and Cronos Australia have agreed to convert the principal plus the accrued interest owing to Cronos Group Inc 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 Inc – IP Licence As part of the Merger, Cronos Group Inc, 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 | | Sections 3.8–3.10 and 6.18 |

| Topic | Summary | For more information |
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| | <p>Cronos Australia's Equity Incentive Plan 5,000,000 Performance Rights and 18,000,000 EIP 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.</p> <p>The issue of these performance securities to such persons is subject to Shareholder approval.</p> <p>See Section 3.10 for further information.</p> | |
| What will the Combined Group's aggregated financials look like? | The Combined Group's aggregated financial statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021 are set out in Section 8. | Section 8.6 |
| Where can I find more financial information about the Combined Group? | <p>Section 8.6 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 8.8.</p> | Sections 8.6 and 8.8 |
| Key risks | | |
| 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. | Section 10.1(a) |
| Risk of high volume of Share sales | Subject to Completion, Cronos Australia will have issued a significant number of Consideration Shares to various parties. Some of the Eligible CDA Shareholders and other parties 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 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. 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 under this Prospectus. | Section 10.1(b) |
| 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. | Section 10.2(a) |
| 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 | Section 10.2(b) |

| Topic | Summary | For more information |
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| | 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. There can be no guarantee that the expected synergies between the two companies will be realised. | |
| 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 Shareholders (and their Associates) will obtain in Cronos Australia as a result of being issued the Shares at Completion is approximately 63.75%. | Section 10.2(c) |
| Dilution risk | In order to take advantage of the Combined Group's growth opportunities, it may require further financing. 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. | Section 10.2(d) |
| 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. | Section 10.2(e) |
| "Fit and proper person" test | <p>The 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.</p> <p>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.</p> | Section 10.2(f) |
| 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. | Section 10.2(g) |

| Topic | Summary | For more information |
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| | 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. | Section 10.2(i) |
| 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. | Section 10.2(k) |
| 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. | Section 10.2(l) |
| 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. There is also a risk that the Combined Group 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 Combined Group's operations, financial performance and future prospects. | Section 10.2(m) |
| 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 | Section 10.2(o) |

| Topic | Summary | For more information |
|---|---|----------------------|
| | 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. | |
| Growth prospects and expansion plans | <p>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.</p> <p>As additional competitors enter the Australian market, there is a 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> | Section 10.2(p) |
| Other risks | A number of other key risks that relate to an investment in Cronos Australia are set out in Section 10. | Section 10 |

3 Overview of the Merger and the Offers

3.1 The Merger

On 14 September 2021, Cronos Australia announced the Merger which involves Cronos Australia acquiring 100% of the issued shares in CDA Health in exchange for the issue of Consideration Shares and cash to the CDA Shareholders.

The Merger is documented under the Merger Implementation Agreement dated 14 September 2021 between Cronos Australia and CDA Health. In particular, the Merger Implementation Agreement sets out the terms and conditions upon which the CDA Shareholders will sell and Cronos Australia will purchase the CDA Shares.

3.2 The Merger Offer – Consideration Shares and Cash Consideration

If the Merger is approved by Cronos Australia Shareholders, each Eligible CDA Shareholder will be entitled to receive its Total Entitlement to Consideration Shares in consideration for the sale of its CDA Shares to Cronos Australia. Each Eligible CDA Shareholder's Total Entitlement to Consideration Shares is calculated on the basis of approximately 21.534 Consideration Shares for every 1 CDA Share held by that Eligible CDA Shareholder at the Record Date. Each Eligible CDA Shareholder may elect to receive its Total Entitlement:

- (a) by way of Cash Consideration of up to 100% of their Total Entitlement (at a deemed purchase price of \$0.138 per Consideration Share); and/or
- (b) subject to any Cash Consideration being allocated under paragraph 3.2(a), by the issue of Consideration Shares for the balance of their Total Entitlement (calculated on the basis of approximately 21.534 Consideration Shares for every 1 CDA Share held at the Record Date).

To the extent that the Eligible CDA Shareholders make elections for Cash Consideration which in aggregate exceed \$5,000,000, the amount of the Total Entitlement to be received by the Eligible CDA Shareholders as Cash Consideration will be scaled back on the basis that each Eligible CDA Shareholder who has elected to receive Cash Consideration shall be scaled back pro rata to the holdings in CDA Health of those Eligible CDA Shareholders who have made elections for Cash Consideration (up to the amount of their Total Entitlement which they have elected to receive as Cash Consideration), with this scale-back continuing until the \$5,000,000 of Cash Consideration has been fully apportioned.

If the full \$5,000,000 Cash Consideration is taken up, the CDA Shareholders will own approximately 73.57% of the issued share capital in Cronos Australia post-Completion. If no Cash Consideration was taken, the CDA Shareholders would collectively hold approximately 75.20% of the issued share capital of Cronos Australia. The maximum number of Consideration Shares to be issued by Cronos Australia will be reduced to the extent that certain Eligible CDA Shareholders elect to take a proportion of the consideration payable by Cronos Australia as Cash Consideration (up to \$5,000,000 in aggregate at a deemed value of \$0.138 per share).

Any fractional entitlement of a CDA Shareholder to a part of a Consideration Share will be rounded up or down to the nearest whole number of Shares and, for the avoidance of doubt, fractional entitlements of 0.5 of a Consideration Share will be rounded up.

3.3 How to accept the Merger Offer

- (a) Each CDA Shareholder may accept the Merger Offer and make the election referred to in paragraph 3.2(b) to apply for cash and/or Consideration Shares by completing, signing and returning to Cronos Australia the Acceptance and Election Form accompanying this Prospectus by 6.00pm (Melbourne time) on the Closing Date.
- (b) By signing and returning the Acceptance and Election Form, each CDA Shareholder understands and agrees that:
 - (i) they accept the Merger Offer on the terms and conditions set out in the Prospectus, and the Share Purchase Deed;

- (ii) they accede to and agree to be bound by the Share Purchase Deed, set out in Appendix 1 to this Prospectus;
 - (iii) they agree to be bound by the provisions (as amended from time to time) of the Constitution; and
 - (iv) if they incorrectly complete the Acceptance and Election Form (as determined by Cronos Australia acting reasonably), they will be deemed to have accepted the offer to receive 100% of their Total Entitlement as Consideration Shares.
- (c) If Cronos Australia does not receive an Acceptance and Election Form by the Closing Date (being 8 December 2021) or if an Eligible CDA Shareholder incorrectly completes the Acceptance and Election Form (as determined by Cronos Australia, acting reasonably), the CDA Shareholder will receive their Total Entitlement as Consideration Shares. An Acceptance and Election Form cannot be withdrawn or amended once given.

3.4 Merger Implementation Agreement

The Offers are conditional on the Merger Implementation Agreement (**MIA**) becoming unconditional in all respects. The key conditions as set out in the MIA include:

- (a) Cronos Australia Shareholders approving the resolutions set out in the Cronos Australia Notice of Meeting;
- (b) approval of certain amendments to the CDA Health constitution by the CDA Shareholders in order facilitate the Merger;
- (c) no material adverse change or prescribed occurrence (each as defined in the MIA) occurring in respect of either CDA Health or Cronos Australia;
- (d) 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;
- (e) amending the IP Licence on terms agreed by the parties thereto;
- (f) conversion of the existing loan owing under the Loan Agreement into Shares; and
- (g) other conditions customary for a transaction of this nature.

3.5 Annual General Meeting and the Merger resolutions

At its annual general meeting scheduled for Wednesday, 15 December 2021, in addition to ordinary business of Cronos Australia, Cronos Australia will seek the approval of its Shareholders to a number of resolutions required to implement the Merger and for certain ancillary matters in connection with the Merger as set out below:

| | |
|---------------------|---|
| RESOLUTION 1 | APPROVAL OF ACQUISITION OF MAXIMUM VOTING POWER BY MAJOR CDA ACQUIRERS |
| RESOLUTION 2 | APPROVAL OF THE ISSUE OF SHARES TO THE CDA SHAREHOLDERS UNDER THE MERGER IMPLEMENTATION AGREEMENT |
| RESOLUTION 3 | APPROVAL OF THE ISSUE OF SHARES UNDER THE LOAN CONVERSION DEED |
| RESOLUTION 4 | ELECTION OF DIRECTOR – GUY ROTHWELL HEADLEY |
| RESOLUTION 5 | ELECTION OF DIRECTOR – DR BENJAMIN DAVID NGAHUIA JANSEN |
| RESOLUTION 6 | ELECTION OF DIRECTOR – DR MARCIA ANI MATEKINO WALKER |
| RESOLUTION 7 | ELECTION OF DIRECTOR – KURT THOMAS SCHMIDT |
| RESOLUTION 8 | APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO GUY ROTHWELL HEADLEY |
| RESOLUTION 9 | APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO DR BENJAMIN DAVID NGAHUIA JANSEN |

| | |
|----------------------|---|
| RESOLUTION 10 | APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO RODNEY DAMON COCKS |
| RESOLUTION 11 | APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO SHANE FRANCIS TANNER |
| RESOLUTION 12 | APPROVAL OF ISSUE OF PERFORMANCE RIGHTS AND OPTIONS TO JESSIMINE CHARLES KIRITEA JANSEN |
| RESOLUTION 13 | APPROVAL OF ISSUE OF SECURITIES UNDER THE EQUITY INCENTIVE PLAN |
| RESOLUTION 14 | AMENDMENT TO CONSTITUTION – BOARD MEETING QUORUM |
| RESOLUTION 15 | AMENDMENT TO CONSTITUTION – CASTING VOTE OF CHAIR AT BOARD MEETINGS |
| RESOLUTION 16 | APPROVAL OF POTENTIAL TERMINATION BENEFITS |
| RESOLUTION 17 | APPROVAL OF ADDITIONAL 10% ISSUANCE CAPACITY |

3.6 Changes to the Board

Upon Completion, the Board will be reconstituted.

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

Subject to and with effect from Completion, CDA Health is entitled to appoint 3 Directors to the Board. CDA Health has nominated Guy Headley, Dr Ben Jansen and Dr Marcia Walker. Cronos Group Inc CEO, Kurt Schmidt, will also be appointed to the Board at that time. See profiles of the Directors in Section 6.9.

Anna Burke AO, Daniel Abrahams, Michael Gorenstein and Jason Adler have each agreed to resign as Directors effective on Completion. The Directors who are resigning are in unanimous support of the Merger.

3.7 Changes to senior management

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

Subject to and with effect from Completion, Guy Headley will become Chief Commercial Officer, Dr Ben Jansen will become Chief Medical Officer and Jessimine Jansen will become Chief Operating Officer of the Combined Group. See profiles of the Combined Group's senior management in Section 6.10.

3.8 Conversion of Cronos Group Inc loan

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

In connection with the Merger, Cronos Group Inc, Cronos Operations and Cronos Australia have agreed to convert the principal plus the accrued interest owing to Cronos Group Inc under the Loan Agreement and 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 effectively 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 Inc 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 trade mark "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 Inc, Cronos Operations and Cronos Australia on the following terms:

- (a) Cronos Group Inc can terminate that part of the IP Licence relating to the licensed trade marks (including the trade mark "CRONOS GROUP™") where Cronos Group Inc 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 Inc 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 Inc 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 trade marks similar to that trade mark. 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.

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, representations and covenants.

3.10 Employee Incentive Offer

Cronos Australia has an employee incentive plan known as the Cronos Australia Limited Equity Incentive Plan (**EIP**), pursuant to which the Board has discretion to offer Shares and/or Performance Rights and/or Options to employees or Directors (including directors of any Cronos Australia Group entity), or any other person so designated by the Board.

Subject to Shareholder approval and subject to Completion, 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 Limited Equity Incentive Plan (each a **Recipient**), under the terms of the Employee Incentive Offer made under this Prospectus:

| Recipients | Performance Rights | EIP Options |
|--|--------------------|-------------|
| Shane Tanner (Chairman) | 1,000,000 | Nil |
| Rodney Cocks (Director and Chief Executive Officer) | 1,000,000 | 4,500,000 |
| Guy 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 Ben 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 Howitt (Chief Financial Officer and Company Secretary) | 1,000,000 | 4,500,000 |
| Jessimine Jansen (CDA Health co-founder and proposed Chief Operating Officer of Cronos Australia) | 1,000,000 | 4,500,000 |
| 12 current Cronos Australia employees | 434,783 | Nil |
| 70 current CDA Health employees | 2,173,913 | Nil |

A summary of the terms and conditions of the Performance Rights and EIP Options being issued under this Prospectus are set out in Section 6.14.

(a) **Who can apply?**

Eligible participants who have received an Employee Incentive Offer Invitation Letter may apply for Performance Rights or EIP Options as noted in the invitation letter, under the Employee Incentive Offer. The Employee Incentive Offer Invitation Letter will detail the terms of the Employee Incentive Offer, including your allocation of Performance Rights (and EIP Options, if applicable), together with a personalised application form.

(b) **How to apply?**

No payment is required for Performance Rights or EIP Options issued to applicants under the Employee Incentive Offer.

If you have received an Employee Incentive Offer Invitation Letter from Cronos Australia inviting you to acquire Performance Rights (and EIP Options, if applicable) under the Employee Incentive Offer and wish to apply for those Performance Rights (and EIP Options, if applicable), you should complete the personalised application form accompanying the Employee Incentive Offer Invitation Letter and submit this to the Share Registry by 6.00pm (Melbourne time) on the Closing Date or any earlier closing date as determined by Cronos Australia.

The Employee Incentive Offer opens at 9.00am (Melbourne time) on Monday, 22 November 2021 and is expected to close at 6.00pm (Melbourne time) on Wednesday, 8 December 2021. Cronos Australia may elect to close the Employee Incentive Offer or extend the Employee Incentive Offer, or accept late applications either generally or in particular cases. The Employee Incentive Offer may be closed at any earlier date and time, without notice. Applicants are therefore encouraged to submit their applications as early as possible after the Offers open.

Cronos Australia reserves the right to reject any application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Employee Incentive Offer, or to waive or correct any errors made by an applicant in completing their application under the Employee Incentive Offer.

3.11 Effect of the Merger on the capital structure of Cronos Australia

The table below shows the effect of the Offers on the capital structure of Cronos Australia:

| | No Cash Consideration is taken by CDA Shareholders | | \$5m Cash Consideration taken in full by CDA Shareholders on a pro rata basis | |
|-----------------------------------|--|----------------------------------|---|----------------------------------|
| Securities | No. of Cronos Australia securities | % of Cronos Australia securities | No. of Cronos Australia securities | % of Cronos Australia 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 Cronos Australia securities (fully diluted) | 618,531,001 | 100.00% | 582,299,117 | 100% |
|---|-------------|---------|-------------|------|

Notes

¹ Performance Rights and Options are unlisted. As at the Prospectus Date, there are 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 certain directors and employees of the Combined Group (as set out in Section 6.14).

³ Upon Completion, subject to the approval of its Shareholders, Cronos Australia has agreed to issue 22,500,000 EIP Options as long-term incentives to senior executives of the Combined Group, subject to time-based vesting and performance hurdles based on the revenue of the Combined Group for the 3 years following Completion (as set out in Section 6.14).

3.12 Effect on control of Cronos Australia – voting power of substantial shareholders of the Combined Group at Completion

The table in Section 3.11 above sets out the impact of the Offers on the capital structure of Cronos Australia following Completion. The following table shows the voting power of the current substantial shareholders of the Cronos Australia 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 Righetti and associated entities ³ | 20,625,000 | 16.02% | 20,625,000 | 3.76% |
| Rodney Cocks and associated entities ⁴ | 20,000,000 | 15.53% | 20,000,000 | 3.65% |
| Elizabeth Jansen atf the Stanford Investment Trust ⁵ | Nil | Nil | 144,745,252 | 26.39% |
| Guy Headley and Jessimine Jansen ⁶ | Nil | Nil | 143,453,246 | 26.15% |
| Matua 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 \$5,000,000 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 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 Director Rodney Cocks has a relevant interest in the Shares held by NewSouthern Investment Holdings 1 Pty Ltd.

⁵ Proposed Director Dr Ben Jansen will have a relevant interest in these Shares being issued to his Associate at Completion.

⁶ Proposed Director Guy Headley and Jessimine 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 as trustee for the Whanau Family Trust.

3.13 **Brokerage and handling fees**

No brokerage or handling fees will be paid in respect of acceptances of Consideration Shares under the Merger Offer.

3.14 **CHESS**

Cronos Australia participates in the Securities Clearing House Electronic Sub-register System (**CHESS**), and maintains an electronic CHESS sub-register and an electronic issuer sponsored sub-register.

Accordingly, Cronos Australia will not issue Share certificates to successful applicants but as soon as practicable after allocation, Eligible CDA Shareholders will receive a holding statement that sets out the number of Shares that have been allocated to them pursuant to this Prospectus. The holding statement will also set out each successful applicant's unique "Holder Identification Number" in the case of a holding on the CHESS sub-register, or "Securityholder Reference Number" in the case of a holding on Cronos Australia's issuer sponsored sub-register.

Shareholders will be provided with periodic holding statements showing any changes in their holdings of Shares. Shareholders may request a holding statement at any time (although an administration fee may be charged for these additional statements). It is the responsibility of Shareholders to determine their holding prior to trading in any Shares.

3.15 **Foreign selling restrictions**

This Prospectus does not constitute an offer of Cronos Australia Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to existing CDA Shareholders to the extent permitted below.

(a) **New Zealand**

This Prospectus is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority.

The offer of Consideration Shares is being made to Eligible CDA Shareholders in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Prospectus may not contain all the information that a disclosure document is required to contain under New Zealand law.

(b) **Singapore**

The offer of Consideration Shares is made pursuant to the exemption under section 273(1)(b) of the Securities and Futures Act (Cap 289) ("**SFA**"). This Prospectus and any document or material in connection with the offer or sale, or invitation for subscription or purchase of Consideration Shares are not a prospectus as defined in the SFA, and therefore has not been and will not be lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore ("**MAS**"). Accordingly, statutory liability under the SFA in relation to the content of prospectuses will not apply. MAS assumes no responsibility for the contents of this Prospectus. MAS has not in any way considered the merits of the Cronos Australia Shares being offered pursuant to the Merger Offer as described in this Prospectus. You should consider carefully whether this offer is suitable for you.

This Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of Consideration Shares may not be circulated or distributed, whether directly or indirectly, nor may Consideration Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore except pursuant to and in accordance with the exemption set out in section 273(1)(b) of the SFA or otherwise in accordance with any other relevant exemption under the SFA.

Any offer of Consideration Shares is personal to you, as a current shareholder of CDA Health, and is not made to you with a view to the securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

3.16 Professional advice

If you are in any doubt about the Merger Offer, please consult your licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser.

Section 11.8 of this Prospectus sets out a general overview of the potential taxation consequences of the Merger for CDA Shareholders. However, this summary does not take into account your personal circumstances and Cronos Australia, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to investors. As a result, investors should consult their professional tax adviser in connection with any aspect of the Merger Offer and/or applying for Consideration Shares under this Prospectus.

3.17 Ineligible Foreign Shareholders

CDA Health's directors, Guy Headley and Dr Ben Jansen, have determined in their absolute discretion that it is not reasonable for CDA Health to investigate and comply with local securities laws in certain jurisdictions in which certain CDA Shareholders are resident. CDA Health directors have determined that CDA Shareholders who are in the United States or have registered addresses outside Australia, New Zealand and Singapore (**Ineligible Foreign Shareholders**) are not eligible to participate in the Merger Offer, having regard to the number of such holders in those places and the number and value of Consideration Shares that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those places.

CDA Health's directors have directed Cronos Australia not to make Offers under the Prospectus to Ineligible Foreign Shareholders. Ineligible Shareholders will instead receive their Consideration under the Merger in cash only and not by the issue of Consideration Shares.

4 Overview of CDA Health

4.1 Share capital

As at the Prospectus Date, 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 the other 19,001,816 ordinary shares). The major shareholders of CDA Health are listed in the table below:

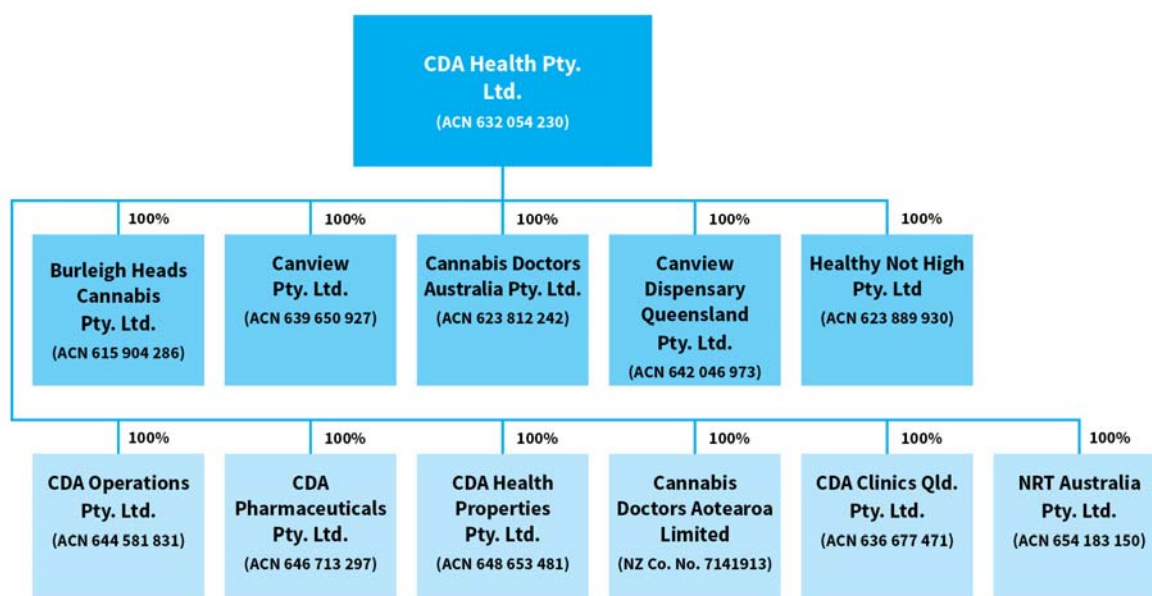
| Shareholder | No. of shares held in CDA Health | % of shares held in CDA Health |
|--|----------------------------------|--------------------------------|
| Elizabeth Jansen atf the Stanford Investment Trust | 6,721,772 | 32.91% |
| Guy Headley | 6,561,773 | 32.13% |
| Matua Jansen ¹ | 2,855,327 | 13.98% |
| Other CDA shareholders | 4,284,110 | 20.98% |
| Total | 20,422,982 | 100.00% |

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.

4.2 Group structure

The current corporate structure of the CDA Health Group is set out below:



4.3 Business model and activities

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.

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

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 561 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, patients had more than 30,000 consultations with one of CDA Clinics' medical team. This resulted in over 33,000 prescriptions being issued to eligible patients.

(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.

4.4 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.
- (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 intends to offer contract clinical trial services to companies wishing to register schedule 3 over the counter products.
- (d) **Hemp goods and complimentary products:** CDA Health has offered non-scheduled products, including educational resources, vaporisers, and various hemp and wellbeing products and intends to continue expanding the product offering.

5 Overview of Cronos Australia

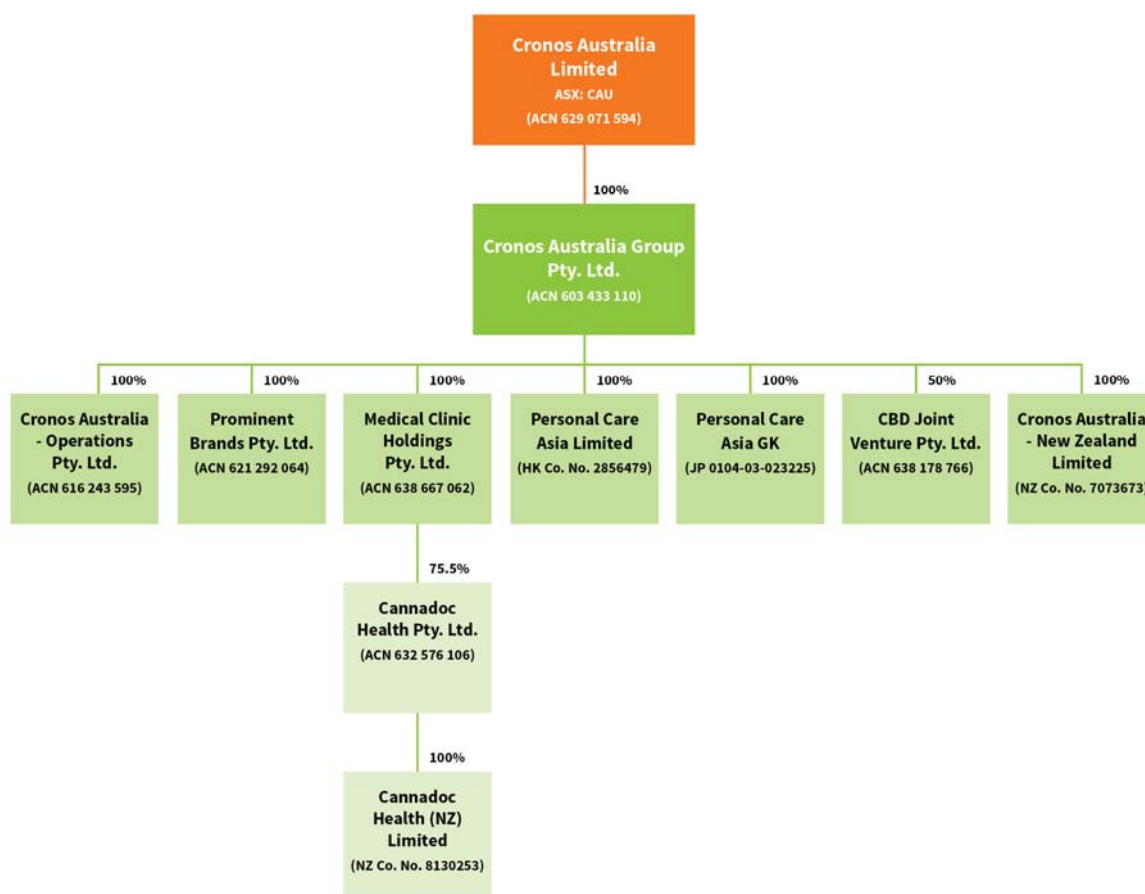
5.1 Introduction

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.

5.2 Group structure

As at the Prospectus Date, Cronos Australia's corporate structure is as follows:



5.3 Cronos Australia strategy and operations

The current vision of Cronos Australia is to become a leading health and wellness company in the Asia Pacific region through the development and distribution of premium cannabinoid products.

Cronos Australia's current direction centres on a downstream strategy that is focused on the creation of brands, products, sales, marketing and distribution by using inputs that are sourced from a variety of quality, certified third-party suppliers.

Cronos Australia currently has three 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 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 Inc;

- (b) **Clinics** – Operation of medicinal cannabis clinics via its investment in Cannadoc Health Pty Ltd (Cannadoc) through face-to-face and nationwide telehealth patient consultations;
- (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 joint venture with A&S Branding Pty Ltd (**A&S Branding**) for the development of cannabinoid-based products.

The current growth strategy of Cronos Australia is based on these three distinct, but interrelated, pillars. These pillars provide Cronos Australia with a diversified portfolio of businesses, 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.

5.4 Market price of shares

Cronos Australia is a disclosing entity for the purposes of the Corporations Act and its shares are enhanced disclosure securities quoted on ASX. The highest, lowest and last market sale prices of Cronos Australia’s Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

| | Market price | Date |
|---------|--------------|-------------------|
| Highest | \$0.195 | 16 September 2021 |
| Lowest | \$0.105 | 8 September 2021 |
| Last | \$0.19 | 18 November 2021 |

6 Overview of the Combined Group

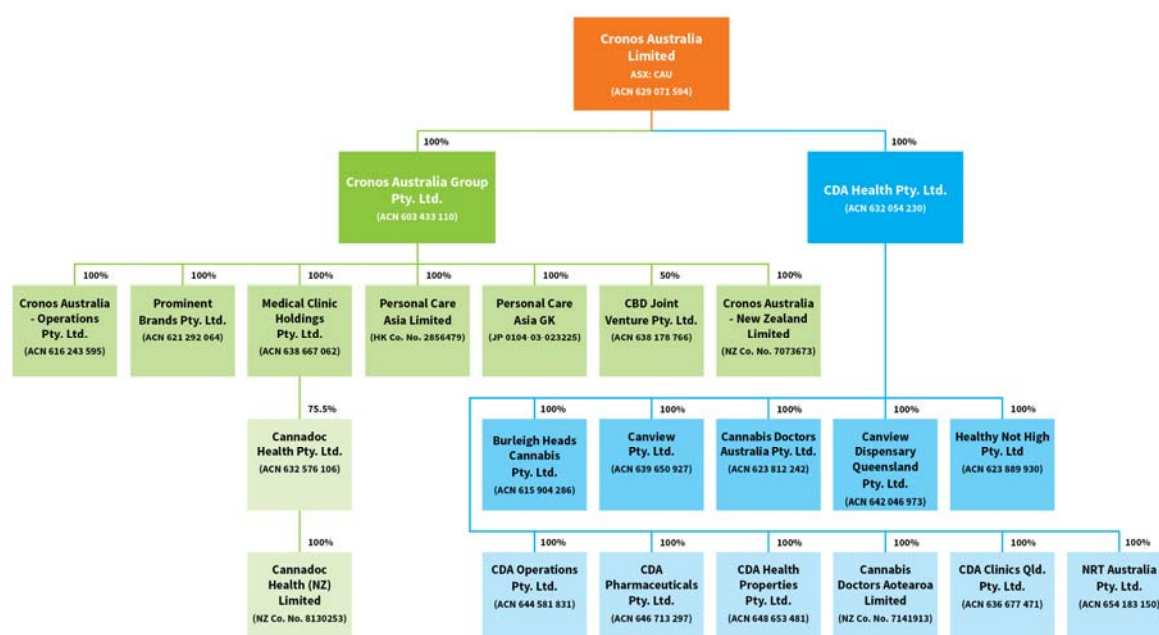
6.1 Overview

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 the acquisition of 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.

6.2 Merged group structure

Following Completion, the corporate structure of the merged group of companies will be as follows:



6.3 Business of Cronos Australia post-Merger

Upon Completion, the merged Cronos Australia and CDA Health business intends to build on its strong position in the distribution of medicinal cannabis products in Australia, continue to expand the clinic offerings of both CDA Health and Cannadoc, expand their proprietary ranges of medical cannabis products, undertake research and development of new products, grow its business in Asia and pursue strategic opportunities in Australia and offshore.

The Board believes that the opportunity offered by the Merger represents an opportunity that is in the best interests of current shareholders of both Cronos Australia and CDA Health.

The opportunity structured and presented under the proposed Merger presents shareholders of both CDA Health and Cronos Australia with the opportunity to own shares in a business with the ability to generate greater revenue in a growing market.

The issue of Consideration Shares to the Proposed Directors presents a compelling opportunity whereby Shareholder and Director interests are aligned and accordingly focused on optimising the Share price and performance of Cronos Australia.

6.4 Growth strategy of the Combined Group

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

- (a) expanding the scale and scope of its offerings to existing and potential customers;
- (b) expanding its business operations in the medicinal cannabis and consumer markets domestically and in targeted international markets (subject to prevailing legislation);
- (c) expanding proprietary brands and product ranges for the sale in key markets; and
- (d) 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 and products and related services. In parallel with this, the Combined Group intends to leverage its position to take advantage of 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.

6.5 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 business of the Combined Group;
- (f) integration of operational systems within the two clinic businesses to remove duplication and improve efficiencies;
- (g) merging of support functions including finance, secretarial, IT, HR, design and legal (some of which are currently outsourced) to reduce cost and improve performance;
- (h) integration of distribution of medicinal cannabis products across the businesses to remove cost and maintain service delivery standards;
- (i) cost savings through core business and non-core business procurement at a larger scale than pre-Merger; and

- (j) merging of ongoing research and development projects to remove duplication and combine current findings and outcomes.

6.6 Key dependencies of the business model

The key factors that the Combined Group will depend on to meet its objectives are:

- (a) the successful completion of the Merger;
- (b) the continuing ability of the Combined Group 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 the Combined Group's material contracts;
- (e) the acceptance of the internet as a commerce platform for individuals, devices and enterprises to procure products and services from the Combined Group;
- (f) the continued retention and incentivisation of key personnel;
- (g) the maintenance and continued protection of the Combined Group's respective intellectual property rights;
- (h) the stability of the regulatory framework applicable to the Combined Group's businesses;
- (i) the continuing ability of the Combined Group 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.

6.7 Escrow

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**), noting certain existing Shareholders have voluntarily agreed to extend their escrow period until 12 months after Completion:

| Escrowed Party | Escrowed Shares ¹ | % holding subject to escrow | 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 Jansen atf the Stanford Investment Trust | 144,745,252 | 100% | 23.40% | 12 months from Completion |
| Guy Headley | 141,299,867 | 100% | 22.84% | 12 months from Completion |
| Matua Jansen ³ | 61,486,023 | 100% | 9.94% | 12 months from 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 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.

In the event that Completion does not occur by 31 December 2021, the voluntary escrow agreements with Cronos Global Holdings Inc, NewSouthern Investment Holdings 1 Pty Ltd and NewSouthern Investment Holdings A Pty Ltd 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 is considered 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.

Except for the Escrowed Shares, none of the other Consideration Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from their date of allotment.

6.8 Funding of Cronos Australia post-Merger

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 Inc 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. The Company 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.

6.9 Board of the Combined Group

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

(a) Shane 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 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 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 Ben 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 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 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 The Cosmetic Clinic NZ.

Marcia is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of her judgement.

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

Kurt serves as Cronos Group Inc's President and Chief Executive Officer. Before joining Cronos Group Inc, 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 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 Cocks – Chief Executive Officer (currently Cronos Australia's Chief Executive Officer), whose profile is set out above at Section 6.9(b);
- (b) Thomas 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 Headley – Chief Commercial Officer (currently CDA Health's Director of Operations), whose profile is set out above in Section 6.9(c);
- (d) Dr Ben 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 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.

Details regarding the terms of their employment, including their remuneration, are set out in Section 6.12.

6.11 Interests and benefits of Directors and Proposed Directors

Except as set out below or elsewhere in this Prospectus, no Director or Proposed Director (whether individually or in consequence of that person's association with any company or firm or in any material contract entered into by Cronos Australia) has now, or has had, in the two-year period ending on the Prospectus Date, any interest in:

- (a) the formation or promotion of Cronos Australia;

- (b) any property acquired or proposed to be acquired by Cronos Australia in connection with Cronos Australia's formation or the promotion;
- (c) any property acquired or proposed to be acquired by Cronos Australia in connection with the Offers; or
- (d) the Offers.

In addition, except as set out below or elsewhere in this Prospectus, no benefits of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director or Proposed Director, to any company or firm with which a Director or a Proposed Director is associated, to induce them to become, or to qualify as, a Director, or otherwise for services rendered by them or the company or firm with which the Director or Proposed Director is associated in connection with the formation or the promotion of Cronos Australia, or the Offers.

The indicative number of securities owned or controlled by the Directors and the Proposed Directors at the Prospectus Date and following Completion (including their Associates) is as follows:

| Director/Proposed Director | Pre-Completion | | Post-Completion ¹ | |
|---------------------------------|-------------------|---------------------------|---|---------------------------|
| | Equity interest | % holding (fully diluted) | Equity interest | % holding (fully diluted) |
| Shane Tanner | 350,000 Shares | 0.27% | 350,000 Shares 1,000,000 Performance Rights | 0.22% |
| Rodney Cocks | 20,000,000 Shares | 15.22% | 20,000,000 Shares 1,000,000 Performance Rights 4,500,000 Options | 4.12% |
| Daniel Abrahams ² | 100,000 Shares | 0.08% | 100,000 Shares | 0.02% |
| Anna Burke AO ² | 50,000 Shares | 0.04% | 50,000 Shares | 0.01% |
| Jason Adler ² | Nil | Nil | Nil | Nil |
| Michael Gorenstein ² | Nil | Nil | Nil | Nil |
| Guy Headley ^{3,4} | Nil | Nil | 143,453,246 Shares 2,000,000 Performance Rights 9,000,000 Options | 24.97% |
| Dr Ben Jansen ^{3,5} | Nil | Nil | 144,745,252 Shares 1,000,000 Performance Rights 4,500,000 Options | 24.29% |
| Dr Marcia Walker ³ | Nil | Nil | Nil | Nil |
| Kurt Schmidt ³ | Nil | Nil | Nil | Nil |

Notes

¹ Assumes no Cash Consideration is taken.

² Resigning as Directors with effect from Completion (see Section 3.6).

³ Appointed as Directors with effect from Completion (see Section 3.6).

⁴ Proposed Director Guy 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 EIP Options.

⁵ Includes Shares to be issued to his Associate, Elizabeth Jansen atf the Stanford Investment Trust, in connection with the Merger.

6.12 Executive Employment Agreement summaries

(a) Variation of existing Executive Employment Agreement – Rodney Cocks

Rodney Cocks has agreed to vary his executive employment agreement as Chief Executive Officer, subject to and with effect from Completion, to ensure his employment terms are substantially identical to those of the incoming senior executives.

Rodney will continue to be paid an annual base salary of \$306,800 plus statutory superannuation. Rodney's employment is not for a fixed term.

The 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.

Under Rodney's 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:

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

Rodney's amended agreement also still includes a post-employment non-compete and non-solicitation restraint of trade, which operates worldwide (as the maximum area) for 12 months from the date on which his employment ceases (as the maximum period).

(b) **Variation of existing Executive Employment Agreement – Thomas Howitt**

Thomas Howitt has agreed to vary his executive employment agreement as Chief Financial Officer, subject to and with effect from Completion, to ensure his employment terms are substantially identical to those of the incoming senior executives.

Tom will continue to be paid an annual base salary of \$306,800 plus statutory superannuation. Tom employment is not for a fixed term.

Tom's amended agreement is subject to a mutual 3-month notice period (but which 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.

Tom's amended agreement also still includes a post-employment non-compete and non-solicitation restraint of trade, which operates worldwide (as the maximum area) for 12 months from the date on which his employment ceases (as the maximum period).

(c) **Executive Employment Agreement – Guy Headley**

Cronos Australia and Guy Headley have agreed to enter into an executive employment agreement under which Guy will be appointed Chief Commercial Officer, subject to and with effect from Completion. Guy will be paid an annual base salary of \$306,800 plus statutory superannuation. Guy's appointment is not for a fixed term.

The agreement is subject to a mutual 6-month notice period (but which 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.

Guy's executive employment agreement also includes a post-employment non-compete and non-solicitation restraint of trade, which operates worldwide (as the maximum area) for 12 months from the date on which his employment ceases (as the maximum period).

(d) **Executive Employment Agreement – Dr Ben Jansen**

Cronos Australia and Dr Ben Jansen have agreed to enter into an executive employment agreement under which Ben will be appointed Chief Medical Officer, subject to and with effect from Completion. Ben will be paid an annual base salary of \$306,800 plus statutory superannuation. Ben's appointment is not for a fixed term.

The agreement is subject to a mutual 6-month notice period (but which 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.

Ben's executive employment agreement also includes a post-employment non-compete and non-solicitation restraint of trade, which operates worldwide (as the maximum area) for 12 months from the date on which his employment ceases (as the maximum period).

(e) **Executive Employment Agreement – Jessimine Jansen**

Cronos Australia and Jessimine Jansen have agreed to enter into an executive employment agreement under which Jessimine will be appointed Chief Operating Officer, subject to and with effect from Completion. Jessimine will be paid an annual base salary of \$306,800 plus statutory superannuation. Jessimine's appointment is not for a fixed term.

The agreement is subject to a mutual 3-month notice period (but which 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.

Jessimine's executive employment agreement also includes a post-employment non-compete and non-solicitation restraint of trade, which operates worldwide (as the maximum area) for 12 months from the date on which her employment ceases (as the maximum period).

(f) **Letter of Appointment – Kurt Schmidt**

Kurt has entered into a letter of appointment to serve as non-executive Director. The letter of appointment, amongst other things:

- (i) provides for Kurt to be paid an annual director's fee of \$50,000;
- (ii) is effective from Completion and continues until the date that Kurt ceases to hold office as a Director; and
- (iii) Kurt may resign as a Director at any time by written notice.

The letter of appointment otherwise contains provisions that are customary for appointment letters of this nature.

(g) **Letter of Appointment – Dr Marcia Walker**

Marcia has entered into a letter of appointment to serve as non-executive Director. The letter of appointment, amongst other things:

- (i) provides for Marcia to be paid an annual director's fee of \$50,000;
- (ii) is effective from Completion and continues until the date that Marcia ceases to hold office as a Director; and
- (iii) Marcia may resign as a Director at any time by written notice.

The letter of appointment otherwise contains provisions that are customary for appointment letters of this nature.

6.13 Remuneration of Proposed Directors

Details regarding the terms of employment of each of the Proposed Directors, including their remuneration, are set out in Section 6.12.

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

6.14 Award of incentive securities

As noted in Section 3.10, subject to Shareholder approval and subject to Completion, 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 Limited Equity Incentive Plan (each a **Recipient**), under the terms of the Employee Incentive Offer made under this Prospectus:

| Recipient | Number of Performance Rights | Number of EIP Options |
|--|------------------------------|-----------------------|
| Shane Tanner (Chairman) | 1,000,000 | Nil |
| Rodney Cocks (Director and Chief Executive Officer) | 1,000,000 | 4,500,000 |
| Guy 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 Ben 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 Howitt (Chief Financial Officer and Company Secretary) | 1,000,000 | 4,500,000 |
| Jessimine Jansen (CDA Health co-founder and proposed Chief Operating Officer of Cronos Australia) | 1,000,000 | 4,500,000 |
| 12 current Cronos Australia employees | 434,783 | Nil |
| 70 current 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 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 EIP 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: | 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. 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. |
| 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: | 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). Subject to complying with the Cronos Australia securities trading policy, recipients will be free to sell, transfer or otherwise deal with their Shares. |
| Transferability: | 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. 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. |
| Change of Control: | 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. 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. |
| 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: | 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. 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. |
| 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 EIP Options is set out below:

| | | | | |
|---|---|------------------------------|---------------------|---|
| Vesting Conditions: | The vesting of each tranche of the EIP Options is subject to the following vesting conditions: <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); andthe satisfaction of the relevant Performance Hurdles (as defined below). | | | |
| Vesting Date and Exercise Price for the EIP Options: | The EIP Options to be issued to each Recipient will have Vesting Dates and Exercise Prices as set out below: | | | |
| | Tranche | Number of EIP Options | Vesting Date | Exercise Price of each EIP 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 EIP Options | <p>The Performance Hurdles for the EIP Options are as follows:</p> <table> <tr> <th>Tranche</th><th>Performance Hurdle</th></tr> <tr> <td>Tranche 1</td><td>The gross revenue of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2022 (FY2022) must exceed the combined revenues for the financial year ended 30 June 2021 (FY2021) by 25% or more.</td></tr> <tr> <td>Tranche 2</td><td>The gross revenue of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2023 (FY2023) must exceed the revenue for Cronos Australia group for FY2022 by 25% or more.</td></tr> <tr> <td>Tranche 3</td><td>The gross revenues of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2024 must exceed revenue for Cronos Australia group for FY2023 by 25% or more.</td></tr> </table> <p>Revenue will be calculated with reference to the audited financial statements for Cronos Australia, and CDA Health in respect of FY2021, as approved by the Cronos Australia board, and the following will be excluded from revenue:</p> <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. <p>Each tranche of EIP 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</p> | Tranche | Performance Hurdle | Tranche 1 | The gross revenue of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2022 (FY2022) must exceed the combined revenues for the financial year ended 30 June 2021 (FY2021) by 25% or more. | Tranche 2 | The gross revenue of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2023 (FY2023) must exceed the revenue for Cronos Australia group for FY2022 by 25% or more. | Tranche 3 | The gross revenues of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2024 must exceed revenue for Cronos Australia group for FY2023 by 25% or more. |
| Tranche | Performance Hurdle | | | | | | | | |
| Tranche 1 | The gross revenue of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2022 (FY2022) must exceed the combined revenues for the financial year ended 30 June 2021 (FY2021) by 25% or more. | | | | | | | | |
| Tranche 2 | The gross revenue of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2023 (FY2023) must exceed the revenue for Cronos Australia group for FY2022 by 25% or more. | | | | | | | | |
| Tranche 3 | The gross revenues of Cronos Australia Group (incorporating the CDA Health Group) for the financial year ending 30 June 2024 must exceed revenue for Cronos Australia group for FY2023 by 25% or more. | | | | | | | | |
| Lapse of EIP Options: | All unexercised EIP Options (which have vested) will lapse and expire 4 years from the date of Completion. | | | | | | | | |
| Voting and dividend entitlements: | <p>For each EIP 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 EIP 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: | EIP 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 EIP 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 EIP Options (including the proportion of those awards that vest on a Change of Control in accordance with the Plan Rules). Any vested EIP 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 EIP 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 EIP Options vesting by reason of resignation, termination for cause (including gross misconduct) or death, those EIP 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 EIP Options may not participate in the new issue unless their EIP Options have vested and been exercised in accordance with their terms. | | | | | | | | |

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6.15 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. The Proposed Directors will be indemnified on the same terms as all existing Directors.

6.16 Effect of Merger on Cronos Australia's corporate governance

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 Tanner (already a member of that committee), Dr Marcia Walker and Kurt Schmidt. Shane and Marcia are two independent non-executive Director members of the Committee and Marcia will act as Chair of the Committee.
- (b) Cronos Australia's Nomination and Remuneration Committee will be reconstituted to comprise of Shane Tanner (already a member of that committee), Dr Marcia Walker and Kurt Schmidt. Shane and Marcia are two independent non-executive Director members of the committee and Kurt will act as Chair of the Committee.

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.

6.18 Related party transactions of the Combined Group

(a) Cronos Group Inc – Loan Conversion Deed

As part of the Merger, Cronos Group Inc, Cronos Operations and Cronos Australia have agreed to convert the principal plus the accrued interest owing to Cronos Group Inc 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 Inc – IP Licence**

As part of the Merger, Cronos Group Inc, 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 EIP 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 subject to Shareholder approval.

See Section 3.10 for further information.

7 Material Contracts

7.1 Merger Implementation Agreement

On 14 September 2021, Cronos Australia and CDA Health entered into the Merger Implementation Agreement (**MIA**), pursuant to which Cronos Australia agreed to acquire the entire share capital in CDA Health.

The Merger is conditional upon, and subject to, a number of conditions. Material conditions precedent include:

- (a) Cronos Australia Shareholders approving the resolutions set out in the Cronos Australia Notice of Meeting;
- (b) approval of certain amendments to the CDA Health constitution by the CDA Shareholders in order facilitate the Merger;
- (c) no material adverse change or prescribed occurrence (each as defined in the MIA) occurring in respect of either CDA Health or Cronos Australia;
- (d) 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;
- (e) amending the IP Licence on terms agreed by the parties thereto;
- (f) conversion of the existing loan owing under the Loan Agreement into Shares; and
- (g) other conditions customary for a transaction of this nature.

Under the MIA, Cronos Australia agreed to issue to the existing shareholders of CDA Health such number of Consideration Shares with an aggregate value of up to \$60,690,231. As part of the consideration payable for the Merger, the Eligible CDA Shareholders are able to elect (by signing and returning an Acceptance and Election Form in respect of the CDA Shares owned by that Eligible CDA Shareholder) whether to receive cash and/or Shares subject to a total cash component of \$5,000,000 (at a purchase price of \$0.138 per Consideration Share).

If Eligible CDA Shareholders make elections for Cash Consideration greater than \$5,000,000 in aggregate, the amount of Cash Consideration will be scaled back on a pro rata basis. The scale-back continues until the \$5,000,000 of Cash Consideration has been fully apportioned.

7.2 Share Purchase Deed

On 14 September 2021, the Major CDA Shareholders provided their written confirmation to Cronos Australia that they agree to sell their CDA Shares to Cronos Australia pursuant to the terms of the Share Purchase Deed.

The Share Purchase Deed is appended to this Prospectus at Appendix 1.

The Share Purchase Deed is the legally enforceable document which sets out the terms and conditions on which the CDA Shares will be transferred from the Eligible CDA Shareholders to Cronos Australia. By signing and delivering an Acceptance and Election Form by 6.00pm (Melbourne time) on the Closing Date, each CDA Shareholder accedes to the terms of the Share Purchase Deed and agrees to be bound by the terms and conditions of the Share Purchase Deed as if it were a Seller (as that term is defined in the Share Purchase Deed).

Completion of the sale and purchase of the CDA Shares (as such term is defined in the Share Purchase Deed) is conditional on the MIA becoming unconditional in all respects (the **Condition**) (i.e., all conditions precedent set out in the MIA must be satisfied or, in respect of those conditions precedent which are capable of being waived, waived). If the Condition is not satisfied on or before 31 December 2021 or such other date as agreed between Cronos Australia and CDA Health in writing, the Share Purchase Deed will terminate and no party will have any liabilities to the other party except that each party retains the rights that it has against the other party in connection with any loss or claim that has arisen before termination.

Pursuant to the terms of the Share Purchase Deed, Cronos Australia must pay each CDA Shareholder's Total Entitlement as follows:

- (a) in respect of an Eligible CDA Shareholder who has given a valid Acceptance and Election Form electing to receive their Total Entitlement wholly by way of Consideration Shares, by way of the issue of Consideration Shares calculated in accordance with the terms of the MIA;
- (b) in respect of an Eligible CDA Shareholder who has given a valid Acceptance and Election Form electing to receive their Total Entitlement wholly by way of Cash Consideration:
 - (i) Cronos Australia shall procure the payment of the full Cash Consideration to the account nominated by that Eligible CDA Shareholder (noting that this may be scaled back pursuant to the terms of the MIA); or
 - (ii) if there is a scale back pursuant to the terms of the MIA, Cronos Australia shall pay the balance of the amount payable to that Eligible CDA Shareholder by way of the issue of Consideration Shares calculated in accordance with the MIA;
- (c) in respect of an Eligible CDA Shareholder who has given a valid Acceptance and Election Form electing to receive their consideration partly as Consideration Shares and partly as Cash Consideration:
 - (i) Cronos Australia shall procure the payment of the Cash Consideration to the account nominated by that Eligible CDA Shareholder in their Acceptance and Election Form up to the amount specified in their Acceptance and Election Form as may be scaled back pursuant to the terms of the MIA; and
 - (ii) Cronos Australia shall pay the balance of the amount payable to that Eligible CDA Shareholder by way of the issue of Consideration Shares calculated in accordance with the MIA;
- (d) in respect of an Eligible CDA Shareholder who has not given a valid Acceptance and Election Form, by way of the issue of Consideration Shares calculated in accordance with the terms of the MIA; and
- (e) in respect of the Ineligible Foreign Shareholders, Cronos Australia shall procure the payment of the Ineligible Foreign Shareholder's Total Entitlement in cash to the account nominated by such Ineligible Foreign Shareholder.

The CDA Shareholders provide the usual and customary warranties and representations including warranties and representations as to their solvency, title to the CDA Shares, capacity to enter into the Share Purchase Deed, and capacity to sell the CDA Shares free of encumbrances pursuant to the terms of the Share Purchase Deed.

Cronos Australia provides reciprocal warranties and representations, including warranties and representations regarding its solvency, capacity to enter into the Share Purchase Deed and its ability to perform its obligations under the Share Purchase Deed.

The Amended CDA Constitution contains an option in favour of those CDA Shareholders who are collectively entitled to dispose of more than 50% of the CDA Shares to require that all other CDA Shareholders sell and transfer all of their shares to a third party purchaser, provided certain conditions are met (**Drag Along Option**).

The CDA Major Shareholders have noted their intention to accept the terms of the Merger Offer and to exercise the Drag Along Option to drag each CDA Shareholder who does not return a valid Acceptance and Election Form to Cronos Australia (**Abstaining CDA Shareholder**).

In the event that the Drag Along Option is exercised, each Abstaining CDA Shareholder and CDA Health will be issued with a drag along notice.

Immediately upon CDA Health receiving a drag along notice, CDA Health and each director will be constituted the agent of any such Abstaining CDA Shareholder to take such actions and enter into any documents as are necessary to effect the transfer of each Abstaining CDA Shareholder's CDA Shares.

This will include entry into a share transfer form in customary form and the Share Purchase Deed. Furthermore, all original share certificates held by the Abstaining CDA Shareholders will be cancelled on Completion.

The effect of this is that each CDA Shareholder will be required to sell and transfer their CDA Shares to Cronos Australia regardless of whether or not a valid Acceptance and Election Form is returned to Cronos Australia by 6.00pm (Melbourne time) on the Closing Date. If a valid Acceptance and Election Form has not been returned to Cronos Australia by the required time, then no Cash Consideration will be paid and instead each Abstaining CDA Shareholder will receive Consideration Shares only in exchange for their CDA Shares.

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8 Financial Information

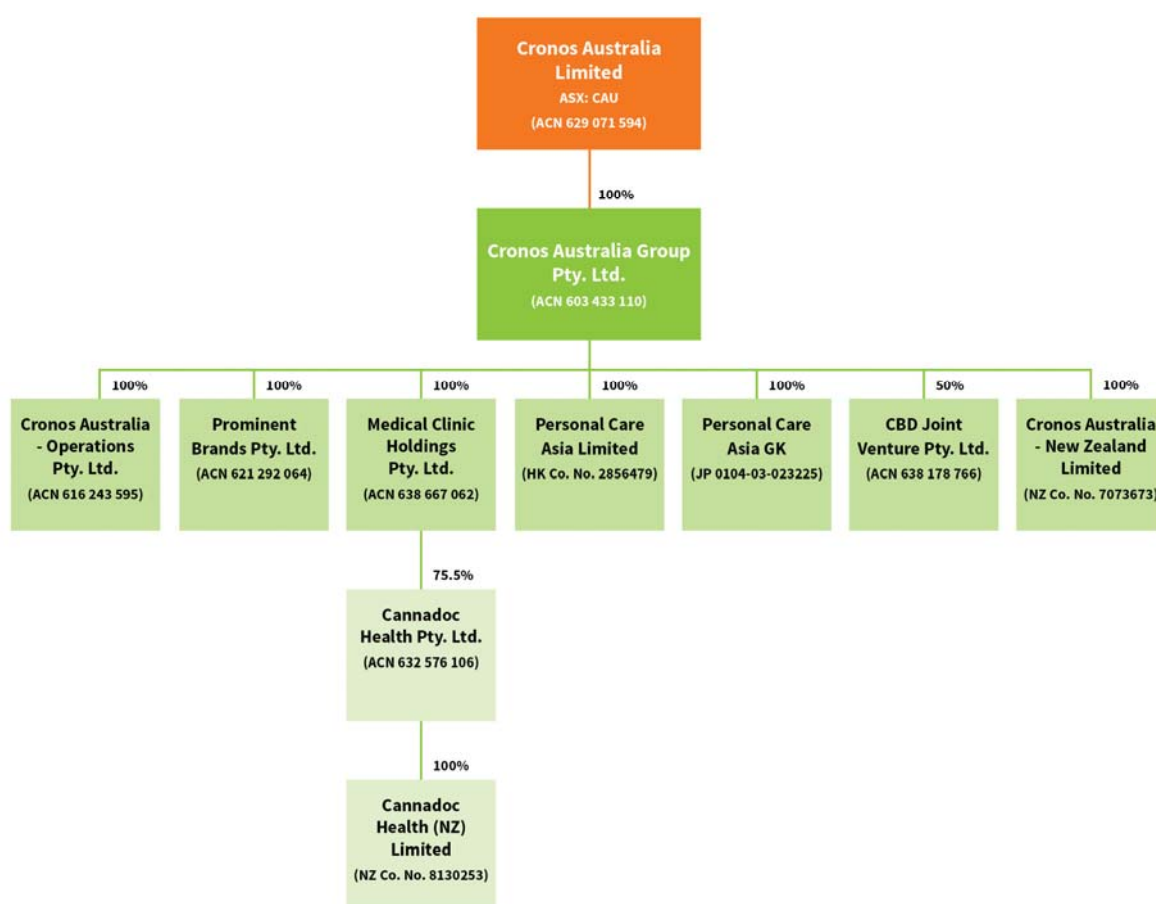
8.1 Background

The pro forma historical financial information presented in this Section 8 comprises the historical financial information of the following groups of entities:

- (a) Cronos Australia Limited (also called **Cronos Australia** in this Section 8) and its controlled entities, collectively called **Cronos Australia Group**; and
- (b) CDA Health Pty Ltd (also called **CDA Health** in this Section 8) and its controlled entities, collectively called **CDA Health Group**.

In this Section 8, the combined group, comprising Cronos Australia Group and CDA Health Group, is called the **Combined Group**.

The legal entity structure of the Cronos Australia Group as at the Prospectus Date is set out below:



8.2 Introduction

The financial information contained in this Section 8 has been prepared by Cronos Australia and CDA Health in connection with the Merger Offer and includes:

- (a) In Section 8.4, the following audited historical financial information for Cronos Australia Group:
 - (i) As Table 1, consolidated statements of comprehensive income/(loss) for the years ended 30 June 2019 (**FY2019**), 30 June 2020 (**FY2020**) and 30 June 2021 (**FY2021**);
 - (ii) As Table 2, consolidated statements of financial position as at the end of FY2019, FY2020 and FY2021; and
 - (iii) As Table 3, consolidated statements of cash flow for FY2019, FY2020 and FY2021,

(together, the **Cronos Australia Historical Financial Statements**);

(b) In Section 8.5, the following audited historical financial information for CDA Health Group:

- (i) As Table 4, consolidated statements of comprehensive income/(loss) for FY2019, FY2020 and FY2021;
- (ii) As Table 5, consolidated statements of financial position as at the end of FY2019, FY2020 and FY2021; and
- (iii) As Table 6, audited consolidated statements of cash flow for FY2019, FY2020 and FY2021,

(together, the **CDA Health Historical Financial Statements** and, together with the Cronos Australia Historical Financial Statements, the **Historical Financial Information**);

(c) In Section 8.6, the following pro forma financial information for the Combined Group:

- (i) As Table 7, pro forma consolidated statements of comprehensive income/(loss) for FY2019, FY2020 and FY2021;
- (ii) As Table 8, pro forma consolidated statements of financial position as at the end of FY2019, FY2020 and FY2021; and
- (iii) As Table 9, pro forma consolidated statements of cash flow for FY2019, FY2020 and FY2021,

(together, the **Combined Group Pro Forma Financial Statements**);

(d) In Section 8.7, reconciliation of pro forma financial information for the Combined Group:

- (i) As Table 10, reconciliation of pro forma consolidated statements of comprehensive income/(loss) for FY2021;
- (ii) As Table 11, reconciliation of pro forma consolidated statements of financial position as at the end of FY2021; and
- (iii) As Table 12, reconciliation of pro forma consolidated statements of cash flow for FY2021,

(together, the **Reconciliation of Combined Group Pro Forma Financial Statements**),

(all, collectively, **Financial Information**).

Both Cronos Australia and CDA Health, together with their respective controlled entities, have 30 June financial year-end balance dates and the Financial Information has been presented on this basis.

This Section 8 also sets out the basis of preparation and presentation of the Financial Information (see Section 8.3) and the significant accounting policies of Cronos Australia and CDA Health (see Section 8.8).

All amounts disclosed in Section 8 are presented in Australian dollars and, unless otherwise noted, have been rounded to the nearest dollar. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

The information in Section 8 should be read in conjunction with the risk factors set out in Section 10 and other information contained in this Prospectus.

The Financial Information (as defined above) has been reviewed by Pilot Advisory Pty Ltd in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as stated in its Investigating Accountant's Report set out in Section 9. Investors should note the scope and limitations of the Investigating Accountant's Report as provided in Section 9.

8.3 Basis of preparation and presentation of the Financial Information

(a) Overview

The Directors of Cronos Australia and CDA Health are responsible for the preparation and presentation of their respective components of the Financial Information.

The Financial Information included in this Prospectus is intended to provide Eligible CDA Shareholders with information to assist them with understanding the historical financial performance, financial position and cash flows of Cronos Australia and CDA Health and the Combined Group post-Completion.

The historical financial information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards issued by the International Accounting Standards Board.

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.

CDA Health's significant accounting policies are set out in Section 8.8.

The pro forma historical financial information has been prepared in accordance with AASB 3 Business combinations (**AASB 3**). The proposed transaction resulting in the Combined Group has been identified as a Business Combination under AAS. AASB 3 requires the identification of an acquirer for financial reporting purposes. The structure of the proposed transaction means that CDA Health has been identified as the accounting acquirer for financial reporting purposes. This decision has been based upon the facts and circumstances of the proposed transaction. In particular, reference is made to the relative voting rights in Cronos Australia held collectively by the current shareholders of CDA Health after the business combination, and the relative sizes (defined in terms of assets, revenues and profits) of both Cronos Australia and CDA Health.

The pro forma historical financial information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments that have been prepared in a manner consistent with AAS. These reflect:

- (i) the exclusion of certain transactions that occurred during the relevant periods; and
- (ii) the impact of certain transactions as if they had occurred on, or around, 30 June 2021.

The Financial Information is presented in an abbreviated form and does not include all of the presentation and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act*.

(b) Changes in accounting standards

There are no new standards effective from 1 July 2021 that will have a material impact on the recognition and measurement requirements of the Combined Group.

(c) Preparation of historical financial information

The annual historical financial information for each entity has been derived from their respective general purpose financial statements as follows:

- (i) the audited general purpose financial statements of Cronos Australia Group for FY2019, FY2020 and FY2021; and
- (ii) the audited general purpose financial statements of CDA Health Group for FY2019, FY2020 and FY2021.

The general purpose financial statements of Cronos Australia Group for the financial years stated above have been audited by KPMG in accordance with Australian Auditing Standards.

The general purpose financial statements of CDA Health Group for the financial years stated above have been audited by Pilot Partners in accordance with Australian Auditing Standards.

(d) **Preparation of Pro Forma Historical Financial Information**

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information and adjusted for the effects of the pro forma adjustments described below.

In relation to the pro forma historical statements of comprehensive income/(loss) and pro forma historical statement of cash flows, pro forma adjustments have been made to reflect the elimination of certain amounts incurred in respect of operational transactions between Cronos Australia and CDA Health, as set out in the footnotes to Tables 10 and 12.

In relation to the pro forma historical balance sheet, pro forma adjustments have been made to reflect the completion of the Merger under the accounting requirements of AASB 3 *Business Combinations*, as set out in the footnotes to Table 11.

The Pro Forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the actual or prospective financial position, financial performance or cash flows of either Cronos Australia or CDA Health.

Investors should note that past results are not a guarantee of future financial performance.

(e) **Going concern**

The Financial Information has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. In making this assessment, the Directors of both Cronos Australia and CDA Health have considered the future cash and cash equivalents and the likely future requirements of both companies.

Following Completion, Cronos Australia expects to have pro forma historical cash and cash equivalents of approximately \$6,245,000 as at 30 June 2021.

The Financial Information does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the proposed Combined Group not continue as a going concern.

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8.4 Cronos Australia Historical Income Statements

- (a) Table 1 below sets out the audited consolidated statements of comprehensive income/(loss) for Cronos Australia Group for FY2019, FY2020 and FY2021.

| | 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) Table 2 below sets out the audited consolidated statements of financial position for Cronos Australia Group as at the end of FY2019, FY2020 and FY2021.

| | 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) Table 3 below sets out the audited consolidated statements of cash flow for Cronos Australia Group for FY2019, FY2020 and FY2021.

| | 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 |

8.5 CDA Health Historical Income Statements

- (a) Table 4 below sets out the audited consolidated statements of comprehensive income/(loss) for CDA Health Group for FY2019, FY2020 and FY2021.

| | 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) Table 5 below sets out the audited consolidated statements of financial position for CDA Health Group as at the end of FY2019, FY2020 and FY2021.

| | 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) Table 6 below sets out the audited consolidated statements of cash flow for CDA Health Group for FY2019, FY2020 and FY2021.

| | 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 |

8.6 Combined Group Pro Forma Financial Statements

- (a) Table 7 below sets out the pro forma consolidated statements of comprehensive income/(loss) for the Combined Group for FY2019, FY2020 and FY2021.

| | 2019 \$ | 2020 \$ | 2021 \$ |
|-----------------------------------|--------------------|--------------------|---------------------|
| Continuing operations | | | |
| Revenue | 574,325 | 4,655,790 | 23,186,498 |
| Cost of sales | <u>(140,062)</u> | <u>(2,578,172)</u> | <u>(15,612,837)</u> |
| 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 | <u>(85,545)</u> | <u>(127,467)</u> | <u>(75,820)</u> |
| Loss before income tax | (3,023,914) | (4,750,145) | (2,249,408) |
| Income tax benefit | <u>40,542</u> | <u>(9,309)</u> | <u>(487,459)</u> |
| Loss for the year | <u>(2,983,372)</u> | <u>(4,759,454)</u> | <u>(2,736,867)</u> |
| Other comprehensive income/(loss) | | | |
| Exchange gains on translation | - | 205 | 54,355 |
| Other comprehensive income/(loss) | - | 205 | 54,355 |
| Total comprehensive loss | <u>(2,983,372)</u> | <u>(4,759,249)</u> | <u>(2,682,512)</u> |

- (b) Table 8 below sets out the pro forma consolidated statements of financial position for the Combined Group as at the end of FY2019, FY2020 and FY2021.

| | 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) Table 9 below sets out the pro forma consolidated statements of cash flow for the Combined Group for FY2019, FY2020 and FY2021.

| | 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 |

8.7 Reconciliation of Combined Group Pro Forma Financial Statements

- (a) Table 10 below sets out the reconciliation of the pro forma consolidated statements of comprehensive income/(loss) for the Combined Group for FY2021.

| | 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) | |

Note

¹ Adjustment 1 eliminates the distribution fees paid by Cronos Australia to CDA Health during FY2021.

- (b) 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 FY2021.

| | 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

² 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.

³ Adjustment 3 eliminates the distribution fees payable by Cronos Australia to CDA Health as at the end of FY2021.

⁴ Adjustment 4 recognises the goodwill arising on acquisition of CDA Health as if the transaction had occurred as at the end of FY2021.

⁵ Adjustment 5 eliminates the \$204,026 of distribution fees payable by Cronos Australia to CDA Health as at the end of FY2021 and recognises a further amount of \$300,000 of transaction fees that will be payable to Cornwalls Capital Australia Pty Ltd on Completion.

⁶ Adjustment 6 eliminates the outstanding balance of the loan from Cronos Group Inc to Cronos Australia that will be converted into Cronos Australia shares on Completion.

⁷ Adjustment 7 eliminates the balance of equity of Cronos Australia as at the end of FY2021 and recognises the shares that will be issued to Cronos Group Inc 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 FY2021.

⁹ Adjustment 9 eliminates the balance of accumulated losses of Cronos Australia as at the end of FY2021.

¹⁰ Adjustment 10 eliminates the balance of non-controlling interests of Cronos Australia as at the end of FY2021 and recognises the value of performance rights on issue immediately prior to Completion.

- (c) Table 12 below sets out the reconciliation of the pro forma consolidated statements of cash flows for the Combined Group for FY2021.

| | 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 FY2021.

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.

8.8 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:

- (i) Inventories;
- (ii) Right-of-use assets and lease liabilities;
- (iii) Intangible assets; and
- (iv) 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.

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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**

(i) **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.

(ii) **Classification and subsequent measurement**

(A) 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 relationships).

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.

(B) 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:

- (I) 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
- (II) interest on the principal amount outstanding on specified dates.
- (III) A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- (IV) 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;
- (V) the business model for managing the financial assets comprises both contractual cash flows collection; and
- (VI) 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.

(iii) **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.

(iv) **Derecognition**

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

(A) **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.

(B) **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:

- (I) the right to receive cash flows from the asset has expired or been transferred;
- (II) all risk and rewards of ownership of the asset have been substantially transferred; and
- (III) 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.

(v) **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.

(A) **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:

- (I) 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
- (II) 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).

(B) **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 (e.g. 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**

(i) **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.

(ii) **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.

(iii) **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:

- (A) assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- (B) income and expenses are translated at exchange rates on the date of transaction; and
- (C) 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.

(iv) **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.

9 Investigating Accountant's Report

See over page.

For personal use only

Ref:CK:sd

19 November 2021

Mr Rodney Cocks
Executive Director
Cronos Australia Limited
Suite 8, Level 3, 299 Toorak Road
SOUTH YARRA VIC 3141

Dear Mr Cocks

CRONOS AUSTRALIA LIMITED INVESTIGATING ACCOUNTANTS REPORT

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

Pilot Advisory Pty Ltd ("Pilot Advisory") has been engaged by Cronos Australia Limited ("Cronos Australia Group") to report on the historical financial information of Cronos Australia Group and CDA Health Pty Ltd (CDA Health) and the pro forma historical financial information of Cronos Australia Group and CDA Health combined ("Combined Group") as at, and for the years ended, 30 June 2019, 30 June 2020 and 30 June 2021, for inclusion in the public document dated on or about 19 November 2021 and relating to the proposed merger between Cronos Australia Group and CDA Health ("the prospectus").

Expressions and terms defined in the prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an appropriate Australian Financial Services Licence ("AFSL") under the *Corporations Act 2001* ("The Act"). Pilot Advisory holds the appropriate AFSL under the Act.

SCOPE

Historical Financial Information

You have requested Pilot Advisory to review the following historical financial information of Cronos Australia Group (the responsible party) included in the prospectus:

- the Statements of Financial Performance for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- the Statements of Financial Position as at 30 June 2019, 30 June 2020 and 30 June 2021; and
- the Statements of Cash Flows for the years ended 30 June 2019, 30 June 2020 and

30 June 2021.

You have further requested Pilot Advisory to review the following historical financial information of CDA Health (the responsible party) included in the prospectus:

- the Statements of Financial Performance for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- the Statements of Financial Position as at 30 June 2019, 30 June 2020 and 30 June 2021; and
- the Statements of Cash Flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the respective company's adopted accounting policies.

The historical financial information for Cronos Australia Group has been extracted from the financial reports of Cronos Australia Group for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, which were audited by KPMG in accordance with the Australian Auditing Standards. KPMG issued unmodified audit opinions on each of the respective financial reports.

The historical financial information for CDA Health has been extracted from the financial reports CDA Health for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, which were audited by Pilot Partners in accordance with the Australian Auditing Standards. Pilot Partners issued unmodified audit opinions on each of the respective financial reports.

The historical financial information is presented in the prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Act.

Pro Forma Historical Financial Information

You have requested Pilot Advisory to review the following pro forma historical financial information of the Combined Group included in the prospectus:

- the Pro Forma Statements of Financial Performance for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- the Pro Forma Statements of Financial Position as at 30 June 2019, 30 June 2020 and 30 June 2021;
- the Pro Forma Statements of Cash Flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- reconciliation of the Pro Forma Combined Group Statements of Financial Performance for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- reconciliation of the Pro Forma Combined Group Statements of Financial Position as at 30 June 2019, 30 June 2020 and 30 June 2021; and
- reconciliation of the Pro Forma Combined Group Statements of Cash Flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;

The pro forma historical financial information has been derived from the historical financial information of Cronos Australia Group and CDA Health after adjusting for the effects of pro forma adjustments described in section 8.7 of the prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 8.3 of the prospectus, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. This includes accounting for the acquisition transaction as a Reverse Acquisition under the requirements of *AASB 3: Business Combinations*. Due to its nature, the pro forma historical financial information does not represent the Combined Group's actual financial position, financial performance, and/or cash flows.

DIRECTORS RESPONSIBILITY

The directors of Cronos Australia Group are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and to ensure the pro forma historical financial information is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information Included in a Prospectus or Other Document* ("ASAE 3420").

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

CONCLUSIONS

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in sections 8.4 and 8.5 of the prospectus, and comprising:

- the Statements of Financial Performance of Cronos Australia Group and CDA Health for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- the Statements of Financial Position of Cronos Australia Group and CDA Health as at

- 30 June 2019, 30 June 2020 and 30 June 2021; and
- the Statements of Cash flows of Cronos Australia Group and CDA Health for the years ended 30 June 2019, 30 June 2020 and 30 June 2021,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 8.3 of the prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, as described in sections 8.6 and 8.7 of the prospectus, and comprising:

- the Pro Forma Statements of Financial Performance for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- the Pro Forma Statements of Financial Position as at 30 June 2019, 30 June 2020 and 30 June 2021;
- the Pro Forma Statements of Cash Flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- reconciliation of the Pro Forma Combined Group Statements of Financial Performance for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- reconciliation of the Pro Forma Combined Group Statements of Financial Position as at 30 June 2019, 30 June 2020 and 30 June 2021; and
- reconciliation of the Pro Forma Combined Group Statements of Cash Flows for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;

is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 8.3 of the prospectus and the pro forma adjustments stated in section 8.7 of the prospectus.

RESTRICTION ON USE

Without modifying our conclusions, we draw attention to section 8.3 of the prospectus, which describes the purpose of the financial information, being for inclusion in the prospectus. As a result, the financial information may not be suitable for use for another purpose.

CONSENT

Pilot Advisory has consented to the inclusion of this assurance report in the prospectus in the form and context in which it is included.



DISCLOSURE OF INTEREST

Pilot Advisory and Pilot Partners do not have any interest in the outcome of this transaction other than in the preparation of this Investigating Accountants Report, and the audit of the financial statements of CDA Health for which normal professional fees have been or will be received.

Yours sincerely

PILOT ADVISORY PTY LTD

**CHRIS KING
DIRECTOR**

Financial Services Guide

Pilot Advisory Pty Ltd ABN 55 115 403 051, AFS Licence No. 473034

Level 10, Waterfront Place
1 Eagle Street Brisbane QLD 4000

Version: 1.0
Date: 5 December 2019

Engagement

Pilot Advisory Pty Ltd (referred to throughout this document as Pilot Advisory, we, us, our) has been engaged to issue general financial product advice in the form of an Expert's report. This report is provided to you in connection with a financial product to be issued by another party.

You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are only responsible for any general financial product advice we provide and for the contents of this Financial Services Guide (FSG).

About this document

This FSG complies with the *Corporations Act 2001*. It is an important document and is designed to provide information about Pilot Advisory including letting you know about how we are paid, how we deal with complaints, and to assist you in deciding whether to use any of the general financial product advice offered by us. This document contains information about:

- who we are and how we can be contacted
- what services and types of products we are authorised to provide to you under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- potential conflicts of interests
- details of our internal and external dispute resolution procedures and how you can access them

Should you receive financial services from Pilot Advisory, you may also be provided with other documentation including Product Disclosure Statements (PDS) or other regulated documents. These will be provided only if or when we provide general advice in relation to any particular financial product.

The purpose of any PDS or offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS or offer document will include details such as the risks, benefits and costs of acquiring the particular financial product and you should seek independent advice regarding whether that product is appropriate for you, having regard to your own personal objectives, financial situation and needs.

Information about us and our services

Pilot Advisory is authorised to provide general financial product advice only, to retail and wholesale clients, in relation to the following financial products:

- managed investment schemes excluding investor directed portfolio services;
- securities; and
- superannuation.

We typically provide our services via expert reports.

Our reports may include an opinion which is general financial product advice. The advice in our reports is "general advice" because it does not take into account your personal objectives, financial situation or needs.

Pilot Advisory:

- is engaged only by lawyers and other professionals to provide our expert reports. We therefore act for these clients when providing our financial services;
- does not act for the end-users of our reports.

How are we paid

We charge fees for the services we provide. These fees are either a fixed fee or based on the hourly rates of our staff involved and are set out and agreed in a letter of engagement with the party that engages us. We may also seek reimbursement for any out-of-pocket expenses incurred in providing the services.

You can request further details about how we are paid within a reasonable time of receiving this FSG and before any financial service is provided.

We do not receive or pay commissions or referral fees in relation to any services we provide. All of our employees receive a salary. We do not receive non-monetary benefits in relation to our financial services and our fee is not contingent upon the outcome of the transaction.

Pilot Advisory is a wholly owned subsidiary of Pilot Partners Pty Ltd (Pilot). Pilot is an affiliate of Nexia International.

Other than the benefits received for the report disclosed above, we have no other associations or relationships with the financial product issuer or otherwise which would influence or impact our ability to provide the services.

Compensation arrangements

Pilot Advisory maintains professional indemnity insurance that covers the provision of our financial services. Our policy meets the compensation arrangement requirements under s912B of the *Corporations Act 2001 (Cth)*.

Your privacy

The privacy of your personal information is important to us. Any personal information we collect will be handled in accordance with our Privacy Policy. Our privacy policy details how we comply with the requirements of the *Privacy Act 1988 (Cth)* in the handling of your personal information.

You can access a full copy of our Privacy Policy via our website at <https://www.pilotpartners.com.au/privacy/>

How to contact us

You can contact us by:

1. calling us on 07 3023 1300
2. online at <https://www.pilotpartners.com.au/contact/contact-form/>
3. writing to us at:
Pilot Partners
PO Box 7095
Brisbane QLD 4000

How we handle complaints

As the holder of an AFSL, we are required to have a system in place for handling complaints about the financial services we provide. At Pilot Advisory we take complaints seriously and our aim with handling complaints is that they are handled in a prompt, effective and objective manner.

You can lodge a complaint by:

1. calling us on 07 3023 1300
2. email us at cconnor@pilotpartners.com.au
3. writing to us at:
Attn: Complaints Officer
Pilot Partners
PO Box 7095
Brisbane QLD 4000

We aim to resolve any complaint within 45 days and will assess your complaint and advise you of the outcome in writing. If more time is required for complicated matters, we will contact you.

Pilot Advisory is a member of the Australian Financial Complaints Authority (AFCA). On the occasion that you are not satisfied with our response or decision, you may be able to take your complaint to AFCA, which is the financial services industry's external dispute resolution scheme.

You can contact AFCA by:

1. calling 1800 931 678
2. emailing at info@afca.org.au
3. writing to:
Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001

10 Risk Factors

This Section 10 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 CDA Shareholders should be aware.

This Section 10 identifies the areas the Board regards as the major risks specific to an investment in the Combined Group. You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus. 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.

You should also seek your own professional advice in relation to the risks associated with an investment in the Combined Group.

10.1 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.

(b) Risk of high volume of Share sales

Subject to Completion, Cronos Australia will have issued a significant number of Consideration Shares to various parties. Some of the Eligible CDA Shareholders and other parties 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 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. 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 under this Prospectus.

10.2 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 will 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 Shareholders (and their Associates) will obtain in Cronos Australia as a result of being issued the Shares at Completion is approximately 63.75%.

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**

In order to take advantage of the Combined Group's growth opportunities, it may require further financing. 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 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.

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 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 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.

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 Inc

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 Inc) is expected to hold approximately 10.06% of the Shares (if the full \$5,000,000 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 6.7 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 the Combined Group 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 Combined 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.

(o) **Future revenue and profitability**

To date, Cronos Australia has generated relatively 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.

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.

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.

10.3 General risk factors

(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 Cronos Australia and external factors over which Cronos Australia 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 Cronos Australia 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) **Geo-political 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 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) **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.

(i) **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.

(j) **Accounting standards**

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

(k) **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.

11 Additional Information

11.1 Nature of this Prospectus

This Prospectus is a prospectus to which the special content rules under section 713 of the Corporations Act apply. Section 713 allows the issue of a more concise prospectus for offers of:

- (a) securities in a class which have been continuously quoted by ASX for the 3 months prior to the date of the prospectus; or
- (b) options over such continuously quoted securities.

Shares in Cronos Australia have been continuously quoted by ASX for the 3 months prior to the Prospectus Date. The information in this Prospectus principally concerns the terms and conditions of the Offers and the information that investors and their professional advisers would reasonably require to make an informed assessment of:

- (a) the effect of the Offers on Cronos Australia; and
- (b) the rights and liabilities attaching to the Consideration Shares, the Performance Rights and the EIP Options.

This Prospectus contains this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all the information that would be included in a prospectus for an initial public offering of shares.

Since listing, Cronos Australia has provided ASX with a substantial amount of information regarding its activities. That information is publicly available and available on Cronos Australia's website at www.cronosaustralia.com. Shareholders and other investors should read this Prospectus in conjunction with that publicly available information before making an investment decision.

No party other than Cronos Australia has authorised or caused the issue of the information in this Prospectus, or takes any responsibility for, or makes any statements, representations or undertakings in, this Prospectus.

11.2 Reporting and disclosure obligations

Cronos Australia is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require ASX to be notified periodically and on a continuous basis of information about specific events and matters as they arise for the purpose of ASX making the information available to the financial market operated by it.

In particular, Cronos Australia has an obligation under ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning Cronos Australia, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of Cronos Australia's securities. Cronos Australia is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

11.3 Rights and liabilities attaching to Shares

Immediately after issue and allotment, the Consideration Shares will be fully paid Shares and will rank *pari passu* with the Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of Cronos Australia and Shareholders have the right to obtain a copy of the Company's Constitution, free of charge.

The detailed provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below.

Each Share will confer on its holder:

- (a) the right to receive notice of and to attend general meetings of Cronos Australia and to receive all financial statements, notices and documents required to be sent to them under the Constitution and the Corporations Act;
- (b) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (c) the right to receive dividends, according to the amount paid up on the Share;
- (d) the right to receive, in kind, the whole or any part of Cronos Australia's property on a winding up, subject to the rights of a liquidator to distribute surplus assets of Cronos Australia with the consent of members by special resolution; and
- (e) subject to the Constitution, Corporations Act and ASX Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders, by special resolution at a general meeting.

11.4 Availability of other documents

ASX maintains records of company announcements for all companies listed on ASX. Cronos Australia's announcements may be viewed on ASX website at www.asx.com.au. ASIC also maintains records in respect of documents lodged with it by Cronos Australia, and these may be obtained from or inspected at any office of ASIC. Cronos Australia will provide a copy of any of the following documents, free of charge, to any person who requests a copy during the Offer Period:

- (a) the Annual Report lodged with ASIC and given to ASX by Cronos Australia for the year ended 30 June 2021; and
- (b) any continuous disclosure notice given by Cronos Australia to ASX (being any document used to notify ASX of information relating to Cronos Australia under the continuous disclosure provisions of ASX Listing Rules and the Corporations Act) after the date of lodgement with ASIC and giving to ASX of the Annual Report referred to above and before lodgement with ASIC of this Prospectus. Details of these notices are as follows:

| Date | Title of announcement |
|------------------|---|
| 12 November 2021 | Notice of Annual General Meeting/Proxy Form |
| 29 October 2021 | Changes to escrow arrangements |
| 28 October 2021 | Quarterly Activities/Appendix 4C Cash Flow Report |
| 15 October 2021 | Adaya sales update |
| 6 October 2021 | Annual Report to shareholders |

All requests for copies of the above documents should be addressed to:

The Company Secretary
Cronos Australia Limited
PO Box 6168
South Yarra VIC 3141

Certain documents are also available on Cronos Australia's website at www.cronosaustralia.com

At the Prospectus Date, save as disclosed in this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the ASX Listing Rules and which the Board considers would be reasonably required in order to assess Cronos Australia's assets and liabilities,

financial position and prospects and the rights and liabilities attaching to Consideration Shares in Cronos Australia.

11.5 Consents

Chapter 6D of the Corporations Act imposes a liability regime on Cronos Australia (as the offeror of the Consideration Shares and the Employee Incentives), the Directors and the Proposed Directors of Cronos Australia, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although Cronos Australia bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

Each of the parties named below has consented to being named in this Prospectus in the form and context in which it is named and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- (a) Thomson Geer has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to Cronos Australia, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Thomson Geer;
- (b) Maddocks has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to CDA Health, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Maddocks;
- (c) WMS has consented to being named in the Corporate Directory of this Prospectus as the Australian tax adviser to CDA Health and to the inclusion of a general overview of the Australian tax consequences of the Merger for CDA Shareholders in Section 11.8, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by WMS, other than as noted;
- (d) Pilot Advisory has consented to being named in the Corporate Directory of this Prospectus as the Investigating Accountant and to the inclusion of its Investigating Accountant's Report in Section 9, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Pilot Advisory, other than as noted;
- (e) KPMG has consented to being named in this Prospectus as Cronos Australia's auditor, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by KPMG;
- (f) Pilot Partners has consented to being named in this Prospectus as CDA Health's auditor, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Pilot Partners; and
- (g) Link Market Services has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for Cronos Australia.

11.6 Interests of advisers and costs of the Offers

Other than as set out below or elsewhere in this Prospectus, no adviser involved in the preparation of this Prospectus (nor any firm in which any adviser is a partner), has held at any time in the past two years any interests in:

- (a) the formation or promotion of Cronos Australia;
- (b) any property acquired or proposed to be acquired by Cronos Australia in connection with its formation or promotion or the Offers; or

- (c) the Offers (or any component of it) itself.

In addition, other than as set out below, no amounts (whether in cash, Consideration Shares or otherwise) have been paid or agreed to be paid and no benefits have been given or agreed to be given to any adviser (or any firm in which the adviser is a partner) for services rendered by the adviser, or the adviser's firm in connection with the promotion or formation of Cronos Australia or in connection with the Offers:

- (a) Thomson Geer has acted as legal adviser to Cronos Australia in relation to the Merger, this Prospectus and the Offers. In aggregate, Cronos Australia has paid or agreed to pay \$600,000 (plus GST and disbursements) for these services to the Prospectus Date. Further amounts may be paid to Thomson Geer in accordance with their usual time based charge out rates.
- (b) Maddocks has acted as legal adviser to CDA Health in relation to the Merger, this Prospectus and the Offers. In aggregate, CDA Health has paid or agreed to pay \$295,000 (plus GST and disbursements) for these services to the Prospectus Date. Cronos Australia has paid \$150,000 (exclusive of GST) of CDA Health's reasonable external legal fees in connection with the Merger. Further amounts may be paid to Maddocks in accordance with their usual time based charge out rates.
- (c) Pilot Advisory has acted as Investigating Accountant and has prepared the Investigating Accountant's Report in Section 9 and has received or is to receive fees amounting to approximately \$65,000 excluding GST and disbursements.

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 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 effectively 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.

11.7 **Not investment advice or financial product advice**

The information in this Prospectus is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs or circumstances. Cronos Australia is not licensed to (and does not) provide financial product advice in respect of the Consideration Shares.

The information in this Prospectus does not take into account the investment objectives, financial situation or needs of you or any particular investor. Before deciding whether to elect to receive Consideration Shares, you should consider whether they are a suitable investment for you in the light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. You should conduct your own independent review, investigation and analysis of Shares the subject of the Merger Offer. If, after reading this Prospectus, you have any questions about the Offers, you should contact your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser.

11.8 **Tax implications**

This Section contains a general overview of the Australian tax consequences of the Merger for CDA Shareholders. It does not constitute tax advice and should not be relied upon as such. The description is based upon the Australian tax law and administrative practice in effect at the Prospectus Date. The laws are complex and subject to change periodically as is their interpretation by the courts and the tax authorities.

This summary has been prepared for the purpose of enabling certain CDA Shareholders to broadly understand certain Australian taxation implications of the proposed Merger as outlined in this Prospectus. This summary is general in nature and is not intended to be an authoritative or complete

statement of the applicable law. This summary does not take into account the tax law of countries other than Australia.

The precise implications of ownership or disposal of their CDA Shares will depend upon each CDA Shareholder's specific circumstances. These comments should not be a substitute for advice from an appropriate professional advisor having regard to each CDA Shareholder's individual circumstances. All CDA Shareholders are strongly advised to obtain and rely only on their own professional advice on the tax implications based on their own specific circumstances.

The comments set out below are relevant only to those CDA Shareholders who hold their CDA Shares on capital account. The description does not address the Australian tax consequences for CDA Shareholders who:

- hold their CDA Shares as a revenue asset for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- acquired their CDA Shares pursuant to an employee share, option or rights plan;
- are under a legal disability;
- are exempt from Australian income tax;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) in relation to gains and losses on their CDA Shares;
- are non-residents of Australia who hold their CDA Shares in carrying on a business at or through a permanent establishment in Australia; or
- are a significant shareholder as defined in Section 124-783 of the ITAA 1997.

CDA Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Merger under the laws of their country of residence, as well as under Australian law. These comments relate to Australian tax law only. This tax summary is based on Australian tax law and relevant regulations, rulings or judicial or administrative interpretations of such tax laws as at the Prospectus Date.

(a) **Australian resident shareholders**

As discussed in more detail below, the disposal of CDA Shares to Cronos Australia under the Merger will give rise to a capital gains tax (CGT) event for CDA Shareholders. Subject to the comments in Section 11.8(a)(i), an Australian tax resident CDA Shareholder who would otherwise make a capital gain on the disposal of their CDA Shares under the Merger should be eligible to choose scrip for scrip roll-over relief for the non-cash component of the consideration.

(i) **Capital Gains Tax**

The disposal of CDA Shares by CDA Shareholders to Cronos under the Merger will constitute a CGT event A1 (for Australian CGT purposes). The time of the CGT event will be when the CDA Shareholders transfer their CDA Shares to Cronos Australia under the Merger (i.e. on Completion).

(ii) **Calculation of capital gain or capital loss (apart from scrip for scrip roll-over relief)**

CDA Shareholders will make:

- (A) a capital gain to the extent that their capital proceeds from the disposal of their CDA Shares are more than the cost base of those CDA Shares; or
- (B) a capital loss to the extent that the capital proceeds are less than the reduced cost base of those CDA Shares.

Where the consideration for the disposal of the CDA Shares includes a cash component, no scrip for scrip roll-over relief is available to the proportion of CDA Shares represented by the cash component.

Subject to choosing scrip for scrip roll-over relief (discussed below), a CDA Shareholder who makes a capital gain on disposal of their CDA Shares will be required to include the net capital gain (if any) for the income year in their assessable income. Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain or net capital loss. Any net capital gain is included in assessable income and is subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

(iii) **Cost base of CDA Shares**

The cost base of the CDA Shares of a CDA Shareholder will generally include the amount paid, and the market value of any property given, to acquire the CDA Shares, plus certain incidental costs of acquisition and disposal (e.g. brokerage fees and stamp duty) that are not otherwise deductible to the CDA Shareholder. The reduced cost base of the CDA Shares of a CDA Shareholder will be similarly determined.

(iv) **Capital proceeds**

The capital proceeds for the disposal of the CDA Shares of a CDA Shareholder will be that CDA Shareholder's Total Entitlement.

The amount of the capital proceeds should be the market value of the Consideration Shares received by a CDA Shareholder under the Merger plus any Cash Consideration.

For CGT purposes, the market value of the Consideration Shares is expected to be \$0.138 per Consideration Share.

(v) **CGT discount**

Individuals, complying superannuation entities or trustees that have held their CDA Shares for at least 12 months may be entitled to benefit from the CGT discount to reduce the amount of the capital gain (after application of capital losses) from the disposal of their CDA Shares by:

(A) 50% in the case of individuals and trusts (for trustees, the ultimate availability of the discount for the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); or

(B) 33.33% for complying superannuation entities.

The CGT discount will not be available to a CDA Shareholder that is a company.

(vi) **Choosing scrip for scrip roll-over relief**

CDA Shareholders who make a capital gain on disposal of their CDA Shares under the Merger may choose to apply scrip for scrip roll-over relief for that portion of the CDA shares that are disposed of for shares in Cronos Australia. If scrip for scrip roll-over relief is available and chosen by a CDA Shareholder, the capital gain that would otherwise arise will be disregarded.

Cronos Australia will not make a choice under section 124-795(4) of the ITAA 1997 to deny scrip for scrip roll-over relief. CDA Shareholders must make a choice to apply scrip for scrip roll-over relief before lodging their income tax return for the income year in which Completion occurs. A CDA Shareholder will provide sufficient evidence of having chosen scrip for scrip roll-over relief by the way they prepare their income tax return (i.e. by excluding the disregarded capital gain from assessable income). There is no need to lodge a separate notice with the ATO. Roll-over is not available to a CDA

Shareholder if a capital loss arises on the disposal of their CDA Shares under the Merger.

Where a CDA Shareholder has chosen scrip for scrip roll-over relief, the first element of the cost base of the Consideration Shares should be equal to the cost base of their original CDA Shares. Where scrip for scrip roll-over relief has been chosen by a CDA Shareholder, the Consideration Shares will be taken to be acquired at the time their CDA Shares were originally acquired, for the purpose of any subsequent disposal of the Shares and the application of the CGT discount. The benefit of choosing scrip for scrip roll-over relief will depend upon the individual circumstances of each CDA Shareholder.

(vii) **Where scrip for scrip roll-over relief is not chosen or available**

Where scrip for scrip roll-over relief is not chosen or is not available in relation to a CDA Shareholder's disposal of CDA Shares under the Merger:

- (A) the capital gain or capital loss from the disposal of the CDA Shareholder's CDA Shares will be taken into account in calculating the CDA Shareholder's net capital gain for the income year in which Completion occurs; and
- (B) the first element of the cost base of each Consideration Share received should be an amount equal to the market value of the CDA Share given in respect of acquiring the Consideration plus the Cash Consideration received.

The acquisition date of the Consideration Shares will be Completion.

This date will be relevant for any future application of the CGT discount with respect to CGT events occurring in respect of the Consideration Shares.

(viii) **Implications of holding Consideration Shares**

As a consequence of participating in the Merger, a CDA Shareholder will cease to be a shareholder of CDA Health and will become a shareholder of Cronos Australia. Dividends (and any attached franking credits) received by an Australian tax resident shareholder of Cronos Australia would generally be required to be included in the assessable income of such a shareholder.

(b) **Non-resident shareholders**

(i) **Capital Gains Tax**

For any CDA Shareholder who:

- (A) is not a resident of Australia for Australian income tax purposes; and
- (B) does not hold their CDA Shares in carrying on a business through a permanent establishment in Australia;

the disposal of CDA Shares should generally only result in Australian CGT implications if:

- (C) that shareholder together with its associates held an interest of 10% or more in CDA Health at the time of disposal or for a 12 month period within 2 years preceding the disposal (referred to as a "non-portfolio interest"); and
- (D) more than 50% of the market value of CDA Health's assets is attributable to direct or indirect interests in "taxable Australian real property" (as defined in the income tax legislation).

Based on CDA Health's representation that currently and up to Completion, less than 50% of the market value of CDA Health's assets is attributable to direct or indirect interests in "taxable Australian real property", non-resident shareholders who do not

hold their CDA Shares in carrying on a business through a permanent establishment in Australia should not be subject to CGT as a result of the Merger.

A foreign resident CGT withholding tax of 12.5% applies to transactions involving the acquisition of the legal ownership of an asset that is indirect Australian real property interest. CDA Health considers that less than 50% of the market value of CDA Health's assets are attributable to direct or indirect "taxable Australian real property". On this basis, the foreign resident CGT withholding tax should not apply.

Any foreign resident individual CDA Shareholder who was previously a resident of Australia and chose to disregard a capital gain or capital loss on ceasing to be an Australian resident will be subject to Australian CGT consequences on disposal of their CDA Shares as noted above, although the CGT discount should only be available to the extent of the period that the foreign resident individual CDA Shareholder was an Australian resident. Non-resident CDA Shareholders should seek independent professional advice in relation to their own particular circumstances, including in respect of taxation in the jurisdiction where they are resident.

(c) **Stamp duty**

No stamp duty should be payable by CDA Shareholders in relation to the disposal of their CDA Shares to Cronos Australia under the Merger.

(d) **Goods and services tax**

CDA Shareholders should not be liable to GST in respect of a disposal of their CDA Shares. CDA Shareholders may be charged GST on costs (such as adviser fees relating to their participation in the Merger) that relate to the Merger. CDA Shareholders that are registered for GST may be entitled to input tax credits for such costs, but should seek independent professional tax advice in relation to their individual circumstances.

11.9 **Information availability**

Eligible CDA Shareholders in Australia and New Zealand can obtain a copy of this Prospectus during the Offer Period by calling the Share Registry on 1300 554 474 (within Australia) or +61 1300 554 474 (from outside Australia) at any time from 8.30am to 5.30pm (Melbourne time) Monday to Friday.

A replacement Acceptance and Election Form (as applicable) can be requested by calling the Share Registry. Neither this Prospectus nor the accompanying Acceptance and Election Form (as applicable) may be distributed to or relied upon by, persons that are in the United States or otherwise distributed in the United States.

11.10 **Litigation and claims**

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Cronos Australia (or any other member of the Group) is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Cronos Australia Group.

11.11 **Past performance**

Past performance and pro-forma historical financial information given in this Prospectus is provided for illustrative purposes only and is not, and should not be relied upon as, an indication of future performance. The historical information in this Prospectus is, or is based upon, information that has been released to the market. For further information, please see past announcements released by Cronos Australia to ASX.

11.12 **Expenses of the Offers**

All expenses connected with the Offers are being borne by Cronos Australia and CDA Health.

The total estimated expenses (excluding GST) of the Offers are summarised below:

| Expenses of the Offers | Amount |
|---|------------------------|
| Legal expenses – Thomson Geer | \$600,000 ¹ |
| Legal expenses – Maddocks | \$295,000 ² |
| Investigating Accountant's Report – Pilot Advisory Pty Ltd | \$65,000 |
| Transaction advisory fees – Cornwalls Capital Australia Pty Ltd | \$750,000 |
| ASIC fees | \$3,500 |
| Share registry costs | \$33,000 ³ |
| Other miscellaneous costs (including design and printing costs) | \$8,000 |
| Total | \$1,754,500 |

Note

¹ This is the total fees billed in respect of the Merger.

² This is the total fees billed in respect of the Merger. Cronos Australia has paid \$150,000 (exclusive of GST) of CDA Health's reasonable external legal fees in connection with the Merger.

³ Of this total, \$8,000 relates to CDA Health.

11.13 Supplementary information

A supplementary prospectus will be issued if Cronos Australia becomes aware of any of the following between the issue of this Prospectus and the date the Shares are quoted:

- (a) a material statement in this Prospectus is misleading or deceptive;
- (b) there is a material omission from this Prospectus;
- (c) there has been a significant change affecting a matter included in this Prospectus; or
- (d) a significant new circumstance has arisen and it would have been required to be included in this Prospectus.

11.14 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of Cronos Australia for a period of not less than 12 months from the Prospectus Date:

- (a) each Director's consent for the lodgement of this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 11.5.

11.15 Governing law

The Offers are governed by the law in force in Victoria, Australia. By accepting the Offers, you submit to the non-exclusive jurisdiction of the courts of Victoria, Australia.

12 Authorisation

The Directors and the Proposed Directors state that they have made all reasonable enquires and on that basis have reasonable grounds to believe that any statements made by the Directors and the Proposed Directors in this Prospectus are not misleading or deceptive and that in respect of any other statements made in the Prospectus by persons other than Directors or the Proposed Directors, the Directors and the Proposed Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that the persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in the Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors' or Proposed Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director and Proposed Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is authorised by each of the Directors of Cronos Australia, pursuant to a resolution of the Board. The Prospectus has also been authorised by each of the Proposed Directors.

Signed for and on behalf of Cronos Australia Limited



By Shane F. Tanner
Independent Non-Executive Chairman

13 Glossary

| Term | Meaning |
|--|--|
| Abstaining CDA Shareholder | Has the meaning given to that term in Section 7.2 |
| Acceptance and Election Form | The acceptance and election form provided to Eligible CDA Shareholders with a copy of this Prospectus, pursuant to which the Eligible CDA Shareholders make an election as to how to receive their consideration under the Merger |
| Amended CDA Constitution | The constitution of CDA Health, as amended prior to Completion to facilitate the Merger |
| ASIC | 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 Prospectus; and (b) Cronos Australia was the "designated body" |
| ASX or Australian Securities Exchange | ASX Limited ACN 008 624 691, or the financial market operated by it, as the context requires |
| ASX Listing Rules | The official listing rules of ASX, as amended or waived from time to time |
| ASX Recommendations | ASX Corporate Governance Principles and Recommendations, 4th edition |
| ASX Settlement | ASX Settlement Pty Limited ACN 008 504 532 |
| ASX Settlement Operating Rules | The operating rules of ASX Settlement, and to the extent they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited ACN 001 314 503 |
| ATO | Australian Tax Office |
| AUD, A\$, \$ or Australian dollar or cent | The lawful currency of the Commonwealth of Australia |
| Australian Accounting Standards | Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations |
| BHC | Burleigh Heads Cannabis Pty Ltd ACN 615 904 286 |
| Board | The board of directors of Cronos Australia from time to time |
| Cannabis Doctors Aotearoa | Cannabis Doctors Aotearoa Limited NZCN 7141913 |
| Cash Consideration | An amount up to \$5,000,000, representing the aggregate of the cash consideration payable to those Eligible CDA Shareholders who under this Prospectus elect to receive cash for part or all of their CDA Shares, and to all Ineligible Foreign Shareholders |
| CDA Clinics | Cannabis Doctors Australia Pty Ltd ACN 623 812 242 |
| CDA Health | CDA Health Pty Ltd ACN 632 054 230 |
| CDA Health Group | CDA Health and its controlled entities |
| CDA Shareholders | The shareholders in CDA Health |
| CDA Shares | The entire share capital of CDA Health |
| CGT | Capital gains tax |
| CHESS | Clearing House Electronic Subregister System operated in accordance with the Corporations Act |
| Closing Date | 8 December 2021 |
| Combined Group | Cronos Australia following Completion, which will be the holding company of CDA Health and its subsidiaries |
| Company or Cronos Australia | Cronos Australia Limited ACN 629 071 594 |
| Completion | Completion of the Merger pursuant to the terms of the Merger Implementation Agreement |
| Consideration Shares | The Shares offered under the Merger Offer, calculated as 439,784,283 less the Cash Consideration divided by \$0.138 in part satisfaction of the Total Consideration pursuant to the Merger Implementation Agreement and this Prospectus |
| Constitution | The constitution of Cronos Australia |
| Cornwalls | Cornwalls Capital Australia Pty Ltd ACN 641 054 604 |
| Corporations Act | <i>Corporations Act 2001</i> (Cth), as amended from time to time |
| CRN | Customer Reference Number |

| | |
|---|--|
| Cronos Australia Group | Cronos Australia and its controlled entities (which, where applicable, after the Merger will include the CDA Health Group) |
| Cronos Group Inc | Cronos Group Inc Corporation Number 2339498, being a company incorporated under the laws of the Province of Ontario, Canada and listed on the NASDAQ Global Market (NASDAQ:CRON) and Toronto Stock Exchange (TSX:CRON), which is a substantial shareholder in Cronos Australia |
| Cronos Operations | Cronos Australia – Operations Pty Ltd ACN 616 243 595 |
| Director or Directors | A member of the board of directors of Cronos Australia from time to time |
| Drag Along Option | Has the meaning given to that term in Section 7.2 |
| EIP | Cronos Australia's employee incentive plan as described in Section 3.10 |
| EIP Options | Options granted (or to be granted) to certain directors and employees under the terms of the EIP |
| Eligible CDA Shareholders | The CDA Shareholders eligible to participate in the Merger Offer. That is, each person who is a CDA Shareholder as at 7.00pm (Melbourne time) on the Record Date other than Ineligible Foreign Shareholders. |
| Employee Incentive Offer | The offer of a total of 8,608,696 Performance Rights to certain directors and employees of the Combined Group and the offer of a total of 22,500,000 EIP Options as long-term incentives to senior executives of the Combined Group |
| Employee Incentive Offer Invitation Letter | The invitation letter provided to Recipients with a copy of this Prospectus, setting out the terms and conditions pursuant to which the relevant Recipient is offered Performance Rights (and Options, if applicable) under the Employee Incentive Offer |
| Escrowed Parties | Cronos Global Holdings Inc, NewSouthern Investment Holdings 1 Pty Ltd, NewSouthern Investment Holdings A Pty Ltd, Elizabeth Jansen atf the Stanford Investment Trust, Guy Headley and Matua Jansen, and each is an Escrowed Party |
| Escrowed Shares | 100% of the Shares held on Completion by the Escrowed Parties |
| Expiry Date | The date which is 13 months after the Prospectus Date, after which date no securities will be issued under this Prospectus |
| Financial Information | Has the meaning given in Section 8.2 |
| GST | Has the meaning given to that term in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth) and includes goods and services tax |
| HIN | Holder Identification Number |
| HNH | Healthy Not High Pty Ltd ACN 623 889 930 |
| IFRS | International Financial Reporting Standards |
| Ineligible Foreign Shareholder | Has the meaning given in Section 3.17 |
| Investigating Accountant | Pilot Advisory Pty Ltd ACN 115 403 051 |
| IP | Intellectual property |
| IP Licence | The intellectual property license deed dated 1 April 2019 between Cronos Group Inc and Cronos Operations |
| Loan Agreement | The loan agreement dated 25 September 2018 between Cronos Group Inc and Cronos Operations, as varied from time to time by agreements between the parties |
| Loan Conversion Deed | The loan conversion deed to be entered into between Cronos Group Inc, Cronos Operations and Cronos Australia to convert an existing loan by Cronos Group Inc into Shares upon Completion |
| Major CDA Shareholders | The 3 major CDA Shareholders who together hold approximately 79.02% of the share capital of CDA Health |
| Merger | The acquisition of the entire issued share capital of CDA Health by Cronos Australia |
| Merger Implementation Agreement or MIA | The merger implementation agreement dated 14 September 2021 between Cronos Australia and CDA Health |
| Merger Offer | The offer of Consideration Shares to the Eligible CDA Shareholders in consideration for the sale of their CDA Shares to Cronos Australia on the basis of 21.534 Consideration Shares for every 1 CDA Share held at the Record Date |
| ODC | Office of Drug Control |
| Offer Period | The period from the date the Offers open until the date the Offers close |
| Offers | Consists of the Merger Offer and the Employee Incentive Offer |
| Options | An option to acquire a Share |

| | |
|----------------------------|--|
| Performance Rights | Rights to acquire Shares granted (or to be granted) to certain directors and employees under the terms of the EIP |
| Proposed Directors | Guy Headley, Dr Benjamin Jansen, Kurt Schmidt and Dr Marcia Walker |
| Prospectus | This prospectus (and includes any supplementary or replacement prospectus) |
| Prospectus Date | The date this Prospectus is lodged with ASIC |
| Recipients | Those persons described in Section 3.10 who are expected to be offered Performance Rights (and Options, as applicable) in connection with the Employee Incentive Offer |
| Record Date | 7.00pm (Melbourne time) on 18 November 2021 |
| relevant interest | Has the meaning given in section 608 of the Corporations Act, as qualified by section 609 of the Corporations Act |
| Section | A section of this Prospectus |
| Share | A fully paid ordinary share in the capital of Cronos Australia |
| Share Purchase Deed | The share purchase deed for the sale of CDA Shares to Cronos Australia, as set out in Appendix 1 |
| Share Registry | Link Market Services Limited ACN 083 214 537 |
| Shareholder | The registered holder of a Share |
| Shareholding | The number and value of Share(s) held in Cronos Australia |
| SRN | Security Reference Number |
| Total Consideration | The aggregate of the Cash Consideration and the issue and allotment of the Consideration Shares |
| Total Entitlement | In respect of each CDA Shareholder, their entitlement to the Total Consideration, calculated as a percentage of the total issued CDA Shares held by that CDA Shareholder at Completion |
| voting power | Has the meaning given in section 610 of the Corporations Act |
| WMS | WMS Solutions Pty Ltd ABN 72 105 329 664 |

14 Corporate Directory

| | |
|---|--|
| <p>Current Directors</p> <p>Shane Tanner, Non-Executive Chairman</p> <p>Rodney Cocks, Executive Director</p> <p>Daniel Abrahams, Non-Executive Director (will resign subject to and with effect from Completion)</p> <p>Jason Adler, Non-Executive Director (will resign subject to and with effect from Completion)</p> <p>Anna Burke AO, Non-Executive Director (will resign subject to and with effect from Completion)</p> <p>Michael Gorenstein, Non-Executive Director (will resign subject to and with effect from Completion)</p> <p>Proposed Directors</p> <p>Guy Headley, Executive Director (appointed subject to and with effect from Completion)</p> <p>Dr Benjamin Jansen, Executive Director (appointed subject to and with effect from Completion)</p> <p>Kurt Schmidt, Non-Executive Director (appointed subject to and with effect from Completion)</p> <p>Dr Marcia Walker, Non-Executive Director (appointed subject to and with effect from Completion)</p> <p>Company Secretary</p> <p>Thomas Howitt</p> | <p>Registered office</p> <p>Suite 8, Level 3</p> <p>299 Toorak Road</p> <p>South Yarra VIC 3141</p> <p>Ph: 1300 799 491</p> <p>www.cronosaustralia.com</p> <p>ASX code</p> <p>CAU</p> |
| <p>Auditor – Cronos Australia</p> <p>KPMG</p> <p>Tower Two, Collins Square</p> <p>727 Collins Street</p> <p>Docklands VIC 3008</p> <p>Ph: +61 3 9288 5555</p> <p>home.kpmg/au/en/home.html</p> | <p>Legal Adviser – Cronos Australia</p> <p>Thomson Geer</p> <p>Level 39, Rialto South Tower</p> <p>525 Collins Street</p> <p>Melbourne VIC 3000</p> <p>Ph: +61 3 8080 3500</p> <p>www.tglaw.com.au</p> |
| <p>Auditor – CDA Health</p> <p>Pilot Partners</p> <p>Waterfront Place</p> <p>Level 10/1 Eagle St</p> <p>Brisbane City QLD 4000</p> <p>Ph: +61 7 3023 1300</p> <p>www.pilotpartners.com.au</p> | <p>Legal Adviser – CDA Health</p> <p>Maddocks</p> <p>Level 27, 123 Pitt Street</p> <p>Sydney NSW 2000</p> <p>Ph: +61 2 9291 6100</p> <p>www.maddocks.com.au</p> |
| <p>Share Registry</p> <p>Link Market Services Limited</p> <p>Tower Four, Collins Square</p> <p>727 Collins Street</p> <p>Docklands VIC 3008</p> <p>Ph: +61 1300 554 474</p> <p>www.linkmarketservices.com.au</p> | <p>Investigating Accountant</p> <p>Pilot Advisory</p> <p>Waterfront Place</p> <p>Level 10/1 Eagle St</p> <p>Brisbane City QLD 4000</p> <p>Ph: +61 7 3023 1300</p> <p>www.pilotpartners.com.au</p> |
| <p>Tax Adviser – CDA Health</p> <p>WMS</p> <p>Level 14, 203 Robina Town Centre Drive</p> <p>Robina QLD 4226</p> <p>Ph: +61 7 5556 3300</p> <p>https://wmsadvisory.com.au</p> | |

Appendix 1 – Share Purchase Deed

See over page.

For personal use only



Maddocks

Lawyers
Angel Place
Level 27, 123 Pitt Street
Sydney NSW 2000
Australia

GPO Box 1692
Sydney New South Wales 2001

Telephone 61 2 9291 6100
Facsimile 61 2 9221 0872

info@maddocks.com.au
www.maddocks.com.au

DX 10284 Sydney Stock Exchange

Share Purchase Deed

relating to the acquisition of shares in CDA Health Pty Ltd ACN 632 054 230

The Sellers

and

Cronos Australia Limited ACN 629 071 594

Interstate offices
Canberra Melbourne

Affiliated offices around the world through the
Advoc network - www.advoc.com

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Dated

| | |
|------|--|
| Name | The Sellers listed in Schedule 1 (Major Shareholders) and the registered holders of shares in the capital of the Company who have signed this Deed or accede to this Deed pursuant to clause 10.1.2 after the date of this Deed |
|------|--|

| | |
|------------|--|
| Name | Cronos Australia Limited ACN 629 071 594 |
| Address | Suite 8, Level 3, 299 Toorak Road, South Yarra, Victoria 3141 |
| Email | companysecretary@cronosaustralia.com |
| Contact | Company Secretary |
| Short name | Buyer |

The Buyer offers to acquire the Shares in consideration for the offer of the Total Consideration under the Prospectus. The Sellers agree to sell the Shares with effect from Completion on the terms of this Deed.

The Parties agree

In this Deed, unless the context otherwise requires:

Acceptance and Election Form has the meaning given in the Merger Implementation Agreement.

ASX means ASX Limited, or, as the context dictates, the financial market operated by ASX Limited.

Authorisation means any licence, certification, accreditation, approval, registration or other authorisation given or issued by a Regulatory Authority.

Business Day means a day other than a Saturday, Sunday or public holiday in Melbourne, Victoria.

Buyer Shares means fully paid ordinary shares in the Buyer.

Cash Consideration means an amount up to \$5,000,000, representing the aggregate of the cash consideration payable to:

- (a) those Eligible CDA Shareholders who under the Prospectus elect to receive cash for part or all of their Shares; and
- (b) all Ineligible Foreign Shareholders.

Company means CDA Health Pty Ltd ACN 632 054 230.

Completion means the completion of the sale and purchase of the Shares in accordance with clause 5.

Completion Date means the date on which Completion occurs.

Consideration Shares has the meaning given in the Merger Implementation Agreement.

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

Deed of Accession means the deed of accession in the form set out in Schedule 2.

Eligible CDA Shareholder means a Seller with a registered address in Australia, New Zealand or Singapore.

Government Agency means any foreign or domestic governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

Ineligible Foreign Shareholder means a Seller who is in the United States or has a registered address outside Australia, New Zealand or Singapore.

Insolvency Event means, in relation to a person, any of the following events:

- (a) the person, being an individual, commits an act of bankruptcy;
- (b) the person becomes insolvent;
- (c) a receiver, receiver and manager, administrator, controller, provisional liquidator or liquidator is appointed to the person or the person enters into a scheme of arrangement with its creditors or is wound up;
- (d) the person assigns any of its property for the benefit of creditors or any class of them;
- (e) the holder of a Security Interest takes any step towards taking possession or takes possession of any assets of the person or exercises any power of sale;
- (f) the person has a judgment or order given against it in an amount exceeding \$20,000 (or the equivalent in another currency) and that judgment or order is not satisfied or quashed or stayed within 20 Business Days after being given;
- (g) an action is taken to do any of the things listed in paragraphs (a) to (f).

Law includes:

- (a) any law, regulation, authorisation, ruling, judgment, order or decree of any Government Agency; and
- (b) any statute, regulation, proclamation, ordinance or by-law,

in Australia or any other jurisdiction.

Merger Implementation Agreement means the merger implementation agreement dated 14 September 2021 between the Buyer and the Company.

Party means a party to this Deed.

PPS Law means:

- (a) the PPSA and the *Personal Property Securities Regulations 2010* (Cth) and any other regulations made at any time under the *Personal Property Securities Act 2009* (Cth); and
- (b) any amendment made to any other Law as a consequence of a Law referred to in paragraph (a).

Prospectus has the meaning given in the Merger Implementation Agreement.

Regulatory Authority means:

- (a) a Government Agency; and
- (b) any other authority, tribunal, agency or entity having powers or jurisdiction under any Law or the listing rules of any recognised stock or securities exchange.

Representative of a person means an employee, officer, director, agent, auditor, adviser, partner or consultant of that person or of any Related Body Corporate (as such term is defined in the Corporations Act) of that person.

Security Interest means:

- (a) any mortgage, lien, charge, pledge, assignment by way of security, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement, property right or interests, restrictive covenant, restriction on transfer, right of first refusal, option, hypothecation, defect in title, 'security interest' (as defined in the PPS Law) or other security interest or arrangement having the same effect; and
- (b) any agreement to create or grant any arrangement described in paragraph (a).

Shares means the ordinary shares in the capital of the Company held by the Sellers on the Completion Date.

Total Consideration has the meaning given in the Merger Implementation Agreement.

Total Entitlement means, in respect of each Seller, their entitlement to the Total Consideration, calculated as a percentage of the total issued shares in the capital of the Company held by that Seller at Completion.

2. Condition Precedent

- 2.1.1 Completion of the sale and purchase of the Shares is conditional on the Merger Implementation Agreement becoming unconditional in all respects (the **Condition**).
- 2.1.2 If the Condition is not satisfied on or before 31 December 2021 (or such other date as agreed between the Buyer and the Company in writing) this Deed will terminate and no Party will have any liabilities to the other Party except each Party retains the

rights it has against any other Party in connection with any loss or claim that has arisen before termination.

- 2.1.3 Other than in accordance with clause 2.1.2, no Party may terminate or rescind this Deed for any reason.

3. Sale and purchase of Shares

- 3.1.1 Each Seller agrees to sell and the Buyer agrees to buy the Shares for the Total Consideration free from all Security Interests and together with all rights attaching or accruing to those Shares after Completion.
- 3.1.2 Beneficial title to and risk in the Shares will pass from the Sellers to the Buyer on Completion.
- 3.1.3 Each Seller irrevocably waives and releases all restrictions on transfer (including pre-emptive rights or rights with similar effect) that might exist in respect of the Shares, or that might otherwise restrict or prevent all of the Shares being transferred to the Buyer in accordance with this Deed, whether under any shareholders' agreement, constituent document, at Law or otherwise.
- 3.1.4 In consideration of the Buyer entering into this Deed and for other valuable consideration, each Seller irrevocably appoints the Buyer as its attorney from Completion until the Buyer becomes registered as the holder of that Seller's Shares with authority to exercise all powers of a registered holder of the Seller's Shares.

4. Purchase Price

- 4.1.1 The purchase price for the sale of the Shares is the Total Consideration.
- 4.1.2 On Completion, the Buyer must pay each Seller's Total Entitlement as follows:
- (a) in respect of a Seller who has given a valid Acceptance and Election Form electing to receive their Total Entitlement wholly by way of Consideration Shares, by way of the issue of Consideration Shares calculated in accordance with the terms of the Merger Implementation Agreement;
 - (b) in respect of a Seller who has given a valid Acceptance and Election Form electing to receive their Total Entitlement wholly by way of Cash Consideration:
 - (i) the Buyer shall procure the payment of the full Cash Consideration to the account nominated by that Seller (noting that this may be scaled back pursuant to the terms of the Merger Implementation Agreement); or
 - (ii) if there is a scale back pursuant to the terms of the Merger Implementation Agreement, Cronos Australia shall pay the balance of the amount payable to that Seller by way of the issue of Consideration Shares calculated in accordance with the Merger Implementation Agreement;
 - (c) in respect of a Seller who has given a valid Acceptance and Election Form electing to receive their consideration partly as Consideration Shares and partly as Cash Consideration:

- ## 5. Completion

- ## 6. Seller Warranties

page 5

- ## 7. Buyer Warranties

page 6

- 7.1.1 it is properly incorporated and validly existing under the Laws of Australia;
- 7.1.2 it has full power and authority to enter into and perform its obligations under this Deed;
- 7.1.3 it has obtained all necessary approvals, consents and Authorisations to enter into and perform its obligations under this Deed including under its constitution, and the Corporations Act;
- 7.1.4 the Consideration Shares when issued will rank equally with all other Buyer Shares quoted on ASX free from Security Interests other than under this Deed, the Buyer's constitution (a copy of which has been made available to the Sellers on the ASX platform) or as otherwise provided for in the Merger Implementation Agreement;
- 7.1.5 this Deed constitutes and imposes binding obligations on the Buyer and this Deed is fully enforceable in accordance with its terms;
- 7.1.6 entering into and performing its obligations under this Deed will not result in a breach by the Buyer of:
 - (a) any provision of its constitution;
 - (b) any agreement or document to which it is a party; or
 - (c) any Law or any order, judgment or decree of any Regulatory Authority by which it is bound;
- 7.1.7 it is not subject to an Insolvency Event; and
- 7.1.8 it is not entering into this Deed as trustee of any Trust.

8. Notices

8.1 Delivery

- 8.1.1 A notice or other communication required or permitted to be given to a Party under this Deed must be in writing and may be delivered:
 - (a) personally to the Party;
 - (b) by leaving it at the Party's address;
 - (c) by posting it by prepaid post addressed to that Party at the Party's address; or
 - (d) by email to the Party's email address.
- 8.1.2 The address and email address of the Buyer is set out on page 1 under the heading 'Parties'. The address and email address of each Seller is set out in that Seller's Acceptance and Election Form.
- 8.1.3 If a Party is a company, a notice or other communication may be delivered to that Party's registered office.

8.2 Time of delivery

A notice or other communication is deemed delivered:

- 8.2.1 if delivered personally or left at the Party's address (including a Party's registered office), upon delivery;
- 8.2.2 if posted within Australia to an Australian address, 2 Business Days after posting and, in any other case, 5 Business Days after posting;
- 8.2.3 if delivered by email, subject to clause 8.2.4, at the time the email left the sender's email system, unless the sender receives notification that the email was not received by the recipient; and
- 8.2.4 if received after 5.00pm in the place it is received or on a day which is not a business day in the place it is received, at 9.00am on the next Business Day.

9. Interpretation

9.1 In this Deed:

- 9.1.1 the word 'includes' in any form is not a word of limitation;
- 9.1.2 headings and sub-headings are for ease of reference only and do not affect the interpretation of this Deed;
- 9.1.3 no rule of construction applies to the disadvantage of the Party preparing this Deed on the basis that it prepared or put forward this Deed or any part of it; and
- 9.1.4 a reference to:
 - (a) any legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced and includes any subordinate legislation issued under it;
 - (b) any instrument (such as a deed, agreement or document) is to that instrument (or, if required by the context, to a part of it) as amended, novated, substituted or supplemented at any time and from time to time;
 - (c) writing includes writing in digital form;
 - (d) 'this Deed' is to this Deed as amended from time to time;
 - (e) a clause or schedule is a reference to a clause or schedule in or to this Deed;
 - (f) a person includes a firm, partnership, joint venture, association, corporation or other body corporate; and
 - (g) a person includes the legal personal representatives, successors and permitted assigns of that person, and in the case of a trustee, includes any substituted or additional trustee.

10. General

- 10.1.1 This Deed becomes binding on each Party on the date that it is signed by that Party notwithstanding that all Sellers have not signed it.
- 10.1.2 A Seller may accede to this Deed and be bound by the terms and conditions of this Deed by delivering a duly executed Deed of Accession.



- 10.1.3 This Deed may only be varied by a document executed by the Parties.
- 10.1.4 This Deed may be executed in counterparts, each of which:
- (a) may be executed electronically or in handwriting; and
 - (b) will be deemed an original whether kept in electronic or paper form, and all of which taken together constitute one and the same document.
- 10.1.5 Without limiting the foregoing, if the signatures on behalf of one party are more than one copy of this Deed, this shall be taken to be the same as, and have the same effect as, if all of those signatures were on the same counterpart of this Deed.
- 10.1.6 Each Party consents to the signing of this Deed by electronic means. The Parties agree to be bound by this Deed signed in this way.
- 10.1.7 This Deed:
- (a) constitutes the entire agreement between the Parties; and
 - (b) supersedes and cancels any contract, deed, arrangement, related condition, collateral arrangement, condition, warranty, indemnity or representation imposed, given or made by a Party (or a Representative of a Party) prior to entering into this Deed.
- 10.1.8 Any provision of this Deed that is held to be illegal, invalid, void, voidable or unenforceable must be read down to the extent necessary to ensure that it is not illegal, invalid, void, voidable or unenforceable.
- 10.1.9 If it is not possible to read down a provision as required by this clause, part or all of the provision of this Deed that is unlawful or unenforceable will be severed from this Deed and the remaining provisions continue in force.
- 10.1.10 The failure of a Party at any time to insist on performance of any provision of this Deed is not a waiver of their right at any later time to insist on performance of that or any other provision of this Deed.
- 10.1.11 Each Party must promptly execute and deliver all documents and take all other action necessary or desirable to effect, perfect or complete the transactions contemplated by this Deed.
- 10.1.12 The Parties must not sell, transfer, delegate, assign, license or create any Security Interest over any right or obligation under this Deed.
- 10.1.13 This Deed is governed by and is to be construed in accordance with the Laws of Victoria and the Parties submit to the non-exclusive jurisdiction of the courts of Victoria.



Schedule 1 Major Shareholders

| | |
|---------|--|
| Name | Guy Rothwell Headley |
| Address | Level 14, 203 Robina Town Centre Drive, Robina, Queensland 4226 |
| Email | guy.headley@cdahealth.org |
| Contact | Guy Headley |
| | |
| Name | Matua Hasyo Charlie Jansen in his own capacity and as trustee for the Whanau Family Trust |
| Address | C/- Walsh Accountants Pty Ltd, Unit 10, 42-46 Bundall Road, Bundall, Queensland 4217 |
| Email | matuaj@gmail.com |
| Contact | Matua Jansen |
| | |
| Name | Elizabeth Sarah Jansen as trustee for the Stanford Investment Trust |
| Address | 3/60 Newheath Drive, Arundel, Queensland 4214 |
| Email | sarah.jansen.nz@gmail.com |
| Contact | Sarah Jansen |

PARTIES

Cronos Australia Limited of Suite 8, Level 3, 299 Toorak Road, South Yarra, Victoria 3141 (**Buyer**)

- A. On or around [xxx] 2021, the Buyer and the Sellers entered into a share purchase deed (the **Share Purchase Deed**) pursuant to which the Sellers accepted the offer made by the Buyer to acquire the Shares under the Prospectus.
- B. Under clause 10.1.2 of the Share Purchase Deed, a Seller may accede to the Share Purchase Deed and be bound by the terms and conditions of the Share Purchase Deed by delivering a duly executed Deed of Accession.
- C. By executing this deed, on and from the date of this deed (**Effective Date**), the New Seller agrees to become a party to the Share Purchase Deed.

1. DEFINITIONS AND INTERPRETATION

1.1 Unless otherwise defined in this deed, all capitalised terms have the same meaning as set out in the Share Purchase Deed.

1.2 In the interpretation of this deed, the provisions set out in clause 1 of the Share Purchase Deed will apply to the same extent as if set out in this deed.

2.1 By executing this deed, on and from the Effective Date, the New Seller becomes a party to the Share Purchase Deed and covenants to the Buyer to observe, comply with and be bound by, in all respects, the terms of the Share Purchase Deed and all obligations, covenants and undertakings of a Seller under the Share Purchase Deed.

2.2 The covenants set out in clause 2.1 and 2.2 are given to and for the benefit of the Buyer.

3.1 The New Seller confirms that it has received a copy of the Share Purchase Deed.

4.1 The Seller's address for any notices given under the Share Purchase Deed is as follows:

Name: [insert]

Address: [insert]



Email: [insert]

Attention: [insert]

5. GOVERNING LAW

5.1 This deed is governed by the law of Victoria, Australia.

EXECUTION AND DATE

Executed as a deed poll.

Date: [date]

Executed as a deed by [name ACN ###] in)
accordance with s 127(1) and s 127(3) of the)
Corporations Act 2001:)

.....
Signature of Director

.....
Signature of Director/Company Secretary

.....
Print full name

.....
Print full name

OR

Signed sealed and delivered by [name] in the)
presence of:)

.....

.....
Witness



Execution Page

Executed by the Parties as a Deed

Executed by **Cronos Australia Limited ACN 629 071**)
594 in accordance with s 127(1) of the *Corporations*)
Act 2001:)

.....
Signature of Director

.....
Signature of Director/Company Secretary

.....
Print full name

.....
Print full name

Signed sealed and delivered by **Elizabeth Sarah**)
Jansen as trustee for the **Stanford Investment Trust** in)
the presence of:)

.....
Signature

.....
Signature of witness

.....
Print full name of witness

Signed sealed and delivered by **Guy Rothwell**)
Headley in the presence of:)

)
.....
Signature

.....
Signature of witness

.....
Print full name of witness

Signed sealed and delivered by **Matua Hasyo**)
Charlie Jansen in his own capacity and as trustee for)
the **Whanau Family Trust** in the presence of:)

)
.....
Signature

.....
Signature of witness

.....
Print full name of witness