

**ASX RELEASE**

23 January 2019

**General meeting and share purchase plan**

**MMJ Group Holdings Limited (ASX: MMJ) ("MMJ")** has issued the attached notice to hold a meeting of MMJ shareholders on 22 February 2019 to approve, amongst other things, the launch of a share purchase plan ("**SPP**") as announced on 19 December 2018.

***Rationale for the SPP***

The board of MMJ ("**the Board**") believes that a SPP is the fairest and most efficient means of raising equity from MMJ's existing shareholders. As such, MMJ wishes to provide an opportunity for eligible shareholders to participate in the SPP offer which will, if approved by shareholders, be launched after conclusion of the general meeting.

In reaching the decision to launch the SPP, the Board took into account the following:

- MMJ's current unaudited cash balance is \$2.6 million and is expected to fund its budgeted operations for the next 14 months excluding any cash received from future asset sales or capital raisings;
- While MMJ has the ability to sell some or all of the shares held in its listed public company investments (namely, at this time, Harvest One Cannabis Inc and MediPharm Labs Inc) on-market (should it be deemed by the Board to be in the best interests of shareholders to do so), it does not currently consider that it would be prudent to liquidate these investments. This strategy has, so far, proved successful, with share prices of Harvest One Cannabis Inc and MediPharm Labs Inc increasing since 19 December 2018; and
- MMJ continues to be invited to invest funds into the global cannabis market in line with its investment mandate and believes that it is in the best interests of shareholders to raise equity funds from its existing shareholders so that MMJ can be better positioned to participate in such investment opportunities.

***Key terms of the SPP***

The key terms of the SPP are as follows:

1. The maximum amount to be raised under the SPP is \$10,000,000;
2. Participation in the SPP will be optional and open to all MMJ shareholders registered as at 7.00pm (AEDT) on 22 January 2019 with a registered address in Australia or New Zealand ("**Eligible Shareholders**");
3. If approved by MMJ's shareholders, the SPP will provide MMJ's Eligible Shareholders the opportunity to purchase up to \$15,000 worth of shares, irrespective of the size of their shareholding, without incurring brokerage or transaction costs ("**SPP Offer**").

- The SPP issue price will be determined closer to the date of the SPP Offer, however MMJ notes it will not be less than 80% of the volume weighted average price for MMJ shares (calculated over the last 5 days on which sales of the shares were recorded before the day on which the SPP Prospectus is lodged) ("**SPP Issue Price**"). The issue date under the SPP is intended to be on or around the end March or early April 2019.
- The maximum number of shares to be issued is that number, which, when multiplied by the SPP Issue Price, equals \$10,000,000. To clarify, the maximum would be determined as follows:

Maximum number of Shares = \$10,000,000/SPP Issue Price;

- In the event that less than \$10,000,000 is applied for under the SPP by MMJ's Eligible Shareholders, the Board will seek to place a number of shares at the SPP Issue Price to raise up to \$10,000,000 when combined with the amount raised under the SPP.

### **Potential application of funds raised from the SPP**

In addition to opportunities to invest funds into the global cannabis market in line with MMJ's investment mandate, MMJ also holds warrants (similar to 'options' in Australia) in a number of its existing investments which provide opportunities for MMJ to invest up to CAD\$10.6 million and realise potential gains on exercise over the next two years, as follows:

<b>Warrants held by MMJ</b> <i>Unaudited figures, rounded to one decimal place</i>	Exercise cost of warrants (CAD\$m)	Current Market Value of Warrants (CAD\$m)	Current Unrealised Gain (CAD\$m)	Warrants expiry
MediPharm Labs (TSXV:LABS)	\$ 3.5	\$ 5.8	\$ 2.2	Oct 2020
Weed Me	\$ 3.0	\$ 4.5	\$ 1.5	Dec 2020
Embark Health	\$ 1.8	\$ 1.8	\$ -	Nov 2020
Fire & Flower	\$ 1.3	\$ 1.9	\$ 0.6	Apr 2020
Bien	\$ 1.0	\$ 1.0	\$ -	May 2021
<b>Total</b>	<b>\$ 10.6</b>	<b>\$ 14.9</b>	<b>\$ 4.3</b>	

### **Chairman's Comments**

Commenting on the planned SPP, MMJ's Chairman Peter Wall said "Whilst our current cash position is robust and provides more than a year of budgeted corporate working capital, the planned SPP is expected to position MMJ to both participate in further cannabis sector investment opportunities and enable us to patiently manage our existing portfolio. We look forward to obtaining the approval of MMJ's shareholders to issue the SPP prospectus for consideration by MMJ's Eligible Shareholders."

### **Investor and Media Enquiries**

Jason Conroy  
Chief Executive Officer

### **About MMJ**

MMJ Group Holdings Limited (ABN 91 601 236 417) is a global cannabis investment company. MMJ owns a portfolio of minority investments and aims to invest across the full range of emerging cannabis-related sectors including

healthcare, technology, infrastructure, logistics, processing, cultivation, equipment and retail. For MMJ's latest investor presentation and news, please visit: <https://www.mmjgh.com.au/investors/>

**Important Notice**

*This announcement contains reference to certain intentions, expectations, future plans, strategy and prospects of MMJ. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of MMJ may be influenced by a number of factors, many of which are outside the control of MMJ. No representation or warranty, express or implied, is made by MMJ, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause MMJ's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. MMJ does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended. Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in MMJ. This document does not constitute any part of any offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of any "US person" as defined in Regulation S under the US Securities Act of 1993 ("Securities Act"). MMJ's shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US person without being so registered or pursuant to an exemption from registration including an exemption for qualified institutional buyers.*

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**MMJ GROUP HOLDINGS LIMITED****ACN 601 236 417****NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 2:00pm (AEDT)  
**DATE:** Friday, 22 February 2019  
**PLACE:** The Westin Sydney  
1 Martin Place  
Sydney NSW 2000

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

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

*The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm (AEDT) on Wednesday 20 February 2019.*

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – CAPITAL RAISING SHARE PURCHASE PLAN OFFER

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares, when multiplied by the SPP Issue Price, will raise up to \$10,000,000, to applicants of the Share Purchase Plan (or their nominees) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company has been granted a waiver by ASX under Listing Rule 7.3.8 to permit any person who has an interest in this Resolution to vote, on the condition that the Company excludes any votes cast on this Resolution by any proposed underwriter (which there is none), sub-underwriter of the share purchase plan (which there is none) or by any investor who may receive Shares under any share purchase plan shortfall, or any associates of those persons.

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#### 2. RESOLUTION 2 – APPROVAL FOR ISSUE OF SPP SHORTFALL SHARES

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

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares, when multiplied by the SPP Issue Price, will raise up to the Shortfall Raise Amount, to applicants of the Share Purchase Plan Shortfall Offer (or their nominees) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – DIRECTOR PARTICIPATION IN SHARE PURCHASE PLAN – PETER WALL

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

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to that number of Shares, to Peter Wall (or his nominee) which, when multiplied by the SPP Issue Price, will raise up to \$15,000, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Peter Wall (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**4. RESOLUTION 4 – DIRECTOR PARTICIPATION IN SHARE PURCHASE PLAN – WINTON WILLESEE**

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

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to that number of Shares, to Winton Willesee (or his nominee) which, when multiplied by the SPP Issue Price, will raise up to \$15,000, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Winton Willesee (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**5. RESOLUTION 5 – DIRECTOR PARTICIPATION IN SHARE PURCHASE PLAN – DOUGLAS HALLEY**

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

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to that number of Shares, to Douglas Halley (or his nominee) which, when multiplied by the SPP Issue Price, will raise up to \$15,000, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Douglas Halley (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – ELECTION OF DIRECTOR – MICHAEL CURTIS**

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

*“That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Michael Curtis, a Director who was appointed casually on 8 January 2019, retires, and being eligible, is elected as a Director.”*

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**7. RESOLUTION 7 – ISSUE OF DIRECTOR INCENTIVE OPTIONS TO DIRECTOR – MICHAEL CURTIS**

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

*“That, subject to Resolution 6 receiving Shareholder approval, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 1,000,000 Options to Michael Curtis (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of any director who is eligible to participate in the employee incentive scheme (or their nominees) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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**Dated: 23 January 2019**

**By order of the Board**

**Peter Wall**  
**Non-Executive Chairman**

## **Voting in person**

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

## **Voting by proxy**

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

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

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

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

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

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 2 8098 0817.***

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## EXPLANATORY STATEMENT

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

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### 1. RESOLUTION 1 – CAPITAL RAISING SHARE PURCHASE PLAN OFFER

#### 1.1 General

The Company has elected to raise up to \$10,000,000 by way of a Share Purchase Plan (**SPP**) offer to existing shareholders (**SPP Offer**).

The Company is unable to rely on the exception to the disclosure requirements provided by ASIC Class Order 09/425 as the Company has been suspended for a period greater than 5 business days in the last 12 months. As a result, the SPP Offer will be undertaken by way of a SPP prospectus (**Prospectus**) which is expected to be announced on or around end of February 2019.

Participation in the SPP will be optional and open to all Shareholders registered as at 7:00pm (AEDT) on 22 January 2019 (as per the Company's SPP announcement, released in conjunction with this Notice) with a registered address in Australia or New Zealand (**Eligible Shareholders**). Under the SPP, Eligible Shareholders will be able to purchase up to \$15,000 worth of Shares, irrespective of the size of their shareholding, without incurring brokerage or transaction costs (**SPP Offer**). The SPP Issue Price will be determined closer to the date of the SPP Offer, however the Company notes it will not be less than 80% of the VWAP for Shares (calculated over the last 5 days on which sales of the Shares were recorded before the day on which the Prospectus is lodged). The issue date under the SPP is intended to be on or around the end March or early April 2019.

The board of the Company believes that a SPP is the fairest and most efficient means of raising equity from its existing Shareholders. As such, the Company is providing an opportunity for Eligible Shareholders to participate in the SPP Offer.

As the Company was suspended for more than 5 business days as part of its Re-Compliance, Exception 15 of Listing Rule 7.2 is unavailable to the Company. Therefore, in accordance with Resolution 1, the Company will seek Shareholder approval for the issue of Shares under the SPP Offer. Shareholder approval will allow the Company to issue Shares under the SPP Offer during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

#### 1.2 Technical information required by ASX Listing Rule 7.1

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

The effect of Resolution 1 will be to allow the Company to issue the Shares pursuant to the SPP Offer during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Company has obtained a waiver from ASX under Listing rule 7.3.8 to enable Shareholders to vote in relation to the Resolution notwithstanding that they may be successful applicants for Shares under the SPP. The waiver was granted on the following conditions:

- (a) that the SPP is not underwritten, or if it is underwritten, the Company excludes any votes cast on the Resolution by any proposed underwriter or sub-underwriter of the SPP; and
- (b) that the Company excludes any votes cast on that resolution by any investor who may receive shares under any SPP shortfall.

The table below shows the potential dilution of existing Shareholders upon the issue of Shares at varying VWAPs.

	Issue Price		
	\$0.19	\$0.21	\$0.22
<b>Shares currently on issue</b>	230,148,985	230,148,985	230,148,985
<b>Shares to be issued under the SPP Offer</b>	52,631,579	47,619,048	45,454,545
<b>Total Shares after the SPP Offer</b>	282,780,564	277,768,033	275,603,530
<b>Dilution</b>	31.38%	29.27%	28.32%

**Notes:**

1. Example range of issue prices calculated on 80% discounts to various prices. With \$0.21 being a 20% discount to ASX closing price on 16 January 2019 of \$0.26, \$0.19 being an 80% of VWAP of \$0.24 and \$0.22 being 80% of VWAP of \$0.28.
2. There are currently 230,148,985 Shares on issue as at the date of this Notice of Meeting.
3. The above table assumes that no other Shares are issued, Options exercised or Performance Rights converted.
4. The above table demonstrates a range of example prices and is not in any way an indication or representation of what the future Share price could or is expected to be in the future.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (a) the maximum number of Shares to be issued is that number, which, when multiplied by the SPP Issue Price, equals \$10,000,000. To clarify the maximum would be determined as follows:
- Maximum number of Shares = \$10,000,000/SPP Issue Price;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will not be less than 80% of the VWAP for Shares (calculated over the last 5 days on which sales of the Shares were recorded before the day on which the Prospectus is lodged), per Share;
- (d) the Shares will be issued to Shareholders who successfully apply for Shares under the SPP Offer. None of these Shareholders will be related parties of the Company, other than those permitted by Resolutions 3 to 5;

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) after deducting the costs of the SPP Offer (which are estimated to be \$250,000) the Company intends to use the funds raised from the SPP Offer, for various investment opportunities within the domestic and international cannabis markets, in accordance with its investment mandate.

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## **2. RESOLUTION 2 – PLACEMENT OF SPP SHORTFALL SHARES**

### **2.1 Background**

As noted at Section 1.1, the Company is undertaking a SPP. The Company will, subject to Shareholder approval, issue the SPP Prospectus to permit Eligible Shareholders to participate in the SPP Offer.

In the event that less than \$10,000,000 is applied for under the SPP by Eligible Shareholders, the Directors will seek to place that number of Shares at the SPP Issue Price to raise up to \$10,000,000 when combined with the amount raised under the SPP (**Shortfall Offer**).

The maximum amount raised under the Shortfall Offer will be \$10,000,000 less the amount raised under the SPP (**Shortfall Raise**). Assuming no funds are raised under the SPP, the maximum number of Shares that will be issued under the Shortfall Offer is that number, which, when multiplied by the SPP Issue Price, equals \$10,000,000 (**Shortfall Offer Shares**).

The Company is in preliminary discussions with a number of brokerage firms regarding an engagement to lead the Shortfall Offer.

Resolution 2 seeks Shareholder approval for the issue of the Shortfall Offer Shares under the Shortfall Offer.

### **2.2 Applicable ASX Listing Rules**

A summary of ASX Listing Rule 7.1 is set out at Section 1.2 above.

As noted at Section 1.1, Shares issued under the Shortfall Offer are not covered by ASX Listing Rule 7.2 Exception 15 and therefore the issue of those Shares must be made with Shareholder approval under ASX Listing Rule 7.1 (or out of the Company's 15% annual placement capacity that can be made without prior Shareholder approval).

The effect of this Resolution will be to allow the Company to issue the Shares under the Shortfall Offer during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **2.3 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Shortfall Offer:

- (a) the maximum number of Shares to be issued is that number, which, when multiplied by the SPP Issue Price, equals the Shortfall Raise Amount. For clarity this would be calculated as:

Maximum number of Shares =  $(\$10,000,000/\text{SPP Issue Price}) - \text{Total number of Shares issued under the SPP Offer}$ ;

- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will not be less than 80% of the VWAP for Shares (calculated over the last 5 days on which sales of the Shares were recorded before the day on which the Prospectus is lodged), per Share;
- (d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the SPP Offer for various investment opportunities within the domestic and international cannabis markets, in accordance with its investment mandate.

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### 3. RESOLUTIONS 3 TO 5 – DIRECTOR PARTICIPATION IN SHARE PURCHASE PLAN

#### 3.1 General

Pursuant to Resolution 1 the Company is seeking Shareholder approval to raise up to \$10,000,000 by way of the SPP Offer. The Shares will be issued at an issue price per Share of 80% of the VWAP for Shares (calculated over the last 5 days on which sales of the Shares were recorded before the day on which the Prospectus is lodged), to applicants of the SPP. Mr Peter Wall, Mr Winton Willesee and Mr Douglas Halley (**Participating Directors**) each wish to participate in the SPP Offer.

Resolutions 3, 4 and 5 each seek Shareholder approval for the issue of up to that number of Shares, which, when multiplied by the SPP Issue Price, will raise up to \$15,000 each, to the Participating Directors (or their respective nominees), arising from their respective participation in the SPP Offer (**Participation**).

As the Company was suspended for more than 5 business days as part of its Re-Compliance, Exception 8 of Listing Rule 10.12 is unavailable to the Company. Therefore, in accordance with Resolutions 3 to 5, the Company will seek Shareholder approval to allow the Company to issue Shares to the Participating Directors under the SPP Offer during the period of 1 month after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

Set out below are worked examples of the number of Shares that may be issued to Participating Directors based on issue prices of \$0.19, \$0.21 and \$0.22.

Participating Director	Assumed Issued Price <sup>1</sup>	Maximum Subscription amount	Maximum Number of Shares	Dilution effect on existing shareholders <sup>2</sup>
Peter Wall	\$0.19	\$15,000	78,947	0.034%
	\$0.21	\$15,000	71,429	0.031%
	\$0.22	\$15,000	68,182	0.030%
Douglas Halley	\$0.19	\$15,000	78,947	0.034%
	\$0.21	\$15,000	71,429	0.031%
	\$0.22	\$15,000	68,182	0.030%
Winton Willesee	\$0.19	\$15,000	78,947	0.034%
	\$0.21	\$15,000	71,429	0.031%
	\$0.22	\$15,000	68,182	0.030%

**Notes:**

1. Example range of issue prices calculated on 80% discounts to various prices. With \$0.21 being a 20% discount to ASX closing price on 16 January 2019 of \$0.26, \$0.19 being an 80% of VWAP of \$0.24 and \$0.22 being 80% of VWAP of \$0.28.
2. There are currently 230,148,985 shares on issue as at the date of this Notice of Meeting and this table assumes that;
  - a. no additional shares are issued, or options or performance rights exercised; and
  - b. only the respective Participating Director is issued shares under the SPP Offer and the shortfall is not placed.

### 3.2 Chapter 2E of the Corporations Act

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

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

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

The Participation will result in the issue of Shares which constitutes giving a financial benefit and each of the Participating Directors are related parties of the Company by virtue of being Directors.

The Directors (other than Mr Wall who has a material personal interest in Resolution 3) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 3 because the Shares will be issued to Mr Wall on the same terms as Shares issued to non-related party participants in the SPP Offer and as such the giving of the financial benefit is on arm's length terms.

The Directors (other than Mr Willesee who has a material personal interest in Resolution 4) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 4 because the Shares will be issued to Mr Willesee on the same terms as Shares issued to non-related party participants in the SPP Offer and as such the giving of the financial benefit is on arm's length terms.

The Directors (other than Mr Halley who has a material personal interest in Resolution 5) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 5 because the Shares will be issued to Mr Halley on the same terms as Shares issued to non-related party participants in the SPP Offer and as such the giving of the financial benefit is on arm's length terms.

### **3.3 Section 195(4) of the Corporations Act**

Section 195 of the Corporations Act provides that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered, except in certain limited circumstances. Section 195(4) relevantly provides that if there are not enough Directors to form a quorum for a Directors meeting because of this restriction, one or more of the Directors may call a general meeting and the general meeting may pass a resolution to deal with the matter.

It might be argued (but it is neither conceded nor, indeed, is it thought by the Board to be the case) that three of the four Directors comprising the Board have a material personal interest in the outcome of Resolutions 3, 4 and 5. If each does have such an interest, then a quorum could not be formed to consider the matters contemplated by Resolutions 3, 4 and 5 at Board level.

Accordingly, for the avoidance of any doubt, and for the purpose of transparency and best practice corporate governance, the Company also seeks Shareholder approval for Resolutions 3, 4 and 5 for the purposes of section 195(4) of the Corporations Act in respect of the reliance on the reasonable remuneration exception and the decision not to seek Shareholder approval under Chapter 2E of the Corporations Act.

### **3.4 ASX Listing Rule 10.11**

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

As the SPP Offer involves the issue of Shares to related parties of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. As noted at Section 3.1, it is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **3.5 Technical Information required by ASX Listing Rule 10.13**

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

- (a) the Shares will be issued to the Participating Directors (or their respective nominees);
- (b) the maximum number of Shares to be issued is that number of Shares, which, when multiplied by the SPP Issue Price, will raise up to \$45,000, specifically

- (i) that number of Shares to Mr Wall (or his nominee), which, when multiplied by the SPP Issue Price, will raise up to \$15,000;
  - (ii) that number of Shares to Mr Willesee (or his nominee), which, when multiplied by the SPP Issue Price, will raise up to \$15,000; and
  - (iii) that number of Shares to Mr Halley (or his nominee), which, when multiplied by the SPP Issue Price, will raise up to \$15,000;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will not be less than 80% of the VWAP for Shares (calculated over the last 5 days on which sales of the Shares were recorded before the day on which the Prospectus is lodged), per Share. The ASX has granted a waiver from ASX Listing Rule 10.13.5 to allow this Notice to refer to this issue price which is not a known issue price at the date of this Notice. The waiver was granted on the following conditions (which have been complied with):
- (i) the Notice states that the issue price of the Director Participation Shares to be issued will be not less than 80% of the VWAP for Shares (calculated over the last 5 days on which sales of the Shares were recorded before the day on which the Company lodges the Prospectus);
  - (ii) the Notice includes a worked example of the number of Shares to be issued to each Director and the resulting dilution to ordinary shareholders; and
  - (iii) the Company discloses the terms of this waiver to the market by way of fulsome disclosure in the Notice;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the SPP Offer for various investment opportunities within the domestic and international cannabis markets, in accordance with its investment mandate.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Participating Directors (or their respective nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **4. RESOLUTION 6 – ELECTION OF DIRECTOR – MICHAEL CURTIS**

### **4.1 General**

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible

for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Michael Curtis, having been appointed by other Directors on 8 January 2019 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

#### 4.2 Qualifications and other material directorships

In accordance with Recommendation 1.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition), the Company provides the following information in respect to Mr Curtis:

- (i) **Position:** Mr Curtis holds the position of Non-Executive Director of the Company.
- (ii) **Length of Service:** Mr Curtis was appointed as a Director of the Company on 8 January 2019.
- (iii) **Formal Qualifications:** Mr Curtis holds a Master of Business Administration, University of New Brunswick, Major: International Finance and a Bachelor of Sciences (Honors), McMaster University.
- (iv) **Skills and Experience:** Mr. Curtis resides in Toronto, Canada and is an experienced former investment banker and private equity executive. Mr Curtis is an active cannabis sector executive, having recently served as Vice President of Corporate Finance of Dosecann (an investee company prior to its successful divestment by MMJ in 2018) and now as the Chief Operating Officer and director of Embark Health (a current investee company of MMJ).
- (v) **Other Listed Company Directorships:** Mr Curtis does not hold any other directorships with listed companies.

Mr Curtis does not expect that his other business activities will impact his ability to act as a Director of the Company.

#### 4.3 Independence

Michael Curtis has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the board and to act in the best interest of the entity and its security holders generally.

If elected the board considers Michael Curtis will be an independent Director.

#### 4.4 Board recommendation

The Board supports the re-election of Michael Curtis and recommends that Shareholders vote in favour of Resolution 6.

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#### 5. RESOLUTION 7 – ISSUE OF DIRECTOR INCENTIVE OPTIONS TO DIRECTOR – MICHAEL CURTIS

The Company has agreed, subject to obtaining Shareholder approval, to issue 1,000,000 Options (**Director Options**) to Michael Curtis (or his nominee) pursuant to the Company's Employee Share Option Plan and on the terms and conditions set out below.

Resolution 7 seeks Shareholder approval for the grant of the Director Options to Michael Curtis (or his nominee).

## **5.1 Chapter 2E of the Corporations Act**

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

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

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

The grant of Director Options constitutes giving a financial benefit and Michael Curtis is a related party of the Company by virtue of being a Director.

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

## **5.2 ASX Listing Rule 10.14**

ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The issue of the Director Options requires the Company to obtain Shareholder approval as Michael Curtis is a related party of the Company, by virtue of being a Director.

As the grant of the Director Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.14 is required unless an exception applies. It is the view of the Directors that the exceptions do not apply in the current circumstances.

## **5.3 Technical Information required by ASX Listing Rule 10.15**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Director Options to Michael Curtis:

- (a) the related party is Michael Curtis and he is a related party by virtue of being a Director;
- (b) the maximum number of Director Options to be issued to Michael Curtis (or his nominees) is 1,000,000 Director Options;
- (c) the exercise price of the Director Options will be equal to 135% of the volume weighted average price at which Shares are traded on the ASX

over the 5 consecutive trading days up to and including the actual date of issue (**Exercise Price**);

- (d) no funds will be raised from the issue of the Director Options as they are being issued for nil consideration;
- (e) the Employee Share Option Plan was approved by Shareholders at the Company's annual general meeting on the 29<sup>th</sup> November 2017 and was disclosed in the Company's Re-Compliance prospectus dated 28 September 2018;
- (f) since the approval of the Employee Share Option Plan on 29<sup>th</sup> November 2017, the Company has issued 1,500,000 Class K Options under the Employee Share Option Plan (this issue was not made to a person referred to in Listing Rule 10.14) for nil consideration (which, subject to vesting conditions, are exercisable at \$0.35 each on or before 31 October 2021) and 1,000,000 Class L Options to Douglas Halley for nil consideration (which, subject to vesting conditions, are exercisable at \$0.41 each on or before 24 October 2021);
- (g) no loan is being issued to Michael Curtis under the terms of the Employee Share Option Plan;
- (h) all Directors being Peter Wall, Winton Willesee, Douglas Halley and Michael Curtis are entitled to participate in the Employee Share Option Plan, however, at the current time the Company only intends to make an offer to Michael Curtis. Accordingly, approval is being sought only for the issue of the Director Options to Michael Curtis;
- (i) the Director Options will be issued to Michael Curtis no later than 12 months after the date of the Meeting and it is anticipated the Director Options will be issued on one date;
- (j) the terms and conditions of the Director Options are set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Director Options as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the grant of Director Options to Michael Curtis (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## GLOSSARY

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**\$** means Australian dollars.

**AEDT** means Australian Eastern Daylight Savings Time as observed in Sydney, Western Australia.

**ASIC** means the Australian Securities & Investments Commission.

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

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

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

**Chair** means the chair of the Meeting.

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

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**Director Option** means Option on the terms and conditions set out in Schedule 1 of this Notice.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

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

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

**Prospectus** means the SPP prospectus which is to be prepared to undertake the SPP Offer.

**Proxy Form** means the proxy form accompanying the Notice.

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

**Section** means a section of the Explanatory Statement.

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

**Share Purchase Plan** means the Company's securities purchase plan which contains the SPP Offer.

**Shortfall Raise Amount** means \$10,000,000 less the amount raised under the SPP.

**SPP Issue Price** means the issue price under the SPP which will be determined closer to the date of the SPP Offer, however it will not be less than 80% of the VWAP for Shares (calculated

over the last 5 days on which sales of the Shares were recorded before the day on which the Prospectus is lodged).

**SPP Offer** has the meaning given in Section 1.1.

**Shareholder** means a registered holder of a Share.

**VWAP** means the volume weighted average price.

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## SCHEDULE 1 – TERMS OF DIRECTOR OPTIONS

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(a) **Entitlement**

Each Director Option entitles the holder to subscribe for one Share upon exercise of the Director Option.

(b) **Exercise Price**

Subject to paragraph (k), the exercise price of the Director Options will be equal to 135% of the volume weighted average price at which Shares were traded on the ASX over the 5 consecutive trading days up to and including the actual date of issue (**Exercise Price**).

(c) **Expiry Date**

Each Director Option will expire at 5:00 pm (AEDT) on the date that is three (3) years from the date of issue. (**Expiry Date**). A Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Conditions**

Subject to (e), the Director Options shall vest and become exercisable over a period of two (2) years;

- (i) 250,000 Director Options will vest on the date that is six (6) months after the date of issue;
- (ii) 250,000 Director Options will vest on the date that is twelve (12) months after the date of issue;
- (iii) 250,000 Director Options will vest on the date that is eighteen (18) months after the date of issue; and
- (iv) 250,000 Director Options will vest on the date that is twenty-four (24) months after the date of issue.

(e) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) Any unexercised Director Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Option within a period of 6 months after the Cessation Date.
- (ii) Any unexercised Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

(f) **Exercise Period**

The Options are exercisable at any time on and from the satisfaction of the relevant vesting condition set out in (d) above until the Expiry Date (**Exercise Period**).

(g) **Notice of Exercise**

The Director Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Director Option certificate (**Notice**

**of Exercise**) and payment of the Exercise Price for each Director Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(h) **Exercise Date**

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

(i) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Director Options.

If a notice delivered under (i)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(j) **Shares issued on exercise**

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

(k) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) **Quotation of Shares issued on exercise**

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

(m) **Participation in new issues**

There are no participation rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options without exercising the Director Options.

(n) **Change in exercise price**

A Director Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Director Option can be exercised.

(o) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(p) **Transferability**

The Director Options are not transferable.