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# **MMJ GROUP HOLDINGS LIMITED**

**ACN 601 236 417**

## **NOTICE OF ANNUAL GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 12:00pm (AEDT)

**DATE:** Monday, 30 November 2020

**PLACE:** The Company is pleased to provide Shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Atomic, where Shareholders will be able to watch, listen, and vote online.

Details on how to access the virtual Meeting are set out in this Notice.

*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 12:00pm AEDT on 28 November 2020.*

*The ASX takes no responsibility for the contents of this Notice.*

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

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#### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2020.”*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**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:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) 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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#### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR DOUG HALLEY

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 14.2 of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Mr Doug Halley, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

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#### 4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

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

*“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”*

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## 5. RESOLUTION 4 – RE-ADOPTION OF EMPLOYEE SHARE OPTION PLAN

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 7.2 (Exception 13(b)) and for all other purposes, approval is given for the Company to re-adopt the employee incentive scheme titled Employee Share Option Plan (**ESOP**) and for the issue of securities under that ESOP, 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 a person who is eligible to participate in the employee incentive scheme or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

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

### **Voting Prohibition Statement:**

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

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

However, the above prohibition does not apply if:

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

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## 6. RESOLUTION 5 – CHANGE TO NATURE OF ACTIVITIES

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 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature of its activities as described in the Explanatory Statement accompanying this Notice.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of a counterparty to the transaction that, of itself or together with one or more transactions, will result in a significant change to the nature and scale of the entity’s activities and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a Shareholder), or an associate of that person or those persons. However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or

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

**Dated: 21 October 2020**

**By order of the Board**

**Jim Hallam  
Company Secretary**

## **Virtual Meeting**

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### **Venue**

If you wish to virtually attend the Meeting (which will be broadcast as a live webinar), please pre-register in advance for the virtual Meeting here: [www.mmjgh.com.au/agm](http://www.mmjgh.com.au/agm)

After registering, you will receive a confirmation containing information on how to attend the virtual Meeting.

Shareholders will be able to vote and ask questions at the virtual Meeting. Shareholders are also encouraged to submit questions in advance of the Meeting to the Company. Questions must be submitted in writing to Jim Hallam, Company Secretary at [info@mmjgh.com.au](mailto:info@mmjgh.com.au) at least 48 hours before the Meeting.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Shareholders who join the virtual Meeting will have the opportunity to:

- ask questions online of the Chair and the external auditors;
- hear the responses to questions asked online during the Meeting and before the Meeting using the Question Form or online lodgement; and
- cast a vote on the resolutions to be considered at the Meeting.

### **Voting virtually**

Shareholders who wish to vote virtually on the day of the Meeting will need to login to the Automic website ([investor.automic.com.au](http://investor.automic.com.au)) with their username and password.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance** of the Meeting to avoid any delays on the day of the Meeting.

### **How do I create an account with Automic?**

To create an account with Automic, please go to the Automic website ([investor.automic.com.au](http://investor.automic.com.au)), click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

### **I have an account with Automic, what are the next steps?**

Shareholders who have an existing account with Automic (Note: with a username and password) are advised to take the following steps to attend and vote virtually on the day of the Meeting:

- Login to the Automic website ([investor.automic.com.au](http://investor.automic.com.au)) using your username and password.
- If registration for the virtual Meeting is open, click on 'Meeting open for registration' and follow the steps.
- If live voting for the virtual Meeting is open, click on 'Meeting open for voting' and follow the steps.

### **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 two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (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:

- 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.

If you sign the enclosed Voting Form and no direction is given, the Chair will be appointed as your proxy. The Chair intends to vote undirected proxies on, and in favour of, all resolutions.

### **Voting in person**

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The Company is pleased to provide Shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where Shareholders will be able to watch, listen, and vote online.

### **Resolution by Poll**

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In accordance with clause 13.16 of the Company's Constitution, the Chair intends to call a poll on each resolution proposed at the Meeting.

***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. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.mmjgh.com.au](http://www.mmjgh.com.au).

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

#### 2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

#### 2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

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### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DOUG HALLEY

#### 3.1 General

ASX Listing Rule 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr Doug Halley, who has served as a Director since 16 March 2018 and was elected on 28 November 2018, retires by rotation and seeks re-election.

#### 3.2 Qualifications and other material directorships

In accordance with Recommendation 1.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition), the Company provides the following information in respect to Mr Halley:

- **Position:** Mr Halley holds the positions of Non-Executive Director of the Company and Chairman of the Company's Audit and Risk Committee.
- **Length of Service:** Mr Halley was appointed as a Director of the Company on 16 March 2018.
- **Formal Qualifications:** Mr Halley holds formal qualifications in business administration and accounting and is a Fellow of the Australian Institute of Company Directors.
- **Skills and Experience:** Mr Halley is an experienced company director and has also served for 30 years as CFO or CEO in a number of significant and successful (mostly publicly-listed) commercial enterprises and investment banks obtaining additional experience in portfolio management and advisory.

Mr Halley's executive experience had a heavy emphasis in corporate strategy, treasury, financial management, M&A and business development. Mr Halley was Chairman of the ASX listed DUET Group entities between 2006 and 2017 which managed infrastructure investments in Australia and USA.

- **Other Listed Company Directorships:** Mr Halley does not hold any other directorships with listed companies.

#### 3.3 Independence

Mr Halley 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 re-elected the Board considers Mr Halley will be an independent director.

#### 3.4 Board recommendation

The Board supports the election of Mr Halley and recommends that Shareholders vote in favour of Resolution 2. The Board supports the re-election of Mr Halley as a Non-Executive Director as Mr Halley provides a valuable contribution to the Board and Company, specifically in governance, audit, risk management, investment and finance matters, and therefore is recommended to shareholders for election.

The Board has reviewed Mr Halley's performance since his appointment to the Board and considers that Mr Halley's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the re-election of Mr Halley and recommends that Shareholders vote in favour of Resolution 2.



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## 4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

### 4.1 General

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

However, under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

Resolution 3 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 3 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 3 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

### 4.2 Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 3:

#### (a) Period for which the 7.1A Mandate is valid

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

#### (b) Minimum Price

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in Section 4.2(b)(i), the date on which the Equity Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate as cash consideration, for advancing the Company's existing operations including the acquisition of new investments (including expenses associated with such an acquisition), market analysis and investigation of investment opportunities, and the meeting of objectives under the Company's investment mandate and general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 8 October 2020.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.048	\$0.095	\$0.143
			50% decrease	Issue Price	50% increase
Funds Raised					
Current	229,953,985	22,995,399	\$1,092,281	\$2,184,563	\$3,276,844
50% increase	344,930,978	34,493,098	\$1,638,422	\$3,276,844	\$4,915,266
100% increase	459,907,970	45,990,797	\$2,184,563	\$4,369,126	\$6,553,689

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**The table above uses the following assumptions:**

- (i) There are currently 229,953,985 Shares on issue as at 8 October 2020.
- (ii) The issue price set out above is the closing price of the Shares on the ASX on 8 October 2020.
- (iii) The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
- (iv) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
- (v) The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
- (vi) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

- (vii) This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
- (viii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (ix) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous approval under Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its annual general meeting held on 28 November 2019 (**Previous Approval**).

During the 12-month period preceding the date of the Meeting, being on and from 30 November 2019, the Company has not issued any Equity Securities pursuant to the Previous Approval.

### 4.3 Voting Exclusion Statement

As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A. Accordingly, a voting exclusion statement is not included in this Notice.

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## 5. RESOLUTION 4 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

Resolution 4 seeks Shareholders approval for the re-adoption of the employee incentive scheme titled Employee Share Option Plan (**ESOP**) in accordance with Listing Rule 7.2 (Exception 13(b)).

The ESOP was last approved by Shareholders on 28 November 2017.

The objective of the ESOP is to attract, motivate and retain key employees and the Company considers that the adoption of the ESOP and the future issue of Options under the ESOP will provide selected employees with the opportunity to participate in the future growth of the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

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

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

If Resolution 4 is passed, the Company will be able to issue Options under the ESOP to eligible participants over a period of 3 years. The issue of any Options to eligible participants under the ESOP (up to the maximum number of Options noted below) will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

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

If Resolution 4 is not passed, the Company will be able to proceed with the issue of Options under the ESOP to eligible participants, but any issues of Options will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the issue of the Options.

### 5.1 Technical information required by Listing Rule 7.2 (Exception 13)

Pursuant to and in accordance with Listing Rule 7.2 (Exception 13), the following information is provided in relation to Resolution 4:

- (a) a summary of the key terms and conditions of the ESOP is set out in Schedule 1;
- (b) the Company has issued 3,500,000 Options under the ESOP since the ESOP was last approved by Shareholders on 28 November 2017;
- (c) the maximum number of Securities proposed to be issued under the ESOP, following Shareholder approval, is 11,400,000 Options. It is not envisaged that the maximum number of Securities for which approval is sought will be issued immediately; and
- (d) a voting exclusion statement is included in Resolution 4 of this Notice.

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## 6. RESOLUTION 5 – CHANGE TO NATURE OF ACTIVITIES

### 6.1 Proposed Diversification

The Company is proposing, subject to Shareholder approval, to broaden its existing investment mandate to include strategic investments in sectors outside of cannabis, such as but not limited to, natural resources, pharmaceuticals and software services technology, which will comprise no more than 25% of the Company's total consolidated assets at the time the investments are made (**Diversification**).

The proposed Diversification will allow the Company to:

- (a) expand its existing investment portfolio and invest in securities with a view to deliver capital growth for Shareholders; and
- (b) create greater opportunities for its Shareholders to benefit and participate in the growth of a diversified group of minority investments, in addition to the Company's existing investments.

The proposed Diversification is an internal process which will broaden the Company's existing investment strategy and does not involve any agreement or third party involvement.

### 6.2 Listing Rule 11.1.2

The Company is proposing to undertake the proposed Diversification.

Listing Rule 11.1.2 empowers ASX to require a listed company to obtain the approval of its shareholders to a significant change to the nature or scale of its activities. The proposed Diversification will involve a significant change to the nature or scale of the Company's activities for these purposes and, as its usual practice, ASX has imposed a requirement under Listing Rule 11.1.2 that the Company obtain Shareholder approval to the proposed Diversification.

Resolution 5 seeks the required Shareholder approval to the proposed Diversification and for the purposes of Listing Rule 11.1.2.

If Resolution 5 is passed, the Company will be able to proceed with the proposed Diversification. The proposed Diversification will permit the Company increased flexibility to create growth and greater returns for Shareholders. Through the Diversification, the Company will target exposure in a range of global opportunities, in addition to the existing investments in the cannabis sector allowing the Company to lower its investment risk and reduce the impact of market volatility from the cannabis sector to ultimately benefit Shareholders.

If Resolution 5 is not passed, the Company will not be able to proceed with the proposed Diversification, and will remain a listed investment company focusing solely on the cannabis sector.

### 6.3 Financial Effect of Diversification

Detailed at Schedule 2 is a transaction-based comparison table and market capitalisation table, detailing the proposed effect on the Company's total consolidated assets, total equity, annual expenditure, and capital structure.

### 6.4 Business Model

To undertake these diversified investments, the Company will use:

- (a) its existing capital; and/or
- (b) any capital obtained from the sale of existing investments, in the normal course of business.

Notwithstanding the proposed Diversification:

- (a) the Company will continue to actively manage its current investments which involves, in the ordinary course of business, sales of existing interests in circumstances where the board believes such action to be in the best interest of the Company, its Shareholders and perceives there to be upside potential; and
- (b) the Company's principal activities will remain the management of investments in listed or unlisted securities and derivatives in companies involved in the cannabis industry where the Company's board perceives there to be upside potential, consistent with the Company's September 2018 re-compliance prospectus.

Importantly, the investment mandate and activities of the Company will remain unchanged, as the Company will still:

- (a) invest in a portfolio of investments that will deliver capital growth and profit from realisation on sales;
- (b) be an active investor in securities with the flexibility to allocate capital to the most attractive securities in any given economic cycle; and
- (c) allow the directors a wide discretion to determine what, how and when to invest, so as to increase Shareholder value based on a diligent risk reward analysis.

#### **6.5 No proposed board changes**

There will not be any changes to the board of directors of the Company as a result of the proposed Diversification.

#### **6.6 Timetable**

Upon the Company receiving Shareholder approval for Resolution 5, the Company will amend its investment strategy and undertake the Diversification in the ordinary course of business.

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## SCHEDULE 1 – SUMMARY OF EMPLOYEE SHARE OPTION PLAN

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The material terms and conditions of the Employee Share Option Plan (**ESOP**) are as follows:

- (a) **Eligibility and Grant of Plan Options:** The Board may grant Options to any full or **part** time employee or Director of the Company or an associated body corporate (**Company Group**) or subject to, and in accordance with, any necessary ASIC relief being obtained, a casual employee or contractor of the Company Group (**Eligible Participant**). Options may be granted by the Board at any time.
- (b) **Consideration:** Unless the Options are quoted on the ASX, Options will be issued for no more than nominal cash consideration.
- (c) **Conversion:** Each Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for Options granted under the Plan will be determined by the Board prior to the grant of the Options.
- (e) **Exercise Restrictions:** The Options granted under the ESOP may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Options.
- (f) **Renounceability:** Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each **Participants**).
- (g) **Lapsing of Options:** Subject to the terms of the offer made to a Participant, an unexercised Option will lapse:
  - (i) on the Eligible Participant ceasing employment with the Company and:
    - (A) any Exercise Conditions have not been met by the date the Relevant Person ceases to be an Eligible Participant (Ceasing Date); or
    - (B) where any Exercise Conditions have been met by the Ceasing Date or the Option is not subject to any Exercise Conditions, the Participant does not exercise the Option within a period of six (6) months after the Ceasing Date (or a further date as determined by the Board after the Ceasing Date);
  - (ii) if any Exercise Condition is unable to be met; or
  - (iii) the expiry date has passed.
- (h) **Share Restriction Period:** Shares issued on the exercise of Options may, at the discretion of the Board, be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the Options.
- (i) **Disposal of Options:** Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.
- (j) **Trigger Events:** The Company may permit Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.
- (k) **Deferred Taxation:** Subdivision 83A-C of the *Income Tax Assessment Act 1997* applies to the Plan except to the extent an Offer provides otherwise.
- (l) **Participation:** There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

- (m) **Change in exercise price:** An Option will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the Option can be exercised.
- (n) **Reorganisation:** If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (o) **Limitations on Offers:** The Company must have reasonable grounds to believe, when making an offer under the ESOP, that the number of Shares to be received on exercise of Options offered under an ESOP offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under an employee incentive scheme covered by an ASIC Legislative Instrument or an ASIC exempt arrangement of a kind similar to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.



## SCHEDULE 2 – COMPARISON TABLES FOR PROPOSED DIVERSIFICATION

**Table 1 – Transaction Based Comparison Table**

Particulars	Prior to Diversification (A)	Projected change due to Diversification (B)	Post-Diversification Pro forma (C)	Percentage change due to Diversification (B/A)
Total Consolidated Assets (\$)	\$45,618,000	nil	\$45,618,000	nil
Total Equity (\$)	\$ 44,248,000	nil	\$ 44,248,000	nil
Total shares on issue	229,953,985	nil	229,953,985	nil
Total options on issue	2,875,000	nil	2,875,000	nil
Total performance rights on issue	20,000,000	nil	20,000,000	nil
Market capitalisation (\$A) <sup>3</sup>	\$21,845,629	nil	\$21,845,629	nil
Particulars	Working capital and other corporate costs	Expenditure on Investments other than Diversification investments	Maximum Expenditure on Diversification investments	Maximum Proportion on Diversification investments
Expenditure for next 12 month period (\$)	\$1,540,000	\$34,213,500	\$11,404,500	25%

**Notes:**

1. Position of the Company as of 30 June 2020.
2. Impact of Diversification on profit is considered unquantifiable as it is based on the performance of investments, regardless of sector.
3. Based on the closing price of Shares on the ASX on 8 October 2020 (being, \$0.095) and there being 229,953,985 Shares on issue.
4. The maximum expenditure on Diversification is calculated at 25% of the Company's total consolidated assets as at 30 June 2020. The actual amount available for expenditure on Diversification will depend on the value of the Company's consolidated total assets at the time of the specific investment and is subject to investment opportunities and performance of current investment of the Company.

**Table 2 – Market Capitalisation Comparison Table**

	Prior to Proposed Diversification <sup>1</sup>	Increase due to Proposed Diversification	Post Proposed Acquisition <sup>1</sup>	Percentage change due to Proposed Acquisition
<b>Market Capitalisation</b>	\$21,845,629	nil	\$21,845,629	nil

**Notes:**

1. Based on the closing price of Shares on the ASX on 8 October 2020 (being, \$0.095) and there being 229,953,985 Shares on issue.

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## GLOSSARY

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**\$** means Australian dollars.

**7.1A Mandate** has the meaning given in Section 4.1.

**AEDT** means Australian eastern daylight savings time.

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

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

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

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

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

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

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

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

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

**Company** means MMJ Group Holdings 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.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

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

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

executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

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

**Remuneration Report** means the remuneration report set out in the Director's Report section of the Company's annual financial report for the year ended 30 June 2020.

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

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

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

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

**Variable A** means "A" as set out in the formula in ASX Listing Rule 7.1A(2).