



CANNAPONICS
LIMITED

CROWD-SOURCED FUNDING OFFER DOCUMENT.

DATED 2 MAY 2023

**Offer of fully-paid
ordinary shares in Cannaponics
Limited at \$0.35 per share
to raise a maximum of \$5,000,000**

This crowd-sourced funding (CSF) offer document relates to the Offer of fully-paid ordinary shares in Cannaponics Limited. This Offer is made under the CSF regime in Part 6D.3A of the Corporations Act 2001 (**Corporations Act**).

Issuer

Cannaponics Limited ACN 637 439 153

Intermediary

Birchal Financial Services Pty Ltd AFSL 502618

Always consider the offer document and the
general CSF risk warning before investing

WELCOME

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SECTION 1

RISK WARNING

Crowd-sourced funding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment, and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.



SECTION 2

INFORMATION ABOUT THE COMPANY



LETTER FROM THE FOUNDER

Dear Prospective Shareholders,

I am thrilled to share the exciting news about Cannaponics – our Cannabis production venture. At Cannaponics, we are committed to providing a better product and better outcomes for patients, with a sustainable approach. We are based in Collie, Western Australia. We have land and facilities to grow, harvest, process and manufacture medicinal Cannabis. We plan to market and sell Cannabis oil and dry Cannabis flower.

I was inspired by the story of a Parkinson's patient named Jill. I travelled to the United States to speak with the most successful people in the industry as well as the leading experts.

We believe in creating an impact with our work and that starts with the team we have assembled. Our experienced staff and experts are passionately dedicated to executing our production plans with innovation, efficiency, and sustainability.

We intend to fill the domestic production gap through utilizing cutting-edge technology for harvesting fresh flowers in the morning and shipping finished packaged concentrated oils/dry packaged flower in the same afternoon. We also plan on supporting renewable energy by building a 1-Megawatt solar energy farm and harvesting our own rainwater.

Our planned biotech production of medicinal cannabis in Australia is setting the standard, with our mission to lead a billion-dollar market¹, provide quality and consistency in the increasing demand from patients. Our facilities enable us to closely monitor quality assurance, while our licensing to export abroad ensures premium grown Cannabis all over the world.

When it comes to medicinal cannabis, we harness the best of local expertise and modern technology to deliver products that exceed expectations.

I am proud to announce our milestones to date being with the purchase of 165 Acres of land, our Extraction Equipment, the erection of our 4,000 sqm Greenhouse, the climate system, the fertigation and irrigation system. Our final phase is the completion of our production and processing facility known as the "Headhouse". The funds raised will help directly build 1 MW solar energy farm and advanced equipment that will then allow us to expand our product offering and reduce the cost of our power consumption.

Rodney (Rod) Zakostelsky
Founder



¹ Deloitte Access Economics (2020).



2.1

COMPANY DETAILS

This offer of shares is made by Cannaponics Ltd ACN 637 439 153 (Company).

Company name	Cannaponics Limited
ACN	637 439 153
Date of incorporation	13 November 2019
Registered office	3 Kirke Street Balcatta, WA 6021
Principal place of business	3 Kirke Street Balcatta, WA 6021
Subsidiaries	Canna Energy Pty Ltd (100% wholly owned) Cannaponics Holdings Pty Ltd (100% wholly owned)

EVOKE
EMOTION
TO CHANGE
THE FUTURE



2.2

DESCRIPTION OF THE BUSINESS

2.2.1 ABOUT THE COMPANY

We are based in Collie, Western Australia. We have land and facilities to grow, harvest, process and manufacture medicinal Cannabis. We plan to market and sell Cannabis oil and dry Cannabis flower.

Cannaponics is a vertically integrated medicinal cannabis company leveraging renewable energy resources in Australia.

We are a feel-good company with our sights set on improving livelihoods. Through premium scientific-based plant medicine and renewable energy production at a large-scale.

The Cannabis market in Australia is growing with the current size of 2022 Cannabis market estimated to be AUD\$ 400 million². The overseas market is also growing well like in Europe with the German Medicinal Cannabis Market estimated to be USD \$5 billion³, with the Thailand Market buying wholesale at AUD\$20 per gram.⁴

We aim to be part of the Pharmaceutical commercialization of Medicinal Cannabis. We have an exclusive license to manufacture a nano emulsion formulation. Clinical trials have shown this to increase effectiveness of the product by 5 to 8 times. This includes a 2-year stability or shelf life.⁵

We also have a license for "GATC DNA", matching DNA profiles to specific combinations of cannabinoids, for better patient outcomes (DNA - tailored medicine). We have test kits registered under the Australian Register of Therapeutic Goods (ARTG).

We also own the Devex 100: Cryogenic Ethanol extraction machine that is capable of producing high-quality Broad-Spectrum Oil and Distillates. This allows us to develop products from our Outdoor Grow as well as using other parts of the plant biomass.

As one of the emerging leaders in cultivating medicinal cannabis we have developed and refined our process of cultivation, harvest, and drying, which now includes the use of radiant energy vacuum technology (REV).

REV is a drying method that runs at a rapid but low temperature, allowing the cannabis to retain its nutrients, colour, aroma, and overall unique quality (terpenes). As well as preserving 20% more cannabinoids (CBD and THC) and terpene retention, than traditional rack drying⁶.

The REV dryer greatly reduces the need for large scale drying rooms, taking up only a fraction of the space, and can produce up to 32 pounds of dried cannabis per hour. Because drying time is greatly reduced, this method removes the industry's largest choke point by turning a 7-14 day drying period into a two-hour cycle. With producers able to turn over products within hours rather than days.

This technology also succeeds in uniform drying and allows for customisable moisture, producing a cleaner, safer product that doesn't require irradiation (100% pesticide free).

REV technology reduces our ecological impacts, increasing operational efficiencies, and delivers a superior product of the highest standard.

Our objective of creating job opportunities through local, perpetual and scaled production. Will not only help fill the supply gap but be an advantage to the old mining town of Collie WA who are in need of alternative local jobs opportunities.

**RENEWABLE
ENERGY, UNIQUE
CIRCULAR ECONOMY.
PHARMACEUTICAL
CANNABIS COMPANY.**

² Deloitte Access Economics (2022)

³ The Dales Report – German Cannabis Market (2021)

⁴ As Thailand Greenlights cannabis - Reuters (2022)

⁵ New Age Nanotech LLC.

⁶ EnWave Corporation LLC.



ACHIEVEMENTS

2018

Dec 2018

- Business Plan developed

2019

Jun 2019

- Established USA Cannaponics Team

Sep 2019

- Placed deposit for farmland in Collie, WA Australia

Dec 2019

- Raised funds to purchase farmland in Collie, WA
- Finalised farmland purchase with LandCorp
- Submitted ODC License application

2020

Jan 2020

- Submitted Collie Futures Grant application

Jul 2020

- Raised first round of seed capital during pandemic
- Facility design completed

Aug 2020

- Strengthened relations with State and Federal Government Officials

2021

Jan 2021

- Raised second round of seed capital post pandemic

Feb 2021

- Secured partnerships with key research and education facilities
- Awarded \$2m Collie Futures industry Development funding

March 2021

- Office of Drug Control Licenses granted

May 2021

- DA Approval for site earthworks

Jun 2021

- Secured partnership with DC Two (ASX:DC2) Modular IT Data Centres

July 2021

- Secured partnership with EnWave™ Technology
- Held official 'Sod Turning' event with attendance & support from WA state government
- Site construction officially begins

Aug 2021

- DA approval for site construction

Sept 2021

- License Agreement with Solutech™

Oct 2021

- WA DoH Indent License to delegate manufacturing to 3rd party

Nov 2021

- ODC Import License issued
- ODC Export License issued

Dec 2021

- Cannaponics approved ATO Concessional Spirits Permit
- Greenhouse equipment arrives on site

2022

Jan 2022

- Off-take negotiations in progress

Feb 2022

- Earthworks for 4,000 sqm greenhouse completed
- Greenhouse construction start
- List GATC DNA Testing kits on the ARTG

Aug 2022

- Greenhouse structure completed
- Enwave Microwave Dryer delivered to site

Nov 2022

- Installation of small scale contained solar power and battery system for power



2.2.2 PRODUCTS / SERVICES



With Australian prescriptions predicted to reach 30,000 kg by 2024⁷ – with more than half has been imported.

In addition to fostering the sustainable transition, renewable energy and rainwater collecting has enabled expense savings. This in tandem with our vertically integrated system, which allows us to bypass the middlemen and reduce major costs of goods by up to 60%, while still offering a quality product.

With pristine land in the Southwest of Western Australia, now is the opportunity to take back market share from international imports. Our goal is to become one of the key producers of medical cannabis flowers in the country, then expand into international export, of which we already have all the regulatory licenses. Across import, export, wholesale, growing, manufacturing, and research.

Our Growth Strategy is in two clear stages. Stage one involves the construction and operation of a 4,000 sqm glasshouse, 1,400 sqm processing and manufacturing facility. This is designed to allow Cannaponics to grow up to 12,000 kg of dried Cannabis flower or equivalent extracts.

Similarly, it is licensed to grow up to 7 hectares (17.29 acres) of Cannabis. Cannaponics Ltd intends to begin manufacturing B2B for other distributors of Medicinal Cannabis, domestically and internationally.

The products that Cannaponics intend to produce are initially “dry flower”, Medicinal Cannabis. None of the plant is wasted as it is used in our Cryogenic Ethanol Extraction Machine to produce a broad-spectrum oil. With broad-spectrum oil other products can be made, that includes isolate and distillate.

⁷ <https://www.mtpconnect.org.au/reports/australianmedicinalcannabisindustry>



2.2.3 MARKETING & DISTRIBUTION

Cannaponics Ltd intends to be a B2B supplier and leverage on its distribution networks and other supplying other Cannabis companies and distributors. It will develop some of our own products but distribute them through its network. Some of the strategic networks includes worldwide partnership under a Memorandum of Understanding (MOU). We have several distribution channels and four Sales offtake Agreements. These offtake agreements, although non-binding, would cover our expected production for the first full year of operation. These non-binding agreements state that the customer is willing to purchase our product, if it meets quality certification standards at a fixed price that ranges

between \$3.50 per gram up to \$5.00 per gram. We expect this to commence approximately 90-120 days after we have completed our Headhouse facility (6-9 months construction leadtime). When we intend to have our first harvest. This would include a period for product testing before sale and delivery, which would take up to 3 to 6 weeks. Revenues would commence upon delivery of product.

On first year production meeting target of minimum 10 Ton per annum at an average price of \$3.50 per gram would equate to \$35 million in revenue in a year.



2.2.4 MARKET & COMPETITORS

The market for Medicinal Cannabis in Australia is strong and growing at a compound annual growth rate (CAGR) of 29.6% (Grandview Research, 2023). As one of the emerging leaders in cultivating medicinal cannabis we have developed and refined our process of cultivation, harvest, and drying, which now includes the use of radiant energy vacuum technology (REV).

Deloitte Access Economics estimate in 2020 that 90% of medical cannabis consumed in Australia was imported. 88% of Australia made Medicinal Cannabis was exported. The use of Medicinal Cannabis treatments is expanding and growing with popularity. With pain, anxiety, and sleep disorder the main use. Other treatments includes Autism, ADHD, Migraines, Anorexia, Epilepsy, Multiple Sclerosis,

Parkinsons, Post-traumatic Stress Disorder, Alzheimer, Dementia and many other neurological disorders.⁸ There are separate successful studies done by various companies around the world with specific cannabis genetics or strains. We aim to be producer of Cannabis for these companies as part of a b2b model.

In terms of competitors there are a several listed and private competitors in the Australian market as well as overseas competitors mainly based in Canada and Columbia.

⁸ 10 ways medicinal marijuana can be used to treat disease, CNN (Christensen, 2015).



THE MARKET FOR
MEDICINAL CANNABIS IN
AUSTRALIA IS STRONG AND
GROWING AT A COMPOUND
ANNUAL GROWTH RATE OF
29.6%



2.2.5 KEY DIFFERENTIATORS

The following is our key differentiators to our competitors:

Large scale production at low CAPEX.

Owns **165 Acres** in good growing conditions.

Pioneering Canadian grower with **22 years** of experience.

Access to **Plant Genetics**.

Perpetual grow & harvest methodology.

Drying and Extraction equipment to facilitate **high quality & safe** product. Automation uses less labour than comparative machines. REV Microwave Vacuum Dryer destroy microbes without the need to irradiate product. This meets European market requirements.

Licensed Cannabis Technologies to stay in the forefront of Medicinal Cannabis products and patient outcomes.

Currently on **standalone renewable energy**.

Low cost producer in Australia addressing 3 major inputs: Power, Water and Labour.



2.3

BUSINESS AND REVENUE MODEL

Cannaponics Limited has several distribution channels both domestic and international.



ARTG listing GATC DNA Testing kits



ODC Licenses for Cannabis, Manufacture, Research



ODC Import and Export Licenses



WA Department of Health Indent License



ATO Permit for Consessional Spirits Permit



WA Department of Health Schedule 9 Poisons Permit



WA Industrial Hemp License

ODC Permits for Cannabis, Manufacture, Research
Pending facility build

ODC Permits for Import and Export
Pending each shipment

ARTG Listing GATC DNA Patented Process
Pending submission

Cannaponics Limited aims to produce revenues by growing, cultivating, manufacturing Medicinal Cannabis products and sells it to Distributors or Pharmaceutical Companies that market their own Brand. This is a B2B model (Business to Business).

B2B IS THE KEY SALES CHANNEL OR DISTRIBUTION MODEL.

B2B means that revenues are directly paid from other Businesses who then onsell the product under various brands. There is little advertising or marketing required in this model. In some ways Cannaponics Limited is a direct Manufacturer/Wholesaler of the product to Retailers.

Gauging current market trends we expect 30% of product will be sold domestically and 70% of our product will be sold internationally.

Key metrics when determining sales will be:

- Price per gram.
- Quality e.g. European Good Manufacturing Process (EU GMP).
- Genetics.
- Quantity that can be supplied of each product type.

Consequently, the key value drivers of our business are:

- Quality of the product defined by purity and cleanliness (ie there are no contaminants). This is the main differences to other Cannabis in the market. This is Medicinal or Pharmaceutical grade Cannabis. This includes use of highly sterile processing and growing rooms.
- A variety of genetics or popular varieties considered effective and therefore in demand.
- Ability to grow specific genetics for specific Medicinal Applications eg Autism, RETT syndrome which are under clinical study trials.
- Ability to package products eg pre-rolls.
- Ability to provide variety of products: Broad Spectrum Oil, Distillate, Isolate or Nano-emulsion formulation.
- Consistency of process – sticking to process, which ensures quality and quantity of product as the plants require care, nutrient, water and sunlight. Being Pharmaceutical grade requires consistency and repeatable results is the key.



In terms of marketing channel. There is indirect word of mouth from the reputation of our Grower in the Marketplace.

Cannaponics currently owns 165 acres of land in Collie, Southwest of Western Australia. This includes a modern 4,000 Sqm Greenhouse. It also owns the latest machines used for Cannabis extraction and processing. The REV Vacuum Microwave Dryer and Cryo-Ethanol Extraction Machine. These machines are highly automated and need less personnel to operate, compared to traditional extraction methods.

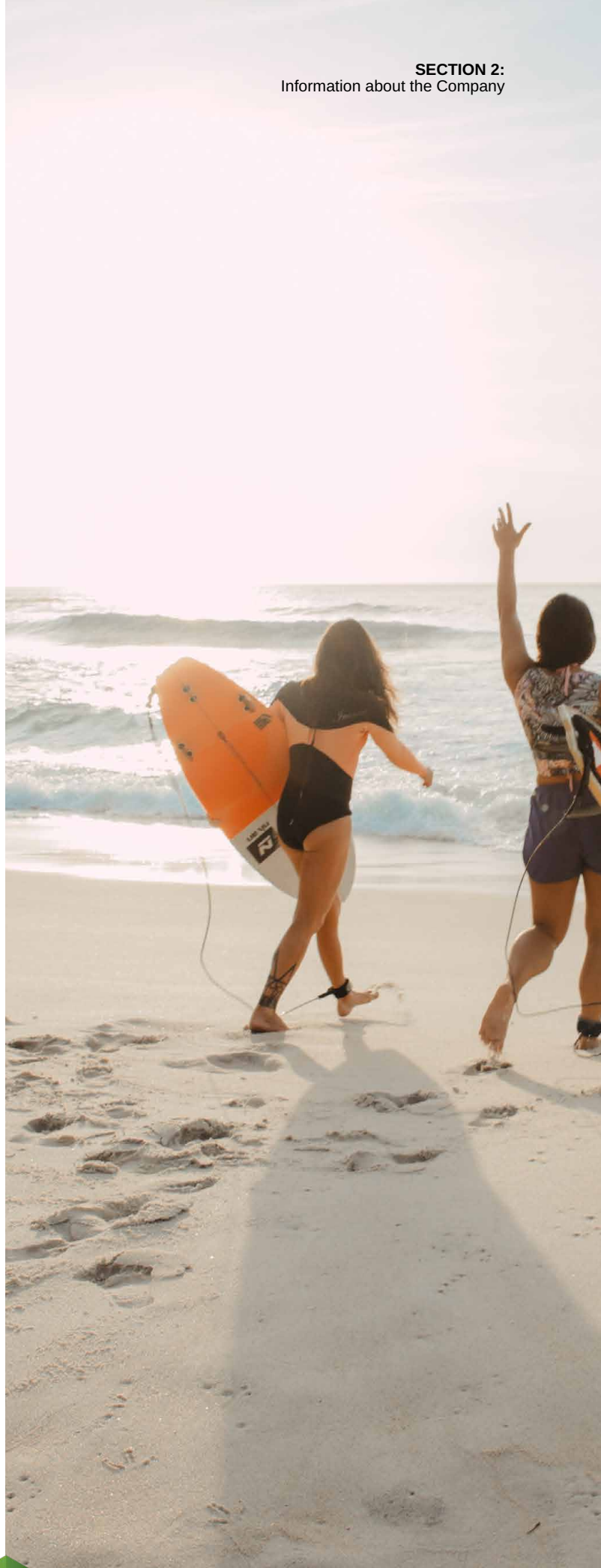
The Greenhouse is capable of up to 12 Tons of dry medicinal Cannabis from indoor grow of high-quality dry flower. It is also looking to target a similar amount of biomass from outdoor grow as well in the first 12 months of production. It has the land and ability to expand and increase production with currently a 7 Ha (17.29 acres) license to grow Cannabis. The indoor grow is a controlled environment that is mainly dedicated to growing high quality dry flower, all year round. The outdoor grow facility can grow large quantities of plant biomass at a much lower operating and capital costs. Most of the product will be used in our Devex 100 Cryogenic Ethanol Extraction machine to produce higher value-added products.

Through our Canadian master grower, has access to exclusive genetics and perpetual growing methodology. This reduces the risk of crop failure as if there is problem, only one day's worth of production would be affected. Harvesting and planting will be daily, however cloning will also be used as part of the cultivation process.

Cannaponics Ltd also has use of Growdam system, which will help with water conservation, plant nutrients and plant growth.

It also has the following licenses which is GATC DNA testing platform for individualised medicine, through DNA diagnostics. It also has the license for New Age Nanotech LLC for nano emulsion. Which allows part oil and mostly water-soluble nano emulsion formulation. This allows delivery of Medicinal Cannabis as a beverage. It has a 2-year stability life and it can also increase the effectiveness by 5-8 times. This formulation can also be patented. These technologies provide for future growth and product development.

Cannaponics Limited has several distribution channels both domestic and international.



BUSINESS STRATEGY

Cannaponics Ltd is focused on completing its Headhouse facility which is pre/post - harvest and propagation. With the completion of the facility, Cannaponics Ltd will start production. We expect the facility to be completed in approximately 6 to 9 months. We initially plan to sell B2B initially dry flower and broad-spectrum oil. We have plans for expanding production rapidly. This would be in the form of a second Greenhouse facility and expanding outdoor production as well. We also have plans to invest in research and development to increase production and additional products lines including Nano-emulsion formulation. We have also listed the DNA testing kits on the ARTG and hope to further commercialise this technology. We aim to be the low cost and high-quality producer. By going with renewable energy and harvesting water we will have reduced our cost of goods by at least 60%. This was concluded from a forecasted model developed by our Solar Energy provider. We are targeting about \$20-\$30m of revenue in the first full year of production. This is based on the assumption that the facility as planned is in full production and meeting the required quality standards to sell on non-binding offtake contracts. That all known risks and problems have been mitigated and there are no issues to hinder production. This is based on production that has already been achieved by our Grower of 22 years of experience. As well as the average price based on our signed but non binding off-take agreements. With the intention of targeting a 30% net margin profitability. This is based on our Grower's experience and aligned with targets that have been stated and achieved by listed players in the Australian market.

With onshore production and supply not currently meeting this growing demand, there is a great opportunity for Cannaponics to be a large-scale contributor in bridging the gap with their premium-grade pharmaceutical products. The markets that we are targeting, not only include Local but European and Asian markets.

The timeline for the successful completion of the project is approximately 6 -9 months. Should we not reach the target of this raise, we have alternative funding options as well as current cornerstone investors willing to step in to bridge the funding requirements.

MILESTONE TARGETS FROM BIRCHAL CAPITAL RAISE ROUND



Milestone
1

Target: \$1M maximum raised, The build of the 1MW Solar Farm facility.



Milestone
2

Target: \$2M maximum raised, Validation of Headhouse Facility and Processing Equipment (fast track our outdoor grow).



Milestone
3

Target: \$3M maximum raised, Fit-out of Quality Assurance Lab.



Milestone
4

Target: \$4M maximum raised, Accelerate the acquisition of Advanced Manufacturing Facility: Nano-emulsion Processing Equipment.



Milestone
5

Target: \$5M maximum raised, Accelerate the acquisition of advanced machinery to produce isolate and distillates that otherwise a third party lab would be engaged to produce.

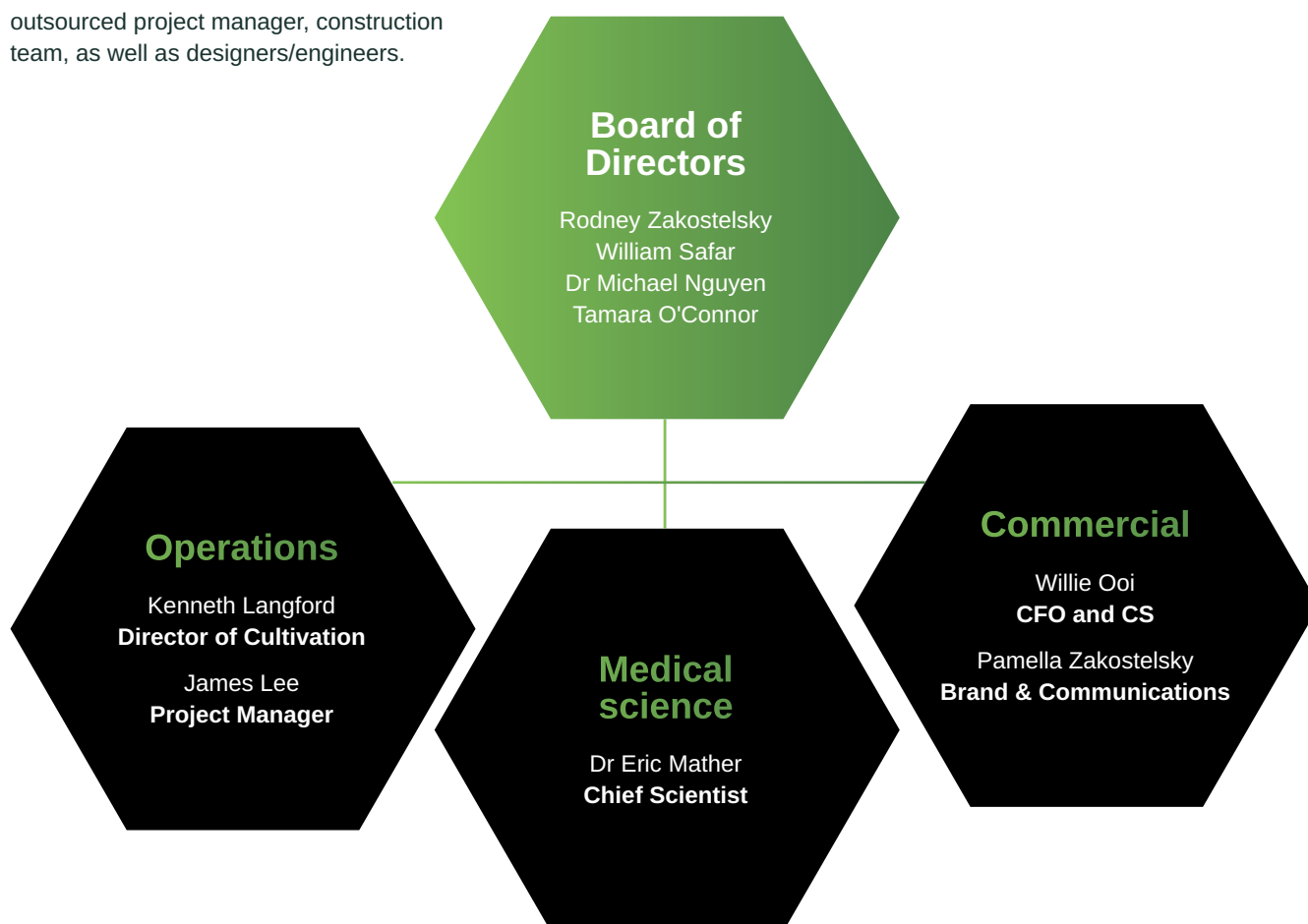




2.5

ORGANISATIONAL STRUCTURE

Cannaponics Limited currently has a small but nimble team. It has an outsourced project manager, construction team, as well as designers/engineers.



2.6

CAPITAL STRUCTURE



2.6.1 ISSUED CAPITAL (BEFORE AND AFTER THE OFFER)

As at the date of this Offer Document, the Company has 142,028,354 ordinary shares on issue. The company has also issued options and convertible notes equal to 2,274,540 ordinary shares (on a fully diluted basis). The company has also 23,250,000 performance rights and shares that have not been vested or issued. The majority of shares are held by the Company's founders/directors – 45%. Table 1 below sets out the issued capital of the Company before the Offer.

Table 1: Issued capital of the Company before the Offer

Shareholder	Share Type	Shares	Options (diluted basis)	Convertible Notes (diluted basis)	Performance Rights and shares (diluted basis) – not issued. See 2.6.2
Founders	Ordinary	64,100,000 (45%)			23,250,000 (100%)
Round 1	Ordinary	3,000,000 (2%)			
Round 2	Ordinary	28,450,000 (20%)			
Round 3	Ordinary	6,032,664 (4%)			
Round 4	Ordinary	40,445,690 (28%)	100,000 (100%)		
Convertible Note Round	Convertible notes			2,174,540 (100%)	
Total	Ordinary	142,028,354 (100%)	100,000 (100%)	2,174,540 (100%)	23,250,000 (100%)

The total number of existing shares on a diluted basis is 167,552,894. This includes the potential dilutive effect of performance rights and shares that have not been issued because they have not yet met performance criteria.

Table 2 sets out the issued capital of the Company following the Offer on a fully diluted basis (i.e. presuming all convertible notes, options are exercised and performance rights, shares are issued). We also intend to raise further funding for the construction of Head-house facility outside of this Birchall crowd funding campaign in May 2023. That will be further dilutive.

Table 2: Issued capital of the Company following the Offer

Shareholder	Minimum Subscription	Maximum Subscription
Existing Shares	142,028,354 (84.0%)	142,028,354 (78.1%)
Offer Shares	1,428,571 (0.8%)	14,285,714 (7.9%)
Convertible Notes and options (diluted basis)	2,274,540 (1.3%)	2,274,540 (1.3%)
Performance Rights and shares (dilutive) – not issued. See 2.6.2	23,250,000 (13.8%)	23,250,000 (12.8%)
Total Shares (diluted)	168,981,465 (100%)	181,838,608 (100%)



2.6.2 RIGHTS AND LIABILITIES ASSOCIATED WITH SECURITIES

A copy of the company's constitution is available on the Intermediary's Platform. The Company's constitution is the legally binding agreement between the company and its internal members who are shareholders. The document defines the rules of corporate governance, business activities, and rights and obligations.

Ordinary Shares

As at the date of this Offer, the only class of shares on issue are ordinary shares.

The rights and liabilities associated with the ordinary shares are set out in the Company's constitution, including:

- All ordinary shares have the same voting rights and the same rights to receive dividends.
- The Board has the power to refuse a transfer of shares to a third party.

The shares offered under this Offer are ordinary shares. A more detailed description of the rights and liabilities associated with the ordinary shares is set out in Section 3.3 below.

Shareholders Agreement

Other than the Constitution, there is no shareholders agreement or other agreement between the existing shareholders of the Company.

Performance Rights and Options

Employee contract based on performance criteria and investor options.

Portion	Share Benefits	Conditions
Managing Director Chief Financial Officer	15,000,000 Performance Rights 2,000,000 Performance Rights	a. Successful listing on ASX; b. Achievement of market capitalisation which is 2 x the market capitalisation at listing; and; c. Cultivation and manufacture production output levels per unit time relating to revenue and net profit – to be defined and agreed upon.
Lender and Investor	100,000 options	a. Strike Price \$0.05 a. 18 month expiry
Director of Cultivation	5,000,000 Performance Rights	Pro-rata over 6 years of service
BDM Chief Scientific Officer	250,000 Shares 1,000,000 Shares	24 months escrow after Listing 12 months escrow after Listing
23,350,000 Shares		

Performance rights and shares have not been issued until performance conditions or criteria have been met.

The options have been issued.

Ordinary Shares have full voting rights and dividend rights. There are performance rights to employees or directors based on performance criteria to be met as stated in the above. Rights and options are able to be converted for Ordinary shares. There are no other classes of shares or preference shares.



2.6.3 SOURCES OF FINANCING, INCLUDING DEBT FINANCING AND OTHER FINANCING

To date, the business has been funded through a combination of operating income, equity, founder loans and grants.

Source of Funds	\$
Private Equity Raised – 142,028,354 ¹ Ordinary Shares	7,598,099
Debt @ 15% pa secured on 80% 2023 R&D Rebate	1,590,000
Convertible notes @ 10% pa capitalised interest	815,000
Other loans 7% Yellow Goods	217,897
WA Collie Dev Grant and R&D Rebate	3,888,477
Total Funding to Date	14,109,473

¹ refer to Performance Right schedule. Section: 2.6.2 and Section 2.6.1. These are ordinary shares on an undiluted basis.

Convertible Notes

The Company has issued convertible notes to investors. The convertible notes may convert to ordinary shares. The convertible notes have an expiry or conversion by March 2025 have the liability of loan secured against the company's equipment. They can be converted at 20% discount of the last issue price.

Key terms of the convertible notes as follows:

- Face value - \$815,000
- Maturity date - March 2025
- Valuation cap - \$874,816
- Amount outstanding - \$874,816
- Discount on conversion – 20% of the last offer price
- Interest rate – 10% per annum capitalised
- Use of funds – to purchase equipment

As at the date of this Offer, the Company has the following outstanding loans:

Description – Equipment facility

- Principal amount borrowed - \$1,590,000
- Committed limits where debt is undrawn - \$1,590,000
- Amount outstanding - \$1,590,000
- Interest – 15% pa fixed
- Repayment date – 31/12/2023
- Security – Equipment and 2023 R&D Rebate

Description - Equipment lease – Vehicles

- Principal amount borrowed - \$217,897
- Committed limits where debt is undrawn - \$217,897
- Amount outstanding - \$145,064
- Interest – 7% pa fixed
- Repayment date – 31 July 2025
- Security – Vehicles



2.6.4 GROUP STRUCTURE





2.7

DIRECTORS AND SENIOR MANAGERS

2.7.1 OUR DIRECTORS AND MANAGEMENT



Rodney (Rod) John Zakostelsky

Managing Director and CEO

Is the founder and majority owner of Cannaponics Ltd. He is the day to day head of Cannaponics Ltd, involved in all aspects of the business from financial management oversight, Planning Development and project construction.

Rod Zakostelsky is a passionate and driven businessman with over 22 years of business ownership and operation experience. He has been involved in multiple sectors including mining, health, construction and personal growth.

Mr. Zakostelsky also has extensive experience in developing, implementing, managing, auditing management and safety systems.

Mr. Zakostelsky possesses excellent team building skills and thrives in situations that demand focused, collaborative efforts to achieve goals. He enjoys competitive team environment having been involved with professional NRL teams. Led by a vision to build a world class cannabis cultivation and manufacturing facility in Australia, Rod leads Cannaponics on a mission to close the gap on the growing patient demand for premium grade plant-based pain relief with a foundation in sustainability and innovative technologies in this space.

Rod Zakostelsky was a Director Apolaustic Pty Ltd from 08/12/2011 until it was placed into voluntary Administration 31/10/2015. The company was no longer trading and has no outstanding creditors or owes any money.

Rod Zakostelsky was a Director of Surefire Enterprises Pty Ltd from 19/05/2015 to 08/01/2017. The company was placed into voluntary Administration due to ceasing day to day operations. The company was no longer trading and has no outstanding creditors or owes any money. Both experiences above have shaped my future endeavours.





William Safar

Non-executive Director

Provides board oversight and advice, particularly in the Pharmaceutical Manufacturing.

William has operated retail pharmacies in Western Australia, the majority of which have been greenfield sites, which now fall under part of the Medsolutions Group. One of Western Australia's leading compounding pharmacy and medical groups.

He is a qualified Pharmacist and a graduate from Curtin University. William has completed further studies to become an accredited practitioner in Home Medication Reviews, which bridge between community pharmacy, general practice and providing insights on how pharmacists and general practitioners can work and collaborate for better patient outcomes.

William set up the Serpentine Medical Centre, a premier center for Cannabis Medicine practice. He has been involved in educating General Medical Practitioners on Medicinal Cannabis in Western Australia. William's technical expertise will spearhead Cannaponics' extractive, manufacturing of medicinal cannabis, quality pharmaceutical processes, product development and distribution.



Dr Michael Nguyen

Non-executive Director

Provides board oversight and advice.

Associate Professor Dr Michael Nguyen is a leading Australian cardiologist based in Perth who has dedicated his career to the care of his patients as well as medical research and teaching/mentoring. He has been on the advisory boards for several cardiovascular device and pharmaceutical companies including Boston Scientific, Medtronic and Abbott Vascular. He is currently Director of Clinical Trials and Research in the Department of Cardiology at Fiona Stanley Hospital.

He is a key opinion leader in the Asia-Pacific region, supporting start-ups in medical technology space and transition technology. He is a lead investor for VitalTrace. Michael started one of busiest cardiology companies in Western Australia Access Cardiology Pty Ltd. He also a director of a thriving sales and distribution company Tyrelina Australia Pty Ltd. Michael is also a Founding Director of the FundWA, a fund focusing on early-stage businesses.

A/Prof. Dr Michael Nguyen will be a strong internationally renowned advocate for Cannaponics Limited, as well as substantial experience with medical research and clinical trials.





Tamara O'Connor

Non-executive Director

Provides board oversight, advice and corporate governance.

O'Connor is the founder of King Kira Group. 100% Aboriginal owned and operated business providing range of safe and innovative solutions across mining and resource sectors.

She has been involved in many initiatives to promote Western Australian communities and indigenous enterprise.

She is particularly passionate about promoting low THC - Cannabis as an alternative and treatment to chronic substance abuse, particularly within indigenous communities.



Willie Ooi

Chief Financial Officer and Company Secretary

Financial Management, Commercial matters, Corporate Governance, Secretarial and Administration.

Willie Ooi is a seasoned accountant with 16 years of industry experience in senior finance roles. He has previously worked as a senior consultant and accountant at KPMG specializing in taxation, system implementation and internal/external auditing.

Mr. Ooi has served as the treasurer, financial controller and CFO for multiple Australian companies throughout his career. Mr. Ooi also has experience in investment banking as a fixed income analyst at Credit Suisse.

Additionally, Mr. Ooi has served as the Chair of the National Committee for Australia and New Zealand, representing Chartered Accountants in the corporate sector and advising on related issues. He is also a Fellow Chartered Secretary of the Corporate Governance Institute.





Kenneth Langford

Director of Cultivation

Head of cultivation and cannabis production.

Kenneth Langford is known as one of North America's prominent medicinal cannabis growers and commercial cannabis pioneers. He has been growing cannabis legally in Canada since 2003 and has been breeding his own varieties since 2005. Mr. Langford is an expert in cannabis breeding programs, a leader in perpetual harvest, and remains an innovator in improving industrial scale cannabis growth efficiencies.

In 2011, as Co-Founder and Chief Innovation Officer of the Peace Naturals Project, now the crown jewel of the \$2.49 billion Cronos Group, Mr. Langford successfully navigated the Canadian Cannabis Regulations to achieve the first newly granted commercial medicinal cannabis licenses in Canada.

Mr. Langford played a key role at Agripharm, streamlining processes in cultivation including harvesting, trimming and drying, improving the quality assurance framework and adding significant value to the \$480 million sale of Agripharm to Canopy Growth in 2016.

Following the sale, Mr. Langford ventured out to develop and manage his own cannabis consulting firm. He assisted numerous clients achieve licenses in Canada, as well as leading key roles for cannabis related projects worldwide. Before the Covid-19 outbreak, Mr. Langford was Head of Cultivation for a major greenhouse cultivation operation vying for licensing in Southern Europe.

Mr. Langford is committed to developing industrial scale cannabis cultivation systems that comply with the Good Agricultural and Collection Practices (GACP). The Cannaponics cultivation team, under Mr. Langford's leadership, is set to produce exceptionally high-grade crops with significant yields, supporting optimal business performance.



Pamella Zakostelsky

Brand and Communications Manager

Product and brand management and communications

Pam Zakostelsky oversees the brand and media communication within Cannaponics. Commissioning her international expertise and knowledge of the Integrative Health Industry particularly within the faculty of Product Formulation and Manufacturing. As a Holistic Health Leader and Keynote speaker she is passionate about the commercialisation of plant-based Medicine's and their benefit to patients. Pam's career spans over 2 Decades in the Health, Wellbeing and Spa industry and is a founding partner in Cannaponics Limited. She is a qualified Naturopath.



2.8

RISKS FACING THE BUSINESS



An investment in Cannaponics Limited should be seen as high-risk and speculative. A description of the main risks that may impact the Company's business is below. Investors should read this section carefully before deciding to apply for shares under the Offer. There are also other, more general risks associated with the Company (for example, risks relating to general economic conditions or the inability to sell quickly or easily your shares).

Risk	Description
Cash Flow risk	The Company's operating activities involve a series of cash inflows and outflows. Although the Company seeks to manage its cash flow efficiently, there is a risk that the Company may not have sufficient cash or working capital, at times, to fund both its operations and its expansion plans. This could affect the Company's profitability, prospects, and its ability to meet its business objectives.
Funding risk	<p>The Company is in the process of raising funds to achieve its strategic business objectives and to cover its projected operating expenses. The Company may not raise all the required funding and therefore not achieve all of its business objectives.</p> <p>The Company may also need to raise additional funds in the future from investors or third parties. There is no assurance that the Company will be able to obtain additional rounds of funding on substantially the same terms as outlined in this Offer Document or at all. The Company's value may be materially affected if the required additional funding is not available.</p>
Competition risk	The Company operates in a highly competitive market, with several known competitors, and high barriers to entry that could give rise to new and unknown competitors. If the Company is unable to successfully compete with existing and/or new competitors, this would have a negative impact on the revenue, profitability, and prospects of the business.
Insolvency risk	The Company is not yet profitable. The company is seeking to obtain further funding to achieve its objectives. There is no guarantee that funding will be available on favourable terms or that the Company will receive any level of funding at all.
Key person risk	As an early-stage business, the Company is susceptible to the loss of key team members as they are considered critical to the continued success of the Company. If a key team member was lost, due to illness for example, this could significantly affect the Company's ability to continue its operations or achieve its business objectives.
Technology risk	The Company uses several sales, marketing and member communication technology solutions. Despite the Company's measures to effectively manage these systems and risks, if any of these technologies were to fail without notice, it could interrupt the Company's ability to sell or communicate with customers, which could have a direct impact on revenue and profitability.



Risk	Description
Startup risk	<p>The Company is a pre-revenue startup, with a limited operating history and will build the business with the funds raised through this crowd-sourced funding offer.</p> <p>As an early-stage business, the Company is subject to all of the risks associated with early-stage companies, including uncertainty around the volume and origin of revenue streams, size and existence of repeat customers, and risks associated with evolving technology. In particular, the Company is not yet profitable and is yet to generate revenue through certain anticipated revenue streams.</p> <p>The commercial success of the business will depend on many factors including the Company's ability to attract and retain quality staff and loyal customers</p>
Brand risk	<p>If the Company does not maintain consistent levels of quality and service in its offering, the Company's brand and reputation could be damaged. In an increasingly connected world, damage to a company's brand and reputation can be catastrophic. The Company is acutely aware of this risk and is vigilant to ensure that it maintains a consistently high level of product quality and customer service.</p>
Business model risk	<p>The Company is at pre-production and revenue stage of the business cycle. As such, it carries the risks of a start-up business. Given the limited trading history of the company, no assurance can be given that the Company will achieve commercial viability through the implementation of its business plan.</p>
Regulatory risk	<p>The Company has received regulatory approval to sell our product in Australia or in any overseas jurisdictions. However, the company must abide to the regulations of the Office of Drug Control (ODC) in Australia, which mainly centers around quality and safety. However, this is what is required or demanded for in Medicinal grade Cannabis.</p>
Intellectual property risk	<p>The protection of the Company's intellectual property is somewhat critical to our business and commercial success. If we are unable to protect or enforce the Company's intellectual property rights, there is a risk that other companies will copy our product and technology, which could somewhat affect our ability to compete in the market.</p>
Disaster risk	<p>There is a risk of catastrophic flooding or fire. Fortunately Collie has relatively stable tectonic plates. We have foreseen this risk and put in place good fire management with substantial clearing of the nearby forest. The site has not flooded over several decades or is not prone to flooding.</p>
Product risk	<p>Issue with quality and potential recall or adverse to the consumer. This is mitigated by strenuous quality and testing of the products that is regulated by the ODC. Also, the conditions for sanitization and the product that needs to be treated with Vacuum Microwave dryer to ensure it meets certificate of quality for medicinal consumption.</p>
Price risk	<p>There is a chance of price risk, as new entrants come into the market but the current data suggest there will not be an oversupply of Medicinal Grade Cannabis in the next 5 years (Deloitte Access Economics, 2020). We anticipate such a market to be continually highly regulated for safety and quality, with high barriers to entry.</p>
Pest, wind and Crop Failure	<p>The Greenhouse is a controlled environment and avoids this risk but there is a risk from these factors to outdoor grow that can be mitigated.</p> <p>Similarly for outdoor grow, steps can be taken to mitigate this risk eg plastic sheeting under grow hoops.</p>
Security risk	<p>Cannaponics Ltd will be operating strict security guidelines of the ODC that would require high security being double fencing, video and infra-red sensor surveillance and electronically monitored security doors and gates. The facility will need to have some man security at all times.</p>



2.9

FINANCIAL INFORMATION

Below are extracts from the audited consolidated financial statements of the Company and its controlled subsidiaries for the financial year ended 30 June 2022 and 30 June 2021 which have been prepared in accordance with the Australian Accounting Standards.

A copy of the Financial Year ended 30 June 2022 audited annual report is available on the Intermediary's platform.

2.9.1 BALANCE SHEET

Statement of financial position	Consolidated	
	As at 30 June 2022	As at 30 June 2021
<i>Current assets</i>		
Cash and cash equivalents	188,307	338,669
Trade and other receivables	249,022	347,805
Inventories	58,495	39,997
Total current assets	495,824	726,471
<i>Non-current assets</i>		
Property, Plant, and equipment	5,547,471	1,035,175
Intangible Assets	38,616	-
Total non-current assets	5,586,087	1,035,175
Total assets	6,081,911	1,761,646
<i>Current liabilities</i>		
Trade and other payables	576,927	783,122
Derivative financial liabilities	18,565	12,500
Borrowings	1,681,928	118,023
Total current liabilities	2,277,420	913,645
<i>Non-current liabilities</i>		
Deferred Tax Liability	524,222	-
Borrowings	1,716,060	-
Total non-current liabilities	2,240,282	-
Total liabilities	4,517,702	913,645
Net assets / (liabilities)	1,564,209	848,001
<i>Equity</i>		
Issued capital	4,933,550	1,955,237
Retained profits / (accumulated losses)	(3,365,146)	(1,103,068)
Non-controlling interest	(4,195)	(4,168)
Total equity	1,564,209	848,001



2.9.2 PROFIT AND LOSS STATEMENT

Statement of profit or loss and other comprehensive income

	Consolidated	
	For the 12 months ended June 30, 2022	For the 12 months ended June 30, 2021
<i>Revenue from continuing operations</i>		
Revenue	211,179	13,919
Other Income	256,720	(1,010)
Total Revenue	467,899	12,909
Costs of Goods Sold	(82,811)	(13,489)
Total Cost of Goods Sold	(82,811)	(13,489)
Gross Profit	385,088	(580)
Consulting fees	-	(63,100)
Depreciation and amortisation	(105,107)	(1,039)
Employment costs	(1,017,220)	(382,829)
Finance costs	(121,011)	(14,601)
Occupancy costs	(113,971)	(34,482)
Professional fees	(448,419)	(321,732)
Public relations, marketing and advertising	(33,654)	(34,149)
Other expenses	(283,562)	(114,131)
Profit/(Loss) before tax	(1,737,856)	(966,643)
Income tax benefit / (expense)	(524,222)	-
Net loss for the year	(2,262,078)	(966,643)
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss		
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year, net of tax	(2,262,078)	(966,643)
Loss for the year is attributable to:		
- Parent entity	(2,262,078)	(962,475)
- Non-controlling interest	(27)	(4,168)
	(2,262,105)	(966,643)
Total comprehensive income attributable to:		
- Parent entity	(2,262,078)	(962,475)
- Non-controlling interest	(27)	(4,168)
Total comprehensive income	(2,262,105)	(966,643)



2.9.3 CASH FLOW STATEMENT

Statement of cash flows	Consolidated	
	For the 12 months ended June 30, 2022	For the 12 months ended June 30, 2021
<i>Cash flows from operating activities</i>		
Receipts from others	296,494	(1,010)
Receipts from customers	257,731	13,919
Purchase of inventory	(18,498)	(39,997)
Payments to suppliers and employees	(2,743,688)	(438,471)
Net cash used in operating activities	(2,207,961)	(465,559)
<i>Cash flows from investing activities</i>		
Purchase of plant and equipment	(4,869,921)	(637,099)
Purchase of intangible assets	(38,616)	-
Cash received from Grants	880,147	-
Net cash used in investing activities	(4,028,390)	(637,099)
<i>Cash flows from financing activities</i>		
Net proceeds from issue of shares	2,978,313	1,374,137
Proceeds from unissued shares	-	-
Proceeds from borrowings	3,109,586	15,881
Capital raising costs	(1,910)	-
Net cash from financing activities	6,085,989	1,390,018
Net increase / (decrease) in cash held	(150,362)	287,360
Cash and cash equivalents at the beginning of the year	338,669	51,309
Cash and cash equivalents at the end of the year	188,307	338,669



2.9.4 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity

for the year ended 30 June 2022

Consolidated

	Consolidated			
	Issued Capital \$	Retained Profits / (Accumulated Losses) \$	Minority Interests \$	Total \$
<i>Balance at 1 July 2020</i>	519,100	(140,495)	-	378,605
Profit / (Loss) for the year attributable to owners & non-controlling interest.	-	(962,475)	(4,168)	(966,643)
Prior Year adjustment to retained earnings	-	(98)	-	(98)
Total comprehensive income for the year attributable to owners	-	(962,573)	(4,168)	(966,741)
<i>Transaction with owners, directly in equity</i>				
Shares issued during the year	1,436,137	-	-	1,436,137
Balance at 30 June 2021	1,955,237	(1,103,068)	(4,168)	848,001

Consolidated

<i>Balance at 1 July 2021</i>	1,955,237	(1,103,068)	(4,168)	848,001
Profit/(Loss) for the year attributable to owners	-	(2,262,078)		(2,262,078)
Profit / (Loss) for the year attributable to the non-controlling interest	-	-	(27)	(27)
Total comprehensive income for the year attributable to owners	-	(2,262,078)	(4,195)	(2,266,273)
<i>Transaction with owners, directly in equity</i>				
Shares issued during the year	2,978,313	-	-	2,978,313
Balance at 30 June 2022	4,933,550	(3,365,146)	(4,195)	1,564,209



2.9.5 MANAGEMENT COMMENTS ON HISTORICAL PERFORMANCE AND OUTLOOK

No independent party has been engaged to conduct a revenue outlook. The forecast from production has been built by the Director of Cultivation with his 22 years' experience in growing Cannabis in Canada. He has provided his own insights on what he has already achieved and based on our current capability and resources that is planned to be at his disposal.

Comments on revenue outlook are inherently uncertain and should not be solely relied upon as they are subject to change, uncertainty and unexpected events, many of which cannot be controlled. Accordingly, actual results are likely to differ from the forecasts. No representation or assurance is or can be given that the forecasts will be achieved. Past performance is no guarantee of future performance. This revenue outlook has been prepared by the Company and has not been validated by an independent third party.

Most of the previous revenue was for Nutraceuticals sales which ceased in October 2022 as the business was sold to concentrate on building the core business of Medicinal Cannabis manufacturing. There was also sale of dirt from site to third parties. The size of the revenue is minor and inconsequential.

The sale of the Nutraceutical Business was sold for the value of inventory and small profit from any internally generally goodwill that was not recognised in the balance sheet. There was a small impact on the balance sheet from this sale. Costs associated with marketing and employment costs associated for these sales have dropped as well as cost of goods. Salary and Wages rose three times as planning and development activities ramped up over the year. However, this rise comes from a low headcount base. Expect the salary and wages to stay relatively the same in 30 June 2023. We expect salaries and wages to rise substantially in the following financial year as we ramp up into operations. In addition, in the following financial year will be a substantial increase in operating costs such materials, consumables and fertilizer costs.

For the project to be completed we expect to budget about \$10 million including \$3 million in working capital. Main expenses are for consultants (Planning and design), salary and wages. Professional fees mainly relate to external taxation advisors, auditors, some advisory costs for fund raising and mainly

engineering and design fees. Development costs include substantial work in planning and design, including approvals, energy efficiency, fire protection and safety consultation. There were also substantial earthworks including drainage and building of the dam, required for water recycling and harvesting. Project Management fees were paid to 3rd Party Consultant to help with progressing the project.

The salary and wages, consultancy fees or other expenses per month has not substantially changed to date. The funds raised (outside of this crowd funding raise) will continue to be devoted to capital expenditure and constructing the facility including other fit out of the Greenhouse. We do not expect to be in revenues from Medicinal Cannabis production for the year ended 30 June 2023. In addition for the Financial Year ended 30 June 2024, we do not anticipate substantial revenues for the year. Although we anticipate operations to begin in this financial year. We expect to be growing, undertaking product quality testing and a validation process with our machines. This could take up to 3 months before we are able to deliver the product and receive revenues.

There was a change in the sources of funding as outlined in section 2.6.3, with additional convertible notes raised as well as proceeds from additional shareholder equity. The loan secured by the 2022 R&D loan was repaid with the proceeds from the 2022 R&D rebate. What remains is the loan secured against the 2023 R&D rebate / forward claim, which was subsequently secured as loan financing during the financial year ended 30 June 2023. This is anticipated to be paid when funds are received from the 2023 R&D rebate claim. We expect to receive it in October 2023. The capital funding required to complete the project to operations we expect will be fully raised in the financial year ended 30 June 2023.

Main activity in the 2023 financial year is capital expenditure to continue the build as well payments to project manager and designers as well as staff to move the project closer to completion. Funds were raised primarily through shareholder equity, and assets similarly would increase being construction, new assets, building and land improvements.

There have been no other meaningful changes or material updates to the financials to date in terms of activity.

WE AIM TO BE CRAFT CANNABIS PRODUCER, INCORPORATING TECHNOLOGY AND RENEWABLE ENERGY. PERPETUAL HARVESTER OF QUALITY PHARMACEUTICAL CANNABIS.

Kenneth Langsford, Director of Cultivation.

Individual has provided consent to inclusion of this statement



SECTION 3

INFORMATION ABOUT THE OFFER



3.1 TERMS OF THE OFFER

Cannaponics Limited is offering up to 14,285,714 shares at an issue price of \$0.35 cents per share to raise up to \$5,000,000. The key terms and conditions of the Offer are set out below.

Term	Details
Shares	Fully-paid ordinary shares
Price	\$0.35 per share
Minimum Subscription	\$500,000
Maximum Subscription	\$5,000,000
Minimum Parcel Size	\$250.00
Opening Date	2 nd May 2023
Closing Date	18 th May 2023

A description of the rights associated with the shares is set out in Section 3.3.

To participate in the Offer, you must submit a completed application form together with the application money via the Intermediary's platform. The Intermediary's website provides instructions on how to apply for shares under the Offer at www.birchal.com.

The Intermediary must close the Offer early in certain circumstances. For example, if the Maximum Subscription is reached, the Offer must be closed. If the Minimum Subscription is not reached or the Offer is closed but not completed, you will be refunded your application money.

Investors may withdraw their application during the Cooling-off Period. Further information on investor cooling-off rights can be found in Section 4 of this CSF offer document.

The Offer is not underwritten and there is no guarantee that these funds will be raised.



3.2

USE OF FUNDS

The table below sets out the intended use of funds raised under this Offer based on the minimum and maximum subscription amounts.

Intended Use	Minimum Subscription	Maximum Subscription
Validation, laboratory and advanced equipment	\$0	\$3,697,200
1MW Solar Farm	\$467,200	\$1,000,000
Offer Costs	\$32,800	\$302,800
Total	\$500,000	\$5,000,000

The first \$500,000 raised from the crowd funding program will be used to fund 1MW Solar Farm. This will significantly reduce the operating cost for power of the operations. Any subsequent funds raised will be used to validate the headhouse facility and processing equipment in order to fast track our outdoor grow. To build the laboratory for R&D and Testing which otherwise would have to be outsourced. This will reduce the time it will take for the product to go to market and help improve responsiveness to maintaining quality. Any further funding will be used to procure advanced equipment at an accelerated pace. Allowing additional products to be produced from the broad-spectrum oil e.g. Nano emulsion formulation, distillate and isolate.

The Offer costs includes the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are up to 6% of all funds raised by the Company through Birchall Financial Services Pty Ltd (Intermediary), plus \$2,800 for administration and setup costs.

Other than as specified above, no other payments from the funds raised will be paid (directly or indirectly) to related parties, controlling shareholders, or any other persons involved in promoting or marketing the Offer.

The budget for the \$10 million to fund project completion and working capital for operations has been completed and will be funded by a Private Equity Fund. The funding raised will be partially dilutive as it will be part equity and part debt. This CSF is to fund additional solar farm to help reduce power operating costs and for equipment that will help accelerate new product development, and consequently profitability. If we are unable to reach our funding targets these items will be delayed until alternative funding can be obtained or from internally generated funds.



3.3

RIGHTS ASSOCIATED WITH THE SHARES

The company is a public unlisted company as it has more than 50 share shareholders. It is limited by shares. It is not listed on the stock exchange. It is required to be audited each year. The company is required to hold an Annual General Meeting (AGM) for all shareholders. The company has one class of shares being ordinary shares. Each shareholder is entitled to one voting right per share. With the consent of 5% of the shareholders can call ordinary shareholders' meeting and propose a resolution for the company to effect broad changes like appoint Board of Directors, accept remuneration changes to the Board of Directors or changes to shareholder rights issues and company constitution. It is also required to prepare and distribute an Annual Report. Should the company declare dividend distribution. Each shareholder is entitled to a dividend distribution per share.

Immediately after issue, the shares will be fully paid shares. There will be no liability on the part of shareholders and the shares will rank equally with the shares currently on issue.

The rights associated with the shares are set out in the Company's constitution. These rights are described below. A copy of the constitution is available on the Intermediary's platform.

3.3.1 VOTING RIGHTS

Each shareholder has one vote on a show of hands and, on a poll, one vote for each share held.

3.3.2 DIVIDENDS

All shareholders have a right to receive any dividends declared and paid by the Company. The directors have a discretion and may resolve to pay dividends, subject to their obligations under the Corporations Act (for example, they cannot pay dividends unless the Company's assets are sufficiently in excess of its liabilities immediately before the dividend is declared and where it may materially prejudice the Company's ability to pay its creditors).

3.3.3 GENERAL MEETINGS AND NOTICES

Directors have the power to call meetings of all shareholders or meetings of only those shareholders who hold a particular class of shares. Shareholders who hold at least 5% of the votes which may be cast at a general meeting of the Company have the power to call and hold a meeting themselves or to require the directors to call and hold a meeting.

3.3.4 ELECTION AND REMOVAL OF DIRECTORS

Shareholders may vote to elect and remove directors at a general meeting by way of ordinary resolution (50%).

3.3.5 WINDING-UP

If the Company is wound up and there are any assets left over after all the Company's debts have been paid, the surplus is distributed to shareholders after secured and unsecured creditors of the Company.

3.3.6 RESTRICTIONS ON SALE AND TRANSFER

Shares can currently be privately transferred.

3.3.7 PRE-EMPTIVE RIGHTS ON ISSUE OF SHARES

There are no pre-emptive rights.



3.4 WHAT CAN I DO WITH MY SHARES?

Shares in the Company are considered illiquid as they cannot easily be transferred or sold. However, there are numerous possible circumstances that may create an opportunity for shareholders to exit their investment in the Company. These include, but are not limited to:

- A trade purchase of the Company
- A listing on a registered stock exchange (eg the ASX)
- A private equity investment in the Company
- A share buy-back by the Company

There is no guarantee that any of the exit options will eventuate.



SECTION 4

INFORMATION ABOUT INVESTOR RIGHTS



4.1 COOLING-OFF RIGHTS

If you are a retail investor, you have the right to withdraw your application under this Offer and to be repaid your application money. If you wish to withdraw your application for any reason (including if you change your mind about investing in the Company), you must do so within five business days of making your application (Cooling-off Period).

You must withdraw your application via the Intermediary's platform. You will be able to withdraw your application within the Cooling-off Period by following the link and the instructions within your portfolio on the Intermediary's platform.

After your withdrawal has been processed, the Intermediary will refund the application money to your nominated account as soon as practicable.

4.2 COMMUNICATION FACILITY FOR THE OFFER

You can ask questions about the Offer on the communication facility available on the Intermediary's platform. You can also use the communication facility to communicate with other investors, with the Company and with the Intermediary about this Offer.

You will be able to post comments and questions about the Offer and see the posts of other investors on the communication facility. The Company and/or the Intermediary will also be able to respond to questions and comments posted by investors.

Officers, employees or agents of the Company, and related parties or associates of the Company or the Intermediary, may participate in the facility and must clearly disclose their relationship to the Company and/or Intermediary when making posts on the facility.

Any comments made in good faith on the communication facility are not subject to the advertising restrictions in the Corporations Act.



4.3 PUBLIC COMPANY CORPORATE GOVERNANCE OBLIGATIONS

4.3.1 ANNUAL GENERAL MEETINGS

The Company is required to hold an annual general meeting (AGM) at least once in every calendar year and within 5 months from the end of the Company's financial year, being 30 June.

At the AGM, shareholders will be provided with an opportunity to directly question the directors and management in an open forum about the management, business operations, financial position or performance of the Company.

If shareholders have any queries or concerns about the Company, they should contact the Managing Director directly. Mr Rod Zakostelsky Email: info@cannaponics.com.au

Share Register: Link Market Services
<https://www.linkmarketservices.com.au/>

4.3.2 ANNUAL REPORT

The Company is required to prepare an annual financial report and directors' reports at the end of each financial year and lodge these with ASIC (within four months of the financial year end). The Company has a 30 June year end and its financial reports must be lodged by 31 October each year.

The Company is required to have its financial reports audited, which provides independent oversight over the financial affairs of the Company. The company's auditor is BDO. For the 30 June 2023 year and beyond, RSM have been appointed auditors. There was no objection from BDO to this appointment.

The directors of the Company are also required to make a declaration that the financial statements give a true and fair view of the Company's financial position and performance and that the financial statements comply with the Australian Accounting Standards.

4.3.3 DISTRIBUTION OF ANNUAL REPORT

Shareholders can access the annual report on the Company's share registry website at the following website address: <https://www.linkmarketservices.com.au/>



4.4 COMPANY UPDATES

The Company will provide regular updates to investors on the Company's website at the following address www.cannaponics.com.au, and a monthly newsletter by email.



SECTION 5

GLOSSARY



Company	means Cannaponics Limited ACN 637 439 153
Cooling-off Period	means the period ending five business days after an application is made under this Offer, during which an investor has a right to withdraw their application and be repaid their application money
CSF	means crowd-sourced funding under Part 6D.3A of the Corporations Act
Intermediary	means Birchall Financial Services Pty Ltd AFSL 502618
Maximum Subscription	means the amount specified in this CSF offer document as the maximum amount sought to be raised by the Offer
Minimum Subscription	means the amount specified in this CSF offer document as the minimum amount sought to be raised by the Offer
Offer	means an offer of fully paid ordinary shares by the Company under this CSF offer document
Retail investor	has the meaning given to the term “retail client” under the Corporations Act





CANNAPONICS
LIMITED



Contact us

Email: info@cannaponics.com.au
www.cannaponics.com.au