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ASX Announcement
29 June 2021

ELIXINOL WELLNESS AND THE SHAREHOLDERS OF CANNACARE HEALTH GMBH MUTUALLY AGREE TO TERMINATE PROPOSED ACQUISITION

- **The parties have entered into a Termination and Withdrawal Agreement to mutually terminate the Share Purchase Agreement announced to the ASX on 15 March 2021.**
- **Following further Closing due diligence, and considering changing German market dynamics, Elixinol Wellness has elected to enter into a Termination and Withdrawal Agreement.**
- **The Termination and Withdrawal Agreement provides for the parties to be mutually released from any claims and obligations in connection with the Share Purchase Agreement and its termination.**
- **Shareholders of CannaCare will pay a reimbursement to the Company €360,000 in respect of costs incurred to date for the purpose of the proposed acquisition of CannaCare.**

Elixinol Wellness Limited (**Elixinol Wellness** or the **Company**) **(ASX:EXL; OTCQB:ELLXF**) announces that the Company has entered into a Termination and Withdrawal Agreement with the Shareholders of CannaCare Health GmbH (**CannaCare**) to terminate the Share Purchase Agreement for the intended acquisition by a subsidiary of the Company (Elixinol B.V.) of 100% of CannaCare, as announced to the ASX on 15 March 2021.

Completion of the acquisition was proposed to occur on 5 July 2021, however further Closing due diligence revealed a changed German market outlook with rapidly intensifying competition. These factors have led the Company to conclude that the acquisition, and the investments that would have been required to generate profitable returns, are not in the best interests of Elixinol Wellness' shareholders at this time.

Due to this changing German market outlook and strategic direction of both companies in the period since agreeing the proposed acquisition, the parties have together agreed to exercise their rights under the Share Purchase Agreement to mutually terminate the acquisition, with the shareholders of CannaCare covering a portion of Elixinol Wellness' costs incurred to date in respect of the proposed acquisition.

As a result of the agreed termination of the proposed acquisition:

- The Company will not be required to pay to the Vendors €3,000,000 cash consideration for the proposed acquisition, from existing cash reserves;
- Mr Frank Otto will not join the Board of the Company;
- The issues of First Tranche Shares and Performance Securities to the Vendors of CannaCare as anticipated by the terms of the Share Purchase Agreement, approved

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by the Company's shareholders at the Annual General Meeting held on 17 May 2021, will not proceed;

- The CannaCare management team will not be joining the Elixinol Wellness group; and
- The calculation of the Company's 15% Placement Capacity and Additional 10% Placement Capacity will now not include the additional capacity to issue equity securities without Shareholder approval that would have been afforded to the Company as a result of the issue of the First Tranche Shares and Performance Securities.

Global CEO Oliver Horn stated: "*CannaCare is a leading brand in the German retail market with a strong distribution footprint and is well positioned for growth. However, over the recent months the German market has become increasingly competitive, and the additional investment required to achieve profitable growth exceeds our current risk appetite. The Board has therefore taken the difficult decision in the best interest of our shareholders to discontinue the transaction process.*

Separately, we are pleased with the progress in our US and Australian operations following significant transformation efforts and we are continuing to foster the building momentum. We also benefit from a healthy balance sheet and are evaluating other growth opportunities in our existing markets.

CannaCare will now also be able to realise opportunities that would not have been aligned with Elixinol Wellness' strategy. We've built very strong relationships with the CannaCare Health team and will continue to evaluate joint opportunities in the future as they arise."

Elixinol Wellness looks forward to updating the market with regard to the Company's global strategy over the coming months.

Unless otherwise defined, capitalised terms used in this announcement have the meaning given to those terms in the Company's Notice of Annual General Meeting published on 15 April 2021.

This document was authorised to be given to the ASX by the Board of the Company.

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About Elixinol Wellness

Elixinol Wellness Limited (ASX:EXL; OTCQB:ELLXF) is a global leader in the hemp industry, innovating, marketing and selling hemp derived nutraceutical, cosmetic and food products. The Company's simplified business model is focusing on:

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp derived nutraceutical and skincare products based in Colorado, USA
- In Europe and the UK, educating and selling high quality Elixinol branded and co-branded hemp derived nutraceutical and skincare products based in Utrecht, The Netherlands and London, UK

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- In Australia, Hemp Foods Australia is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products
- Across the Rest of World, expanding distribution of Elixinol branded hemp derived products through reputable distributors as key markets open.

See more at www.elixinolwellness.com