

Target Market Determination - Option Issue

Made by: Incannex Healthcare Limited ACN 096 635 246 (**Company**)

Product: Options to acquire fully paid ordinary shares in the Company (referred to in the Prospectus as **Loyalty Options**) to be issued under a transaction specific prospectus dated 3 May 2023 (**Prospectus**)

Effective date: 3 May 2023

1. Background

This target market determination (**TMD**) has been prepared by the Company in relation to an entitlement offer of Loyalty Options (**Offer**), made by the Company under the Prospectus issued under section 713 of the *Corporations Act 2001* (Cth) (**Corporations Act**). This TMD has been prepared to help investors understand the class of consumers for whom the offer of Loyalty Options is most suitable.

This TMD sets out the class of consumers whose financial objectives would likely be consistent with the distribution conditions and restrictions imposed on the distribution of the Loyalty Options, as well as reporting requirements for distributors in accordance with the requirements of section 994B of the Corporations Act.

A copy of the Prospectus is available on the Company's website, <https://www.incannex.com/>. The Offer is made under the Prospectus.

Any recipient of this TMD should carefully read and consider the Prospectus in full, and consult their stockbroker, accountant, lawyer and/or other professional adviser if they have any questions regarding the contents of the Prospectus.

This TMD is not a disclosure document for the purposes of the Corporations Act, and therefore has not been lodged, and does not require lodgement, with the Australian Securities and Investments Commission (**ASIC**).

Any recipient of this TMD who wants to acquire Loyalty Options under the Offer will need to complete the entitlement and acceptance form that accompanies the Prospectus. There is no cooling off period in respect of an acceptance of the offer of Loyalty Options.

This TMD is not to be used except for the purpose of a regulated person complying with their obligations under Part 7.8A of the Corporations Act. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

This TMD is not intended to provide you with financial advice, or take into account your objectives, financial situations or needs. It is important for you to consider these matters and read the Prospectus before you make an investment decision. The Company is not licensed to provide financial product advice in relation to the Loyalty Options.

Unless otherwise defined in this TMD, capitalised terms have the meaning given to them in the Prospectus.

2. Product Information

Offer details	<p>The Company is making an offer of Loyalty Options under the Prospectus to its Eligible Shareholders, comprising a pro-rata non-renounceable entitlement offer to those shareholders of one (1) Loyalty Option for every fifteen (15) shares held on the Record Date (which is 7.00pm AEST on 8 May 2023).</p> <p>Eligible Shareholders are those persons who are resident in Australia or New Zealand on the Record Date.</p>
Terms of Options	<p>Entitlement: Subject to and conditional upon any adjustment in accordance with these conditions, each of the Loyalty Options entitle the holder to apply for one (1) Share upon payment of the Exercise Price.</p> <p>Exercise Price: The Exercise Price for each Loyalty Option is \$0.25.</p> <p>Expiry Date: Each Loyalty Option will expire at 5.00pm (AEST) on 30 April 2026. A Loyalty Option not exercised will automatically lapse on that Expiry Date.</p> <p>Exercise period: The Loyalty Options are exercisable at any time from the date of issue until 5.00pm on the Expiry Date (AEST).</p> <p>Exercise notice: The Loyalty Options may be exercised during the exercise period by forwarding to the Company the Exercise Notice together with payment (in cleared funds) of the Exercise Price for the number of Shares to which the Exercise Notice relates.</p> <p>Partial exercise: Any number of Loyalty Options may be exercised by their holder – there is no minimum number of Loyalty Options that must be exercised.</p> <p>Timing of issue of Shares on exercise: Within 15 business days after the Exercise Notice is received, the Company will issue the number of Shares as specified in the Exercise Notice and for which the Exercise Price has been received by the Company in cleared funds and apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.</p> <p>Participation in new issues: The Loyalty Options do not confer any right on their holder to participate in a new issue of securities without exercising the Loyalty Options. A holder of Loyalty Options will be given at least 15 business days prior to the record date for the new issue of securities, to exercise their Loyalty Options.</p> <p>Shares issued on exercise: Shares issued as a result of the exercise of the Loyalty Options will rank equally in all respects with all other Shares then on issue.</p> <p>Adjustments: In the event of certain types of corporate actions undertaken by the Company (eg, bonus issue or pro rata issue of Shares or a reorganisation), adjustments will be made to the Loyalty Options in accordance with the ASX Listing Rules.</p> <p>Not quoted: The Company will not apply for quotation of the Loyalty Options on ASX.</p> <p>Transferability: The Loyalty Options are only transferable with the Company's prior written consent.</p>

3. Target Market

The table below summarises the overall class of consumers that fall within the target market for Loyalty Options, based on the product key attributes and the objectives, financial situation and needs that it has been designed to meet.

Investment objective	As the Loyalty Options may be exercised at any time prior to the Expiry Date, the Company expects that an investment in the Loyalty Options will be suitable for investors who wish to have the right, but not the obligation, in the medium term (ie, in the next 3 years), to gain exposure to equity in a cannabinoid and psychedelic medicine pharmaceutical development company listed on the ASX.
Investment timeframe	<p>The target market of investors will take a medium to long term outlook in relation to their investment in the Company. Investors with a medium to long term outlook will benefit from an ability to exercise the Loyalty Options during the Exercise Period, and increase their shareholding and exposure to the potential upside in the Company's shares into the future.</p> <p>Given the requirement to pay the Exercise Price in order to acquire shares, investors in the target market are in a financial position that is sufficient for them to invest their funds over the Exercise Period (of approximately 3 years), should they wish to exercise their Loyalty Options. Any decision to exercise the Loyalty Options is likely to be based on the trading price of the Shares. At the date of this TMD, the Share price is \$0.12, which is less than 50% of the Exercise Price of \$0.25 and so the Loyalty Options are well 'out of the money'.</p>
Investor suitability metrics	<p>While the Company does not have an established eligibility framework for investors based on metrics such as employment status, income levels, age or an expected return or volatility, it is expected that the target market of investors will be those investors that wish to obtain optionality for exposure to the Company's ongoing operations, and that will be able to withstand potential fluctuations in the value of their investment.</p> <p>The Exercise Price is required to be paid to acquire Shares on exercise of Loyalty Options. The capacity to realise the underlying value of the Loyalty Options would require that they be exercised on or before the Expiry Date. Investors in the target market will need to be in a financial position to have sufficient available funds so as to facilitate an exercise of the Loyalty Options prior to the Expiry Date.</p> <p>Prior to the Expiry Date, investors' ability to liquidate the Options may be limited by a lack of liquidity in the trading of Options and Shares, and the price of the Shares. The Loyalty Options offer no guaranteed income or capital protection.</p>
Risk	<p>The Company considers that an investment in the Options will have a different risk profile to a direct investment in Shares, including due to the fact that there is no obligation to exercise the Options prior to the Expiry Date.</p> <p>The Company considers that an investment in the Options is speculative, such that an investment in the Company is not appropriate for an investor who would not be able to bear a loss of some or all of the investment. Investors should also have a sufficient level of financial literacy and resources (either alone or in conjunction with an appropriate adviser) to understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Company.</p>

The Loyalty Options are **not** suitable for investors:

- (a) who are not seeking to have the potential to increase their investment in the Company; and
- (b) who do not understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Company.

The Company has assessed the Loyalty Options and formed the view that the Loyalty Options, including the key attributes set out in Section 2, are likely to be consistent with the objectives, financial situation and needs of investors in the target market as described above in this Section 3.

4. Distribution Conditions

The Offer of Loyalty Options under the Prospectus is being made to Eligible Shareholders, being registered holders of shares with an address in Australia or New Zealand on the Record Date.

The Company will include on its website a copy of this TMD and require that retail investors confirm that they meet the eligibility criteria of the expected target market outlined in this TMD before they apply for Options.

The Company considers that these distribution conditions will ensure that persons who invest in Options fall within the target market in circumstances where personal advice is not being provided to those persons by the Company.

5. Review Triggers

The Loyalty Options are being offered for a limited offer period set out in the Prospectus, following the conclusion of which the Loyalty Options will no longer be available for investment by way of issue. It follows that the TMD will only apply in the period between the commencement of the Offer of the Options and the issue of the Options shortly after the close of the Offer, after which the TMD will be withdrawn.

To allow the Company to determine whether circumstances exist that indicate this TMD is no longer appropriate to the Offer and should be reviewed, the following review triggers apply for the Offer:

- (a) a new offer of options that requires preparation of a disclosure document is made after completion of the offer period for the Loyalty Options (**Offer Period**);
- (b) the Company lodges with ASIC a supplementary or replacement prospectus in relation to the Prospectus;
- (c) the Company identifies a substantial divergence in how the Loyalty Options are being distributed and purchased from this TMD;
- (d) ASIC raises concerns with the Company regarding the adequacy of the design or distribution of the Loyalty Options or this TMD; and
- (e) there are material changes to the regulatory environment that apply to an investment in the Loyalty Options.

6. Review Period

If a review trigger occurs during the Offer Period, the Company will undertake a review of the TMD in light of the review trigger as soon as reasonably practicable and, in any case, within five business days of the review trigger occurring.

The Company will otherwise complete a review of the TMD immediately prior to the issue of Options under the Offer.

Periodic reviews of the TMD will not occur during the Offer Period, noting that the Offer Period is (subject to any decision to extend) less than one month in duration. If the Offer Period is extended for more than one month, the TMD will be reviewed at least once every month.

7. Information reporting

Reporting requirement	Period for reporting to the Company by the distributor	Information to be provided
Whether the distributor received complaints about the Options.	As soon as reasonably practicable after the significant dealing occurs, but in any event no later than 10 business days after the significant dealing occurs.	<ul style="list-style-type: none"> ▪ The number of complaints received. ▪ A summary of the nature of each complaint or a copy of each complaint.
A significant dealing of the Options that is not consistent with this TMD.	As soon as reasonably practicable after the significant dealing occurs, but in any event no later than 10 business days after the significant dealing occurs.	<ul style="list-style-type: none"> ▪ Details of the significant dealing. ▪ Reasons why the distributor considers that the significant dealing is not consistent with this TMD.
A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.	Within 10 business days after the end of the Offer Period.	A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.

8. Contact details

Contact details in respect of this TMD for the Company are:

Mr Madhukar Bhalla
 Company Secretary
 Email: madhu@incannex.com.au