Announcement Summary

Entity name

CANN GROUP LIMITED

Announcement Type

New announcement

Date of this announcement

Friday February 7, 2020

The Proposed issue is:

☑ A placement or other type of issue

Total number of +securities proposed to be issued for a placement or other type of issue

ASX +Security Code	+Security Description	Maximum Number of +securities to be issued
n/a	Unlisted Convertible Notes	8,000,000
n/a	Options	13,809,656

Proposed +issue date

Monday February 10, 2020

Refer to next page for full details of the announcement

Part 1 - Entity and announcement details

1.1 Name of +Entity

CANN GROUP LIMITED

We (the entity named above) give ASX the following information about a proposed issue of +securities and, if ASX agrees to +quote any of the +securities (including any rights) on a +deferred settlement basis, we agree to the matters set out in Appendix 3B of the ASX Listing Rules.

1.2 Registered Number Type

ACN

Registration Number

603949739

1.3 ASX issuer code

CAN

1.4 The announcement is

☑ New announcement

1.5 Date of this announcement

Friday February 7, 2020

1.6 The Proposed issue is:

☑ A placement or other type of issue

Part 7 - Details of proposed placement or other issue

Part 7A - Conditions

7A.1 - Are any of the following approvals required for the placement or other type of issue?

- **+Security holder approval**
- **Court approval**
- **Lodgement of court order with +ASIC**
- **ACCC approval**
- **FIRB approval**
- **Another approval/condition external to the entity**

☑ No

Part 7B - Issue details

Is the proposed security a 'New class' (+securities in a class that is not yet quoted or recorded by ASX) or an 'Existing class' (additional securities in a class that is already quoted or recorded by ASX)?
☑ New class

Will the proposed issue of this +security include an offer of attaching +securities?
☑ Yes

Details of +securities proposed to be issued

ISIN Code (if Issuer is a foreign company and +securities are non CDIs)

Have you received confirmation from ASX that the terms of the proposed +securities are appropriate and equitable under listing rule 6.1?
☑ No

Will the entity be seeking quotation of the 'new' class of +securities on ASX?
☑ No

ASX +Security Code	+Security Description
New class-code to be confirmed	Unlisted Convertible Notes

+Security Type

Convertible Debt Securities

Maximum Number of +securities proposed to be issued

8,000,000

Purpose of the issue

The Company seeks capital to accommodate its working capital requirements.

Offer price details for retail security holders

In what currency is the cash consideration being paid?

What is the issue price per +security?

Will all the +securities issued in this class rank equally in all respects from their issue date?
Yes

Oversubscription & Scale back details

May a scale back be applied to this event?
No

Convertible Debt +Securities details

These securities are:
Convertible

Type of security
Convertible Bond

+Security Currency
AUD - Australian Dollar

Face Value
AUD 1.0000

Interest Rate Type
Fixed rate

Frequency of Coupon/Interest Payments Per Year
Monthly

First Payment Date
Friday March 6, 2020

Interest Rate (p.a.)
9.50000 %

Is Interest Rate (p.a) estimated at this time?
No

s128F of the Income Tax Assessment Act status applicable to the security
s128F exemption status unknown

Is the security Perpetual (ie. No maturity)?
No

Maturity Date
Thursday February 10, 2022

Is the Security Subordinated?
Yes

Is the Security Secured?
No

Select other features applicable to the security
☑ Redeemable

Is a First Trigger Date on which conversion, redemption, call or put can occur (whichever is first) applicable?
☑ No

Details of the existing class of +security that will be issued upon exercise or conversion of this new class of +security

CAN : ORDINARY FULLY PAID

Please provide any further information relating to the principal terms of the +securities

The interest rate stated above is 9.5% per annum for any month the Company does not make interest payments. PLEASE NOTE - the interest rate reduces to 7.5% per annum for any month the Company does make interest payments.

The Conversion Price is the lower of (i) $0.70; or (ii) the VWAP of the Company's ordinary shares during the 5 trading days following the most recent Qualified Capital Raise announced to the ASX or (iii) the issue price of a Qualified Capital Raise multiplied by 0.85. A Qualified Capital Raise is a capital raise / raises of more than $5million.

For further details of the principal terms refer to the ASX announcement containing the Cleansing Notice issued under section 708A(12C)(e) of the Corporations Act 2001.

Attaching +Security

Is the proposed attaching security a 'New class' (+securities in a class that is not yet quoted or recorded by ASX) or an 'Existing class' (additional +securities in a class that is already quoted or recorded by ASX)?
☑ New class

Attaching +Security - New class (+securities in a class that is not yet quoted or recorded by ASX)

Details of attaching +securities proposed to be issued

ISIN Code (if Issuer is a foreign company and +securities are non CDIs)

Have you received confirmation from ASX that the terms of the proposed +securities are appropriate and equitable under listing rule 6.1?
☑ No

Will the entity be seeking quotation of the 'new' class of +securities on ASX?
☑ No

ASX +Security Code

New class-code to be confirmed

+Security Description

Options

+Security Type

Options

Maximum Number of +securities proposed to be issued

13,809,656

Offer price details for retail security holders

In what currency is the cash consideration being paid?

What is the issue price per +security?

Oversubscription & Scale back details

May a scale back be applied to this event?
☑ No

Will all the +securities issued in this class rank equally in all respects from their issue date?
☑ Yes

Options details

+Security Currency

AUD - Australian Dollar

Exercise Price

AUD 0.9450

Expiry date

Thursday March 31, 2022

Details of the existing class of +security that will be issued upon exercise or conversion of this new class of company option

CAN : ORDINARY FULLY PAID

Please provide any further information relating to the principal terms of the +securities

If Noteholder converts any time from Issue Date up to 30 Business Days after an issue of ordinary shares raising more than $20m, Company will issue one Option per Share, subject to shareholder approval (if required).

Exercise Price = Conversion Price x 1.35. "Exercise Price" may vary - it cannot be determined until the conversion price is confirmed. The Exercise Price specified above for the purpose of this form is $0.70 x 1.35.

Maximum no. of Options is calculated on assumption of conversion of notes to shares in 2 years time (i.e. conversion on the last day of the note), no interest having been paid by Company and conversion price of $0.70.

An option agreement will be entered into containing all terms as may be required by the ASX Listing Rules, prior to issue of Options.

Further details are in ASX announcement containing the Cleansing Notice issued under section 708A(12C)(e) of the Corporations Act 2001.

Part 7C - Timetable

7C.1 Proposed +issue date

Monday February 10, 2020

Part 7D - Listing Rule requirements

7D.1 Has the entity obtained, or is it obtaining, +security holder approval for the issue under listing rule 7.1?
No

7D.1b Are any of the +securities proposed to be issued without +security holder approval using the entity's 15% placement capacity under listing rule 7.1?
Yes

7D.1b (i) How many +securities are proposed to be issued without security holder approval using the entity's 15% placement capacity under listing rule 7.1?

- 8,000,000 Unlisted Convertible Notes
- Up to 13,809,656 Options

7D.1c Are any of the +securities proposed to be issued without +security holder approval using the entity's additional 10% placement capacity under listing rule 7.1A (if applicable)?
No

7D.2 Is a party referred to in listing rule 10.11.1 participating in the proposed issue?
No

7D.3 Will any of the +securities to be issued be +restricted securities for the purposes of the listing rules?
No

7D.4 Will any of the +securities to be issued be subject to +voluntary escrow?
No

Part 7E - Fees and expenses

7E.1 Will there be a lead manager or broker to the proposed issue?
Yes

7E.1a Who is the lead manager/broker?

Joint Lead Managers - PAC Partners Securities Pty Ltd (PAC Partners) and E&P Corporate Advisory Pty Ltd (Evans & Partners)

7E.1b What fee, commission or other consideration is payable to them for acting as lead manager/broker?

5.5% of proceeds.

7E.2 Is the proposed issue to be underwritten?
No

7E.4 Details of any other material fees or costs to be incurred by the entity in connection with the proposed issue

N/A

Part 7F - Further Information

7F.1 Will the entity be changing its dividend/distribution policy if the proposed issue proceeds?

☑ No

7F.2 Any other information the entity wishes to provide about the proposed issue