



ASX ANNOUNCEMENT

7 February 2020

Cann secures institutional funding support for working capital

7 February 2020 – Cann Group Limited (ASX: CAN) (**Cann**, the **Company**, or the **Issuer**) today announced that it has successfully completed the issue of convertible notes (**Convertible Notes**) to raise \$8 million (**Offer**). The proceeds of the Offer are expected to be settled on 10 February 2020 and will be used for working capital requirements.

Cann CEO, Peter Crock, said: "It is very pleasing to have strong investor support as we progress discussions with a Tier 1 Australian bank on a loan facility and finalise details of the funding package for the staged commissioning of our Mildura production facility. Our revised business plan will focus on producing value-added medicinal cannabis products for the domestic Australian market while export opportunities continue to be developed."

The Offer was made to sophisticated, professional and other investors who qualified under section 708 of the *Corporations Act 2001* (Cth). The Convertible Notes are fully paid, unsecured, subordinated (to any senior debt) and convertible on or before 10 February 2022 at the lower of:

- \$0.70 cents per share; or
- the volume weighted average price of Cann's ordinary shares during the five trading days following the most recent capital raise of more than \$5 million; or
- the issue price of a capital raise of more than \$5 million, multiplied by 0.85 (**Conversion Price**).

The Convertible Notes will not be quoted or tradable on the Australian Securities Exchange (**ASX**).

To the extent that the Convertible Notes issued to a holder have been converted between the issued date and up to 30 business days after a capital raise, or raises, in aggregate, of more than \$20 million, the Company will issue to the holder one (1) option for each Share issued on conversion. The options are exercisable on or before 31 March 2022 at an exercise price calculated at a 35% premium to the Conversion Price. The Company intends to enter into an option agreement with such holders which will contain the full terms and conditions, including such terms as are required to comply with the ASX Listing Rules.

Further details of the terms of the Convertible Notes are set out in Appendix 1, as well as the Convertible Note cleansing notice to be released on the ASX company announcements platform.

PAC Partners and E&P Corporate Advisory have been appointed as Joint Lead Managers to the Offer.

- ENDS -

Authorised for release by Geraldine Farrell, Company Secretary, Cann Group Limited.

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About Cann Group

Cann Group Limited (ABN 25 603 949 739) is building a world-class business focused on breeding, cultivating, manufacturing and supplying medicinal cannabis for sale and use within Australia and for approved overseas export markets. The company has established research and cultivation facilities in Melbourne and is developing a state-of-the-art cultivation facility near Mildura, Victoria. Cann Group has executed collaboration agreements that have enabled it to establish a leading position in plant genetics, breeding, extraction, analysis and production techniques required to facilitate the supply of medicinal cannabis for a range of diseases and medical conditions. The Company is commercialising a range of imported and locally sourced and manufactured medicinal cannabis products. **Learn more about Cann Group at www.canngrouponlimited.com**

Appendix 1 – Terms of Convertible Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholders.

Maturity Date	24 months from the issue date.
Total face value	\$8,000,000
Interest	Accrues daily on the value of the Convertible Notes held by each Noteholder at the following rates: (a) 9.5% p.a for any month the Company does not make an interest payment; or (b) 7.5% p.a for any month the Company does make an interest payment.
Security	All Convertible Notes are unsecured.
Maximum number of Shares issued on conversion	Will not exceed 10% of the Company's current Shares on issue.
Conversion terms	Noteholders may convert either 50% or 100% of Convertible Notes on issue to them: (a) any time before the Maturity Date; (b) if the Company announces it has received a takeover offer; (c) if the Company announces it has entered into a scheme implementation agreement; or (d) if the Company suffers an insolvency event.
Issue of Shares	On Conversion, a Noteholder is entitled to receive the number of Shares calculated in accordance with the following formula: $N = \frac{B}{C}$ Where: - N = the number of Shares to be issued to a Noteholder; - B = the value of the Convertible Notes held by the Noteholder, plus any unpaid interest that has accrued on those Convertible Notes; and - C = the Conversion Price.

Conversion Price	The Conversion Price means the price per Share that is the lower of: (a) \$0.70; or (b) the volume weighted average price of the Issuer's Ordinary Shares during the 5 trading days following the most recent capital raise of more than \$5,000,000 through one or a series of connected capital raisings to any investor or multiple investors (Qualified Capital Raise); or (c) the issue price of a Qualified Capital Raise multiplied by 0.85, (excluding any share issues made pursuant to employee incentive arrangements, bonus issues, pro-rata issues and reorganisations of capital).
Redemption	The Company must redeem all Convertible Notes that have not yet been converted on the Maturity Date. A majority of Noteholders may redeem all Convertible Notes that have not yet been converted if a Redemption Event occurs. A Redemption Event is any of: (a) the Company suffers an insolvency event; (b) a takeover offer for the Company becomes unconditional; (c) a scheme of arrangement in respect of the Company is implemented; (d) the Company materially breaches the terms of the transaction documents for the Convertible Notes; (e) the Company fails to meet its material obligations under any Convertible Note transaction document; (f) the Issuer is removed from the official list of the ASX; or (g) an event of default occurs under the terms of any senior secured facility.
Options	If a Noteholder converts their Convertible Notes in the period from the Issue Date and up to 30 Business Days after an issue of Ordinary Shares by the Issuer to any investor or multiple investors as part of one or a series of connected capital raisings that together raise more than \$20,000,000, the Company will issue to each Noteholder one Option per Share. The Option is a right to take up one Ordinary Share in the Company, at a price calculated as the Conversion Price multiplied by 1.35. The Option must be exercised on or before 31 March 2022.

	The Company and the Noteholders have agreed that an option agreement will be entered into with fulsome terms, as required by the ASX Listing Rules, prior to the issue of the Options.
Noteholders rights	The Convertible Notes will rank pari passu among themselves with all other unsecured and unsubordinated indebtedness of the Company, except indebtedness preferred solely by law. The Noteholders: (a) are creditors of the Company and do not have rights as a member of the Company; and (b) must receive a copy of every notice convening a meeting of the Company's shareholders.
Debt and financing restrictions	The Company may not, without approval from the majority of Noteholders, take out further indebtedness or create any security interest over the Company's assets, subject to certain permitted exceptions. The permitted exceptions include acquiring a senior secured facility for the purpose of funding the production facility in Mildura and certain other indebtedness incurred in the ordinary course, such as trade credit and lease financing. As long as the Convertible Notes are outstanding, the Company will consult with the Noteholders prior to issuing any Shares, equity security or debt securities for the primary purpose of raising capital or entering into debt financing agreements. The Noteholder's consent is not required for the Company to enter such transactions or agreements, except where Noteholder approval is required for further indebtedness (as described above).
Transferability	Noteholders may assign or transfer their rights under the Note terms to any related bodies corporate with written notice to the Company, or otherwise only with the prior written consent of the Company.
Governing law	Victoria, Australia.