



Not for distribution or release in the United States

ASX ANNOUNCEMENT

21 November 2023

Cann Group raises A\$2 million via entry into convertible securities facility

21 November 2023 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) is pleased to confirm that it has raised A\$2 million via entry into a convertible securities facility. Cann will have access to further drawdowns of up to A\$13 million in total (with no one drawdown being more than A\$3 million) being subject to agreement between the parties (**Subsequent Purchases**).

Cann's state-of-the-art facility in Mildura continues to make significant progress towards its cultivation and production goals, including achieving four consecutive weeks where the crop yield records were broken. Over the past few years, Cann has built a world-class facility at Mildura, witnessed remarkable production progress and achieved several significant milestones, including successfully planting and harvesting the biggest crop area in Cann history.

The funds raised will provide working capital to assist the Company in achieving its target of an annual rate of production of 12.5-tonne, which is forecast to be delivered during FY25.

Convertible Securities Facility

Cann has entered into an unsecured convertible securities facility (**Facility**) with Obsidian Global GP, LLC (**Obsidian**). Under the Facility, Cann and Obsidian have agreed to a first drawdown of A\$2 million (**First Purchase**), with further drawdowns of up to A\$13 million in total (with no one drawdown being more than A\$3 million) being subject to agreement between the parties. Under the Facility, Cann will issue Obsidian with securities convertible into fully paid ordinary shares in the Company (**Convertible Securities**) based on the calculation described below.

The key terms of the Convertible Securities Facility are set out below:

Commitment Limit	A\$15,000,000
Facility tranches	First Purchase: A\$2,000,000 within five (5) business days after execution of the Facility (Execution Date). Subsequent Purchase: Such amount as Obsidian and Cann may agree in respect of each Subsequent Purchase, provided that the maximum amount of any Subsequent Purchase is A\$3,000,000, and the aggregate amounts under all Purchases cannot exceed the Commitment Limit.
Maturity Date	The day which is 18 months after the Execution Date

Number of Convertible Securities to be issued	<p>First Purchase: That number equal to the actual amount paid in US\$ for the First Purchase (A\$2,000,000).</p> <p>Subsequent Purchases: That number equal to the actual amount paid in US\$ for the A\$ value of the Subsequent Purchase.</p>
Face Value	US\$1.15 per Convertible Security
Coupon	Nil
Premium Conversion Price	75% premium to the average 5-day VWAP prior to the Execution Date.
Variable Conversion Price	<p>The lesser of:</p> <p>(a) 92% of the average of the lowest three (3) daily VWAPs during the 15 trading days prior to the date of delivery of the conversion notice; and</p> <p>(b) the Premium Conversion Price</p>
Default Conversion Price	<p>The lesser of:</p> <p>(a) 80% of the average of the lowest daily VWAP during the 10 trading days prior to the date of delivery of the conversion notice; and</p> <p>(b) the Premium Conversion Price</p>
Adjustment to Conversion Price	<p>The Conversion Price will adjust in the usual manner should the Company undergo a capital reorganisation.</p> <p>If the Company issues shares at a price or convertible securities with a conversion price lower than the Premium Conversion Price, the Premium Conversion Price shall be reduced to that lower price.</p>
Maximum Share Number	<p>The aggregate maximum number of fully paid ordinary shares in the Company (Shares) that the Company, without the Company first obtaining shareholder approval, may or is required to issue as the Commitment Shares, Placement Shares, or one or more conversions, or other redemptions of the Convertible Securities issued at the First Purchase is 40,000,000 Shares. Shareholder approval is required to be sought if additional Shares are required to be issued.</p> <p>The issue of Convertible Securities pursuant to any Subsequent Purchases will be subject to shareholder approval.</p>
Commitment Shares	<p>Such number of Shares as determined as follows:</p> <p>First Tranche: That number of Shares determined by dividing 0.75% of the Commitment Limit by the average of the five (5) daily VWAPs prior to the Execution Date (and rounding upwards). The First Tranche is to be issued to Obsidian on the Execution Date.</p> <p>Second Tranche: That number of Shares determined by dividing 0.75% of the Commitment Limit by the average of the five (5) daily VWAPs prior to the date on which the second tranche of the Commitment Shares is issued. The Second Tranche is to be issued to Obsidian on the earliest of the Maturity Date, termination date of the Facility and redemption date of all Convertible Securities.</p> <p>The Commitment Shares are issued for nil consideration.</p>
Placement Shares	The Company must issue 3,333,333 Shares to Obsidian on the date of the First Purchase.

	The Placement Shares are issued for consideration which is payable within 15 trading days of termination of the Facility at a price per Share determined by reference to the prevailing VWAP less a discount of 8%, or the price obtained by selling the Shares on market at that time less a discount of 5%. Obsidian can also return the Shares to the Company for nil consideration.
Options	<p>Subject to shareholder approval, on or before the Company's next Annual General Meeting, the Company must issue Obsidian such number of options to be issued Shares (Options) equal to 33% of the aggregate Face Value of the Convertible Securities issued at the First Purchase, divided by the average of the five (5) daily VWAPs for the five (5) trading days immediately prior to the First Purchase.</p> <p>The Option exercise price will be equal to 200% of the average of the five (5) daily VWAPs for the five (5) trading days immediately prior to the First Purchase.</p> <p>Refer to Appendix A as attached to this announcement for the Option terms.</p> <p>If the issue of the Options is not approved by shareholders, the Company must pay A\$150,000 to Obsidian in lieu of the issue of the options.</p> <p>In respect of a Subsequent Purchase a similar formula will apply by reference to the date of the Subsequent Purchase to determine how many Options are to be issued and the exercise price.</p>
Conversion - optional	Obsidian may elect at any time to convert Convertible Securities at the Premium Conversion Price or Variable Conversion Price (as elected by Obsidian) or the Default Price (if applicable)
Redemption Amount	105% of the amount outstanding in respect of the relevant Convertible Securities, unless the redemption is as a result of a fund raising in which case it will be 100% of the amount outstanding.
Redemption - on fund raising	If the Company undertakes a fund raising in excess of A\$2.5 million, Obsidian may elect to require the Company to apply up to 20% of those funds to redeem Convertible Securities
Early redemption - company election	The Company may elect to redeem all or part (such part to be not less than A\$500,000) of the outstanding Convertible Securities at any time. Obsidian may deliver a conversion notice which will take priority over the Company's early redemption election.
Redemption at Maturity Date	On the Maturity Date, the Company must redeem all of the outstanding Convertible Securities by paying Obsidian, the Redemption Amount in respect of those Convertible Securities.

The First Purchase is scheduled to occur within five (5) business days of the Execution Date.

Lead Manager

Everblu Capital Corporate Pty Ltd (**Lead Manager**) has led the Convertible Securities Facility on behalf of Cann.

The Lead Manager will receive a cash fee of 6% on all funds drawdown under the Convertible Securities Facility and 2,662,398 Shares (to be escrowed for 30 days).

Subject to shareholder approval, on or before the Company's next Annual General Meeting, the Company must issue Everblu such number of Options equal to 33% of the aggregate Face Value of the Convertible Securities issued at the First Purchase, divided by the average of the five (5) daily VWAPs for the five (5) trading days immediately prior to the First Purchase.

The Option exercise price will be equal to 200% of the average of the five (5) daily VWAPs for the five (5) trading days immediately prior to the First Purchase. Refer to Appendix A as attached to this announcement for the Option terms.

Authorised for release by the Board of Directors, Cann Group Limited.

For all media enquiries please contact:

Jackson Paine
Corporate Communications Manager
+61 439 492 955
jackson.paine@canngrouplimited.com

For all other information please contact:

Peter Koetsier
CEO
Cann Group Limited
+61 3 9095 7088
contact@canngrouplimited.com

Deborah Ambrosini
CFO & Company Secretary
Cann Group Limited
+61 3 9095 7088
deborah.ambrosini@canngrouplimited.com

About Cann Group

Cann Group Limited (ABN 25 603 949 739) is enhancing patients' lives by developing, producing, and supplying innovative cannabis medicines. The Company has research facilities and corporate headquarters in Melbourne and operates a state-of-the-art large-scale cultivation and GMP manufacturing facility near Mildura, Victoria. Cann Group supplies a range of dried flower and oil products, as well as active pharmaceutical ingredients and extracts, to customers in Australia and around the world. Cann Group also owns Satipharm and its patent-protected capsule technology.

Learn more at: www.canngrouplimited.com | www.satipharm.com

APPENDIX A

CANN GROUP LIMITED
ACN 603 949 739
(Company)

TERMS AND CONDITIONS OPTIONS

The following is a summary of the terms and conditions attaching to Options to be issued.

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon the exercise of the Option (subject to adjustment under the terms of issue).

(b) **Exercise Price and Expiry Date**

The Options have an exercise price of \$[to be finalised] per Option (**Exercise Price**) and expire at 5:00pm (AEST) on the date 18 months after their date of issue (**Expiry Date**).

A Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date.

(d) **Quotation of the Options**

The Company does not intend to apply for Quotation by ASX of the Options.

(e) **Notice of Exercise**

The Options may be exercised by notice in writing to the Company in the manner specified on the Option certificate (**Exercise Notice**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

Options will be deemed to have been exercised on the latest of the date that:

- (i) the Exercise Notice;
- (ii) the Exercise Price; and
- (iii) the applicable holding statement relating to the Options (if any),

is received by the Company.

(f) **Shares Issued on Exercise**

Shares issued on exercise of the Options rank equally with the then issued Shares.

(g) Timing of the Issue of Shares on Exercise and Quotation

Within five (5) business days of an Exercise Notice being given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will:

- (i) issue the Shares resulting from the exercise of the Options; and
- (ii) apply for quotation on ASX of Shares issued resulting from the exercise of the Options.

(h) Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holders will be notified of a proposed issue after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(i) Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(j) Adjustment for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied in accordance with the ASX Listing Rules.

(k) Transferability

The Options are not transferable.