

16 May 2024

Northern Leaf Plc
(“Northern Leaf” or the “Company”)
Company number 128967

**£2.5 Million Unsecured Non-Interest Bearing
Convertible Loan**

Northern Leaf Plc, the Jersey based medicinal cannabis producer, is pleased to announce that it has entered into a new unsecured, non-interest bearing, three year convertible loan note (“CLN”) for a principal amount of £2.5 million (the “Principal Amount”) with two strategic investors (the “Noteholders”) with proven track records of successfully developing and operating highly profitable cannabis grows.

Entry into the CLN enables the Company to focus on achieving projected profitability during Q4 2024 whilst adding substantial industry experience and expertise to Northern Leaf’s leadership team and operations.

During April 2024, the Noteholders provided £250,000 (the “Initial Investment”) to the Company without which the Board of Northern Leaf would have had no choice but to put the Company into liquidation. This Initial Investment has been used to maintain ongoing operations and provide the necessary documentation to facilitate the transaction. The Initial Investment will be offset against the Principal Amount.

Conversion

On conversion the Principal Amount will convert into the following equity interests in the entire issued share capital of the Company:

- 80 percent in the event of an IPO or other exit valuing Northern Leaf at more than £100 million; or
- 90 percent in the event of an IPO or other exit valuing Northern Leaf at £100 million or less.

Conversion may take place at any time during the three year term of the CLN at the Noteholder’s discretion.

Existing Shareholder & Management Participation

Existing shareholders and management may participate in up to £1m of the CLN with the Noteholders scaling back their investment on a pro-rata basis.

Shareholders wishing to consider participating in the CLN should contact Geoff Eyre, Northern Leaf’s CEO, by email (geoff.eyre@northern-leaf.com) to discuss their participation and indications of quantum.

The deadline for receiving firm commitments from shareholders who wish to participate in the CLN will be Tuesday 21st May 2024 with settlement taking place on the second business day in Jersey following notification to shareholders of the satisfaction of the Further Funding Conditions (as defined below).

Conditions Precedent to Further Funding

A number of conditions (the “Further Funding Conditions”) need to be satisfied before the Company can receive any further payments of the Principal Amount from the Noteholders including:

- (a) the Company having agreed with Sancus Lending (Jersey) Limited revised terms and conditions in respect of the existing debt owed by the Company in a form acceptable to the Noteholder; and

- (b) the Company having agreed with Gerald Snyman amended terms and conditions of the personal guarantee provided to Northern Leaf's secured lenders, in a form acceptable to the Noteholder;

The Company remains in a precarious financial state with less than £25,000 of cash in the bank and is working with all parties to satisfy these conditions as quickly as possible to avoid liquidation.

General Meeting and Shareholders' Approval

The Board intends to call a General Meeting of shareholders as soon as practicable to take place no later than 30 June 2024 in order to receive approval from Northern Leaf's shareholders (the "Shareholders' Approval") in respect of the right of the Noteholders and any participating shareholders to convert the CLN into certain shares in the capital of the Company.

Failure to receive Shareholders' Approval, which requires by law a two thirds majority of those shareholders eligible to attend and vote in favour of such resolution, will result in the CLN automatically terminating with immediate effect (unless otherwise agreed between the parties).

In such instance, all funding paid by the Noteholder to the Company pursuant to the CLN shall become repayable by the Company to the Noteholder as soon as practicably possible.

Other

Upon satisfaction of the Further Funding Conditions and the Company obtaining Shareholders' Approval, the Noteholder will have the right to appoint a majority of persons to the Board.

The Company also intends to grant certain warrants to the Noteholders in respect of the Initial Investment recognising the nature of the funding as pure risk capital.

"Although by no means yet a done deal I am very pleased with the fundraising that the Company has been able to secure in principle which will not only avoid liquidation but I expect will be adequate to enable the business to achieve profitable, self-sustaining cash flow generation during Q4 2024.

Negotiations with the Noteholders have been fast, efficient, very straight forward and honourable and I look forward to concluding the transaction in the best interests of all stakeholders and working closely with the Noteholders to fully deliver on Northern Leaf's hitherto illusive, but nevertheless clear potential."

- Geoff Eyre, Chief Executive Officer of Northern Leaf Plc.

For further information contact:

Geoff Eyre, CEO (geoff.eyre@northern-leaf.com)

Frank Walker, Chairman (frankwalkerjsy@gmail.com)

Ed Douglas, Head of Administration (edward.douglas@northern-leaf.com)

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