

12 July 2024

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

Business Performance and Trading Update

Further to Northern Leaf Plc’s recent announcements of the conditional fundraising of £2.5m, comprising new unsecured, non-interest-bearing, three-year convertible loan notes (“CLN”), and the mailing of the notice of a General Meeting to take place on 29th July 2024, the Board of Northern Leaf is pleased to provide a general business performance and trading update.

Subsequent to the receipt of funds from the CLN the Company has made substantial progress in a number of areas of the business as follows:

Updated Corporate Forecast

Management has completed an updated corporate forecast with input from the Company’s new strategic investors, key highlights of which for 24H2 include:

- Production volume c.1,300kg of medical cannabis flower
- Sales volume c.1,200kg of medical cannabis flower
- Sales revenue guidance £1.9 million - £2.3 million
- EBITDA guidance £150k - £300k

Sales Pipeline

- Appointed an internationally recognised consultant with an extensive network of contacts in the medical cannabis supply chain to augment our existing sales function and establish new, robust customer relationships and routes to market.
- Shipment of product with a sales value of £160,000 to an existing customer for the German and UK markets taking place next week.
- Firm purchase orders received for further sales in 24H2 in the sum of £400,000.
- Provisional orders received with a value of c.£220,000 for shipment in August.
- Positive conversations with a potential new customer that has expressed interest purchasing in excess of 400kg of medical cannabis flower before the end of the year.
- Advanced discussions with two further distributors regarding substantial sales contracts.

Cultivation

- Certificates of Analysis (COAs) received for one batch of product in May 2024, being the first production batch after the Company’s sale of its entire vault inventory in April 2024 to provide funding to enable the Company’s survival.
- Samples from a further five batches of product were sent for COA during June 2024.
- Update of cultivation area environmental control system parameters to reduce power consumption and cost.
- Initial steps taken, to implement a new genetics program to enhance our existing product offerings with an expectation that these products will come to market in 25Q1.

Post-Harvest Operations

- Sign-off on the purchase of on-site product treatment equipment costing c.£25k to ensure the Company consistently produces products that meet the high standards set by medical regulations. Once implemented in a couple of months, this will reduce operating costs and time to get the product to market.
- Initiated license applications to the Government of Jersey to enable Northern Leaf to produce finished patient packs on-site, further reducing costs and reducing time to market.

New Strategic Investors Visit

Edward Wilkinson and Wray Herbert-King, the Company’s new strategic investors, spent ten days during June in Jersey and at the facility, covering all aspects of the business. They also held

meetings with several senior politicians from the Government of Jersey including the First Minister, the Health Minister (who controls our licence to produce in Jersey) and the Economic Development Minister, Northern Leaf's neighbours, property developers, potential sales partners, and a number of key suppliers.

Financial

- Cash at 30 June 2024 of £225,000.
- Agreed continuing forbearance with a number of larger trade creditors until the company achieves cash flow positive operations towards the end of 2024.
- Management has endeavoured to communicate frequently and openly with smaller trade creditors with a view to them being repaid in full as quickly as possible, partially from CLN proceeds and from net cash inflows from improved future trading performance.
- Agreed terms for the renewal of the Company's secured £6.3 million loan from Sancus until 29 May 2026.
- The Company is now up to date with payments to all of its secured lenders.
- Application made to the States of Jersey for funding from the Agricultural Loans Scheme. The application has been received positively and the Chair of the Agricultural Loans Scheme Panel visited the site this week in connection with the application. We hope for a decision in principle before the end of the current month.
- Management is exploring potential partnerships with developers to realise value from the surplus land at the site in St Lawrence to improve the Company's balance sheet and reduce gearing in the longer term.

Shareholder General Meeting

Shareholders will have received the notice of the General Meeting to take place on 29th July 2024. The terms of the agreement with the strategic investors stipulate that the balance of funding will only be advanced to the Company following shareholder approval at that meeting giving the Directors authority to allot ordinary shares in the Company in respect of the CLN.

Originally, it had been anticipated that the EGM would take place before the end of June 2024, with the balance of funding being provided at that time to meet the ongoing working capital requirements of the Company as we move forward into profitability, which is forecast to occur during Q4 2024. However, because Northern Leaf is a public company and therefore subject to the UK Takeover Code, the circular notifying shareholders of the EGM had to be approved by the Takeover Panel, and this created an unanticipated delay.

Therefore, notwithstanding the commitment of further funding, the Company needs to conserve its existing cash to maintain business-critical operations until after the EGM when further funding is made available by the strategic investors.

The Board hopes that as many shareholders as possible will attend the EGM, personally, or by proxy, and vote in favour of the resolutions, for which the Company has already received irrevocable undertakings from shareholders, representing more than two thirds of the voting rights in the Company, to also vote in favour of the resolutions.

Shareholders that signed irrevocable voting support agreements ("VSA") in connection with the forthcoming EGM are reminded that, **notwithstanding the existence of the signed VSA, it still remains necessary to complete and return your signed proxy form** (a copy of which is attached to this announcement) to northern-leaf@ogier.com voting in favour of the resolutions.

The board of directors will communicate the outcome of the meeting to all shareholders immediately after it has taken place.

Geoff Eyre, Chief Executive Officer of Northern Leaf Plc commented, "After a very turbulent time for the Company over the last 12 months, I believe Northern Leaf is now starting to turn the corner and deliver on the Company's significant potential underpinned by a strengthening of forward sales orders coupled with robust cost control and the implementation of operational efficiencies.

As outlined by the recently updated corporate forecast, the Company remains on track to achieve profitable, self-sustaining cash flows during Q4 2024 as previously indicated and a substantially stronger financial performance for the full year of 2025.”

Frank Walker OBE, Chairman commented, *“At last the efforts of the Board to enable the Company to achieve its exciting potential are bearing fruit. Having had to spend the last nine months or so exploring every possible means of keeping the Company afloat, with the support of shareholders, lenders, and creditors, to whom we are immensely grateful, it comes as a significant relief to the Board to be able to present to shareholders a firm route to future profitability. I urge you all to send in your proxy forms and, if possible, to attend the EGM.”*

For further information contact:

Geoff Eyre	Chief Executive Officer	geoff.eyre@northern-leaf.com
Frank Walker OBE	Chairman	frankwalkerjsy@gmail.com
Ed Douglas	Head of Administration	edward.douglas@northern-leaf.com

ENDS

Northern Leaf Plc

Registered company no 128967

(the Company)

Proxy form

I/We

of

being a member/members of the Company and the holder/holders of

..... (number and class of shares)

appoint as my/our proxy

.....

or in his/her absence

.....

at the general meeting of the Company to be held at **1.30 p.m. on 29 July 2024 at 44 Esplanade, St. Helier, Jersey, Channel Islands JE4 9WG** and at any adjournment of that meeting.

If the chairperson is appointed as proxy, write "The chairperson" without inserting an address.

Please indicate with a tick mark in the spaces opposite each resolution how you wish the proxy to vote on your behalf. In the absence of any such indication, the proxy may vote for or against the resolution or may abstain at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the meeting pursuant to the other items of business referred to in the notice convening the meeting.

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the notice convening the general meeting.

Ordinary Resolutions		For	Against	Abstain
1	The grant of the waiver by the Panel on Takeovers and Mergers described in the Circular to shareholders of the Company dated 4 July 2024 of any requirement under Rule 9 of the Takeover Code for Wray Herbert-King and/or Edward David Wilkinson to make a general offer to shareholders of the Company as a result of the exercise of conversion rights attaching to the loan notes to be issued pursuant to the up to £2,500,000 loan note instrument dated 15 May 2024 be and is hereby approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The grant of the waiver by the Panel on Takeovers and Mergers described in the Circular to shareholders of the Company dated 4 July 2024 of any requirement under Rule 9 of the Takeover Code for Wray Herbert-King to make a general offer to shareholders of the Company as a result of the exercise of warrant to be issued to him pursuant to the warrant instrument dated 3 June 2024 be and is hereby approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolutions		For	Against	Abstain
3	To disapply Article 2.12 of the Articles in relation to the proposed allotment of Ordinary Shares pursuant to the Loan Notes Conversion and exercise of the Warrant, each to be carried out for cash.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	To authorise the directors pursuant to Article 2.8 of the Articles to allot Ordinary Shares to subscribe for or convert any securities into Ordinary Shares up to an aggregate nominal amount of £20,801,190.09 in connection with the Loan Notes Conversion and exercise of the Warrant free of the pre-emption rights contained in the Articles.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	To authorise certain amendments to the Articles and revoke the memorandum and articles of association of the Company adopted by special resolution dated 26 July 2023 being conditional upon the occurrence of an initial public offering of the Ordinary Shares and the admission to trading on AIM.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated 2024

For individuals:

Signature of shareholder

Signature of joint-shareholder, if any

For companies:

Signed for and on behalf of

Name of the company:

.....
Signature

.....
Print name

.....
Title

Proxy instructions

What happens if you do not follow these instructions?

1. If you do not follow these instructions, any instrument you make appointing a proxy may be invalid.

Eligible members

2. If you are a member entitled to attend and vote at this meeting of the Company, you may appoint a proxy or proxies to vote on your behalf.
3. A proxy need not be a member of the Company.

If you complete a proxy form, can you still attend and vote at the meeting?

4. Completion of a proxy form does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.

Multiple proxies

5. If you are a member entitled to cast two or more votes at the meeting, you may appoint two or more proxies and may specify the proportion of votes each proxy is appointed to exercise. If no proportion or number is specified, only the first form received by the Company will be accepted or, if all forms are received at the same time, the chairperson of the meeting may decide at his sole discretion which form to accept.

Joint shareholders

6. In the case of jointly held shares, if more than one joint holder purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. For this purpose, seniority will be determined by the order in which the names of the joint holders appear in the register of members (the first-named being the most senior).

How to appoint a proxy

7. If you are an eligible member and a natural person, the appointment of your proxy must be in writing and signed by you or your authorised attorney.
8. If you are an eligible member and a corporation, the appointment of your proxy must be in writing and executed in any of the following ways: (i) under the corporation's common seal; (ii) not under the corporation's common seal but otherwise in accordance with its articles of association or constitution; or (iii) under the hand of the corporation's authorised attorney.
9. Despite paragraphs 7 and 8, the Company will accept an electronic record of your proxy if:
 - (a) the original is in writing and signed in one of the ways referred to in those paragraphs; and
 - (b) the Company permits receipt of electronic records by giving an electronic address for that purpose.

Delivery of proxy form to Company

10. For an appointment of a proxy to be effective, the following documents must be received by the Company's proxy tabulator, **Ogier (Jersey) LLP** no later than **1.30 p.m.** on **25 July 2024** (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting) at which the proxy proposes to vote:
 - (a) the proxy form;
 - (b) if the proxy form is executed by a corporation otherwise than under its common seal - an extract of its articles of association or constitution that evidences that it may be duly executed in that way; and
 - (c) if the proxy form is signed by your attorney - the authority under which it was signed or a certified copy of the authority.

11. Those documents may be delivered in either of the following ways:
 - (a) in the case of hard-copy documents - they must be left at or sent by post to the Company's proxy tabulator, **Ogier (Jersey) LLP at 3rd Floor, 44 Esplanade, St. Helier, Jersey, Channel Islands JE4 9WG**; and
 - (b) in the case of documents comprised in an electronic record - they must be sent to **northern-leaf@ogier.com**,

each marked for the attention of **Alexander Curry**.

If a poll is to take place within 48 hours after it has been demanded then, in addition to the ways specified in the preceding paragraph, the documents may be delivered to the chairperson or to the Company secretary or to any Director at the meeting at which the poll was demanded.