



CANN GROUP LIMITED
ACN 603 949 739

SUPPLEMENTARY PROSPECTUS

Dated 23 October 2024

1. IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 7 October 2024 (**Prospectus**) issued by Cann Group Limited (ACN 603 949 739) (**Company**) and prepared in accordance with section 713 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

This Supplementary Prospectus is dated 23 October 2024 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date with the consent of the Directors. ASIC, the Australian Securities Exchange (**ASX**) and their respective officers take no responsibility for the content of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Prospectus. This Supplementary Prospectus is an important document and requires your immediate attention. You should read this Supplementary Prospectus in its entirety.

If you do not understand any part of this Supplementary Prospectus, or are in doubt about what to do, you should consult your accountant, stockbroker, tax adviser, lawyer or other professional adviser without delay.

Other than as set out below, all details in relation to the Prospectus remain unchanged. The provisions of this Supplementary Prospectus prevail to the extent of any inconsistency between this Supplementary Prospectus and the Prospectus.

Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus.

2. OBTAINING A COPY OF THIS SUPPLEMENTARY PROSPECTUS

A copy of this Supplementary Prospectus is available for inspection at the registered office of the Company at 262-276 Lorimer Street, Port Melbourne during normal business hours. This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus, copies of which can be downloaded at www.canngrouponlimited.com. The Company will provide a copy of this Supplementary Prospectus to every Applicant who has subscribed for New Securities pursuant to the Prospectus prior to the date of this Supplementary Prospectus.

This Supplementary Prospectus and the Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Supplementary Prospectus or the Prospectus, you should seek professional guidance from your stockbroker, accountant, lawyer or other professional adviser without delay.

3. DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the issue of New Shares or New Options (or any New Share issued on exercise of a New Option) which is not contained in this Supplementary Prospectus or the Prospectus.

Any information or representation in connection with the issue of New Shares or New Options not contained in this Supplementary Prospectus or the Prospectus may not be relied upon as having been authorised by the Company or its Beneficiaries.

Except as required by law, and only to the extent so required, none of the Company or any of its respective Beneficiaries, nor any other person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Supplementary Prospectus or the Prospectus. This Supplementary Prospectus may not for release to US wire services nor for distribution in the United States.

4. SUPPLEMENTARY PROSPECTUS

Section 719(1)(b) of the Corporations Act provides that if a person making an offer becomes aware of an omission from the disclosure document of information required by sections 710 to 715 of the Corporations Act since the disclosure document was lodged, and this omission would be materially adverse to an investor, the person may lodge a supplementary disclosure document with ASIC.

The Company has become aware of an omission from the disclosure document that has arisen since the Prospectus was lodged, and therefore lodges this Supplementary Prospectus for the reasons set out below.

5. REASONS FOR THE SUPPLEMENTARY PROSPECTUS

The Company has become aware that the Prospectus may not contain sufficient disclosures regarding its financial position in light of its current debts and liabilities and the Company's plan as to how the Company proposes to manage and repay its current debts and liabilities to continue trading as a going concern.

The purpose of this Supplementary Prospectus is to make certain amendments to the Prospectus in order to:

- (a) provide investors with updated risks associated with the Company's debts and liabilities, trading as a going concern and an investment in the Company; and
- (b) notify investors of changes to the indicative timeline for the Offer.

The Supplementary Prospectus makes the clarifying amendments to certain statements contained in Sections 1.1, 2.5, 4.2.1, and 6 of the Prospectus in connection with items (a) and (b) above.

6. WITHDRAWAL RIGHTS

Right to withdraw

In accordance with sections 724(2)(b) of the Corporations Act, all applicants who applied for Securities under the Prospectus will be sent a copy of this Supplementary Prospectus and may choose to withdraw their Application and be repaid their Application Monies (**Withdrawal Right**).

To exercise the Withdrawal Right, an applicant must give the Company written notice of their wish to do so within one (1) month of the date of this Supplementary Prospectus (i.e. 25 November 2024).

If you wish to withdraw

An applicant who wishes to withdraw their Application must submit a written request to the Company's share registry, Link Market Services Limited by telephone on +61 1300 554 474 or by email on registrars@linkmarketservices.com.au or delivery to the following address,

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

Applicants must ensure they contact the Company's share registry within one month after the date of this Supplementary Prospectus (i.e., received by 5:00pm Melbourne time on 25 November 2024).

If you wish to not withdraw

If you do not wish to withdraw your Application, you do not need to take any action.

If you have not already made an Application

If you have not already applied for Securities on or before the date of this Supplementary Prospectus, then the Withdrawal Rights do not apply to you.

To apply for Securities under the Offer you should, read this document and then follow the directions in the Prospectus using your personalised Entitlement and Acceptance Form and payment details.

Repayment of Application Monies

Any repayments made by the Company pursuant to an applicant exercising their Withdrawal Rights will be made in full without payment of interest.

7. AMENDMENTS TO PROSPECTUS

Set out below are details of the sections of the Prospectus that are amended by this Supplementary Prospectus.

As noted at section 5, this Supplementary Prospectus makes certain amendments to the Prospectus in order to provide investors with up more fulsome disclosure regarding its financial position in light of its current debts and liabilities and a proposed plan as to how the Company proposes to manage and repay its current debt and liabilities to continue trading as a going concern.

The sections of the Prospectus that have been amended by this Supplementary Prospectus for this purpose are set out below in their amended form.

7.1. Amendments relating to the Indicative Timetable - Key Remaining Dates

Event	Date
Lodgement of Supplementary Prospectus with the ASIC	Wednesday, 23 October 2024
Last day to extend the Offer Closing Date	Wednesday, 19 November 2024
Last date to withdraw Applications	Monday, 25 November 2024
Offer and Lead Manager Offer Closing Date (at 5:00pm Melbourne time)	Monday, 25 November 2024
New Shares under the Offer quoted on a deferred settlement basis	Tuesday, 26 November 2024

Notification of results of Offer	Thursday, 28 November 2024
Issue of New Shares and New Options under Offer and deferred settlement trading ends	Monday, 2 December 2024
Anticipated date for despatch of holding statements for New Shares and New Options under Offer	Tuesday, 3 December 2024
Last day for issuing Lead Manager Options (subject to successful Shortfall Placement)	Tuesday, 25 February 2025

The above timetable is indicative only and subject to change. Subject to the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice. Any extension of the Closing Date will have a consequential effect on the anticipated date for the issue of the New Securities under the Offer. The Directors also reserve the right not to proceed with the whole or part of any of the Offer at any time prior to allotment. In that event, the relevant Application Monies will be returned without interest.

7.2. Amendments to statement regarding the Future of Cann Group

Section 2.5 of the Prospectus is amended to include the following:

In addition to the above strategic plan, this Offer provides Cann Group with important funding in the short term that will allow it to pursue the following financial initiatives:

- Continue to pursue the sale and leaseback of its Mildura facility option, which if viable, will take time to complete;
- Continue to focus on restructuring its debt position; and
- Satisfy near term interest payments as outlined in the Use of Funds in section 2.4.

This Offer also allows the Company to avoid, or at least limit, accessing other sources of funding, such as convertible notes, which are highly dilutive and expensive.

The Company continues to be supported by its major financier, National Australia Bank (NAB). Existing NAB debt arrangements have been modified throughout the year providing funding flexibility, demonstrating the continued support of Cann by its major lender, which are summarised here as follows:

- Extension of the maturity date of the Construction Facility from 31 May 2024 to 31 May 2025 on 19 January 2024.
- Extension of the maturity date of the Working Capital Facility from 30 November 2024 to 31 March 2025 (effective 15 March 2024), and more recently, extension to 31 May 2025 (21 August 2024).
- Amending the current 90-day loan interest period temporarily to 180 days for the period November 2023 to May 2024.
- On 6 May 2024, NAB provided a letter of waiver, waiving its right to any further action for both the historical breach (Gearing Ratio as at 31 Dec 2023) and the current breach (Gearing Ratio as at 31 Mar 2024).
- Removal of the gearing ratio covenant effective from 30 June 2024.
- A letter of intent was also received from NAB dated 29 August 2024 confirming that no call will be made on either facility for a period of 13 months to 29 September 2025.

Today, the facility has only two out of 10 zones (~20%) operational. However, the Company is firmly focused on scaling up production in the two (2) commissioned zones of its Mildura facility to ~5.5 tonne

per annum (initially), then 10 tonne per annum, and has the option to expand its current facility (subject to funding) by fitting out additional zones to further accelerate future revenue growth and profitability.

Further information on the Company's strategic plan can be found in the investor update presentation released to the ASX on 16 October 2024. Further information on the Company's financial position, and going concern, can be found in the Company's FY2024 Annual Report in Note 2 to the Financial Statements, starting on page 31. In addition, the Company has released its quarterly activities report and Appendix 4C for the quarter ended 30 September 2024 on 23 October 2024.

7.3. Amendments to pro forma consolidated statements of financial position

Table 4.2.1 of the Prospectus is deleted and replaced with the following table, which now includes the consolidated statement of financial position as at 30 September 2024 (unaudited), together with the R&D Tax Credit refund received of \$1.965 million on 1 October 2024 and the repayment of the R&D advance loan of \$1.00 million (plus \$0.040 million of costs shown against earnings) as a pro-forma adjustment:

	Audited 30-Jun-24 000's	Unaudited 30-Sep-24 000's	Unaudited Adjustments Proforma 000's	Unaudited Pro forma 000's
Current Assets				
Cash and cash equivalents	1,640	(18)	6,988 ^{1,2}	6,970
Trade receivables	4,084	3,336	(1,965) ²	1,371
Inventories & biological assets	10,189	9,804	-	9,804
Prepayments	347	1,811	-	1,811
Total Current Assets	16,260	14,933	5,023	19,956
Non Current Assets				
Property plant and equipment	76,444	74,605	-	74,605
Financial assets	31	28	-	28
Intangible assets	36	28	-	28
Other	-	-	-	-
Total Non Current Assets	76,511	74,661	-	74,661
Total Assets	92,771	89,594	5,023	94,617
Current Liabilities				
Trade and other payables	5,437	5,902	-	5,902
Borrowings	72,045	73,598	(1,000)	72,598
Other	763	648	-	648
Total Current Liabilities	78,245	80,148	(1,000)	79,148
Non Current Liabilities				
Borrowings	421	513	-	513
Other	184	202	-	202
Total Non Current Liabilities	605	715	-	715
Total Liabilities	78,850	80,863	(1,000)	79,863
Net Assets	13,921	8,731	6,023	14,754

Shareholder Equity				
Issued Capital	182,899	183,378	6,252	189,630
Reserves	494	599	-	599
Accumulated losses	(169,472)	(175,246)	(229)	(175,475)
Total Shareholder Equity	13,921	8,731	6,023	14,754

1. Proceeds from the Offer (if fully subscribed) less costs of the Offer
2. Proceeds received from the Australian Taxation Office under the R&D Tax Credit Program of \$1.965 million on 1st October, less the repayment of \$1.04 million of loan plus interest.

7.4. Amendments relating to the risk factors

Section 1.1 of the Prospectus is amended to include the following additional risk factor in the Investment overview:

Topic	Summary	Further information
<p>What are key risks associated with an investment in the Company?</p>	<ul style="list-style-type: none"> • Going concern: The Company notes the material uncertainty related to going concern in the auditor's report to the members regarding financial statements for the year ended 30 June 2024. Specifically, the auditor's draw attention to Note 2 in the financial report. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. There is therefore the risk that Company may need to source additional funding to continue as a going concern and pay its debts as and when they are due. To the extent that funding is equity or equity type funding it may be dilutive, or on onerous terms, if available at all. In addition any debt funding would increase the Company's debt levels, increase its funding costs and adversely impact the Company's financial results, again if available. If the Company is unable to obtain such additional funding, it may not be able to meet its future obligations as and when they fall due. There is a further risk that its major lender, NAB, will cease its support and call in its debt in such circumstances 	<p>Section 6</p>

Section 6.1 of the Prospectus is amended to include the following additional risk factors:

6.1 Risks specific to the Company

(o) Going Concern

The Company notes the material uncertainty related to going concern in the auditor's report to the members regarding financial statements for the year ended 30 June 2024. Specifically, the auditor's draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$51.24 million for the year ended 30 June 2024, a working capital deficiency of \$61.99m as at 30 June 2024, and net operating cash outflows of \$15.19 million for the year ended 30 June 2024. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. There is therefore the risk that Company may need to source additional funding to continue as a going concern and pay its debts as and when they are due. To the extent that funding is equity or equity type funding it may be dilutive, or on onerous terms, if available at all. In addition any debt funding would increase the Company's debt levels, increase its funding costs and adversely impact the Company's financial results, again if available. If the Company is unable to obtain such additional funding, it may not be able to meet its future obligations as and when they fall due. There is a further risk that its major lender, NAB, will cease its support and call in its debt in such circumstances.

8. ASX ANNOUNCEMENTS

The table below sets out announcements that have been lodged by the Company with the ASX following lodgement of the Prospectus with ASIC on 7 October 2024.

Date	Announcement Title
7 October 2024	Non-renounceable entitlement offer
7 October 2024	Proposed issue of securities
7 October 2024	Proposed issue of securities
7 October 2024	Prospectus
7 October 2024	Target market determination
15 October 2024	Despatch of Prospectus and Entitlement and Acceptance Offer
15 October 2024	Prospectus and Entitlement and Acceptance Form
15 October 2024	Letter to ineligible shareholders
15 October 2024	Shareholder update webinar
16 October 2024	Investor update webinar presentation
21 October 2024	Entitlement Offer closing date extended
23 October 2024	Quarterly Activities Report and Appendix 4C – September 2024

9. CONSENTS

The Company confirms that, as at the date of this Supplementary Prospectus, each of the parties that has been named as having consented to being named in the Prospectus has not withdrawn that consent.

10. CONSENT OF DIRECTORS

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of the Company on 23 October 2024.



Dr Julian Chick

Chairman
Cann Group Limited

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