

SECOND SUPPLEMENTARY PROSPECTUS

AVADA GROUP LIMITED ACN 648 988 783

Important information

This Second Supplementary Prospectus is dated 7 December 2021 (**Supplementary Prospectus**) and is intended to supplement and amend the information contained in the Prospectus dated 9 November 2021 as updated by a Supplementary Prospectus dated 23 November 2021 (together the **Prospectus**) issued by AVADA Group Limited ACN 648 988 783 (**Company** or **AVADA**) to raise \$32,542,609 through the issue of 32,542,609 fully paid ordinary shares in the Company.

This Second Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on 7 December 2021. Neither ASIC nor the ASX take responsibility for the contents of this Second Supplementary Prospectus.

This Second Supplementary Prospectus must be read together with the Prospectus. To the extent of any inconsistency between this Second Supplementary Prospectus and the Prospectus, this Second Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Second Supplementary Prospectus. This document is important and should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

The Company has issued both a printed and electronic version of this Second Supplementary Prospectus and the Prospectus. Electronic versions of both may be accessed at www.avadagroup.com.au.

Contents

The information below is to supplement and amend the information presently contained in the Prospectus for the purposes of providing further information on performance securities in accordance with ASX Guidance Note 19. Namely, the Prospectus is amended as follows:

- 1 Table 5.11 on page 87 of the Prospectus is replaced with the following:

Table 5.11: Summary of Pro Forma Historical Statement of Financial Position as at 30 June 2021

\$'000s	AVADA Group Ltd	IPO Proceeds /debt drawdown	Acquisitions	Seed capital advanced	Offer costs	Seed repaid/ Management shares	Pro Forma
Notes		1	2	1	1	1/3	
Current Assets							
Cash and cash equivalents	192	38,275	(32,702)	1,520	(5,404)	(1,880)	0
Inventory	-	-	4	-	-	-	4
Trade and other receivables	-	-	14,553	-	-	-	14,553
Other current assets	15	114	886	-	-	-	1,016
Total current assets	208	38,389	(17,259)	1,520	(5,404)	(1,880)	15,573
Non-Current Assets							
Property, plant and equipment	-	-	9,096	-	-	-	9,096

This is a supplementary prospectus intended to be read with the prospectus dated 9 November 2021 and supplementary prospectus dated 23 November 2021 issued by AVADA Group Limited ACN 648 988 783

Right-of-use assets	-	-	3,164	-	-	-	3,164
Intangible assets	-	-	67,763	-	-	-	67,763
Deferred assets	-	-	509	-	1,557	-	2,066
Other non current assets	-	-	-	-	-	-	-
Total non-current assets	-	-	80,532	-	1,557	-	82,089
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Total assets	208	38,389	63,273	1,520	(3,848)	(1,880)	97,662
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Current Liabilities							
Trade and other payables	(101)	-	(2,922)	-	-	-	(3,023)
Financial liabilities - current	(360)	(846)	(1,300)	(1,520)	-	1,880	(2,146)
Accruals and other liabilities	(11)	-	(5,900)	-	-	-	(5,911)
Income tax payable	-	-	-	-	-	-	-
Employee related provisions	-	-	(2,630)	-	-	-	(2,630)
Total Current Liabilities	(472)	(846)	(12,752)	(1,520)	-	1,880	(13,710)
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Non-Current Liabilities							
Financial liabilities	-	(5,000)	(11,008)	-	-	-	(16,008)
Deferred tax liability	-	-	(5,972)	-	-	-	(5,972)
Leases	-	-	(2,771)	-	-	-	(2,771)
Total Non-Current Liabilities	-	(5,000)	(19,751)	-	-	-	(24,751)
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Total liabilities	(472)	(5,846)	(32,503)	(1,520)	-	1,880	(38,461)
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Net assets	(264)	32,543	30,770	-	(3,848)	-	59,201
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Equity							
Share Capital	1	32,543	20,595	-	(1,789)	250	51,600
Reserves	150	-	13,625	-		(150)	13,625
Retained earnings	(415)	-	(3,450)	-	(2,059)	(100)	(6,024)
Total Equity	(264)	32,543	30,770	-	(3,848)	-	59,201

Term debt of \$1.6m previously classified as a current liability (within Financial Liabilities – current) has been reclassified to non-current liabilities, consistent with final facility agreement.

2 A new Section 8.3(c) is inserted after Section 8.3(b) of the Prospectus as follows:

“In respect of the Shares to be issued as part of the Verifact Earn-Out Payment in Section 8.3(a)(ii)(B)(II) (**Verifact Earn-Out Shares**):

- (i) the Verifact Earn-Out Shares (if issued) will be issued in connection with the acquisition of Verifact Traffic. The Company has agreed to pay 10% of the Verifact Earn-Out Payment (if any) by way of an issue of the Verifact Earn-Out Shares in order

to align the consideration payable to the Verifact Seller with the anticipated benefit to the Company and its Shareholders in future financial years from Verifact Traffic. No Verifact Earn-Out Payment is payable (and thereby no Verifact Earn-Out Shares are to be issued) unless the EBITDA of Verifact Traffic for the 12-month period from the first full month following Completion (**Verifact Earn-Out EBITDA**) exceeds the EBITDA of Verifact Traffic for the year ended 30 June 2021 by at least 20% (**Verifact Earn-Out Threshold**). The Company can at its discretion elect to pay the Verifact Earn-out Payment (if any) in full in cash. The calculation of the Verifact Earn-Out EBITDA will be reviewed by an independent financial adviser;

- (ii) the number of Verifact Earn-Out Shares to be issued to the Verifact Seller was determined based on the value differential between the current valuation of Verifact Traffic, the upfront cash consideration paid and the value uplift to the Company as Verifact Traffic achieves its targeted growth. The Company considers the number of Verifact Earn-Out Shares to be appropriate and equitable having regard to the fact that the value is reasonably proportionate to the additional value accruing to the Company if the Verifact Earn-Out Threshold is met or exceeded;
- (iii) the number of Verifact Earn-Out Shares to be issued to the Verifact Seller will be determined as 10% of the Verifact Earn-Out Payment. The Verifact Earn-Out Payment is calculated with reference to EBITDA for the period that is 12 months from the first full month following completion and a multiple of 4 times EBITDA;
- (i) if the Verifact Earn-Out Threshold is met, the Company anticipates that the number of Verifact Earn-Out Shares will be as follows (assuming a share price of \$1.00 based on the Offer Price):
 - (A) where the Verifact Earn-Out EBITDA is \$7,127,083, 728,621 Verifact Earn-Out Shares will be issued to the Verifact Seller, representing 1.0% of the number of ordinary shares the Company proposes to have on issue immediately following Completion of the Offer (this scenario assumes a 10% reduction in Verifact Earn-Out EBITDA in (B) below);
 - (B) where the Verifact Earn-Out EBITDA is \$7,918,981, 1,045,380 Verifact Earn-Out Shares will be issued to the Verifact Seller, representing 1.4% of the number of ordinary shares the Company proposes to have on issue immediately following Completion of the Offer (this scenario reflects EBITDA for calculating the earn-out payment included in contingent consideration detailed in Section 5.11 note 2);
 - (C) where the Verifact Earn-Out EBITDA is \$8,710,879, 1,362,139 Verifact Earn-Out Shares will be issued to the Verifact Seller, representing 1.9% of the number of ordinary shares the Company proposes to have on issue immediately following Completion of the Offer (this scenario assumes a 10% increase in Verifact Earn-Out EBITDA in (B) above);
 - (D) the Company has confirmed that the number of Verifact Earn-Out Shares to be issued to the Verifact Seller, when aggregated with the D&D Earn-Out Shares, will not exceed 10% of the Company's issued share capital as at the relevant issue date;
- (iv) unless and until the Verifact Earn-Out Threshold is met, no Verifact Earn-Out Shares will be issued to the Verifact Seller. Accordingly, the Verifact Seller has no rights in respect of those Verifact Earn-Out Shares, including no rights to transfer, vote, receive a dividend, or return of capital or profits. Once the Verifact Earn-Out Threshold is met, the Verifact Earn-Out Payment is paid and the Verifact Earn-Out Shares will be issued, which will rank equally with the ordinary share capital of the Company; and
- (v) the Company intends to rely on the exceptions in Listing Rules 7.2(16)(a), 10.3(a) and 10.12(10)(a) in respect of the issue of the Verifact Earn-Out Shares."

"In respect of the Shares to be issued as consideration in Section 8.6(b)(ii) (**D&D Earn-Out Shares**):

- (i) the D&D Earn-Out Shares (if issued) will be issued in connection with the acquisition of D&D Traffic Management. The Company has agreed to the issue of the D&D Earn-Out Shares in order to align the consideration payable to the D&D Sellers with the anticipated benefit to the Company and its Shareholders in future financial years from D&D Traffic Management. No D&D Earn-Out Shares are to be issued unless the EBITDA of D&D Traffic Management for the 12-month period from the first full month following Completion (**D&D Earn-Out EBITDA**) exceeds the EBITDA of D&D Traffic Management for the year ended 30 June 2021 by at least 21% (**D&D Earn-Out Threshold**). The Company can at its discretion elect to pay the D&D Earn-out Payment (if any) in full in cash. The calculation of the D&D Earn-Out EBITDA will be reviewed by an independent financial adviser;
- (ii) the number of D&D Earn-Out Shares to be issued to the D&D Sellers was determined based on the value differential between the current valuation of D&D Traffic Management, the upfront cash consideration paid and the value uplift to the Company as D&D Traffic Management achieves its targeted growth. The Company considers the number of D&D Earn-Out Shares to be appropriate and equitable having regard to the fact that the value is reasonably proportionate to the additional value accruing to the Company if the D&D Earn-Out Threshold is met or exceeded;
- (iii) the number of D&D Earn-Out Shares to be issued to the D&D Sellers will be determined as 100% of the D&D Earn-Out Payment. The D&D Earn-Out Payment is calculated with reference to EBITDA for the period that is 12 months from the first full month following completion and a multiple of 4.45 times EBITDA. The D&D Earn-Out Payment is subject to a cap;
- (iv) if the D&D Earn-Out Threshold is met, the Company anticipates that the number of D&D Earn-Out Shares will be as follows (assuming a share price of \$1.00 based on the Offer Price):
 - (A) where the D&D Earn-Out EBITDA is \$3,156,520, 676,471 D&D Earn-Out Shares will be issued to the D&D Sellers, representing 0.9% of the number of ordinary shares the Company proposes to have on issue immediately following Completion of the Offer (this scenario assumes a 10% reduction in D&D Earn-Out EBITDA in (B) below);
 - (B) where the D&D Earn-Out EBITDA is \$3,507,245, 1,655,000 D&D Earn-Out Shares will be issued to the D&D Sellers, representing 2.3%% of the number of ordinary shares the Company proposes to have on issue immediately following Completion of the Offer (this scenario reflects EBITDA for calculating the earn-out payment included in contingent consideration detailed in Section 5.11 note 2);
 - (C) the maximum number of D&D Earn-Out Shares to be issued is 1,655,000, representing 2.3% of the number of ordinary shares the Company proposes to have on issue immediately following Completion of the Offer;
 - (E) the Company has confirmed that the number of D&D Earn-Out Shares to be issued to the Verifact Seller, when aggregated with the Verifact Earn-Out Shares, will not exceed 10% of the Company's issued share capital as at the relevant issue date;
- (v) unless and until the D&D Earn-Out Threshold is met, no D&D Earn-Out Shares will be issued to the D&D Sellers. Accordingly, the D&D Sellers have no rights in respect of those D&D Earn-Out Shares, including no rights to transfer, vote, receive a dividend,

or return of capital or profits. Once the D&D Earn-Out Threshold is met, the D&D Earn-Out Shares will be issued and will rank equally with the ordinary share capital of the Company;

- (vi) the Company intends to rely on the exceptions in Listing Rules 7.2(16)(a), 10.3(a) and 10.12(10)(a) in respect of the issue of the D&D Earn-Out Shares."

Authorisation

This Second Supplementary Prospectus is issued by the Company. In accordance with section 720 of the *Corporations Act 2001* (Cth), each Director has consented to the lodgement of this Second Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.



Lance Hockridge

Chairman

AVADA Group Limited