

ASX ANNOUNCEMENT

03 JUNE 2024

Pro Forma Consolidated Statement of Financial Position Reviewed by Auditor

03 June 2024 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) today issued a pro forma consolidated statement of financial position reviewed by the Company's independent auditor ("Pro Forma Statement") as requested by the ASX in connection with the re-quotation of the Company's securities.

The Pro Forma Statement, together with the from the auditor, is attached to this announcement.

**Authorised for release by the Board of Directors of Cann Group Limited.
For all other information please contact:**

Jenni Pilcher
Executive Director & Interim CEO
Cann Group Limited
+61 3 9095 7088
contact@canngrouponlimited.com

Steven Notaro
Company Secretary
Cann Group Limited
+61 3 9095 7088
contact@canngrouponlimited.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.canngrouponlimited.com | www.satipharm.com

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**Cann Group Limited & its Controlled Entities ("Cann Group")**

The pro forma consolidated statement of financial position ("Pro Forma Statement") has been prepared on the basis of accounting policies adopted by Cann Group as outlined in the audited financial statements for the year ended 30 June 2023.

The Pro Forma Statement starts with the historical statement of financial position as at 31 December 2023 as reviewed by the Company's independent auditor, and adjusts for the following significant transactions that have occurred since that date:

- Sale of surplus assets
- Debt funding secured and drawn down
- Reclassification of debt to non-current as a result of changes to covenants and expiry dates
- Material transactions from normal operating activities for the period 1 January to the date of this announcement

The Pro Forma Statement seeks to illustrate the effect of material transactions that have occurred/are about to occur to the Company's historical financial position as at 31 December 2023. It does not include all transactions that have occurred.

The Pro Forma Statement is presented in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Consolidated Statement of Financial Position

Consolidated (A\$'000)	31 Dec 2023	Historical Pro Forma Adjustments						Prospective Pro Forma Adjustments			Pro Forma Balances
		Sale of assets (Southern)	\$5M debt facility	Other Borrowings	Interest & Facility Fee	4 Mths Result to 30 April '24	May'24 transactions	Sale of surplus assets	Facility drawdown & interest	RD Tax Credit	
	Ref:	A	B	C	D	E	F	G	H	I	
Current Assets											
Cash and cash equivalents	1,636	1,900	4,711	1,165	(1,806)	(4,551)	(596)	1,650	(342)	1,800	5,567
Trade and other receivables	3,339	(1,900)				(180)	1,650			(1,650)	1,259
Prepayments	1,293					(568)					725
Biological assets	1,223					292					1,515
Inventory	11,170					90					11,260
Total Current Assets	18,661	-	4,711	1,165	(1,806)	(4,917)	1,054	1,650	(342)	150	20,326
Non-current Assets											
Property, plant and equipment	104,454					(3,335)		(3,418)			97,701
Intangible assets	113					(72)					41
Other financial assets	76					(27)					49
Total Non-current Assets	104,643	-	-	-	-	(3,434)	-	(3,418)	-	-	97,791
Total Assets	123,304	-	4,711	1,165	(1,806)	(8,351)	1,054	(1,768)	(342)	150	118,117
Current Liabilities											
Trade and other payables	6,130					(794)	154	150			5,640
Accrued interest	460				(2,007)	1,547					
Borrowings (current)	64,078		4,711	150							68,939
Convertible note	1,151					225					1,376
Contract liabilities	263					214					477
Employee entitlements	742					(118)					624
Total Current Liabilities	72,824	-	4,711	150	(2,007)	1,074	154	150	-	-	77,056
Non-current Liabilities											
Finance lease						137					137
Employee entitlements (NC)	171										171
Borrowings (non-current)				1,015					145		1,160
Total Non-Current Liabilities	171	-	-	1,015	-	137	-	-	145	-	1,468
Total Liabilities	72,995	-	4,711	1,165	(2,007)	1,211	154	150	145	-	78,524
Net Assets	50,309	-	-	-	201	(9,562)	900	(1,918)	(487)	150	39,593
Equity											
Issued capital	182,383					(75)					182,308
Reserves	394					148					542
Accumulated losses	(118,133)										(118,133)
Current year loss	(14,335)				201	(9,635)	900	(1,918)	(487)	150	(25,124)
Total Equity	50,309	-	-	-	201	(9,562)	900	(1,918)	(487)	150	39,593

Notes to the Pro Forma Consolidated Statement of Financial Position

Ref:	Pro forma adjustments
A	On 22 March 2024, the Company received the final payment of \$1.9 million from SatiVite Pty Ltd for the sale of business assets at its formerly owned Southern cultivation and manufacturing facility.
B	On 6 May 2024, the Company entered into a debt facility agreement to borrow \$5 million (\$4.71 million net of costs) from a private Australian credit fund ("New Loan"). The principal loan amount will incur interest at a rate of 15% per annum, payable monthly in arrears. The debt facility is secured over the Mildura facility under a second mortgage and will expire on 7 May 2025.
C	A total of \$361k draw down from the NAB construction facility, \$300k of short-term borrowings from private lenders offset by repayment of \$150k during May 2024, and a total of \$654k of draw down from the NAB working capital facility during the period 1 January 2024 to 30 April 2024.
D	Interest & facility fee payments for: <ul style="list-style-type: none"> NAB Construction Loan (interest and facility fee), 180-day period ending 23 May 2024 NAB Working Capital Facility (facility fee only), 180-day period ending 30 May 2024 (interest is payable 1 June and included in column H) New Loan (interest only) for the period 3 May 2024 to 31 May 2024
E	Four months trading from 1 January 2024 to 30 April 2024, excluding items disclosed separately as pro forma adjustments.
F	On 18 March 2024, the Company entered into a sale agreement for surplus equipment for proceeds of \$1.7 million if payment is made entirely in cash, or \$1.9 million if payment is made by way of a combination of equity and cash if both parties mutually agree. The Company received the first two deposit amounts of \$100k each during the month of May (disclosed in Column F) and expects to receive the remaining \$1.65 million (inclusive of GST) on or before 30 June 2024 in accordance with the terms of the sale agreement. This expected receipt has been disclosed in Column G as a prospective pro forma adjustment to demonstrate the effect on cash.
G	This column includes payroll for the month of May 2024, \$220,000 deposit received for the sale of surplus assets (refer to C above), together with an accrual for eleven months of the estimated \$1.8 million cash refund expected under the Australian R&D Tax Incentive program for the year ended 30 June 2024. Other cash transactions that have occurred during the month of May have been deemed immaterial.
H	A prospective further drawdown of \$145k from the working capital facility (such that the working capital facility is fully drawn down) is disclosed as a prospective pro forma adjustment to demonstrate the effect on cash. In addition, an amount of \$487k is included as interest for 180 days in arrears on the working capital facility due 1 June 2024.
I	Receipt of the \$1.8 million under the Australian R&D Tax Incentive program for the year ended 30 June 2024 which is expected to be received in September 2024 is disclosed as a prospective pro forma adjustment to demonstrate the effect on cash.

31 May 2024

The Directors
Cann Group Limited
262-276 Lorimer Street
Port Melbourne VIC 3207

Dear Directors

LIMITED ASSURANCE REPORT ON CANN GROUP LIMITED PRO FORMA STATEMENT

We have been engaged by Cann Group Limited (the “Company”) to report on the accompanying Pro Forma Statement, which comprises the Pro Forma Consolidated Statement of Financial Position and its attaching notes (the “Pro Forma Statement”).

Expressions and terms defined in the document have the same meaning in this report.

Scope

You have requested William Buck to review the pro forma Consolidated Statement of Financial Position.

The Pro Forma Consolidated Statement of Financial Position has been derived from the reviewed historical Consolidated Statement of Financial Position of the Company as at 31 December 2023, after adjusting for the effects of pro forma adjustments attaching to the Pro Forma Statement.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events and transactions to which the pro forma adjustments relate, as described in the attaching notes to the Pro Forma Statement document, as if those events or transactions had occurred as at 31 December 2023. Due to its nature, the Pro Forma Consolidated Statement of Financial Position does not represent the Company’s actual or prospective financial position or financial performance.

Directors’ responsibility

The directors of the Company are responsible for the preparation of the Pro Forma Statement, including the selection and determination of pro forma adjustments made to the historical financial information and include in the pro forma information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Accounting Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Statement, being the reviewed historical Consolidated Statement of Financial Position as at 31 December 2023 together with the attaching pro forma adjustments, is not presented fairly in all material aspects, in accordance with the stated basis of preparation as described in the Pro Forma Statement.

Restriction on Use

Without modifying our conclusion, we draw attention to the financial information section of the Pro Forma Statement which describes the purpose of the financial information, being for inclusion in the Pro Forma Statement. As a result, the financial information may not be suitable for use for another purpose.

William Buck has consented to the inclusion of this limited assurance report in the Pro Forma Statement in the form and context in which it is included.

Liability

Responsibility

Consent to the inclusion of this Limited Assurance Report in the Pro Forma Statement in the form and context in which it appears has been given, but should not be taken as an endorsement of the Company or a recommendation by William Buck of any participation in a share issue by any intending investors. At the date of this report our consent has not been withdrawn.

General Advice Limitation

This Report has been prepared and included in the Pro Forma Statement to provide general information only and does not take into account the objectives, financial situation or needs of any specific stakeholder. It is not intended to take the place of professional advice and stakeholders should not make specific investment decisions in reliance on this information contained in this Report. Before acting or relying on information, a stakeholder should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Declaration of Interest

William Buck does not have any interest in the outcome of the issue of shares other than in the preparation of this Limited Assurance Report for which normal professional fees will be received.

Yours faithfully



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director