CANN GROUP LIMITED

ABN 25 603 949 739

Appendix 4E — Preliminary Final Report

For the year ended 30 June 2026

1. Company details

Name of entity: Cann Group Limited

ABN: 25 603 949 739

Reporting period: For the year ended 30 June 2026

Previous period: For the year ended 30 June 2025

2. Results for announcement to the market

	30 June 2026 $'000	30 June 2025 $'000	Change $'000	Change %
Revenue and other income from ordinary activities	9,652	13,253	(3,601)	(27%)
Net profit/(loss) from ordinary activities after tax attributable to members	20,304	(22,345)	42,649	n/a
Net profit/(loss) attributable to members	20,304	(22,345)	42,649	n/a
Dividends	n/a	n/a	n/a	n/a

Explanatory information

Review of operations

Key financial metrics

	30 June 2026	30 June 2025	change
Revenue from operations	$8.6m	$11.3m	-24%
Other income	$1.1m	$2.0m	-44%
Operating expenses	$13.0m	$18.3m	-29%
EBITDA (normalised)	($3.7m)	($5.0m)	-27%*
Write down of inventory	$1.7m	$3.9m	-55%*
Impairment of property, plant and equipment	$19.0m	-	n/a
Gain on debt forgiveness	$55.3m	-	n/a
Profit/(loss) after providing for income tax	$20.3m	($22.3m)	n/a*
Net assets / (liabilities)	$29.1m	($2.8m)	$31.8m*
Basic and diluted profit/(loss) per share	1.6 cents	(4.2) cents	n/a*

**Indicates positive improvement to prior loss position*

Financial performance

The Group reported a net profit after tax of $20.3 million for the year ended 30 June 2026 (2025: loss of $22.3 million). The statutory result includes a number of significant items arising from the restructure of the Group's balance sheet: a $55.3 million gain on the forgiveness of bank debt, a $0.3 million gain on settlement of trade creditor balances, a $19.0 million non-cash impairment of property, plant and equipment at the Mildura facility recognised at the half year, and a $1.7 million write-down of inventories (2025: $3.9 million). Excluding these items, the normalised loss after tax was $14.7 million (2025: $18.5 million on a comparable basis), an improvement of 20%.

Normalised Earnings before interest, tax, depreciation, and amortisation (EBITDA) (excluding the gains on debt forgiveness and on settlement of trade creditor balances, and impairment charges on property, plant and equipment, inventories and investments) improved by $1.4 million (27%) compared to the prior corresponding period (PCP), reducing EBITDA (normalised) to -$3.7 million. This improvement is largely due to continued effective cost management, with operating expenses down 29%, partially offset by lower revenue. The second half provides the clearest guide to the cost base entering FY2027: excluding the year-end inventory write-down and the R&D incentive benefit, operating costs before depreciation reduced from $7.0 million in the first half to $6.0 million in the second half, an annualised exit run-rate of approximately $12 million.

Sales revenue

Sales revenue for the year ended 30 June 2026 decreased by $2.7 million (24%) to $8.6 million, down from $11.3 million in the PCP. The decline reflects continued pricing pressure in the domestic dried flower market and the Company's decision to prioritise margin and cash conversion over volume in low-priced bulk channels. Dried flower remained the core of the business at $7.7 million (90% of revenue), with oils contributing $0.5 million.

The standout development of the year was the commencement of export sales. The United Kingdom generated $1.0 million of revenue in its first year, New Zealand sales grew to $0.4 million (2025: $0.1 million), and international sales together represented 16% of revenue. The customer base also broadened, with three customers each contributing more than 10% of revenue (2025: one). Momentum has continued into the new financial year, with a very strong start to FY27 led by export order deliveries.

Expenditure

Operating expenses (before depreciation and inventory write-downs) were down $5.3 million (29%) to $13.0 million, the second consecutive year of material cost reduction, reflecting the completion of the Group's organisational restructure, disciplined procurement and lower insurance and corporate overheads. Direct production costs fell 55% to $3.7 million (including write-downs), employee costs fell $2.5 million (26%) to $7.1 million and administration and corporate costs fell 12% to $4.0 million. Depreciation and amortisation reduced by $1.6 million (21%).

Balance sheet restructure and funding

FY2026 was transformational for the Group's capital structure. On 15 December 2025, the Group executed a settlement deed with National Australia Bank under which total indebtedness of $70.6 million was discharged for a payment of $15.3 million, with all security released, funded by a new $15.4 million facility with an Australian private credit fund (maturing December 2027) and by equity raisings of $9.0 million before costs, which were strongly supported by existing and new shareholders. Net assets at 30 June 2026 were $29.1 million (2025: net deficiency of $2.8 million), current liabilities reduced from $80.9 million to $7.3 million, and operating cash outflows improved by $8.3 million (86%) to $1.3 million. Subsequent to year end, the Group redeemed in full its outstanding convertible securities, further simplifying the capital structure.

The unaudited full year results are set out in the accompanying sections below.

3. Preliminary consolidated statement of profit or loss and other comprehensive income

	Note	30 June 2026 $'000	30 June 2025 $'000
Revenue from customer contracts	1	8,563	11,300
Other income	1	1,089	1,953
Total revenue and other income		**9,652**	**13,253**
Expenses			
Administration and corporate costs	2	(3,958)	(4,499)
Direct production costs		(3,659)	(8,100)
Employee costs		(7,107)	(9,596)
Depreciation and amortisation expense		(5,857)	(7,439)
Finance costs		(5,122)	(5,997)
Gain/(Loss) on fair value of investment		4	33
Impairment of property, plant and equipment		(18,992)	-
Gain on debt forgiveness		55,351	-
Profit/(Loss) before income tax expense		**20,304**	**(22,345)**
Income tax expense		-	-
Profit/(Loss) after income tax expense for the year		**20,304**	**(22,345)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		173	19
Other comprehensive income for the year, net of tax		**173**	**19**
Total comprehensive profit/(loss) for the year		**20,477**	**(22,326)**

	Note	30 June 2026 Cents	30 June 2025 Cents
Basic profit/(loss) per share	3	1.62	(4.23)
Diluted profit/(loss) per share	3	1.62	(4.23)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

4. Preliminary consolidated statement of financial position

	Note	30 June 2026 $'000	30 June 2025 $'000
Assets			
Current assets			
Cash and cash equivalents		490	10
Trade and other receivables	4	1,140	2,757
Prepayments		246	821
Inventories	5	4,575	4,343
Biological assets		821	1,643
Total current assets		**7,272**	**9,574**
Non-current assets			
Property, plant and equipment	6	44,690	69,171
Intangible assets		2	9
Financial assets at fair value through profit or loss		31	35
Total non-current assets		**44,723**	**69,215**
Total assets		**51,995**	**78,789**
Liabilities			
Current liabilities			
Trade and other payables	7	5,488	4,844
Contract liabilities		508	326
Employee entitlements		307	374
Borrowings	8	480	74,861
Convertible notes	9	550	511
Total current liabilities		**,7,333**	**80,916**
Non-current liabilities			
Employee entitlements		244	180
Borrowings	8	15,356	286
Convertible notes	9	-	182
Total non-current liabilities		**15,600**	**648**
Total liabilities		**22,934**	**81,564**
Net assets		**29,061**	**(2,775)**
Equity			
Issued capital	10	197,717	187,951
Reserves	11	2,857	1,092
Accumulated losses		(171,513)	(191,818)
Total equity		**29,061**	**(2,775)**

5. Preliminary consolidated statement of cash flows

	Note	30 June 2026 $'000	30 June 2025 $'000
Cash flows from operating activities			
Receipts from customers		9,522	11,409
Payments to suppliers and employees		(12,616)	(19,808)
Other income received		-	2,246
Research and development tax incentive received		2,298	1,965
Interest received		7	1
Interest and other finance costs paid		(541)	(5,456)
Net cash used in operating activities	12	**(1,330)**	**(9,643)**
Cash flows from investing activities			
Payments for property, plant and equipment	6	(406)	(157)
Proceeds from disposal of fixed assets		-	-
Net cash used in investing activities		**(406)**	**(157)**
Cash flows from financing activities			
Proceeds from issue of shares net of expenses	10	8,278	2,827
Proceeds from borrowings		10,020	6,968
Net proceeds from convertible notes		750	750
Repayment of borrowings		(16,771)	(135)
Repayment of lease liabilities		(61)	(2,238)
Net cash from financing activities		**2,216**	**8,172**
Net increase/(decrease) in cash and cash equivalents		**480**	**(1,628)**
Cash and cash equivalents at the beginning of the financial year		10	1,640
Effects of exchange rate changes on cash and cash equivalents		-	(2)
Cash and cash equivalents at the end of the financial year		**490**	**10**

6. Dividends paid or recommended

N/A

7. Details of any Dividend or distribution reinvestment plans

N/A

8. Preliminary consolidated statement of changes in equity

	Issued Capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Convertible note reserve $'000	Other reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2024	**182,899**	**438**	**(24)**	**80**	**-**	**(169,472)**	**13,921**
Profit/(loss) after income tax expense for the year	-	-	-	-	-	(22,345)	(22,345)
Other comprehensive income for the year, net of tax	-	-	19	-	-	-	19
Total comprehensive income/(loss) for the year	**-**	**-**	**19**	**-**	**-**	**(22,345)**	**(22,326)**
Transactions with owners in their capacity as owners:							
Shares issued under non-renounceable rights offer (note 10)	2,029	-	-	-	-	-	2,029
Transaction costs associated with issuing equity (note 10)	(77)	-	-	-	-	-	(77)
Shares issued as repayment of short-term loan (note 10)	227	-	-	-	-	-	227
Shares issued on exercise of options issued under NREO (note 10)	-	-	-	-	-	-	-
Issue of shares for convertible notes special purchase (note 10)	105	-	-	-	-	-	105
Issue of placement shares (note 10)	712	-	-	-	-	-	712
Issue of shares on conversion of convertible notes (note 10)	2,056	-	-	-	-	-	2,056
Vesting charge for share-based payments (note 11)	-	82	-	-	-	-	82
Issue of options on issue of share placement (note 11)	-	-	-	-	241	-	241
Issue of options to convertible note holders (note 11)	-	-	-	255	-	-	255
Balance at 30 June 2025	**187,951**	**520**	**(5)**	**335**	**241**	**(191,817)**	**(2,775)**

	Issued Capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Convertible note reserve $'000	Other reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2025	**187,951**	**520**	**(5)**	**335**	**241**	**(191,817)**	**(2,775)**
Profit/(loss) after income tax expense for the year			-	-	-	20,304	20,304
Other comprehensive income for the year, net of tax	-	-	173	-	-	-	173
Total comprehensive income/(loss) for the year	**-**	**-**	**173**	**-**	**-**	**20,304**	**20,477**
Transactions with owners in their capacity as owners							
Shares issued in lieu of interest (note 12)	200	-	-	-	-	-	200
Issue of placement shares (note 12)	6,500	-	-	-	-	-	6,500
Shares issued under a share purchase plan (note 12)	1,276	-	-	-	-	-	1,276
Shares issued under a share purchase plan shortfall (note 12)	1,224	-	-	-	-	-	1,224
Issue of shares under the Convertible Securities Agreement (Note 12)	59	-	-	-	-	-	59
Issue of shares on conversion of convertible notes (note 12)	1,230	-	-	-	(208)	-	1,022
Transaction costs associated with issuing equity (note 12)	(723)	-	-	-	-	-	(723)
Vesting charge for share-based payments (note 13)		100	-	-	-	-	100
Issue of options relating to capital raises (Note 13)	-	-	-	-	1,582	-	1,582
Issue of options to convertible note holders (note 13)	-	-	-	119	-	-	119
Transfers	-	(60)	-	-	60	-	-
Balance at 30 June 2026	**197,717**	**560**	**168**	**454**	**1,675**	**(171,513)**	**29,061**

9. Net tangible assets

	Reporting period $	Previous period $
Net tangible assets per ordinary security	0.0175	(0.0044)

10. Changes in controlled entities

N/A

11. Details of associates and joint venture entities

N/A

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer to information contained within the accompanying ASX Announcement.

13. Foreign entities disclosures

N/A

14. Additional information

Refer to the Notes below, which accompany the financial statements presented in items 3, 4 and 5 above:

Note 1. Revenue and other income

	30 June 2026 $'000	30 June 2025 $'000
Research and development tax incentives and other government grants	745	1,946
Other income	344	7
	1,089	**1,953**

Revenue from sales of products	8,551	11,138
Revenue from services	12	162
	8,563	**11,300**

Note 2. Administration and corporate costs

	30 June 2026 $'000	30 June 2025 $'000
Other corporate and administration expenses	3,048	1,986
Research and development expenses	(41)	781
Insurance expenses	647	1,080
Legal and consultancy expenses	303	652
	3,958	**4,499**

Note 3. Profit/(Loss) per share

	30 June 2026 $'000	30 June 2025 $'000
Profit/(Loss) after income tax	20,304	(22,345)

	30 June 2026 Number	30 June 2025 Number
Weighted average number of ordinary shares used in calculating basic profit/loss per share	1,218,484,186	528,049,376
Weighted average number of ordinary shares used in calculating diluted profit/loss per share	1,218,484,186	528,049,376

	Cents	Cents
Basic profit/(loss) per share	1.62	(4.23)
Diluted profit/(loss) per share	1.62	(4.23)

Note 4. Trade and other receivables

Current assets

	30 June 2026 $'000	30 June 2025 $'000
Trade receivables	438	587
R&D Tax Incentive Accrual	615	1,646
Accrued revenue from consignment sales	87	524
Total	**1,140**	**2,757**

Not overdue	951	2,266
0 to 3 months overdue	5	252
3 to 6 months overdue	-	178
Over 6 months overdue	184	71
Total	**1,140**	**2,757**

Note 5. Inventories

Current assets

	30 June 2026 $'000	30 June 2025 $'000
Cultivation materials & work in progress	152	546
Other inventories	-	37
Finished goods - capsules	4,423	3,667
Total	**4,575**	**4,343**

Note 6. Property, plant and equipment

Non-current assets

	30 June 2026 $'000	30 June 2025 $'000
Land and buildings - at cost	77,056	77,062
Less: Accumulated depreciation	(11,881)	(9,799)
Less: Impairment	(27,198)	(14,730)
	37,978	**52,533**
Freehold improvements - at cost	391	476
Less: Accumulated depreciation	(342)	(425)
	48	**51**
Plant and equipment - at cost	40,487	41,561
Less: Accumulated depreciation	(22,521)	(20,043)
Less: Impairment	(11,920)	(5,396)
	6,046	**16,122**
Fixtures and fittings - at cost	868	894
Less: Accumulated depreciation	(609)	(533)
	260	**361**
Computer equipment - at cost	582	582
Less: Accumulated depreciation	(579)	(565)
	3	**17**
Capital work in progress	354	85
Total	**44,690**	**69,169**

Note 6. Property, plant and equipment (continued) — Reconciliations

Year ended 30 June 2026

	Land and buildings $'000	Freehold improvements $'000	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Capital WIP $'000	Total $'000
Balance at 1 July 2025	52,533	51	16,122	361	17	85	69,169
Additions	-	-	-	-	-	407	407
Disposals	-	-	(1,165)	(26)	-	-	(1,191)
Impairment of assets	(12,468)	-	(6,524)	-	-	-	(18,992)
Write off of assets	-	-	-	-	-	(46)	(46)
Transfers in/(out)	-	-	92	-	-	(92)	-
Depreciation expense	(2,087)	(3)	(2,478)	(76)	(14)	-	(4,657)
Balance at 30 June 2026	**37,978**	**48**	**6,046**	**259**	**3**	**355**	**44,690**

Year ended 30 June 2025

	Land and buildings $'000	Freehold improvements $'000	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Capital WIP $'000	Total $'000
Balance at 1 July 2024	55,036	82	20,160	487	148	531	76,144
Additions	-	-	-	-	-	178	178
Disposals	(34)	-	-	-	-	(7)	(41)
Impairment of assets	-	-	-	-	-	-	-
Write off of assets	-	-	-	-	-	-	-
Transfers in/(out)	-	38	579	-	-	(617)	-
Depreciation expense	(2,469)	(69)	(4,617)	(126)	(131)	-	(7,412)
Balance at 30 June 2025	**52,533**	**51**	**16,122**	**361**	**17**	**85**	**69,169**

Key judgments – impairment of property, plant and equipment

An impairment loss of $19.0 million was recognised at the half-year to 31 December 2025, comprising $12.5 million against land and buildings and $6.5 million against plant and equipment, all within the Mildura cash-generating unit. The impairment is presented as a separate line in the statement of profit or loss

As at 30 June 2026, the Directors identified impairment triggers including a reduction in the Group's market capitalisation relative to its net assets and accordingly conducted a fair valuation assessment of the property, plant and equipment held at the Group's Mildura facility. The valuation was performed using a fair value less costs to dispose approach, based on comparable on-market transactions, with the recoverable amount determined on this basis.

The property, plant and equipment was assessed at a fair value of $50.60 million (2025: $70.20 million). This valuation was performed on the Mildura site as a single cash-generating unit (CGU), and no impairment was identified as a result.

Note 7. Trade and other payables

	30 June 2026 $'000	30 June 2025 $'000
Mildura construction	6	16
Contract manufacturing	366	397
Cultivation vendors	848	1,178
Accrued expenses	1,845	1,896
Research and development	-	18
Other vendors	2,423	1,337
Total trade and other payables	**5,488**	**4,843**

Note 8. Borrowings

Current liabilities

	30 June 2026 $'000	30 June 2025 $'000
NAB Working Capital facility (i)	-	15,600
Construction facility (i)	-	52,117
Chattel mortgages	11	129
Short term loans (iii)	-	5,839
R&D tax incentive loan advance (iv)	469	1,176
Total	**480**	**74,861**

Non-current liabilities

Refinancing loan (ii)	15,356	-
Chattel mortgages	-	286
Total	**15,356**	**286**

(i) National Australia Bank facilities

The working capital facility was executed on 20 April 2022 for $15.00 million and subsequently extended to $15.60 million by amendment dated 13 December 2023. The construction facility, originally executed on 14 December 2020, was renegotiated in April 2022 following commissioning of the Mildura facility. Both facilities were cross-collateralised and co-defaulting and were secured by real property mortgages over the Mildura facility and a general security deed over the assets of the Group.

Until settlement the construction facility bore interest at the Bank Bill Swap Bid Rate plus a drawn margin of 2.6400 per cent, a weighted average of 6.29 per cent for the period it was on foot during the year, and the working capital facility at the same base rate plus a drawn margin of 2.3400 per cent, a weighted average of 6.17 per cent. A facility fee of 0.35 per cent per annum and a reset margin of 0.13 per cent per annum were charged in addition on the facility limits.

On 15 December 2025 Cann announced that it had executed a forbearance and settlement deed with National Australia Bank and paid the agreed settlement of $15.30 million. In exchange the bank released all security, including by discharging all real property mortgages that it held, released Cann from all remaining liability under the facilities, and the facilities were closed.

Total indebtedness discharged was $70.64 million, comprising the working capital facility of $15,60 million, the construction facility of $53.86 million including capitalised interest, and an overdraft of $1.16 million. After application of the settlement payment, a gain on debt forgiveness of $55.34 million was recognised in profit or loss and is presented separately in the statement of profit or loss and other comprehensive income.

(ii) Refinancing loan

On 11 December 2025 Cann executed a facility agreement with an Australian private credit fund to partially fund the settlement of the National Australia Bank facilities. The facility rolled over the pre-existing secured loan of $5,45 million with the same lender and advanced new money of $9.00 million. A facility fee of $0.14 million and a work fee of $0.16 million were capitalised to the loan, giving a drawn balance of $14.75 million on establishment.

The principal is subject to interest at 12.5 per cent per annum, of which 9.5 per cent is payable monthly in arrears and 3.0 per cent is capitalised and payable at maturity. Interest of $0.60 million was capitalised to the facility during the year, giving a carrying amount of $15.36 million at 30 June 2026. The facility has a two-year term and matures on 31 December 2027.

The facility is secured by a general security deed over the assets and undertaking of the Group and by real property mortgages over the Mildura facility, which rank first following discharge of the National Australia Bank security.

In connection with the facility the lender was issued 63,439,600 options exercisable at 1.46 cents per option with a two-year expiry, approved by shareholders at the annual general meeting held on 28 November 2025. The grant date fair value of these options was $145,150 and is recognised in the other reserve. Refer to note 13.

Covenants

The refinancing loan is subject to financial covenants, including a minimum shareholder funds test, a minimum cash reserve of $250,000, a maximum capital expenditure limit, and a debt-to-asset ratio test.

At 30 June 2026, Cann was in compliance with all loan covenants other than the minimum shareholder funds test. Prior to 30 June 2026, Cann obtained a waiver in respect of this test from its Lender, such that the Lender had no right to demand repayment at the reporting date. Accordingly, the loan has been classified as a non-current liability.

(iii) Short-term loans and financing facilities

The secured debt facility of $5.00 million executed on 3 May 2024 with an Australian private credit fund, which had a carrying amount of $5.45 million immediately before settlement, was rolled into the refinancing loan described in (ii) on 11 December 2025. No amount remained outstanding under the original facility at 30 June 2026.

The short-term finance arrangement entered on 31 October 2024 to fund part of Cann's insurance obligations, and the arrangement entered on 15 June 2025 to fund the Industrial Special Risks insurance obligation, were repaid in accordance with their terms during the year.

On 16 December 2025 Cann entered a further short term finance arrangement with a local lender to fund its insurance obligations. The initial balance payable was $0.06 million, payable monthly in arrears until 31 July 2026. The balance outstanding at 30 June 2026 was $0.01 million.

(iv) R&D tax incentive loan advance

On 25 June 2026 Cann drew down the first tranche of a loan advance from a local lender against the expected research and development tax incentive for FY26. The amount loaned was $0.47 million, based on research and development activities from 1 July 2025 to 30 April 2026, and is subject to 16 per cent interest per annum, payable together with the capital on receipt of the incentive in the period to 31 October 2026, the loan maturity date. In addition to interest, a small account fee was deducted from the proceeds. The advance is secured against the expected incentive refund.

The prior year advances drawn on 24 April 2025 and 12 June 2025, totaling $1.18 million, were repaid on receipt of the FY25 incentive during the year.

Note 9. Convertible notes

Carrying amount of convertible notes

Current liabilities

	30 June 2026 $'000	30 June 2025 $'000
Convertible note – host liability at amortised cost	551	241
Convertible note – fair value of embedded derivative	-	269
Carrying amount	**551**	**510**

Non current liabilities

Convertible note – host liability at amortised cost	-	182
Convertible note – fair value of embedded derivative	-	-
Carrying amount	**-**	**182**

Total liabilities

Convertible notes	**551**	**693**

Note 9. Convertible notes (continued) — Reconciliation of movements

	Host liability $'000	Embedded derivative $'000	Total $'000
Balance at 1 July 2025	**423**	**269**	**692**
Proceeds received on the third purchase, net of issue costs	622	68	690
Finance costs accreted at the effective interest rate	47	–	47
Converted into ordinary shares	(265)	(23)	(288)
Fair value movement on the embedded derivative	–	(45)	(45)
Loss on agreement to redeem early	206	–	206
Balance at 30 June 2026	**551**	**–**	**551**

Classification and measurement

The convertible securities are convertible at the noteholder's election at the lesser of a variable price referenced to the volume weighted average price of the Company's shares and a fixed premium conversion price. Because the number of shares to be delivered varies, the conversion feature does not meet the fixed for fixed condition in AASB 132 Financial Instruments: Presentation and is not an equity instrument. The face value is also denominated in United States dollars while the Group's functional currency is Australian dollars.

The conversion feature is therefore separated from the host debt as an embedded derivative and measured at fair value through profit or loss in accordance with AASB 9 Financial Instruments. The host liability is the residual of the consideration received after deducting the fair value of the embedded derivative and is subsequently measured at amortised cost using the effective interest method. The host liability is a monetary item and is retranslated at each reporting date, with exchange differences recognised in profit or loss.

On conversion, the carrying amount of the host liability and the attributable portion of the embedded derivative are derecognised and credited to issued capital. No gain or loss arises on conversion.

Terms of the convertible securities

Initial note

On 21 November 2023 the Company entered into an unsecured convertible note funding arrangement with Obsidian Global GP, LLC with an aggregate limit of up to $15 million. On 27 November 2023 the Company issued 1,322,200 convertible notes at a face value of US$1.15, for gross proceeds of $2 million. On 1 March 2024 an event of default was triggered by the Company's suspension from trading on the ASX, increasing the face value by 10% to US$1.265 and applying the default conversion price and default interest terms. As at 30 June 2026 no notes remained outstanding from this issue (30 June 2025: 126,963 notes).

Second purchase

On 27 February 2025 the Company agreed to a $750,000 drawdown. Proceeds were received in two tranches, $150,000 on 5 March 2025 and $600,000 on 18 March 2025, and 480,810 convertible notes were issued for proceeds of US$1 each and a face value of US$1.15 each. As at 30 June 2026 no notes remained outstanding from this issue (30 June 2025: 480,810 notes).

Third purchase

On 16 March 2026 the Company entered into a new convertible securities agreement to raise $750,000 before costs. On 18 March 2026 the Company issued 527,100 convertible notes for proceeds of US$1 each and a face value of US$1.15 each, an aggregate face value of US$606,165. The notes carry no coupon and were repayable 18 months after execution at 105% of the amount outstanding.

The notes are convertible at the noteholder's election at the lesser of 92% of the average of the three lowest daily volume weighted average prices during the 15 trading days before the conversion notice, and a premium conversion price of $0.015. The premium conversion price reduces if the Company issues shares or convertible securities at a lower price. A default conversion price of the lesser of 80% of the lowest daily volume weighted average price over 10 trading days and the premium conversion price applies on an event of default.

The Company may not issue more than 195,000,000 ordinary shares under the agreement without shareholder approval. Under the agreement the Company also issued 18,750,000 placement shares, of which 8,416,667 were new shares, for consideration payable by the noteholder within 15 trading days of termination of the facility, and agreed to issue 25,000,000 options exercisable at $0.015 and expiring two years after issue, subject to shareholder approval on or before the next annual general meeting. If shareholder approval is not obtained the Company must pay $50,000 in lieu. As settlement in cash is contingent on an event outside the Company's control, the obligation is recognised as a financial liability of $50,000 and is included in trade and other payables.

As at 30 June 2026, 350,000 notes remained outstanding from the third purchase with an aggregate face value of US$402,500 (30 June 2025: nil).

Conversions during the year

During the year ended 30 June 2026, 657,910 notes were converted into 194,030,110 ordinary shares, of which 177,100 notes related to the third purchase. Shares issued on conversion are detailed in note 10.

Early redemption

On 30 June 2026 the Company agreed with the noteholder to redeem in full all 350,000 convertible notes remaining on issue. Under that agreement the notes are redeemed at 100% of their aggregate face value of US$402,500, with the noteholder waiving the additional 5% premium of US$20,125 that would otherwise have applied on an early redemption. After set-off of US$38,796 payable by the noteholder in respect of placement shares, the net amount payable by the Company is US$363,704. Amounts are offset because a legally enforceable right of set-off exists and the parties intend to settle on a net basis.

Because the notes were issued at a face value of US$1.15 for each US$1.00 advanced, redeeming at face value three and a half months after issue rather than at the 18 month maturity crystallises the unamortised discount. A loss on early redemption of $206,000 has been recognised in finance costs, stated after the benefit of the premium waived by the noteholder.

The redemption notice was issued on 30 June 2026 and payment was made on 3 July 2026 from the proceeds of the refinancing loan facility extension referred to in note 11. The liability is presented as a current liability at the reporting date. On payment all convertible notes were cancelled and the facility ended.

Fair value of the embedded derivative

The embedded conversion option is measured at fair value through profit or loss and is classified within Level 3 of the fair value hierarchy because the significant inputs are not based on observable market data. The conversion price depends on the path of the Company's share price through the measurement window, so the option is valued using a least squares Monte Carlo simulation with the holder's exercise decision solved by backward induction. The model is calibrated so that the fair value of the instrument at initial recognition equals the consideration received.

The significant unobservable inputs at initial recognition were an expected volatility of 100% per annum, a market yield of 25% per annum on comparable non-convertible debt, and a discount for the liquidity constraint arising from the 195,000,000 share cap and traded volumes. The fair value of the embedded derivative on initial recognition was $68,000.

At 30 June 2026 the fair value of the embedded derivative is nil (30 June 2025: $269,000). Following the agreement to redeem the notes in cash the conversion right was surrendered and the option has no value. A gain of $45,000 has been recognised in profit or loss on remeasurement.

Key judgements and estimates

The classification of the conversion feature as a derivative liability rather than equity, and the measurement of that derivative, involve significant judgement. The valuation uses unobservable inputs and a change in those inputs would change both the fair value of the derivative and, as a consequence, the effective interest rate applied to the host liability. Judgement has also been applied in accounting for the agreement of 30 June 2026 as a remeasurement of the host liability to the amount contractually payable rather than as an extinguishment and recognition of a new liability.

Note 10. Issued capital

	30 June 2026 Shares	30 June 2025 Shares	30 June 2026 $'000	30 June 2025 $'000
Ordinary shares - fully paid	1,660,593,585	636,176,155	197,717	187,951

Movements in ordinary share capital — year ended 30 June 2026

Details	Date	Shares	Issue price	$'000
Balance	1 July 2025	636,176,155		187,951
Shares issued under conversion of convertible notes	8 Jul 2025	15,130,872	0.0083	125
Shares issued under conversion of convertible notes	3 Sep 2025	12,306,575	0.0098	121
Shares issued under conversion of convertible notes	25 Sep 2025	11,546,780	0.0098	113
Shares issued under conversion of convertible notes	26 Sep 2025	28,414,222	0.0098	279
Shares issued under share placement	31 Oct 2025	120,395,238	0.0115	1,385
Shares issued under conversion of convertible notes	14 Nov 2025	6,116,623	0.0100	61
Shares issued under share purchase plan	24 Nov 2025	127,597,050	0.0100	1,276
Shares issued under conversion of convertible notes	2 Dec 2025	4,517,749	0.0100	45
Shares issued under share purchase plan shortfall	3 Dec 2025	122,402,950	0.0100	1,224
Shares issued under share placement	3 Dec 2025	444,822,153	0.0115	5,115
Shares issued for capitalisation of interest on borrowings	5 Dec 2025	15,169,929	0.0131	199
Shares issued under conversion of convertible notes	10 Dec 2025	10,915,924	0.0080	87
Shares issued under conversion of convertible notes	23 Dec 2025	15,300,442	0.0074	113
Transaction costs associated with share placements and share purchase plans		–		(722)
Correction of prior period error – fair value of shares issued on conversion of convertible notes		–		(124)
Shares issued under conversion of convertible notes	8 Jan 2026	17,554,003	0.0070	122
Shares issued under the convertible securities agreement	18 Mar 2026	8,416,667	0.0070	59
Shares issued under conversion of convertible notes	15 Apr 2026	15,448,484	0.0053	82
Shares issued under conversion of convertible notes	1 May 2026	13,163,102	0.0049	65
Shares issued under conversion of convertible notes	22 May 2026	16,008,908	0.0046	73
Shares issued under conversion of convertible notes	18 Jun 2026	19,189,759	0.0036	68
Balance	**30 June 2026**	**1,660,593,585**		**197,717**

Movements in ordinary share capital — year ended 30 June 2025

Details	Date	Shares	Issue price	$'000
Balance	1 July 2024	445,846,142		182,899
Shares issued under conversion of Convertible Notes	4 July 2024	6,379,543	$0.02	178
Shares issued under conversion of Convertible Notes	15 July 2024	15,050,476	$0.02	428
Shares issued under conversion of Convertible Notes	9 September 2024	1,660,322	$0.03	60
Shares issued under conversion of Convertible Notes	8 November 2024	10,749,762	$0.03	416
Shares issued under non-renounceable rights offer (NREO)	2 December 2024	50,724,489	$0.04	2,029
Transaction costs associated with issuing equity		-	$0.00	(77)
Shares issued as repayment of short-term loan	6 December 2024	5,675,343	$0.04	227
Shares issued under conversion of Convertible Notes	4 February 2025	10,026,950	$0.03	321
Shares issued on exercise of options issued under NREO	6 February 2025	799	$0.22	-
Shares issued under the Special Purchase Agreement	21 March 2025	7,000,000	$0.02	105
Shares issued on exercise of options	3 April 2025	1,185	$0.08	-
Shares issued under conversion of Convertible Notes	3 April 2025	7,930,438	$0.02	178
Shares issued in Private Placement	8 April 2025	41,876,573	$0.02	712
Shares issued under conversion of Convertible Notes	30 April 2025	7,676,567	$0.02	119
Shares issued under conversion of Convertible Notes	20 May 2025	11,607,322	$0.02	178
Shares issued under conversion of Convertible Notes	13 June 2025	13,970,244	$0.01	178
Balance	**30 June 2025**	**636,176,155**		**187,951**

Note 11. Reserves

	30 June 2026 $'000	30 June 2025 $'000
Foreign currency reserve	168	(5)
Share based payments reserve	560	520
Convertible note reserve	454	335
Other reserve	1,675	242
Total Reserves	**2,857**	**1,092**

For share-based payments received by employees and Key Management Personnel of the Group, fair value is measured by reference to the fair value of the equity instruments at their grant date, being the date that both the recipient and the Group have a shared understanding of the terms and conditions connected to the share-based payment. Any market-based vesting conditions are incorporated into the valuation of the share-based payment arrangement as at the grant date. Share-based payments with non-market-based performance conditions vest according to the pro-rata achievement of those conditions. Share-based payments with non-performance-based conditions are valued using the Black-Scholes model and payments with market-based performance conditions are valued using a binomial model which incorporates from both the performance rights arrangement and market data that existed at grant date.

Employee remuneration (benefits)/costs incurred in respect of performance rights for the year ended 30 June 2026 is $0.10 million (2025: $0.11 million).

Performance rights over ordinary shares

No Performance Rights were issued in the year to 30 June 2026 (2025: nil).

All performance rights outstanding at the start of the year lapsed on 10 February 2026 and none remained outstanding at the reporting date. The weighted average remaining contractual life of performance rights outstanding at 30 June 2026 was nil (2025: 0.6 years). Employee benefits expense in respect of performance rights for the year was $0.02 million (2025: $0.11 million):

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Expired/forfeited/other	Balance at end of year
10/02/2023	10/02/2026	$0.00	554,466	-	-	(554,466)	-
Total			**554,466**	**-**	**-**	**(554,466)**	**-**
		Weighted average exercise price	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*

Options over ordinary shares

On 24 December 2025 the Company granted 265,000,000 options exercisable at $0.0100 and 565,217,391 options exercisable at $0.0115, each expiring on 15 June 2026, in connection with the December 2025 capital raising and refinancing. All of these options lapsed unexercised on 15 June 2026. These grants were omitted from the note as previously drafted; together they represent 830,217,391 options with a grant date fair value of $965,198.

On 24 December 2025 the Company granted 29,723,666 options to the lead manager of the share placement completed on 3 December 2025, and 63,439,600 options to an Australian private credit fund as financier of the restructured borrowings. Both series expire on 24 December 2027, with exercise prices of $0.0230 and $0.0146 respectively.

On 10 December 2025 the Company granted 9,000,000 options to the former Chief Executive Officer and Managing Director, vesting in three equal tranches on 1 July annually, expiring 30 June 2030, with exercise prices of $0.0140, $0.0230 and $0.0350. All 9,000,000 options were forfeited on cessation of employment during the year. On the same date 1,200,000 options were granted to non-executive directors, vesting in three equal tranches of 400,000 on 1 November annually, expiring 31 October 2030, with an exercise price of $0.0230.

Under the convertible securities agreement of 16 March 2026 the Company must issue a further 25,000,000 options to the noteholder if the securities are not redeemed before the next annual general meeting or pay $50,000 in lieu. As settlement in cash is contingent on shareholder approval, which is outside the Company’s control, the obligation is recognised as a financial liability rather than in equity.

Set out below is a table containing options outstanding at balance date:

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Expired/forfeited/other	Balance at end of year
4 Apr 2023	4 Apr 2028	$0.2200	800,000	–	–	(240,000)	560,000
6 Nov 2024	31 Oct 2029	$0.0800	1,200,000	–	–	(800,000)	400,000
11 Nov 2024	11 Nov 2026	$0.2250	13,471,734	–	–	–	13,471,734
13 Nov 2024	30 Jun 2029	$0.0600	4,875,001	–	–	–	4,875,001
13 Nov 2024	30 Jun 2029	$0.0800	4,875,001	–	–	(1,500,000)	3,375,001
13 Nov 2024	30 Jun 2029	$0.1000	4,874,998	–	–	(1,499,997)	3,375,001
2 Dec 2024	2 Dec 2026	$0.0800	18,799,046	–	–	–	18,799,046
2 Jun 2025	2 Jun 2027	$0.0508	1,746,147	–	–	–	1,746,147
2 Jun 2025	2 Jun 2027	$0.0523	7,924,832	–	–	–	7,924,832
8 Apr 2025	4 Jun 2027	$0.0300	49,376,573	–	–	–	49,376,573
10 Dec 2025	30 Jun 2030	$0.0140	–	3,000,000	–	(3,000,000)	–
10 Dec 2025	30 Jun 2030	$0.0230	–	3,000,000	–	(3,000,000)	–
10 Dec 2025	30 Jun 2030	$0.0350	–	3,000,000	–	(3,000,000)	–
10 Dec 2025	31 Oct 2030	$0.0230	–	1,200,000	–	–	1,200,000
24 Dec 2025	15 Jun 2026	$0.0100	–	265,000,000	–	(265,000,000)	–
24 Dec 2025	15 Jun 2026	$0.0115	–	565,217,391	–	(565,217,391)	–
24 Dec 2025	24 Dec 2027	$0.0230	–	29,723,666	–	–	29,723,666
24 Dec 2025	24 Dec 2027	$0.0146	–	63,439,600	–	–	63,439,600
		Total	**107,943,332**	**933,580,657**	**–**	**(843,257,388)**	**198,266,601**
		Weighted average exercise price	**$0.0737**	**$0.0118**	**–**	**$0.0116**	**$0.0465**

The weighted average remaining contractual life of options outstanding at 30 June 2026 was 1.25 years (2025: 2.9 years). The weighted average fair value of options granted during the year was $0.0013 per option.

Valuation of options granted

The following table sets out the inputs to the models used to value options granted during the year and in the comparative period. Options granted in the current year were valued using a binomial model; the Black-Scholes result is shown by the valuer as a cross-check and is not the basis of the amounts recognised.

Grant of options	Number of options	Grant Date	Spot price of grant of options	Option exercise price	Options expiry date	Volatility %	Risk Free rate %
Former CEO options – tranche 1	3,000,000	10 Dec 2025	$0.0080	$0.0140	30 Jun 2030	73%	3.60%
Former CEO options – tranche 2	3,000,000	10 Dec 2025	$0.0080	$0.0230	30 Jun 2030	73%	3.60%
Former CEO options – tranche 3	3,000,000	10 Dec 2025	$0.0080	$0.0350	30 Jun 2030	73%	3.60%
Non-executive director options	1,200,000	10 Dec 2025	$0.0080	$0.0230	31 Oct 2030	73%	3.60%
Capital raising options	265,000,000	24 Dec 2025	$0.0090	$0.0100	15 Jun 2026	73%	3.60%
Refinancing options	565,217,391	24 Dec 2025	$0.0090	$0.0115	15 Jun 2026	73%	3.60%
Placement lead manager options	29,723,666	24 Dec 2025	$0.0090	$0.0230	24 Dec 2027	73%	3.60%
Financier options	63,439,600	24 Dec 2025	$0.0090	$0.0146	24 Dec 2027	73%	3.60%
Total granted in the year	**933,580,657**						

Note 12. Reconciliation of loss after income tax to net cash used in operating activities

	30 June 2026 $'000	30 June 2025 $'000
Loss after income tax expense for the year	**20,304**	**(22,345)**
Adjustments for:		
Impairment of property, plant and equipment	18,992	-
Insurance expenses subject to financing	477	488
Loss/(Gain) on sale of fixed assets	18	20
Share-based payments expense	1,682	325
Interest capitalised	3,137	130
Changes in the value of financial assets	2	(5)
Depreciation, Amortisation and loss on sale of assets	5,857	7,440
Loss/(Gain) on debt forgiveness	(55,351)	-
(Gain)/Loss on derivatives and foreign exchange	125	(65)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,617	1,306
Decrease/(increase) in inventories	590	4,203
Decrease/(increase) in prepayments	575	(474)
(Decrease)/increase in trade and other payables	645	(665)
Net cash used in operating activities	**(1,330)**	**(9,643)**

----- End of Notes to Financial Statements -----

15. Compliance Statement

The financial information provided in this Appendix 4E is based on the annual financial report which is being prepared in accordance with Australian Accounting Standards and standards acceptable to the ASX. The reporting and the accounts which the report is based used the same accounting principles.

The annual financial report for Cann Group Limited is in the process of being audited and the Directors understand that the audit is expected to be completed on or before 30 September 2026.

16. Modified opinion / emphasis of matter

If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph is described below.

The auditors have advised that their audit report is likely to include an emphasis of matter paragraph in relation to the following matters:

Going Concern

The financial statements have been prepared on a going concern basis, which incorporates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As reported above, the Group made profit for the year ended 30 June 2026 of $20.30 million (30 June 2025: loss of $22.33 million), a net current asset deficiency of $0.04 million as at 30 June 2026 (30 June 2025: $71.34 million), net assets of $29.06 million (30 June 2025: net asset deficiency of $2.78 million), and has a net cash outflow from operating activities of $1.33 million for the year ended 30 June 2026 (30 June 2025: $9.64 million).

These conditions give rise to a material uncertainty that may cast a significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have extensively considered the following factors in assessing the appropriateness and uncertainty of the Group's going concern assumption:

<u>Refinancing of borrowings</u>

The Group refinanced its borrowings as outlined in Note 8. The refinancing involved a significant restructuring of the Group's debt arrangements with its former lenders, the establishment of a new debt facility, and an equity raise.

The refinancing loan is subject to financial covenants, including a minimum shareholder funds test, a minimum cash reserve of $250,000, a maximum capital expenditure limit, and a debt-to-asset ratio test. At 30 June 2026, Cann was in compliance with all loan covenants other than the minimum shareholder funds test and, at certain points in the period, the minimum cash reserve of $250,000 requirement. Prior to 30 June 2026, Cann obtained a waiver in respect of these from its Lender, such that the Lender had no right to demand repayment at the reporting date. Accordingly, the loan has been classified as a non-current liability.

An additional $2.00 million facility limit increase was negotiated shortly after 30 June 2026 which can be used for specific purposes as agreed between the Company and the Lender.

The Board intends to refinance the loan on terms equivalent to the current facility prior to its maturity on 31 December 2027.

Convertible note
The Company has a $15 million convertible note facility, which it has accessed a total of $3.50 million to date. This facility represents a potential future source of funding (subject to the lender's credit approval) should it be required.

Equity
The Company has a history of successfully raising capital from the equity markets, having raised a total of $9.77 million this financial year (30 Jun 2025: $2.97 million). These raises have been well supported by both existing shareholders (via Rights Issues) and new shareholders (via private placement). The Company has existing relationships with broker(s) who are readily available to assist should the Company decide to pursue further equity raisings.

R&D Tax Credit Refund
The Group expects to receive its R&D tax credit refund of $0.62 million during October 2026. These funds will be used to repay the R&D loan of approximately $0.47 million, contributing approximately $0.15 million of cashflow into the business.

Cashflows from operations
The Group has made material improvements in its operating cash flows over the past several years, and these positive trends are expected to continue. More specifically, operating cash flows have gone from negative $9.64 million in FY25 to $1.33 million in FY26, an 86% improvement year on year.

This improvement, which is expected to continue, has been underpinned by the following:
- Significant reduction in operating expenditures, which have been reduced by 34% YOY.
- Refinance of borrowings with a material reduction to interest costs.

Cashflow forecasts for the next 12 months from the date of this report
The Directors have reviewed the Group's cash flow forecasts that indicate that the Consolidated Group will have sufficient cash flows to meet its commitments for a period of at least 12 months from the date of this report. This forecast takes into account the newly reset cost-base of the Group, growth of sales channels, and access to the loan facility as described above.

Based on the factors described above, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

Authorised for release by the Board of Directors of Cann Group Limited.