

For Public Release

NZX Limited  
Wellington

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### **Cannasouth Sells Midwest Assets to Harker Herbals**

Subsequent to its announcement of a proposed merger with Equalis Group New Zealand Ltd (see *NZX announcement 19 December 2022*), **Cannasouth Ltd (NZX:CBD)** (the Company) announced today that it has signed a Sale and Purchase Agreement (SPA) of assets of its manufacturing subsidiary, Midwest Pharmaceuticals NZ Ltd (Midwest).

The SPA is with Midwest's cornerstone customer Harker Herbal Products Ltd (Harker Herbals) for \$2.2 million plus stock at valuation.

With the announced potential merger with Equalis, the Company will have access to the GMP compliant cannabinoid manufacturing facility of Equalis. The divestment of the Midwest liquid filling assets to Harker Herbals will reduce the need for the Company to invest further capex into Midwest to have it GMP ready for cannabinoid medicines.

CEO of Cannasouth, Mr. Mark Lucas, says "We are pleased that Harker Herbals, which is the natural purchaser, has agreed to acquire the assets of Midwest. Midwest is currently operating at capacity supporting Harker Herbals, which is our cornerstone customer.

"Harker Herbals is planning to significantly increase its export sales, which will require further investment at Midwest. We are pleased that this sale provides a natural fit for Harker Herbals to grow its manufacturing at Midwest and provides employment security for our existing Midwest team members."

Harker Herbals is an iconic health and wellness brand in New Zealand well known for its Deep Lung Support tonic. It also has an extensive range of tonics and supplements. Harker Herbals has a flagship store in the Commercial Bay retail precinct in Auckland's CBD and its products are distributed via pharmacies and natural health stores and is exported globally.

Midwest is a manufacturer of liquid supplements and operates a GMP compliant manufacturing and packing facility specialising in the manufacture, re-packing and wholesale supply of pharmaceutical raw materials, actives, and excipients. Its products are used by compounding pharmacies, hospitals, universities, and pharmaceutical and veterinary manufacturers.

The assets subject to the SPA comprise goodwill, and certain plant and equipment, and stock, but excludes cannabinoid related plant and equipment and cannabinoid intellectual property.

The sale is subject to the following conditions:

- The counterparties to key business agreements consenting to the assignment of those agreements to the purchaser;
- The approval of the respective landlords to the assignment of the various premises leases utilised by the Business to the purchaser;
- The purchaser securing the ongoing services of certain existing employees of the Business, post completion;
- The Government regulators approving the sale of the Business to the Purchaser by consenting to the transfer of the Consents and/or by granting new Consents (as the case may be).

In the event that the aforementioned conditions are satisfied, then completion of the sale is anticipated to occur on or about 31 January 2023.

-ENDS-

For further information visit [www.cannasouth.co.nz](http://www.cannasouth.co.nz) or contact:

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**About Cannasouth Limited**

Cannasouth is a vertically integrated biopharmaceutical Group. The Group has been established to focus on the commercial development of the medicinally beneficial attributes of cannabinoid compounds produced by the cannabis plant, and other health products and medicines. Our goal is to support patients' health outcomes and improve their quality of life. Our products will be produced under GMP, using environmentally friendly methods, ensuring patients are treated with therapeutic products of the highest quality. Cannasouth Limited is the parent company, listed on the NZX, and is 100% owner of Cannasouth Bioscience Ltd, Cannasouth Cultivation Ltd, and Midwest Pharmaceuticals NZ Ltd.

For video footage, photos and logos please visit: <https://www.cannasouth.co.nz/about/media/>