

Greenfern Industries Limited

Appraisal Report

In Respect of the Extension of the Manufacture and Distribution Agreement with Cannvalate Pty Limited

August 2022

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1. Introduction

1.1 Background

Greenfern Industries Limited (**Greenfern** or the **Company**) is a licensed medicinal cannabis, research and biotechnology company that also has operations spanning into the industrial hemp and hemp food space.

Greenfern's shares are listed on the main equities securities market (the **NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of approximately \$14.0 million as at 9 August 2022. Its audited total equity as at 31 March 2022 was approximately \$3.6 million.

A profile of Greenfern is set out in section 3.

1.2 Cannvalate Agreement

Greenfern and Cannvalate Pty Limited (**Cannvalate**) entered into an agreement on 3 September 2021 in respect of the manufacture and distribution of medicinal cannabis products (the **Products**) to pharmacies in Australia (the **Cannvalate Agreement**). The Cannvalate Agreement was amended on 22 June 2022.

The Cannvalate Agreement is a white label arrangement under which Greenfern issues work orders to Cannvalate to arrange for the manufacture and distribution of medicinal cannabis products to pharmacies in Australia as part of Cannvalate's own product range but under Greenfern's *GFI Pharma* brand.

Under the Cannvalate Agreement:

- the Company pays Cannvalate a price for the services that Cannvalate provides and a price for deidentified data obtained from patients to whom pharmacies sell the Products (the **Deidentified Data**)
- Cannvalate pays Greenfern a licence for the use of the *GFI Pharma* brand and other intellectual property of Greenfern (the **Licence Fee**).

The price for the services is the reasonable cost price to Cannvalate of arranging for the manufacture of the products.

Greenfern intends that work orders already issued under the Cannvalate Agreement and further work orders intended to be issued will be for at least 6,000 units of product.

These arrangements require Greenfern to issue to Cannvalate \$150,000 of shares at the 90 day volume weighted average share price (**VWAP**) at the time of issue to satisfy each milestone of 1,000 new patients (**New Patients**) achieved on or before 20 April 2024 (the **Milestone Date**), up to an aggregate of \$900,000 of shares for 6,000 New Patients (the **Performance Shares**).

If Cannvalate achieves 6,000 New Patients before the Milestone Date, Greenfern and Cannvalate are to discuss in good faith whether, and if so what, milestones are to apply for achieving additional New Patients.

1.3 Cannvalate Pty Limited

Cannvalate is a company incorporated in Australia. The company is Australia's largest provider of medicinal cannabis products.

Cannvalate currently holds 877,659 ordinary shares in Greenfern. This represents 1.02% of the Company's total shares on issue. The shares were issued to Cannvalate on 22 April 2022 as an advance on the satisfaction of the first milestone of 1,000 New Patients and as such, the shares represent the first \$150,000 tranche of Performance Shares, issued at \$0.171 per share.

Darryl Davies is a director of Greenfern and is a co-founder, chief operating officer and managing director of Cannvalate and holds approximately 14% of the shares in Cannvalate. He does not hold any shares in Greenfern in his name.

1.4 Potential Shareholding Levels Post the Cannvalate Agreement

The Company's shareholders not associated with Cannvalate (the **Non-associated Shareholders**) currently collectively hold 84,960,384 ordinary shares, representing 98.98% of the Company's shares on issue.

If the Cannvalate Agreement is approved by the Non-associated Shareholders, the number of Performance Shares issued by Greenfern to Cannvalate will depend on:

- the number of New Patients achieved by the Milestone Date
- the 90 day VWAP when the Performance Shares are issued.

The table below shows the shareholding levels of Cannvalate and the Non-associated Shareholders assuming:

- the maximum 6,000 New Patients are achieved by the Milestone Date, resulting in a further \$750,000 of Performance Shares being issued to Cannvalate
- a 90 day VWAP of \$0.147 when the Performance Shares are issued, based on the 90 day VWAP as at 9 August 2022
- no other changes to Greenfern's capital structure.

Potential Shareholding Level Post the Issue of Performance Shares					
	Current		Performance Shares	Post Performance Shares	
	No. of Shares	%	No. of Shares	No. of Shares	%
Cannvalate	877,659	1.02%	5,102,041 ¹	5,979,700	6.58%
Non-associated Shareholders	84,960,384	98.98%	-	84,960,384	93.42%
Total	85,838,043	100.00%	5,102,041	90,940,084	100.00%

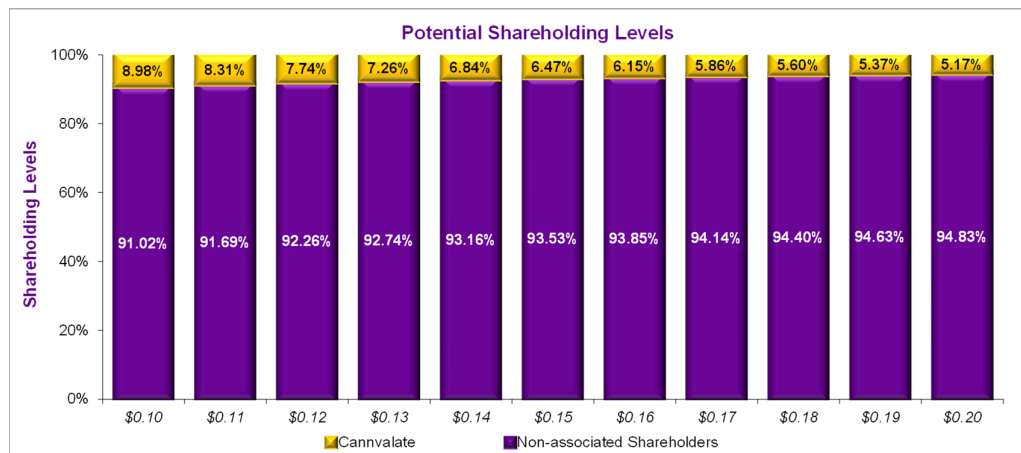
¹ Assuming a further \$750,000 of Performance Shares are issued at \$0.147 per share

Under this scenario:

- 5,102,041 Performance Shares would be issued
- Cannvalate's shareholding level in Greenfern would increase by 5.55% from 1.02% to 6.58%
- The Non-associated Shareholders' collective shareholding level would decrease by 5.55% from 98.98% to 93.42%.

The graph below shows the various potential shareholdings of Cannvalate and the Non-associated Shareholders assuming:

- the maximum 6,000 New Patients are achieved by the Milestone Date, resulting in a further \$750,000 of Performance Shares being issued to Cannvalate
- 90 day VWAPs ranging from \$0.10 to \$0.20
- no other changes to Greenfern's capital structure.



The analysis shows that Cannvalate could potentially increase its shareholding level from 1.02% to between 5.17% and 8.98% under the Cannvalate Agreement under these assumptions.

1.5 Annual Meeting

Greenfern is holding its annual meeting of shareholders on 22 September 2022, where the Company will seek shareholder approval of a special resolution in respect of the Cannvalate Agreement (resolution 6 – the **Cannvalate Agreement Resolution**).

A special resolution is passed by a majority of 75% of the votes of shareholders that are entitled to vote and voting on the resolution in person or by proxy.

If the Cannvalate Agreement Resolution is passed, then any shareholder that has cast all of their votes against resolution 6 is entitled to require Greenfern to purchase their shares in accordance with section 110 of the Companies Act 1993 (the **Co's Act**). Appendix One of the notice of annual meeting sets out the procedure for minority buy-out rights.

Cannvalate and its Associated Persons (as defined in the NZX Listing Rules (the **Listing Rules**)) are not permitted to vote on the Cannvalate Agreement Resolution.

Mr Davies is an Associated Person of Cannvalate and therefore is not permitted to vote on the Cannvalate Agreement Resolution.

The Company's shareholders will also vote at the annual meeting on resolutions in respect of:

- the remuneration of the Company's auditors (resolution 1)
- the re-election of Dan Casey as a director (resolution 2)
- the re-election of Kirsten Taylor as a director (resolution 3)
- the re-election of Marvin Yee as a director (resolution 4)

- the payment of directors' fees through the issue of shares (resolution 5)
- the issue of shares pursuant to a wholesale offer, rights issue and / or crowdfunding offers (resolution 7).

1.6 Summary of Opinion

Our evaluation of the fairness of the Cannvalate Agreement as required under the Listing Rules is set out in section 2.

In our opinion, after having regard to all relevant factors, the terms and conditions of the Cannvalate Agreement are fair to the Non-associated Shareholders.

1.7 Regulatory Requirements

Listing Rule 5.2.1 stipulates that an Issuer must not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part unless the Material Transaction is approved by way of an ordinary resolution from shareholders not associated with the Related Party.

Based on the number of units of Products sold to date, and allowing for a modest increase to that historical sales rate, Greenfern expects that its transactions with Cannvalate would give rise to a Material Transaction sometime between April 2023 and June 2023 because, when aggregated with existing relevant transactions with Cannvalate:

- they would involve the Company incurring obligations of an amount in excess of 10% of Greenfern's Average Market Capitalisation and
- they would also involve the Company paying a Price for Services in a financial year likely to exceed an amount equal to 1% of Greenfern's Average Market Capitalisation.

Cannvalate is a Related Party of the Company because, at the time of the Material Transaction, it is an Associated Person of Darryl Davies, a Greenfern director, on account of him both being a director of Cannvalate and having a material direct or indirect economic interest in Cannvalate (other than receiving reasonable director's fees or executive remuneration).

Listing Rule 7.8.8 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 5.2.1.

Listing Rule 4.1.1 stipulates that an Issuer must only issue Equity Securities with approval by ordinary resolution in accordance with Listing Rule 4.2.1.

Listing Rule 7.8.5 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution in respect of the issue of Financial Products (ie the Performance Shares) as required by Listing Rule 7.8.4 and more than 50% of the Financial Products to be issued are intended or likely to be acquired by Directors or Associated Persons of Directors. Cannvalate is an Associated Person of Greenfern director Darryl Davies.

1.8 Purpose of the Report

The Company's directors not associated with Cannvalate, being Philip Brown, Dan Casey, Brent King, Simon McArley, Kirsten Taylor and Marvin Yee (the **Non-associated Directors**) have engaged Simmons Corporate Finance to prepare an Appraisal Report on the fairness of the Cannvalate Agreement in accordance with the Listing Rules.

Simmons Corporate Finance was approved by NZX Regulation Limited (**NZ RegCo**) on 13 June 2022 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Appraisal Report to the Non-associated Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Cannvalate Agreement Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the fairness of the Cannvalate Agreement in relation to each shareholder. This report on the fairness of the Cannvalate Agreement is therefore necessarily general in nature.

The Appraisal Report is not to be used for any other purpose without our prior written consent.

1.9 Currency References

Currency references in this report are to:

- New Zealand dollars - \$
- Australian dollars – A\$.

2. Evaluation of the Fairness of the Cannvalate Agreement

2.1 Basis of Evaluation

Listing Rule 7.10.2 requires an Appraisal Report to consider whether the terms and conditions of the Cannvalate Agreement are *fair* to the Company's shareholders.

There is no legal definition of the term *fair* in either the Listing Rules or in any statute dealing with securities or commercial law in New Zealand.

In our opinion, the Cannvalate Agreement will be fair to the Non-associated Shareholders if:

- they are likely to be at least no worse off if the Cannvalate Agreement proceeds than if it does not. In other words, we consider that the Cannvalate Agreement will be fair if there is no value transfer from the Non-associated Shareholders to Cannvalate, and
- the terms and conditions of the Cannvalate Agreement are in line with market terms and conditions.

We have evaluated the fairness of the Cannvalate Agreement by reference to:

- the rationale for the Cannvalate Agreement
- the fairness of the terms of the Cannvalate Agreement
- the impact of the Cannvalate Agreement on Greenfern's financial position
- the impact of the Cannvalate Agreement on the control of Greenfern
- the dilutionary impact of the Cannvalate Agreement
- the impact of the Cannvalate Agreement on Greenfern's share price
- the benefits and disadvantages to the Non-associated Shareholders of the Cannvalate Agreement
- the benefits and disadvantages to Cannvalate of the Cannvalate Agreement
- the implications if the Cannvalate Agreement Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Evaluation of the Fairness of the Cannvalate Agreement

In our opinion, after having regard to all relevant factors, the terms and conditions of the Cannvalate Agreement are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.13.

In summary, the key factors leading to our opinion are:

- the rationale for the Cannvalate Agreement is sound. It solidifies Greenfern's commercial relationship with Cannvalate, enabling the Company to expand its presence and brand recognition for the Products in Australia
- the terms of the Cannvalate Agreement are fair:
 - the prices for the services were negotiated on an arms-length basis by Dan Casey and John Hussey on behalf of Greenfern and Dr Rob Jenny and Darryl Davies on behalf of Cannvalate, which we are advised represent market levels of pricing for the services
 - the issue price of the Performance Shares is fair as it is based on the 90 day VWAP and therefore should not be value dilutionary to the Non-associated Shareholders
- the issue of the Performance Shares under the Cannvalate Agreement will have a positive impact on Greenfern's financial position, preserving up to \$0.9 million of the Company's cash resources by issuing equity rather than paying cash to Cannvalate
- the Cannvalate Agreement will not increase Cannvalate's level of control over the Company to any significant degree
- the dilutionary impact of the Cannvalate Agreement on the Non-associated Shareholders will depend on the number of Performance Shares issued and the issue price. By way of example, if Greenfern issues a further \$750,000 of Performance Shares at \$0.10 per share (a price significantly below the current share price), the Non-associated Shareholders' proportionate shareholdings in the Company will reduce by 8.0%
- the Cannvalate Agreement is unlikely to have any significant impact on Greenfern's share price as the Performance Shares issue price is based on the Company's recent share price
- the Cannvalate Agreement is unlikely to have any impact on the liquidity of Greenfern's shares as the number of shares held by the Non-associated Shareholders will not change
- the Cannvalate Agreement will not change the risk profile of Greenfern to any significant degree
- the attraction of Greenfern as a takeover target is unlikely to change
- the implication of the Cannvalate Agreement Resolution not being approved by the Non-associated Shareholders is that Greenfern will be limited in submitting further work orders or issuing further Performance Shares to Cannvalate under the Cannvalate Agreement. This may limit the Company's ability to expand its presence and brand recognition for the Products in Australia.

2.3 Rationale for the Cannvalate Agreement

We are advised by the Non-associated Directors that Greenfern has approached and had discussions with a number of overseas medicinal cannabis product manufacturers and distributors since the Company commenced operations.

We understand that Greenfern's recent focus has been on the Australian medicinal cannabis market. Following an introduction from the Company's strategic adviser, Andrew Jeffrey, the Company's wholly owned subsidiary GFI Pharma Pty Limited and Greenfern's New Zealand senior management team have been developing a strategic relationship with Cannvalate to develop awareness of the Company's *GFI Pharma* brand across Cannvalate's network of over 3,000 doctors and more than 600 pharmacies.

Cannvalate has extensive business interests in the medicinal cannabis sector in Australia, which is one of the world's largest cannabis markets outside of the USA and Canada. Cannvalate manufactures and distributes its own product range and provides a substantial share of the medicinal cannabis products currently prescribed in Australia. Its interests include the largest network of prescribing doctors and dispensing pharmacies.

Greenfern entered into the Cannvalate Agreement on 3 September 2021 in order to:

- issue work orders to Cannvalate for the manufacture, sale and distribution of *GFI Pharma* branded medicinal cannabis products to pharmacies in Australia
- leverage Cannvalate's extensive network to collate real-world data from patients, allowing Greenfern to research and develop the safety and efficacy of cannabinoid medications.

In our opinion, the rationale for the Cannvalate Agreement is sound. It solidifies Greenfern's commercial relationship with Cannvalate and enables the Company to expand its presence and brand recognition for the Products in Australia. Furthermore, the issue of the Performance Shares enables Greenfern to preserve up to \$900,000 of its cash reserves.

2.4 Terms of the Cannvalate Agreement

Overview

On 3 September 2021, Greenfern and Cannvalate entered into the Cannvalate Agreement under which the Company issues work orders to Cannvalate for the manufacture of medicinal cannabis products which are sold and distributed by Cannvalate under Greenfern's *GFI Pharma* brand to pharmacies in Australia.

In addition to the manufacture and distribution of Products, Cannvalate also lawfully obtains and sells to Greenfern the Deidentified Data (being anonymised patient data of a type usually obtained by a medical practitioner) in respect of each Patient.

Greenfern has so far issued work orders to Cannvalate in respect of 4,000 units of Product.

On 10 January 2022, Greenfern and Cannvalate entered into a non-binding term sheet to amend the Cannvalate Agreement (the **January Terms Sheet**). Greenfern announced the key terms of the January Terms Sheet on 10 January 2022.

On 20 April 2022, Greenfern and Cannvalate entered into a further non-binding term sheet to amend the Cannvalate Agreement (the **April Terms Sheet**). Greenfern announced the key terms of the April Terms Sheet on 21 April 2022.

On 20 June 2022, Greenfern and Cannvalate entered into an agreement amending the Cannvalate Agreement on terms consistent with both the April Terms Sheet and the 21 April 2022 announcement.

Subject to the approval of the Cannvalate Agreement Resolution, Greenfern currently intends to issue further work orders under the Cannvalate Agreement for at least a further 2,000 to 4,000 units of Product. Subsequent further work orders may be issued depending on Patient demand. The number of such subsequent further work orders and the number of units of Product covered by those work orders is not capped under the Cannvalate Agreement.

Payment of Fees Under the Cannvalate Agreement

Terms

Under the Cannvalate Agreement, Greenfern pays Cannvalate a price for:

- the manufacturing and distribution services that Cannvalate provides (the **Price for the Services**)
- the Deidentified Data (the **Price for Deidentified Data**).

The Price for the Services is the reasonable cost price to Cannvalate of arranging for the manufacture of the Products.

The Price for Deidentified Data obtained in relation to sales of Products to New Patients is A\$300 per Product or Products purchased by a Patient from a pharmacy (a **Basket**):

- A\$150 is paid in cash by Greenfern on Cannvalate delivering the Deidentified Data relating to the New Patient sale
- the balance of A\$150 is paid if and when a first repeat sale is made.

Where the New Patient sale consists of more than one unit of Product, the full amount of A\$300 is charged on the initial visit by the New Patient.

The Price for Deidentified Data in relation to sales of Products to a Patient as a second or subsequent repeat sale is 20% of the sale price (excluding GST) of the Basket to the pharmacy.

Cannvalate pays Greenfern the Licence Fee for the use of the *GFI Pharma* brand and other intellectual property of Greenfern in connection with the services provided by Cannvalate under the Cannvalate Agreement.

The Licence Fee per unit of Product is equal to the price at which that Product is sold by Cannvalate to the relevant pharmacy.

Fairness of Terms

We are advised by the Non-associated Directors that the Price for the Services, the Price for Deidentified Data and the Licence Fee were negotiated on an arms-length basis by reference to known prices charged / paid by other industry players.

Dan Casey and John Hussey led the negotiations on behalf of Greenfern (with advisory provided by Brent King) and Dr Rob Jenny and Darryl Davies led the negotiations on behalf of Cannvalate (with advisory provided by Sud Agarwal, Cannvalate's chief executive officer).

It is difficult to benchmark the agreed prices for services against comparable data as such data is not publicly available. However, we are of the view that the Non-associated Shareholders can take a high degree of comfort from the fact that the 2 primary negotiators for Greenfern were the Company's 2 largest shareholders (collectively holding 24.68% of the Company's shares) who would be incentivised to negotiate the best possible terms for Greenfern as they would benefit (or suffer) the most from favourable or unfavourable terms.

Based on our understanding of the background to the negotiations, the representation made by the Non-associated Directors that the prices were negotiated on an arms-length basis and in the absence of publicly available comparable data, we are of the view that the terms of the Price for the Services, the Price for Deidentified Data and the Licence Fee are fair to the Non-associated Shareholders.

Issue of Performance Shares

Terms

Under the Cannvalate Agreement, Cannvalate aims to achieve at least 6,000 New Patients.

For each 1,000 New Patients achieved on or before the Milestone Date of 20 April 2024, Greenfern is required to issue to Cannvalate \$150,000 of Performance Shares at the 90-day VWAP price at the time of issue, up to an aggregate of \$900,000 of Performance Shares for 6,000 New Patients.

As announced on 21 April 2022, based on work orders already placed by Greenfern under the Cannvalate Agreement, Greenfern has already issued \$150,000 worth of Performance Shares (of the maximum total of \$900,000) to satisfy in advance a first milestone of 1,000 New Patients (with provision for a pro rata refund in cash or equity should that milestone not be achieved by the Milestone Date).

If Cannvalate achieves 6,000 New Patients before the Milestone Date, Greenfern and Cannvalate are to discuss in good faith whether, and if so what, milestones are to apply for achieving additional New Patients.

All Performance Shares must be issued on terms identical to, and ranking pari passu with, all the Company's ordinary shares on the date of issue of the Performance Shares.

Fairness of Terms

A summary of Greenfern's daily closing share price and monthly volumes of shares traded since it listed on the NZX Main Board on 21 October 2021 is set out in section 3.8.

The Company's shares have traded between \$0.091 and \$0.415 over the period at a VWAP of \$0.228.

The 90 day VWAP to 9 August 2022 was \$0.147.

We are of the view that the Performance Shares issue price based on the 90 day VWAP is fair to the Non-associated Shareholders as it represents the recent market value of the Company's shares at the time of each issue and accordingly there is unlikely to be any material value transfer from the Non-associated Shareholders to Cannvalate through the issue of the Performance Shares.

Conclusion

Based on the above, we are of the opinion that the terms and conditions of the Cannvalate Agreement are fair to the Non-associated Shareholders:

- the Price for the Services, Price for Deidentified Data and Licence Fee have been negotiated between Greenfern and Cannvalate on an arms-length basis which we are advised represent market levels of pricing for the services provided
- the issue price of the Performance Shares is based on the 90 day VWAP and therefore should not be value dilutionary to the Non-associated Shareholders.

2.5 Impact on Financial Position

A summary of Greenfern's recent financial position is set out in section 3.6.

We are advised by the Non-associated Directors that if Greenfern did not issue Performance Shares in respect of Cannvalate reaching the New Patient milestones, then it would be required to pay an equivalent amount to Cannvalate in cash.

The issue of Performance Shares under the Cannvalate Agreement will have a positive impact on Greenfern's financial position as the Company's cash resources will be preserved by issuing equity rather than making cash payments to Cannvalate for some of the services provided.

2.6 Impact on Control

Share Capital and Shareholders

Greenfern currently has 85,838,043 fully paid ordinary shares on issue held by 1,796 Non-associated Shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 5 August 2022 are set out in section 3.4.

Shareholding Voting

As set out in section 1.4, if the Cannvalate Agreement is approved, Cannvalate's shareholding in Greenfern could increase from 1.02% to potentially up to 8.98%, depending on the number of Performance Shares issued and the issue price.

We are of the view that the Cannvalate Agreement will not increase Cannvalate's ability to influence the outcome of shareholding voting to any significant degree.

Even with a 8.98% shareholding, Cannvalate will not be able to determine the outcome of any special resolutions (which require the approval of 75% of the votes cast by shareholders) or the outcome of any ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders), subject always to applicable voting restrictions under the Listing Rules and the Co's Act.

We note that any transactions between Greenfern and any shareholder holding 10% or more of the Company's shares will need to satisfy the requirements of the Listing Rules with respect to transactions with related parties.

Board of Directors

As set out in section 3.3, the Company currently has 7 directors, of whom only Mr Davies is deemed to be an associate of Cannvalate.

We are advised by the Non-associated Directors that the Cannvalate Agreement will not change the composition of the Board in the near term.

Operations

We are advised by the Non-associated Directors that Cannvalate's influence over Greenfern's operations is predominantly through its Board representation and the terms of the Cannvalate Agreement and that the approval of the Cannvalate Agreement Resolution will not change Cannvalate's level of influence over the Company's operations.

2.7 Dilutionary Impact

The issue of the Performance Shares will result in the Non-associated Shareholders' shareholdings in the Company being diluted. The extent of the dilution will depend on the number of Performance Shares issued and the issue price.

Assuming a further \$750,000 of Performance Shares are issued, then using the illustrative issue prices in the graph in section 1.4:

- an issue price of \$0.10 per share will result in the Non-associated Shareholders' shareholding being diluted by 8.0%
- an issue price of \$0.20 per share will result in the Non-associated Shareholders' shareholding being diluted by 4.2%.

While the dilutionary impact may be considered by some Non-associated Shareholders to be relatively significant, we are of the view that the Non-associated Shareholders' main focus should be on whether there is any dilutionary impact on the value of their respective shareholdings rather than on their level of voting rights. As stated in section 2.4, we are of the view that the terms of the Cannvalate Agreement are fair to the Non-associated Shareholders from a financial point of view and therefore do not dilute the value of their respective shareholdings.

2.8 Impact on Share Price and Liquidity

Share Price

A summary of Greenfern's daily closing share price and daily volume of shares traded from 21 October 2021 to 9 August 2022 is set out in section 3.8.

In our view, the Cannvalate Agreement is unlikely to have any significant impact on the Company's share price as the Performance Shares issue price will be at, or close to, the prevailing market price based on the 90 day VWAP.

Liquidity

The analysis in section 3.8 shows that Greenfern's shares are relatively thinly traded on the NZX Main Board. 13.1% of Greenfern's shares have traded since the Company's shares commenced trading on 21 October 2021.

In our view, the Cannvalate Agreement is unlikely to have any impact on the liquidity of the Company's shares as the number of shares held by the Non-associated Shareholders will not change.

2.9 Main Advantage to the Non-associated Shareholders of the Cannvalate Agreement

The Cannvalate Agreement solidifies Greenfern's commercial relationship with Cannvalate and enables the Company to expand its presence and brand recognition for the Products in Australia. Furthermore, the issue of the Performance Shares enables Greenfern to preserve up to \$900,000 of its cash resources.

2.10 Main Disadvantage to the Non-associated Shareholders of the Cannvalate Agreement

The main disadvantage to the Non-associated Shareholders of the Cannvalate Agreement is that the issue of Performance Shares under the Cannvalate Agreement will dilute their interests in the Company. The level of dilution will depend on the number of Performance Shares issued and the issue price. By way of example, their collective shareholdings could be diluted by 8.0% from 98.98% at present to 91.02% if a further \$750,000 of Performance Shares are issued at \$0.10 per share.

In our view, the positive aspects of solidifying the commercial relationship with Cannvalate and preserving the Company's cash reserves outweigh the dilutionary impact of the issue of Performance Shares.

2.11 Other Issues for the Non-associated Shareholders to Consider

Benefits to Greenfern of Cannvalate as a Cornerstone Shareholder

The issue of Performance Shares under the Cannvalate Agreement will position Cannvalate as an important strategic investor in the Company, signalling its commitment to the future prospects of Greenfern.

No Change in Business Risk

The Cannvalate Agreement will have negligible impact on the business risks faced by the Company.

Likelihood of a Takeover Offer Unlikely to Change

In our view, irrespective of whether Cannvalate holds 1.02% or up to approximately 9% of the Company's shares, it is unlikely to change the attraction of Greenfern as a takeover target to Cannvalate or to other parties:

- as stated in section 2.6, the issue of Performance Shares under the Cannvalate Agreement will not change Cannvalate's level of control over the Company to any significant degree and therefore Cannvalate's inclination to make a takeover offer (or not) is unlikely to change
- the decision of any bidder looking to fully or partially take over the Company is unlikely to be influenced by whether Cannvalate held 1.02% or up to approximately 9% of the Company's shares.

2.12 Likelihood of the Cannvalate Agreement Resolution Being Approved

The Cannvalate Agreement Resolution is a special resolution, passed by a majority of 75% of the votes of shareholders that are entitled to vote and voting on the resolution in person or by proxy.

Cannvalate and Darryl Davies are not permitted to vote on the Cannvalate Agreement Resolution. Therefore shareholders holding 98.98% of the shares will determine the outcome of the Cannvalate Agreement Resolution (assuming they all vote).

The Non-associated Directors have unanimously recommended that the Non-associated Shareholders vote in favour of the Cannvalate Agreement Resolution.

The following shareholders have advised the Non-associated Directors that they intend to vote in favour of the Cannvalate Agreement Resolution:

- John Hussey, holding 14.49% of the total number of voting rights
- Dan Casey, holding 10.19% of the total number of voting rights
- Brent King, holding or controlling 4.09% of the total number of voting rights
- Philip Brown, holding or controlling 4.19% of the total number of voting rights
- Marvin Yee, holding or controlling 2.17% of the total number of voting rights.

These shareholders collectively hold 35.51% of the total number of voting rights able to be voted on the Cannvalate Agreement Resolution. Accordingly, we are the view that there is a high likelihood of the Cannvalate Agreement Resolution being approved.

2.13 Implications if the Cannvalate Agreement Resolution is not Approved

If the Cannvalate Agreement Resolution is not approved, then Greenfern will be limited in being able to submit further work orders or being able to issue further Performance Shares to Cannvalate under the Cannvalate Agreement.

This may consequently limit the Company's ability to expand its presence and brand recognition for the Products in Australia and therefore limit its ability to generate revenue from the sale of the Products in Australia.

2.14 Minority Buy-out Rights Under the Co's Act

If the Cannvalate Agreement Resolution is passed, those Non-associated Shareholders who voted all of their shares against special resolution 6 will be entitled to require the Company to buy their shares in accordance with the provisions of the Co's Act.

A shareholder entitled to require the Company to purchase its shares by virtue of section 110 of the Co's Act may, within 10 working days of the passing of the special resolution, give written notice to the Company requiring it to purchase the shares.

The Board is then required to give notice to the shareholder of a fair and reasonable price for the shares. Shareholders who do not agree with the nominated price can object to the price, in which case the price will be determined by arbitration.

A detailed explanation of the minority buy-out rights is set out in Appendix One of the notice of annual meeting.

2.15 Voting For or Against the Cannvalate Agreement Resolution

Voting for or against the Cannvalate Agreement Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Non-associated Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

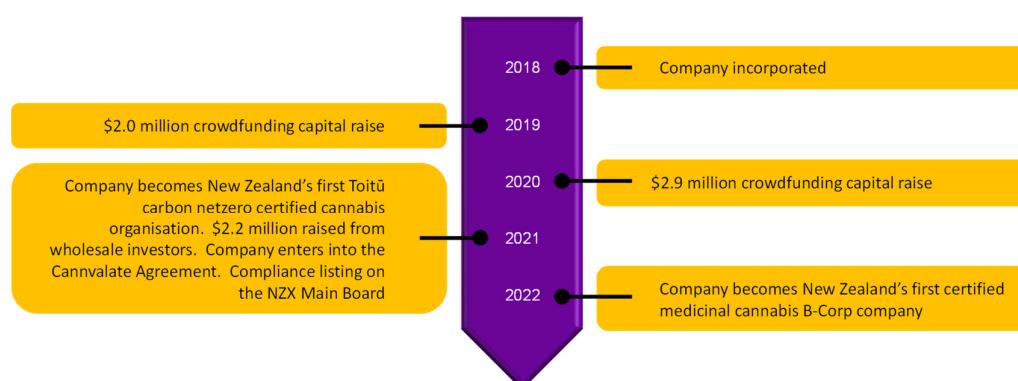
3. Profile of Greenfern Industries Limited

3.1 Background

The Company was incorporated on 12 April 2018 as Greenfern Medicinal Marijuana Limited. It changed its name to Greenfern Industries Limited on 4 September 2019.

Greenfern's shares were listed on the NZX Main Board on 21 October 2021 by way of a compliance listing (ie no fresh equity was raised). As part of the compliance listing, Greenfern issued an NZX Listing Profile dated 13 October 2021 (the **Greenfern Profile**).

The Company's key events are summarised below.



3.2 Nature of Operations

Greenfern is an early-stage licensed medicinal cannabis, research and biotechnology business that also has operations spanning into the industrial hemp and hemp food space.

The Company operates primarily from its medicinal cannabis research facility in Normanby, South Taranaki which is powered by its own onsite hydropower station.

Greenfern also has operations and revenue generating streams within the Australian medicinal cannabis sector.

With an arm in the clinical research space, Greenfern is currently writing clinical trial protocols to pursue over the counter low dose cannabidiol (**CBD**) registered medicines in Australia through the Therapeutic Goods Association.

CBD products are prescription medicines in New Zealand under the Medicines Act 1981. All medicinal cannabis products (including CBD products) must be manufactured under Good Manufacturing Practice (**GMP**) and must be verified by Medsafe as meeting this minimum quality standard in order to be able to be prescribed under normal prescription procedures.

Having a pillar of commitment to environmental sustainability, Greenfern is both a Toitū carbon net zero certified organisation and B-corp certified.

3.3 Directors and Senior Management

The directors of Greenfern are:

- Philip Brown, independent non-executive director
- Dan Casey, co-founder and managing director
- Darryl Davies, non-executive director, associated with Cannvalate
- Brent King, non-executive chair
- Simon McArley, independent non-executive director
- Kirsten Taylor, independent non-executive director
- Marvin Yee, non-executive director.

The Greenfern senior management team consists of:

- Dan Casey, managing director
- Hao Long, chief financial officer
- John Hussey, co-founder and head of growth.

3.4 Capital Structure and Shareholders

Greenfern currently has 85,838,043 fully paid ordinary shares on issue held by 1,796 shareholders.

The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 5 August 2022 are set out below.

10 Largest Shareholders		
Greenfern Shareholder	No. of Shares	%
John Hussey	12,437,744	14.49%
New Zealand Depository Nominee Limited (NZDNL)	9,064,407	10.56%
Dan Casey	8,748,392	10.19%
Daniel Leyden	5,155,685	6.01%
Timothy Johnson	4,909,671	5.72%
Brendon Partridge	4,763,873	5.55%
CBC Greenfern Limited (CBC)	2,704,000	3.15%
Crown Financial Services Limited (Crown)	1,865,600	2.17%
Prime Assets (NZ) Limited (Prime)	1,300,000	1.51%
Strategic Assets (NZ) Limited (Strategic)	1,300,000	1.51%
Subtotal	52,249,372	60.87%
Others (1,786 shareholders)	33,588,671	39.13%
Total	85,838,043	100.00%

Source: NZX Company Research

John Hussey and Dan Casey are co-founders of Greenfern and executives of the Company.

NZDNL holds the shares on behalf of Sharesies Limited.

Daniel Leyden, Timothy Johnson and Brendon Partridge are co-founders of the Company.

CBC is associated with Brent King, Greenfern's chair.

Greenfern director Marvin Yee is a principal of Crown.

Prime and Strategic are ultimately owned by Greenfern director Philip Brown.

Cannvalate currently holds 1.02% of the Company's shares.

3.5 Financial Performance

A summary of Greenfern's recent financial performance is set out below.

Summary of Greenfern Financial Performance			
	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000
Operating income	1	47	213
Cost of sales	(20)	(12)	(207)
Gross profit	(19)	35	6
Other income	22	37	123
Expenses	(1,655)	(1,300)	(2,078)
Operating loss	(1,652)	(1,228)	(1,949)
Finance expense	(28)	(28)	-
Loss for the year	(1,680)	(1,256)	(1,949)

Source: Greenfern Profile and 2021 and 2022 annual reports

Greenfern has incurred losses since it commenced operations.

The Company generates revenue from:

- the manufacture and distribution of medicinal cannabis products:
 - GMP medicine prescriptions
 - clinical trial pathway
 - medicinal cannabis cultivation
- the sale of power from the Company's hydropower station.

Operating expenses consist mainly of salaries, listing fees, strategic advisory fees, directors' fees and project management fees.

3.6 Financial Position

A summary of Greenfern's recent financial position is set out below.

Summary of Greenfern Financial Position			
	As at 31 Mar 20 (Audited) \$000	As at 31 Mar 21 (Audited) \$000	As at 31 Mar 22 (Audited) \$000
Current assets	1,059	1,645	1,742
Non current assets	1,215	1,771	2,214
Total assets	2,274	3,416	3,956
Current liabilities	(199)	(131)	(330)
Non current liabilities	(1,503)	(933)	-
Total liabilities	(1,702)	(1,064)	(330)
Total equity	572	2,352	3,626
Net assets per share	\$0.21	\$0.55	\$0.04

Source: Greenfern Profile and 2021 and 2022 annual reports

Greenfern's main current assets as at 31 March 2022 were cash and cash equivalents and prepayments to Cannvalate.

Non current assets as at 31 March 2022 consisted mainly of property, plant and equipment.

Current liabilities as at 31 March 2022 consisted of trade and related party payables.

3.7 Cash Flows

A summary of Greenfern's recent cash flows is set out below.

Summary of Greenfern Cash Flows			
	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000
Net cash (outflow) from operating activities	(349)	(1,021)	(2,078)
Net cash inflow / (outflow) from investing activities	662	(1,274)	(538)
Net cash received from financing activities	224	2,600	2,171
Net decrease in cash held	537	305	(445)
Foreign currency translation adjustment	-	-	(3)
Opening cash balance	455	992	1,297
Closing cash balance	992	1,297	849

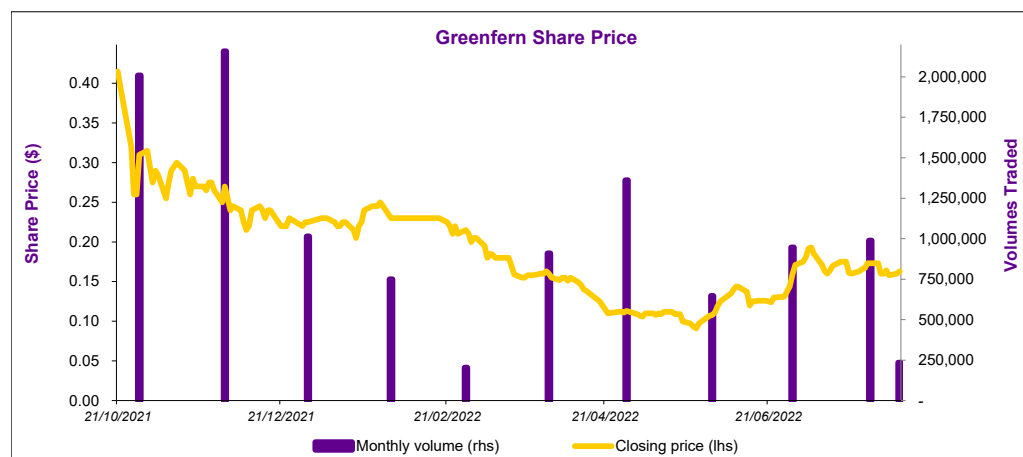
Source: Greenfern Profile and 2021 and 2022 annual reports

Financing activities cash flows in the 2021 financial year included \$2.6 million (net) raised with Equitise NZ Crowdfunding.

Financing activities cash flows in the 2022 financial year consisted of \$2.2 million (net) raised from wholesale investors.

3.8 Share Price History

Set out below is a summary of Greenfern's daily closing share price and monthly volumes traded from 21 October 2021 to 9 August 2022.



Source: NZX Company Research

During the period, Greenfern's shares traded between \$0.091 and \$0.415 at a VWAP of \$0.228.

Trading in the Company's shares is relatively thin. An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 9 August 2022 is set out below.

Share Trading up to 9 August 2022					
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 month	0.158	0.175	0.167	699	0.8%
3 months	0.091	0.193	0.147	2,608	3.0%
6 months	0.091	0.230	0.149	5,193	6.1%
Since listing	0.091	0.415	0.228	11,221	13.1%
Source: NZX Company Research					

4. Sources of Information, Reliance on Information, Disclaimer and Indemnity

4.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the notice of annual meeting
- the Cannvalate Agreement
- the Greenfern Profile
- the Greenfern annual reports for the years ended 31 March, 2021 and 2022
- data in respect of Greenfern from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Non-associated Directors and Greenfern's legal advisers.

The Non-associated Directors has confirmed that we have been provided for the purpose of this Appraisal Report with all information relevant to the Cannvalate Agreement that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is needed for the purpose of preparing this Appraisal Report.

In our opinion, the information to be provided by Greenfern to the Non-associated Shareholders is sufficient to enable the Non-associated Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Cannvalate Agreement.

4.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Greenfern and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Greenfern. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

4.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Greenfern will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Greenfern and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of annual meeting issued by Greenfern and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

4.4 Indemnity

Greenfern has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Greenfern has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

5. Qualifications and Expertise, Independence, Declarations and Consents

5.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

5.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Greenfern or Cannvalate or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Cannvalate Agreement.

Simmons Corporate Finance has not had any part in the formulation of the Cannvalate Agreement or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Cannvalate Agreement Resolution. We will receive no other benefit from the preparation of this report.

5.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for their comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

5.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of annual meeting to be sent to the Non-associated Shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

A handwritten signature in black ink, appearing to read 'P. Simmons'.

Peter Simmons
Director

Simmons Corporate Finance Limited
10 August 2022