



General Retail Offer

DATED 10 MAY 2023



EQALIS



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LETTER FROM THE CHAIR

Dear potential investor,

On behalf of the directors of Cannasouth Limited (“Cannasouth”) we are pleased to offer you an opportunity to participate in an offer to purchase shares at an issue price of \$0.29 per share (“New Shares”). In addition, for every two New Shares subscribed for under this Offer, an investor will receive one Option to acquire an additional share in Cannasouth at an issue price of \$0.29 (“Option”) – the term of the Option is 36 months from the date of the issue of the Option.

As you may be aware, Cannasouth recently obtained shareholder approval for the implementation of a significant operational and capital restructure by way of a merger. The restructure relates to the conditional acquisition of Equis Group New Zealand Limited (“Equis”).

In order to implement the acquisition of Equis, Cannasouth must, as a condition of the transaction with Equis shareholders, raise not less than \$7 million of new capital on or before 9 June 2023. To seek to satisfy this condition, this Offer is being undertaken in parallel with an offer to Cannasouth’s existing shareholders to raise up to \$4.5 million (“Cannasouth Offer”), and another offer to existing Equis shareholders, to raise a further \$4.5 million (“Equis Offer”). If both offers are successful, Cannasouth would raise a total of \$9 million.

You are being provided with an opportunity to potentially invest in any Shortfall under either or both of the Cannasouth Offer and/or the Equis Offer (if any), or to participate in any oversubscription facility should the Board resolve to accept oversubscriptions in respect of those two offers.

Cannasouth reserves the right to accept oversubscriptions under both offers of a further \$2 million in aggregate.

The funds raised from the Cannasouth Offer and the Equis Offer will be applied by Cannasouth towards the combined Cannasouth and Equis Group’s primary near and medium term strategic objectives, which include:

- Funding the ongoing working capital requirements of Cannasouth post Completion including:
 - Building and expanding Cannasouth’s international sales team;
 - Funding merger implementation costs;
- Funding existing Cannasouth projects including GMP certification of Cannasouth Cultivation’s grow facility, product certification for customer in a key export market;
- Funding existing Equis projects including ICE-X, Z-Grow, T-Clone, A-Script, Project Formulation, and new active pharmaceutical ingredients;
- Funding the expansion of RestoreMe Clinic;

- Validation and commercialisation of next generation drug delivery systems;
- Clinical trials.¹

¹ The extent to which Cannasouth will fund all, or some, of those stated objectives will depend upon the sum ultimately raised under the combined Cannasouth and Eqalis offers, in aggregate



Further information about the merger

Extensive information about the merger has been previously circulated in the Notice of Special Meeting to Cannasouth shareholders. A copy of that Notice is available on the Cannasouth website <https://www.cannasouth.co.nz/eqalis/>

Further information about the merger is also provided in this Offer Document on pages 11 to 16.

Conditional Offer

This offer is conditional upon the Cannasouth Offer and the Eqalis Offer raising a minimum of \$7 million in aggregate on or before 9 June 2023 in order for those two offers and this Offer, and the merger with Eqalis, to proceed. In the event that this minimum amount of new capital is not raised, then the merger will not proceed, the capital raising will be terminated, and the funds raised from the capital raising initiatives will be returned to the investors, without the payment of any interest.

Investors have until 5pm on 24 May 2023 to apply for New Shares under the Offer.

This document sets out important information about Cannasouth and the Offer. Before making your investment decision, I encourage you to read these documents in full and also to consider the information disclosed by Cannasouth to NZX and other information available at www.nzx.com under the ticker code "CBD".

If you are in doubt as to what you should do, you should consult your financial or professional adviser.



Yours sincerely

Tony Ho
Chair, Cannasouth Limited

KEY TERMS OF THE OFFER

Issuer	Cannasouth Limited.
The Offer	<p>An offer of new ordinary shares in Cannasouth at an issue price of \$0.29 per share ("New Shares").</p> <p>For every two New Shares subscribed for under this Offer, an investor will receive one Option to acquire an additional share in Cannasouth at an issue price of \$0.29 ("Option") – the term of each Option is 36 months from the date of the issue of the Option. The terms of the Options are detailed in the Terms and Conditions of the Offer.</p>
Who can participate	Retail investors located in New Zealand.
Issue Price	\$0.29 per New Share. Each Option has an exercise price of \$0.29.
Offer Size	<p>Up to \$9.0 million is being raised under the Cannasouth Offer and the Equis offer in aggregate.</p> <p>In the event that Cannasouth receives subscriptions for more than \$9 million under those offers, it reserves the right to Issue a further \$2 million of additional Shares by way of oversubscription in aggregate ("Oversubscription Facility").</p> <p>Under this Offer, non Cannasouth and Equis shareholders are being offered the opportunity to apply for New Shares in the Shortfall and/or the Oversubscription Facility under the Cannasouth Offer and the Equis Offer.</p>
Shares currently on issue	147,891,069 Shares are already quoted on the NZX Main Board. However, should the Merger Proposal proceed, then an additional 147,891,069 new Cannasouth Shares will be issued to the existing shareholders in Equis as consideration for Cannasouth acquiring 100% of the shares on issue in Equis.
Maximum number of New Shares being offered	<p>31,034,482 New Shares are being offered under the Cannasouth Offer and the Equis Offer in aggregate.</p> <p>The Cannasouth Board also reserves the right at its discretion to accept oversubscriptions and third party investment under this Offer and the Cannasouth Offer for a further \$2 million, in addition to the \$9 million currently available under this Offer and the Equis Offer, in aggregate.</p>
Conditional Offer	This Offer is conditional upon the Cannasouth Offer and the Equis Offer raising a minimum of \$7 million in aggregate on or before 9 June 2023, in order for those two offers, and the Merger with Equis, to proceed. In the event that this minimum amount of new capital is not raised, then the Merger will not proceed, the Cannasouth Offer, the Equis Offer and this Offer will be terminated, and the funds raised from those capital raising initiatives will be returned to the investors, without the payment of any interest.
When to apply	Application (including postal applications) must be received by 5pm on the Closing Date (24 May 2023, unless extended).
How to apply	An application by an Eligible Shareholder must be online at https://cannasouth.rightsoffer.co.nz .

IMPORTANT DATES

Event	Date
Opening Date for the Offer	10 May 2023
Closing Date for the Offer	5pm, 24 May 2023
Announcement of results of the Offer	29 May 2023
Settlement of the Merger with Eqalis	31 May 2023
Allotment of New Shares and despatch of holder statements	31 May 2023
Commencement of trading of New Shares	1 June 2023
Payment of any refund from scaling of Offer and/or Oversubscription Facility	by 2 June 2023

Note:

The dates above are subject to change and are indicative only. Cannasouth reserves the right to amend this timetable (including by extending the Closing Date) subject to applicable laws and the Listing Rules. Cannasouth reserves the right to withdraw the Offer at any time at its absolute discretion.

OVERVIEW OF CANNASOUTH LIMITED

Who is Cannasouth?

The Cannasouth Group was established to focus on the commercial development of medicinally beneficial attributes of cannabinoid compounds such as CBD, THC and associated chemical structures that are produced by the cannabis plant.

Cannasouth was one of the earliest companies to operate in the New Zealand medicinal cannabis sector. The founders have a long history of involvement with industrial hemp dating back to 1995 and obtained one of the first licences to cultivate industrial hemp in 2002.

Cannasouth was the first medicinal cannabis company to list on the New Zealand Stock Exchange in June 2019 and has cemented itself as a leader in the industry here. Our ticker code is NZX:CBD.



Medicinal Cannabis Industry

The global medicinal cannabis industry is growing rapidly with over 60 countries now allowing some access to cannabis-based medicines. The industry is complex and highly regulated - meaning only those companies with suitable facilities, people, regulatory and quality experience will be able to successfully overcome the hurdles and commercialise products.

This is resulting in rapidly growing global demand for pharmaceutical quality cannabis-based ingredients and medicines.

New Zealand's Medicinal Cannabis Scheme came into effect on the 1st of April 2020.

Our Strategy

Our goal is to develop next-generation cannabinoid medicines that support patients' health outcomes and improve their quality of life.

To achieve our goal and vertical integration strategy, Cannasouth has focused on establishing a world-class team, facilities and capabilities, with a plan that allows for multiple and phased revenue streams.

Group Structure

The Cannasouth Group is currently comprised of two trading entities.

Cannasouth Cultivation Ltd

Cannasouth Cultivation operates an industry leading controlled environment agriculture ("CEA") sealed greenhouse in Waikato, New Zealand's agricultural heartland. The sophisticated, scalable cultivation facility is designed to produce pharmaceutical grade, premium quality cannabis flower for both local and export markets.

Medicinal cannabis flower can either be a flower as finished dosage form or bulk starting material. Cannasouth is specifically focused on targeting the cannabis flower as finished dosage form. As such certain quality certifications are required to enter this market.

Cannabis flower is a product format growing in popularity in key export markets. Premium flower is highly specialised and more expensive to produce than lower grade biomass used for extraction.

To produce saleable premium flower for export and local sales requires achieving various quality standards.

The facility is designed to operate to both Good Agricultural and Collection Practices ("GACP") and pharmaceutical Good Manufacturing Practice ("GMP") quality standards making it one of the few facilities in New Zealand designed to do so. Commissioned in late 2021, Cannasouth completed its first commercial scale harvest in June 2022 and now

operates year-round. GACP certification was achieved in August 2022 and Cannasouth is confident GMP certification will be achieved following the site audit in March 2023.

Cannasouth Bioscience Ltd

In October 2022 Cannasouth Bioscience received its first shipment of verified cannabis medicines. This accomplishment marked the end of a near two-year process from submitting product assessments with the Medicinal Cannabis Agency.

Navigating and establishing the supply chain for its first medicines means Cannasouth is now generating revenue from the sale of medicines in New Zealand. The differentiated formulations (including the first to contain THC verified by a New Zealand medicinal cannabis company) of our products will provide New Zealand patients and prescribers with expanded treatment options compared to existing products on the New Zealand market. We are confident these products offer patients and prescribers a point of difference to meet the treatment needs of a wider range of conditions.

We are unable to provide more specific information about products due to advertising restrictions in the Medicines Act 1981.

These first products provide the beachhead for Cannasouth to establish relationships with prescribers and pharmacies. This beachhead will allow us to seamlessly add new products in the future including dried flower and next generation finished product formulations.

Cannasouth Bioscience also provides support services for the Group which includes research and development, sales and marketing, quality and regulatory, and corporate services. These capabilities have been developed to support in-house business activities and support commercial customers who are seeking a turn-key solution.

Cannasouth has established an advanced in-house R&D and technical services department led by highly experienced pharmaceutical development scientist David Gill and equipped with industry leading cannabinoid isolation capabilities and advanced testing equipment.

We are researching medicinal cannabis and drug delivery technology, optimising product performance, bioavailability, and patient outcomes.

Current cannabis products are generally in the form of oil based oral solutions which are dosed to the patient via an oral syringe or dropper. They are intended for the delivery of cannabinoids to the systemic system via the gut or sublingual cavity (under tongue). These existing products can have considerable limitations (speed of action, bioavailability, chemical stability, taste, ease of use, accuracy of dose, allergies etc). As part of the Callaghan funded project grant, our research team investigated alternatives to the current product lines and sought to identify improved technologies to overcome these limitations and develop a range of 'next generation' medicinal cannabis products.

Cannasouth has explored multiple approaches to enhance the performance and patient experience of the next generation products including, like other research groups, nanotechnology. However, the team were also mindful of the cost of development and the cost to the patient. This innovative thinking led to the development of a new simple and effective alternative to oils which could be utilised in a range of drug delivery systems from oral to transdermal. This technology will allow Cannasouth to progress a range of 'in-house' products using our current capability. Since this technology could potentially be used as a drug delivery platform for other lipophilic drugs (not just cannabinoids) it also provides an opportunity to partner / out-license the technology intellectual property.

We are currently applying this technology to a range of medicinal cannabis products in development.

These products are designed to improve patient usability and experience such as ease of dosing and absorption. The same technology provides an opportunity to take advantage



of new Australian regulations that allows over-the-counter CBD products. These products will be targeted at specific medical conditions and therefore require supporting clinical data. Although this makes the process a little more complex, it will provide certainty to doctors and patients that the products work. These two development programmes focus on short to medium-term initiatives. For the longer term, we believe that cannabis will become more and more embedded into mainstream therapeutics providing alternatives to existing therapies and to address unmet clinical needs. However, to achieve this we will need to demonstrate clinical efficacy. This is a complex and expensive process, so we are actively working collaboratively in this space. We are currently in discussions with research centres looking at supporting Randomised Controlled Studies (RCT's) in three therapeutic areas.

The outcomes from this type of study not only allow progress in the medical space but strengthens Cannasouth's IP portfolio and will help build collaborations with the pharmaceutical industry.

Cannasouth believes it has the most advanced technology in-house of any competitor in New Zealand for research and product development, and has established an advanced in-house R&D and technical services department. Alongside in-house capabilities Cannasouth has established multiple external university collaborations for key research initiatives, but we have purposely kept key, sensitive, product and intellectual property development programmes in-house.

Drug development from cannabis offers one of the greatest opportunities to improve and expand the offering in the wider pharmaceutical market. It has the potential to generate new technology, medicine formulations, combinations, devices, clinical protocols and data, which could all potentially lead to a new generation of IP. Cannasouth is leading the way and has a targeted research and development programme established, supported by government grants.

People

Cannasouth's people are our greatest asset. We have spent the last four years assembling a team of the highest caliber. Our team has expertise in corporate governance, finance, research and development, formulation, project management, cultivation, manufacturing, pharmaceutical quality systems and regulatory compliance.

Our team has a wealth of GMP and pharmaceutical experience. We are confident we have the most well-equipped team in New Zealand of any vertically integrated medicinal cannabis company. We are proud to be developing pharmaceutical quality medicinal cannabis finished products and ingredients, and genuine differentiated products and defensible intellectual property.



Recent Milestones

- ✓ **May 2022** First three cannabinoid products successfully verified by the Medicinal Cannabis Agency
- ✓ **June 2022** Harvest of first commercial scale cannabis flower crop
- ✓ **June 2022** Signed a supplier agreement with WEECO Pharma GMBH ("WEECO"). WEECO is one of the leading importers and distributor of medicinal cannabis in Germany
- ✓ **August 2022** Positive encouraging preliminary results of 3-year research into using cannabinoid products for the relief of neuropathic pain management
- ✓ **August 2022** Cultivation facility achieved GACP certification for cannabis flower production
- ✓ **October 2022** Sales of first medicinal cannabis products in New Zealand
- ✓ **February 2023** Sale of non-core liquid filling assets of Midwest Pharmaceuticals

What's Next for Cannasouth

- ✓ GMP Certification of Cannasouth's cultivation and processing facility
- ✓ Export of premium cannabis flower
- ✓ Submit flower products for verification in New Zealand
- ✓ Expansion of plant genetics on-boarding
- ✓ Commercialisation of first products from R&D pipeline

Further Resources

Cannasouth Group's Annual Reports; Available at:
<https://www.cannasouth.co.nz/investors/financial-reports-and-news-for-investors/>

NZX Cannasouth Spotlight Video; Available at:
<https://www.youtube.com/watch?v=Pzp0mOa-q9E>



OVERVIEW OF THE MERGER PROPOSAL AND INTRODUCTION TO EQALIS

At the Special Meeting of Cannasouth Shareholders held on 28th April 2023, Cannasouth Shareholders approved the Merger by way of acquisition of Eqlis Group New Zealand Limited ("Eqlis"). Comprehensive information regarding the proposed Merger and Eqlis was circulated to Cannasouth Shareholders prior to that meeting.

The information below is a summary of:

- the terms of the Merger with Eqlis;
- the business operations of Eqlis; and
- the collateral restructure of Cannasouth as part of the Merger.

Merger with Eqlis

- The Restructure involves Cannasouth acquiring 100% ownership of Eqlis Group New Zealand Limited ("Eqlis"). The "in-substance nature" of the transaction is in effect a merger of two equals - Cannasouth and Eqlis.

Established in 2019, Eqlis has proven to be a pioneer in the New Zealand medicinal cannabis industry.

Eqlis' mission is to solve accessibility and affordability issues for patients and is innovating to make the benefits of cannabis accessible to all. It has done so by building an innovative and collaborative culture to disrupt the sector from the ground up.

Eqlis' commercial strategy is to create technology through innovation that can generate business opportunities, reduce manufacturing costs, and produce revenue streams from licencing to non-competitive companies.

The purchase price payable by Cannasouth to acquire Eqlis is \$48.8 million. It is proposed that Cannasouth will satisfy the payment of the purchase price by issuing 147,891,069 Cannasouth shares, at an issue price of \$0.33 per share ("Consideration Shares"), to the shareholders of Eqlis.

Business Operations of Eqlis

- The business operations of Eqlis comprise:

The Eqlis Group has several subsidiaries including Eqlis Innovations Limited, Eqlis Pharmaceuticals Limited and RestoreMe Clinic Limited which each target a different point in the supply chain.

Eqlis Innovations

R&D and innovation are at the heart of everything Eqlis does. The innovation team seeded Eqlis Pharmaceuticals and RestoreMe Clinic and are continuing to develop a pipeline of technology that will provide future competitive advantages. Many of these innovations are already the subject of pending patent applications and are nearing readiness for market entry. This reflects Eqlis' long-term strategy to own and control those cutting-edge technologies that are critical to securing its position in the market.

The innovation team has a proven track record of using innovation to disrupt or reshape industries, and experience in operating in an agile and iterative way that quickly delivers value to Eqlis.

Eqlis has a diverse range of projects underway, from cannabis cultivation through to cannabis-based pharmaceuticals. Current projects at a glance are:

- **Project ICE-X:** A scalable extraction platform to reduce the cost of extracting target cannabinoids from plant material. This will reduce the total cost of producing active pharmaceutical ingredients, and the overall cost of medicines for patients while addressing challenges such as biomass storage, preparation for extraction, solvent use and energy consumption.



- **Project Z-Grow:** Linked with Project ICE-X, this project is focussed on the industrialisation of outdoor cannabis biomass cultivation to further drive down the cost of manufacture which will lead to lower cost medicines to patients. This will enable an efficient domestic cultivation industry, covering all steps from cultivation, harvesting and post-harvest processing. This project utilises Equis’ outdoor grow facilities in the Bay of Plenty and in the South Island.
- **Novel Cannabinoid Discovery:** An extended range of active pharmaceutical ingredients which contain different and novel cannabinoids.
- **Project Formulations:** New products including topical formulations.
- **Project A-Script:** Software assisted prescribing technology, utilising artificial intelligence (“AI”) and genetic markers to improve patient outcomes from use of medicinal cannabis products and reduce the risk of side effects.

In addition, Equis has an indoor cultivation facility which is working on projects like seed production, propagation, tissue culture, plant genetics research and plant variety onboarding.

RestoreMe Clinic

RestoreMe Clinic is Equis’ online platform which will eliminate barriers to patients accessing medicinal cannabis products, by connecting them with qualified doctors that are open to prescribing cannabis-based medicines.

Access to medicinal cannabis is constrained by prescriber knowledge gaps and prescribing hesitancy. While there are existing clinics in New Zealand most have priced their services beyond the reach of many patients. RestoreMe intends to overcome these issues.

The clinic operates an innovative online platform, led by a group of qualified health professionals that are educated in, and open to, prescribing medicinal cannabis products. RestoreMe operates independently with its own code of conduct and offers medicinal cannabis products from a wide range of providers.

The online platform facilitates timely medical consultations for patients and provides them with prescriptions, which they can take to their local pharmacy or can have filled online using the RestoreMe platform. The entire process from consultation to delivery of medicines can be completed remotely, from the privacy and comfort of the patient’s own home.

RestoreMe is already disrupting the New Zealand clinic industry by driving down costs to patients by reducing the cost of doctor appointments, fulfilling prescriptions, and ongoing repeats.

Equis Pharmaceuticals

Equis Pharmaceuticals is Equis’ GMP certified manufacturing facility. Achieving this certification is a significant milestone and enables Equis to manufacture medicinal cannabis products for the New Zealand and international markets. Equis is one of only three specialist medicinal cannabis companies having achieved this GMP recognition in New Zealand.

Currently, Equis has pending applications for product verification in New Zealand of its first active pharmaceutical ingredient and two of its finished product oral solutions.

When launched on the market these products will be priced significantly lower than competing products.

What sets Equis Pharmaceuticals apart from its competitors is that it is building:

- A global ingredients business; manufacturing and selling active pharmaceutical ingredients to other pharmaceuticals companies.
- A proprietary, low-cost, GMP process for the manufacture of active pharmaceutical ingredients from cannabis.

These processes enable Equis to provide customers with a range of cannabinoid active pharmaceutical ingredients and a flexible integrated supply chain within the rigorous requirements of the pharmaceutical industry.



Recent Milestones

- ✓ **February 2022** Commissioned facility for seed production to support outdoor, industrialised grow facilities
- ✓ **April 2022** Harvests at outdoor grow facilities in Bay of Plenty and in the South Island
- ✓ **August 2022** 50th successful indoor harvest at Katikati indoor grow facility
- ✓ **November 2022** Granted GMP certification and licence to manufacture medicines - CBD isolate as API and two oral solutions
- ✓ **November 2022** Application filed for product verification of CBD isolate to be sold as an API and two CBD oral solutions to be sold as finished products
- ✓ **November 2022** Launched cannabis specialist, online prescribing clinic, RestoreMe Clinic Ltd

What's Next for Equalis

- ✓ Launch oral solutions
- ✓ Export sales of API and oral solutions
- ✓ Expand range of APIs and finished products to include THC containing cannabis-based ingredients and products, including in oral and topical forms
- ✓ Build and commission industrialised, low-cost extraction facility

Benefits of the Merger

- The Board believes that the merger will create a truly vertical enterprise with revenues from biomass and premium flower production, manufacture of cannabis-based ingredients and cannabis medicines, the merger of Cannasouth and Equalis brings with it a suite of synergistic benefits including expertise, technology, manufacturing capability, product distribution and licensing.
 - The combination of complementary attributes of the two existing businesses will speed up the advancement of technology bringing medicines to market faster – resulting in a diversification of income streams and reduced risk for Cannasouth shareholders.
 - Medicinal cannabis products produced by the new merged company will range from simple oil-based tinctures to next generation pharmaceuticals, while building revenue streams from services such as the independently operated clinic RestoreMe and royalties from licensing intellectual property.
 - All of the above will ensure patients have low-cost access to medicinal cannabis and ensure that Cannasouth can respond to changes in market demand, both locally and internationally.
- Further merits of the Merger Transaction include:

DIVERSIFIED PRODUCT AND SERVICES PORTFOLIO

Revenues from seed to pharmaceuticals, with independent prescribing and dispensing of medicines. It is a perfect combination of Equalis' manufacturing capability for API and finished medicines, and Cannasouth's flower, current and next generation medicines. This will provide greater offerings to overseas partners and customers. Provides economy of scale for the sales team and greater return on their efforts, together with an increased ability to develop market specific offerings. The broader portfolio of products will enable access to multiple markets and different market niches, making it better suited to capture value.

→ ***Cannasouth expects a faster rate of sales growth.***



CRITICAL MASS

The resulting merged organisation will be larger, which will give it the ability to flex to meet market requirements as they change and respond to challenges. Combining two highly experienced, battle-hardened teams, will add significant advantage over competitors by improving problem solving capabilities and resiliency.

→ ***Cannasouth expects faster achievement of milestones and outsized progress.***

COMBINES TECHNOLOGIES

The unique combination of Equalis' extraction technologies and processes can be combined with Cannasouth's next generation products to deliver lower cost and more effective medicines to patients.

→ ***Cannasouth expects to maximise the merged company's market share.***

ACCELERATES INNOVATION

The merger will create a world class R&D and innovation team with a wider pool of experience and resources. The team will be more creative problem solvers and faster at taking solutions to market. This will enable the merged company to be a market leader in product development and will be differentiated and disruptive.

→ ***Cannasouth expects the merged company to be more competitive through cost reduction and the industry leader in new products and services.***

WEALTH OF EXPERT LEADERSHIP

The combination of the teams' deep industry knowledge and experience will solidify the merged company's position as a market leader.

→ ***Cannasouth expects to guide the future of the domestic and international industry, resulting in an increase in international customers and future revenue.***

Here is a short video explaining the benefits of the merger
<https://vimeo.com/812510853/71055daaff>

Here is a Fact Sheet highlighting the benefits of the merger
<https://cdn.cannasouth.co.nz/wp-content/uploads/2022/12/19125938/Cannasouth-and-Equalis-Proposed-Merger-Fact-Sheet.pdf>

All merger related information can be viewed at <https://www.cannasouth.co.nz/eqalis/>

Collateral Restructure matters

- In conjunction with the completion of the Merger, Cannasouth will undertake this Offer and the Equalis Offer. The minimum amount of capital that must be raised under these two offers is \$7 million, and the target amount to raise is \$9 million. Cannasouth reserves the right to accept oversubscriptions under both offers of a further \$2 million of additional New Shares (in aggregate). The new capital will be applied towards funding the ongoing working capital and future growth capital requirements of Cannasouth post completion of the acquisition of Equalis.
- In addition, as detailed elsewhere in this Offer Document, one Option will be issued for every two New Shares issued under this Offer and the Equalis Offer.
- On completion of the Merger, three new directors nominated by the shareholders of Equalis (Ms Webber and Messrs Misson and Scapens) will join the Board of Cannasouth in addition to Messrs Ho and Lucas, and Ms Pears. Ms Hull will retire from the Cannasouth Board.
- The Merger is subject to a number of conditions, primarily comprising Cannasouth raising not less than \$7 million of new capital under this Offer and the Equalis Offer in aggregate.

What Cannasouth will look like post completion of the Restructure

Following completion of the Restructure, Cannasouth will:

- Own 100% of Eqalis. The future performance of Cannasouth and the Cannasouth shares will therefore be, in part, dependent upon the future performance of the existing business operations of Cannasouth, together with the existing business operations of the Eqalis Group following completion of the Restructure.
- The issue of the Consideration Shares and the New Shares under this Offer and the Eqalis Offer will have the following effect on existing Cannasouth shareholders, showing three scenarios of new capital raised:



	If minimum \$7m raised	If \$9m target is raised	If maximum \$11m raised
Current shares on issue	147,891,069	147,891,069	147,891,069
Consideration Shares to be issued	147,891,069	147,891,069	147,891,069
Capital Raise Shares to be issued	24,137,931	31,034,483	37,931,034
Capital Raise Options to be issued	12,068,965	15,517,241	18,965,517
Total shares on issue after the completion of the Restructure	319,920,069	326,816,621	333,713,172
Percentage of overall dilution (assuming that existing CBD shareholders did not participate in the capital raising initiative and if no Capital Raise Options are exercised)	53.772%	54.748%	55.683%
Percentage of overall dilution (assuming that existing CBD shareholders did not participate in the capital raising initiative and if all Capital Raise Options are exercised)	55.453%	56.799%	58.066%
Example shareholder: pre-Restructure percentage holding	10%	10%	10%
Example shareholder: post Restructure percentage holding (with no participation in the Capital Raising initiative and if no Capital Raise Options are exercised)	4.623%	4.525%	4.432%
Example shareholder: post Restructure percentage holding (with no participation in the Capital Raising initiative and if all Capital Raise Options are exercised)	4.455%	4.320%	4.193%

- Cannasouth will have three new directors on the re-constituted Cannasouth Board of six.
- Cannasouth will have additional cash in the bank between \$7m and \$11 m, before payment of transaction costs and a partial retirement (\$500,000) of the loan associated with Cannasouth Cultivation Limited.

Eqalis' operations will be largely unaffected by the Merger i.e., post-merger both Cannasouth's and Eqalis' production facilities will continue to operate as they have been designed and intended.

Opportunities for cost savings through operational efficiencies will be explored during the implementation of the Merger, but the focus will be on integrating the skills, knowledge and experience of the two organisations. With this Merger comes the opportunity to accelerate the development of planned activities of both entities through the ability to leverage each company's knowledge and experience that the other does not currently have.

The Merger will create the opportunity to expand Cannasouth's Senior Executive Team. Eqalis executives Greg Misson and David Macaskill will report to Mark Lucas, Cannasouth's CEO, and be added to the Senior Executive Team, which will expand the teams' capabilities.



TERMS AND CONDITIONS OF THE OFFER

1. Key Terms of the Offer and Important Dates

The Key Terms of the Offer and Important Dates sections above form part of these terms and conditions.

2. Applying and paying for New Shares

To participate in the Offer you must apply at <https://cannasouth.rightsoffer.co.nz>.

Payment must be by direct credit.

3. Discretion to accept or reject applications

Cannasouth has complete discretion to accept or reject your application to purchase New Shares under the Offer, including (without limitation) if Cannasouth considers that your application does not comply with these terms and conditions.

No interest will be paid on any application monies returned to you. Any refunds for whatever reason will be paid to you by direct credit to your bank account within 5 business days of the Issue Date.

4. Significance of applying

If you apply to purchase New Shares under the Offer:

- your application, on these terms and conditions, will be irrevocable and unconditional;
- you certify that your application will not be, or cause, a breach of any law in any jurisdiction;
- you authorise Cannasouth to correct any error in, or omission from, your application;
- you acknowledge that none of Cannasouth, its advisors or agents has provided you with investment advice or financial product advice; and
- you irrevocably and unconditionally agree to these terms and conditions.

5. The New Shares

New Shares issued under the Offer will rank equally with, and have the same rights as, existing fully paid Shares in Cannasouth.

The New Shares have been accepted for quotation on the NZX Main Board. However, NZX accepts no responsibility for any statement in this document.

6. Oversubscriptions and scaling

Up to \$9 million is being sought in aggregate under the Cannasouth Offer and the Equis Offer, and investors under this Offer are being offered the opportunity to apply for New Shares in the Shortfall under those two Offers and/or to participate in any Oversubscription Facility in respect of those two Offers should the Cannasouth Board resolve to accept oversubscriptions. There is therefore no guarantee that you will receive any or all of the New Shares that you may apply for under this Offer, and the Board has the absolute discretion to scale and Applicant's application under this Offer.

Cannasouth does have the discretion to accept further oversubscriptions under Listing Rule 4.5.1 of the NZX Main Board Listing Rules. If your application is scaled, your application monies will be greater than the value of the New Shares you will be allotted. The difference will be refunded to you by direct credit to your bank account (if those details are held by Computershare) within 5 business days of the Allotment Date. No interest will be paid on any application monies returned to you. Refunds will not be paid for any difference arising solely due to rounding or where the aggregate amount of the refund payable to you is less than NZ\$5.00.

7. Terms of the Options

For every two New Shares subscribed for under this Offer, an investor will receive one Option to acquire an additional share in Cannasouth at an issue price of \$0.29 ("Option") – the principal terms of the Options are as follows:

- (a) Each Option entitles the holder to acquire one ordinary share in Cannasouth;
- (b) The exercise price payable upon the exercise of each Option will be \$0.29;
- (c) The Options shall vest on the date of their issue, and shall have a term of 36 months from the date of their issue.
- (d) Options may only be exercised in the period commencing 6 months from the date of their issue and ending 36 months after the date of their issue ("Exercise Period");
- (e) Any Options which are not exercised during the Exercise Period shall lapse;
- (f) In respect of any Options that are exercised during the Exercise Period, the new Shares to be issued following the exercise of the Options, shall be issued and allotted by Cannasouth on the last business day of the month in which the respective Options were exercised;
- (g) Shares issued upon exercise of an Option shall be credited as fully paid and rank equally in all respects with shares on issue at the relevant date of issue (except for any dividend or other entitlement where the entitlement date occurs prior to the issue date);
- (h) The Options are transferable using an off-market transfer form (that will be provided by Cannasouth on request). The Options will not be quoted on the NZX Main Board;
- (i) The Options shall not confer on the holder the right to participate in rights issues undertaken by Cannasouth;
- (j) The Options will not entitle holders to vote at any meeting of the shareholders of Cannasouth; and
- (k) On any consolidation, subdivision or other reconstruction of shares the number of shares over which each Option is exercisable will be adjusted in proportion to the respective reconstruction, and the aggregate exercise price will remain unchanged.

8. Priority of Applications under the Cannasouth Offer and the Equis Offer

The Applications of Cannasouth shareholders, Equis Shareholders and Firm Investors will take priority ahead of a retail investors application made under this Offer.

9. Amendments to Offer

Notwithstanding any other term or condition of the Offer, Cannasouth may, at its discretion:

- make immaterial modifications to the Offer on such terms and conditions it thinks fit; and/or
- suspend or terminate the Offer at any time prior to the issue of the New Shares under the Offer. If the Offer is terminated, application monies will be refunded to applicants without interest within 5 business days of termination.

Cannasouth reserves the right to waive compliance with any provision of these terms and conditions.

Cannasouth will notify NZX of any waiver, amendment, variation, suspension, withdrawal or termination of the Offer.

10. Governing Law

These terms and conditions shall be governed by and construed in accordance with the laws of New Zealand.

All references to time are to New Zealand time, references to currency are to New Zealand dollars, and any references to legislation are references to New Zealand legislation unless stated or defined otherwise.

GLOSSARY

Allotment Date	means the date for allotment of New Shares under the Offer, expected to be on or about 31 May 2023.
Applicant	means an investor whose application for New Shares has been received by the Registrar.
Application	means an application to subscribe for New Shares and Options under this Offer Document.
Application Monies	means monies received from Applicants in respect of their Applications.
Board	means the board of directors of Cannasouth.
Business Day	has the meaning given to that term in the Listing Rules.
Cannasouth	means Cannasouth Limited.
Cannasouth Offer	means the offer of up to \$4.5 million of Shares being made to the shareholders of Cannasouth in conjunction with this Offer.
Closing Date	means 5:00pm (NZ time) on 24 May 2023.
Eligible Shareholder	means a retail investor located in New Zealand.
Eqalis	means Eqalis Group New Zealand Limited.
Eqalis Offer	means the offer of up to \$4.5 million of Shares being made to the shareholders of Eqalis.
Firm Investor	means an investor who has agreed prior to the closing of the Offer to subscribe for Shares in the Offer and/or the Shortfall pursuant to a bespoke firm allocation subscription agreement entered into between the Company an respective investor, such agreement not being an application in terms of this Offer.
Issue Price	means \$0.29 per New Share.
Listing Rules	means the NZX Listing Rules.
Main Board	means the NZX Main Board.
Merger	means the merger between Cannasouth and Eqalis, the terms of which are summarised in this Offer Document.
New Share	means an ordinary share in Cannasouth offered under the Offer of the same class as (and ranking equally in all respects with) the ordinary shares currently on issue in Cannasouth at the time of allotment of the New Shares.
NZX	means NZX Limited.
Offer	means the offer of New Shares to Eligible Shareholders as set out in this Offer Document.
Offer Document	means this document.
Opening Date	means 10 May 2023.
Option	means an option to acquire one ordinary share in Cannasouth on the terms prescribed in this Offer Document.
Ordinary Share	means one ordinary fully paid share in Cannasouth.
Registrar	means Link Market Services Limited.
Shortfall	means the difference between the maximum amount of New Shares available for subscription under both of the Cannasouth Offer and the Eqalis Offer, and the actual number of New Shares applied for under both Cannasouth Offer and the Eqalis Offer.



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