



Good morning

I am writing to inform you that Eqalis is in discussions to merge with NZX listed Cannasouth Limited. This is today being announced to the NZX and will therefore become public and so I wanted to make sure you heard of this from us directly.

This is an exciting opportunity to enable Eqalis to deliver better outcomes for patients in Aotearoa and beyond. As Chair, I can say this opportunity is one we had not anticipated happening so quickly.

However, it presents an opportunity for us to move faster and better prepare Eqalis for future success.

The merger is based on uniting the intellectual property, technology, research and development, manufacturing, innovation, sales and prescribing capabilities of both companies and that this will drive New Zealand's medicinal cannabis industry to new heights.

We believe the creation of the merged company will bring diversification without duplication to the industry and should result in a substantial lowering of costs to patients.

Importantly, for investors and shareholders, the merger will create a more resilient business, building towards diversified income streams, superior margins and access to broader capital pools to be able to compete globally.

The key benefits of the merger will be:

- Diversified product and services portfolio with a pipeline of future products, providing alternate revenue streams and reduced risk
- Combined product mass required to satisfy the New Zealand market and compete internationally
- Combined technologies to deliver more affordable and effective medicines to consumers, and accelerated innovation by uniting the knowledge and experience from the companies' complementary skill sets
- Wealth of expert leadership from both companies bringing their combined industry knowledge to improve health outcomes for Kiwi patients

The proposed merger will involve raising \$9 million of new capital to fund the working capital of the merged group post completion of the transaction. Further details of this will be provided in due course.

Please find attached several documents detailing the specifics of the merger. If you have any questions don't hesitate to contact myself, Greg Misson or David Macaskill.

Obviously, there are a number of steps to be taken before the proposed merger can be completed. The process expected from here is that:

- Early next year you will receive an information pack including:
 - o An overview of the proposed merger, including the structure and mechanisms which will be used to effect the merger
 - o An Independent Advisor's report commissioned for the shareholders of Eqalis to assist you in assessing the merits of the proposed merger
 - o A draft Share Sale Agreement, showing you the form of agreement which you will use to sell your Eqalis shares in return for shares in Cannasouth
- We will schedule a shareholders' meeting to discuss the merits of the proposed merger and assist you in deciding whether to support it
- Cannasouth will hold a special meeting to allow its shareholders to approve the proposed merger
- Following the Cannasouth special meeting, a share issue by Cannasouth is expected to be undertaken, which will be offered to all current shareholders of both Cannasouth and Eqalis
- The proposed merger will complete when new capital of at least \$9 million has been secured

We're excited about being at the forefront of Aotearoa's medicinal cannabis sector and look forward to sharing this journey with you. That this opportunity has arisen is validation of our team's efforts and the resulting innovations. The Board and I are excited about the future.

Nga Mihi
Hilary Webber