

For Public Release

NZX Limited
Wellington

22 March 2024

Change of Merger Accounting Policy

Cannasouth Limited (NZX:CBD) advises that following a review of its policy on the accounting of the merger with Eqalis Group New Zealand Limited (Eqalis) as a business combination on a reverse takeover basis, the directors have concluded that the policy be changed to a business combination by acquisition basis.

The 31 May 2023 merger with Eqalis was a “merger of equals”. However, for reporting purposes, based on the determination of control, Eqalis was considered the parent entity for the business combination. The resignations of two nominated Eqalis directors from the board (board of 6) of the Company in late December 2023 has shifted the balance of control to Cannasouth.

The change of accounting policy of the Group to that of a business combination by acquisition means that Cannasouth Limited will be reported as the parent entity. This change of accounting policy has no impact on the day-to-day operations of the Group.

The unaudited preliminary financial results of the Group released on 29 February 2024 was based on a reverse takeover basis and will be restated on an acquisition basis in the Annual Report to be lodged at the end of March 2024.

The change of accounting policy will result in consolidating the results of Cannasouth for the 2023 year plus results of Eqalis from 31 May to 31 December 2023. Whereas the previous reported unaudited operating loss of \$8.8m was prepared on the basis of consolidating the results of Eqalis on a full year basis with the results of Cannasouth from 31 May 2023.

Subject to completion of the audit, the change of accounting policy will impact the audited operating loss of the Group and carrying values of tangible and intangible assets of the acquired Eqalis business as at 31 December 2023.

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About Cannasouth Limited

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

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