



Non-Renounceable Rights Offer

One for 9.53075 non-renounceable rights offer of ordinary shares and options

DATED 1 MAY 2023

This Offer Document is an important document. You should read the whole document before deciding what action to take with your Rights. If you have any doubts as to what you should do, please consult your broker, financial, investment or other professional advisor. This Offer Document may not be distributed outside New Zealand or Australia.



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IMPORTANT INFORMATION

General information

This Offer Document has been prepared by Cannasouth Limited ("Cannasouth") in connection with a non-renounceable rights offer of 1 (one) New Share for every 9.53075 CBD shares held at an issue price of \$0.29 per New Share ("Offer"). 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.

The Offer is made to Eligible Shareholders pursuant to the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 ("FMCA").

This Offer Document is not a product disclosure statement for the purposes of the FMCA, and does not contain all of the information that an investor would find in a product disclosure statement or which may be required to make an informed decision about the Offer or Cannasouth.

This Offer Document and the offer of New Shares and Options under the Offer (and this Offer Document for the purposes of that Offer) are being made in Australia in reliance on the Australian Securities and Investments Commission Corporations (Foreign Rights Issues) Instrument 2015/356 (as modified by ASIC Instrument 22-0082) or otherwise to persons to whom the Offer can be made without a formal disclosure document under Chapter 6D of the Corporations Act 2001 (Cth).

This Offer Document is not a prospectus, product disclosure statement or any other formal disclosure document for the purposes of Australian law or the Corporations Act 2001 (Cth) and is not required to, and does not, contain all the information which would be required in a disclosure document under Australian law or the Corporations Act 2001 (Cth). It may contain references to dollar amounts which are not Australian dollars, may contain financial information which is not prepared in accordance with Australian law or practices, may not address risks associated with investment in foreign currency denominated investments and does not address Australian tax issues. Cannasouth is a company which is incorporated in New Zealand and the relationship between it and investors will be largely governed by New Zealand law.

This Offer Document has not been, and will not be, lodged or registered with the Australian Securities and Investments Commission or the Australian Securities Exchange and Cannasouth is not subject to the continuous disclosure requirements that apply in Australia.

Prospective investors should not construe anything in this Offer Document as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act 2001 (Cth).





Additional information available under Cannasouth's disclosure obligations

Cannasouth Limited is subject to continuous disclosure obligations under the NZX Main Board Listing Rules. Further information relating to the Offer can also be found in Cannasouth's recent market announcements and its most recent audited financial statements for the 12-month period ended 31 December 2022, which can be accessed online at www.nzx.com under the ticker code "CBD".

Cannasouth may, during the Offer, make additional releases to NZX. To the maximum extent permitted by law, no release by Cannasouth to NZX will permit an Applicant to withdraw any previously submitted Application without Cannasouth's prior consent.

Cannasouth encourages you to read this document and to seek investment advice from a suitably qualified professional adviser before you consider investing.

Minimum Aggregate Subscription Condition

This Offer is being undertaken in parallel with, and in conjunction with a separate offer of \$4.5 million of new Cannasouth Shares (and Options) to the existing shareholders of Equalis Group New Zealand Limited ("Equalis Offer").

This Offer and the Equalis Offer are conditional upon not less than \$7,000,000 being raised in aggregate under this Offer and the Equalis Offer, together with any other capital raising initiatives undertaken in parallel with those two offers ("Condition"). In the event that the Condition is not satisfied by 5pm on 9 June 2023, then the Offer shall not proceed and all Applications shall be deemed to be cancelled and all Application Moneys received by Cannasouth shall be refunded (without interest).

Firm Commitments and Oversubscriptions

To date, Cannasouth has received firm commitments to subscribe for new Cannasouth Shares (and Options) from Firm Investors to subscribe for \$4.2 million in aggregate of Cannasouth shares under this Offer and the Equalis Offer.

The Applications of Cannasouth Shareholders and Firm Investors under the Cannasouth Offer will be dealt with in the following priority:

- Cannasouth Shareholders applying for their pro rata entitlement in the Cannasouth Offer of up to \$4.5 million will receive all of the new Cannasouth Shares (and Options) they apply for on this basis (excluding oversubscription applications);
- The Firm Investors shall be entitled to receive all of the Cannasouth Shares (and Options) they have applied for, provided their application does not exceed the difference between the Cannasouth Shares (and Options) issued to Cannasouth Shareholders above, and the maximum number of Shares on offer under the Cannasouth Offer. If the Applications of the Firm Investors exceed this amount, they will be scaled as between themselves or satisfied out of the Equalis Offer;
- If there is a shortfall in the up to \$9 million of Shares offered in the Cannasouth Offer and Equalis Offer post the issue of the Cannasouth Shares to Firm Investors, then the remaining Cannasouth Shares shall be allotted to those Cannasouth Shareholders and Equalis Shareholders who have submitted oversubscription applications in excess of their pro rata entitlement;
- If there is a shortfall post the issue of the Cannasouth Shares to Cannasouth Shareholders (who oversubscribe), Equalis Shareholders (who oversubscribe), and Firm Investors, then third party investors (being any investors who sign up a subscription agreement after the date of the commencement of the Offer) shall be issued the remaining Cannasouth Shares, and if there is an over demand (in excess of \$11 million), then those applications will be scaled as between themselves.

Offering restrictions

This Offer Document is intended for use only in connection with the Offer to Eligible Shareholders. To be an Eligible Shareholder you must be:

- A Shareholder with a registered address in New Zealand; or
- A Shareholder with a registered address in Australia.

This Offer Document does not constitute an offer or invitation in any country in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Offer Document may not be sent or given to any person outside New Zealand or Australia. The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. In particular, this Offer Document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside New Zealand or Australia except as detailed in this Offer Document, or as Cannasouth may otherwise determine in compliance with applicable laws.

Neither this Offer Document nor the Application Form may be released or distributed in the United States.

No guarantee

No guarantee is provided by any person in relation to the New Shares to be issued under the Offer. Likewise, no warranty is provided with regard to the future performance of Cannasouth or any return on any investment made pursuant to this Offer Document. Eligible Shareholders should be aware that there are risks associated with investing in the New Shares. The principal risk is that Eligible Shareholders may not be able to recoup the Issue Price and/or may not receive any dividends, entitlements or other distributions in respect of the New Shares. In addition, the market for the New Shares may not be liquid. If liquidity is low, Eligible Shareholders may be unable to sell their New Shares at an acceptable price or at all.

Privacy

Any personal information provided in your Application will be held by Cannasouth and the Registrar at the addresses set out in the Directory. This information will be used for the purposes of administering your investment in Cannasouth and will be disclosed to third parties only with your consent or if required by law. Under the Privacy Act 2020 (New Zealand) you have the right to access and correct any personal information held about you.





Decision to participate in the Offer

The information in this Offer Document does not constitute a recommendation to acquire New Shares nor does it amount to financial product advice. This Offer Document has been prepared without taking into account the particular needs or circumstances of any Applicant or investor, including their investment objectives, financial or tax position. Before deciding whether to invest in the New Shares (and Options), you must make your own assessment of the risks associated with an investment in Cannasouth, and consider whether such an investment in Cannasouth is suitable for you having regard to publicly available information about Cannasouth, your personal circumstances and following consultation with a financial adviser or other professional adviser.

Forward looking statements

This document contains certain statements that relate to the future. Such forward looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Cannasouth and which may cause the actual results, performance or achievements of Cannasouth to differ materially from those expressed or implied by such statements.

Under no circumstances should you regard the inclusion of forward looking statements in this document as a guarantee of future performance.

The statements, although made in good faith, involve known and unknown risks, uncertainties and assumptions, many of which are beyond the control of Cannasouth.

Withdrawal and date changes

Cannasouth reserves the right at its absolute discretion to:

- withdraw all or any part of the Offer and the issue of New Shares (and Options); and/or
- alter any dates set out in this Offer Document.

Enquiries

Enquiries about the Offer can be directed to an NZX Firm, an authorised financial advisor, or your solicitor, accountant or other professional adviser. If you have any questions about the number of New Shares shown on your Entitlement and Acceptance Form, or how to complete the Entitlement and Acceptance Form or online application, please contact the Registrar, whose contact details are set out in the Directory.

Times, currency and laws

All references in this Offer Document to times and dates are to times and dates in New Zealand. All references in this Offer Document to currency are to New Zealand dollars, and all references to applicable statutes and regulations are references to New Zealand statutes and regulations.

Defined terms

Capitalised terms used in this Offer Document have the meaning given to them in the Glossary in the relevant section of this Offer Document.

LETTER FROM THE CHAIR

Dear fellow shareholder,

On behalf of the directors of Cannasouth Limited we are pleased to offer eligible shareholders the opportunity to participate in a one for 9.53075 non-renounceable rights issue at an issue price of \$0.29 per share, to raise up to NZ\$4.5 million. 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.

The Rights will not be quoted on the NZX main Board and will not be able to be traded.

As you will 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 Eqalis Group New Zealand Limited ("Eqalis").

In order to implement the acquisition of Eqalis, Cannasouth must, as a condition of the transaction with Eqalis 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 another offer to existing Eqalis shareholders, to raise a further \$4.5 million. If both offers were successful, Cannasouth would raise a total of \$9 million.

Cannasouth reserves the right to accept oversubscriptions and investment from third party investors under both offers of a further \$2 million in aggregate.

The funds raised from the issue of the Capital Raise Shares will be applied by the Company towards the combined Cannasouth and Eqalis 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 Eqalis 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

About Eqalis

Established in 2019, Eqalis has proven to be a pioneer in the New Zealand medicinal cannabis industry, building an innovative and collaborative culture to disrupt the sector from the ground up and solve accessibility and affordability pain points for patients. Extensive information about Eqalis and the merger has been previously circulated to Cannasouth shareholders in the Notice of Meeting recently sent out to Cannasouth shareholders. A copy of that Notice is available on the Cannasouth website <https://www.cannasouth.co.nz/eqalis/>

Further information about Eqalis and the merger is provided in this document on pages 19 to 24.

Conditional Offer

The Cannasouth Board has incorporated a condition into both this Offer and the offer to Eqalis shareholders that requires that both capital raising initiatives must raise a minimum of \$7 million in aggregate in order for the capital raisings, 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.

Eligible Shareholders 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>A non-renounceable rights offer of one New Share for every 9.53075 Existing Shares held at 5.00pm (NZ time) on the Record Date, with fractional entitlements being rounded down to the nearest share.</p> <p>New Shares which pertain to Rights not taken up by Eligible Shareholders, or which are attributable to Ineligible Shareholders, will be offered firstly, to Firm Investors, and secondly to Cannasouth Shareholders who wish to oversubscribe for new Cannasouth Shares in excess of their pro rata entitlement.</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 on pages 25 to 26.</p>
Eligible Shareholders	Shareholders with registered addresses in New Zealand or Australia on the Record Date.
Issue Price	\$0.29 per New Share.
Offer Size	Up to \$4.5 million. In the event that Cannasouth receives subscriptions for more than \$9 million under this Offer and the Equis Offer, it reserves the right to Issue a further \$2 million of additional Shares by way of oversubscription in aggregate.
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>15,517,241 New Shares (subject to rounding, and to Cannasouth's right to issue further shares under the Listing Rules).</p> <p>In addition, in parallel with this Offer, a further 15,517,241 Cannasouth Shares are also being offered to the shareholders of Equis pursuant to the Equis Offer.</p> <p>The Cannasouth Board also reserves the right at its discretion to accept oversubscriptions and third party investment under this Offer for a further \$2 million (6,896,551 Cannasouth Shares) in addition to the \$9 million currently available under this Offer and the Equis Offer, in aggregate.</p>
Rights	<p>Eligible Shareholders have an entitlement to subscribe for one New Share for every 9.53075 Existing Shares held on the Record Date (5.00pm, 9 May 2023) at the Issue Price. Eligible Shareholders may take up some, or all, or none of their Rights.</p> <p>If you do nothing, your rights will lapse and you will not be able to subscribe for any New Shares (and Options).</p>

No Trading in Rights This Offer is non-renounceable. That means you are not entitled to sell or otherwise dispose of your Rights. The Rights will not be quoted on the NZX Main Board.

Conditional Offer The Cannasouth Board has incorporated a condition into both this Offer and the offer to Equalis shareholders that requires that both capital raising initiatives must raise a minimum of \$7 million in aggregate in order for both of the capital raisings, and the Merger with Equalis 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.

Oversubscription Eligible Shareholders who take up all of their Rights are entitled to apply for additional New Shares that may be available under the Shortfall of the Offer (or the Equalis Offer) through the Oversubscription Facility, subject to the priority applications of the Firm Investors as detailed on page 5.

Any additional New Shares applied for under the Oversubscription Facility will be issued at the issue price of \$0.29 per Cannasouth Share.

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 made either:

- online at <https://cannasouth.rightsoffer.co.nz>. To complete an online application, you will be required to enter your CSN/Holder number; or
- by returning the Acceptance Form and following the payment instructions on that form.

Whilst an Eligible Shareholder is not obliged to participate in the Offer, it is important to note that if an Eligible Shareholder chooses not to participate in the Offer, then their shareholding will be diluted down accordingly.

IMPORTANT DATES

Event	Date
Announcement of the Offer	1 May 2023
Record Date	5pm, 9 May 2023
Opening Date for the Offer	10 May 2023
Dispatch of Offer Documents and Entitlement and Acceptance Forms	12 May 2023
Closing Date for the Offer	5pm, 24 May 2023
Announcement of results of the Offer and the Oversubscription Facility	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.

ACTIONS TO BE TAKEN BY ELIGIBLE SHAREHOLDERS

Available Actions

If you are an Eligible Shareholder, accompanying this Offer Document is an Entitlement and Acceptance Form showing the number of Rights to subscribe for New Shares that you are entitled to under the Offer. You may take one or more of the following actions:

- take up all or some of your Rights; or
- take up all of your Rights and apply for additional New Shares in the Oversubscription Facility; or
- do nothing with your Rights.

If you do nothing with your Rights before the Closing Date, they will lapse and you will not be able to subscribe for any New Shares under the Offer.

The Offer is an offer to Eligible Shareholders only.

Applying to subscribe for more new shares under the Oversubscription Facility

Eligible Shareholders who wish to apply for additional New Shares in excess of their Entitlement may apply for an additional number of New Shares in excess of the Rights they hold by participating in the Oversubscription Facility by applying for additional New Shares through the Acceptance Form or online application process on the website for the offer <https://cannasouth.rightsoffer.co.nz>, provided that the Eligible Shareholder has taken up all of their Rights in full, and apply for the dollar amount of New Shares under the Oversubscription Facility where provided on the Application Form. If you do not accept your Rights in full, your Application for any New Shares under the Oversubscription Facility will be disregarded.

The number of New Shares that you may receive under the Oversubscription Facility will be determined by Cannasouth in accordance with the priority of allocations policy set out on page 5.

No ability to sell your entitlement

The Rights are non-renounceable. This means that Eligible Shareholders who do not wish to take up all or some of their Entitlement are unable to sell those Rights they have not taken up.

Accepting some of your entitlement

There is no minimum number of New Shares that you must subscribe for under the Offer. You may take up as many or as few of your Rights as you wish.

You may elect to do nothing

If you do nothing, your Rights will lapse and you will not be able to subscribe for any New Shares.

How to apply for new shares

An application by an Eligible Shareholder must be made either:

- online at <https://cannasouth.rightsoffer.co.nz>. To complete an online application, you will be required to enter your CSN/Holder number (if you have one); or
- by returning the Acceptance Form to the Registrar, and following the payment instructions on that form.

If you elect to participate in the Oversubscription Facility, you must make payment for both your Rights entitlement and the amount that you wish to oversubscribe for.

In the event that all or part of your application for New Shares in the Oversubscription Facility is not successful, then Cannasouth will refund any extra Application Monies to you within five Business Days of the Allotment Date.

By completing and returning an Entitlement and Acceptance Form (or completing the online application) and applying for New Shares, you agree to accept the New Shares:

- subject to the terms set out in the constitution of Cannasouth; and
- on the terms set out in this Offer Document and the Entitlement and Acceptance Form.

Your application is irrevocable and cannot be withdrawn. Cannasouth has the sole discretion to accept or reject your application for New Shares.

Enquiries

If you have any queries about the number of Rights shown on the Entitlement and Acceptance Form which accompanies this Offer Document, or how to complete the Entitlement and Acceptance Form, please contact the Share Registrar (refer to the [Directory](#) for contact details).

Conditional offer

The Cannasouth Board has incorporated a condition into both this Offer and the offer to Cannasouth shareholders that requires that both capital raising initiatives must raise a minimum of \$7 million in aggregate in order for the capital raisings, and the Merger 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 Application Monies raised from the capital raising initiatives will be returned to the investors, without the payment of any interest.



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 Eqalis Group New Zealand Limited ("Eqalis"). Comprehensive information regarding the proposed Merger and Eqalis was circulated to Cannasouth Shareholders prior to that meeting.

The information below is a summary of:

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

Merger with Eqalis

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

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

Eqalis' 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.

Eqalis' 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 Eqalis 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 Eqalis.

Business Operations of Eqalis

- The business operations of Eqalis comprise:

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

Eqalis Innovations

R&D and innovation are at the heart of everything Eqalis does. The innovation team seeded Eqalis 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 Eqalis' 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 Eqalis.

Eqalis 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 Equalis' 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, Equalis 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 Equalis' 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.

Equalis Pharmaceuticals

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

Currently, Equalis 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 Equalis 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 Equalis 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-Eqalis-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 \$11m, 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 OF THE OFFER

The Offer

This Offer is an offer of New Shares in Cannasouth to Eligible Shareholders under a pro-rata non-renounceable rights issue, followed by an Oversubscription Facility. Under the Offer, Eligible Shareholders are entitled to subscribe for 1 New Share for every 9.53075 Existing Shares held on the Record Date. Any fractional Entitlements will be rounded down to the nearest whole number.

The New Shares will be of the same class as, and rank equally with, the Existing Shares which are quoted on the NZX Main Board. It is a term of this Offer that Cannasouth will take any necessary steps to ensure that the New Shares are quoted immediately after the issue.

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.

The Rights will not be quoted on the NZX Main Board, and will not be able to be traded.

Eligible Shareholders may therefore take up all, some, or none of their Rights;

Eligible Shareholders who take up their Rights in full may also apply for additional New Shares under the Oversubscription Facility.

The maximum number of New Shares being offered under the Offer is 15,517,241.

In addition, in parallel with this Offer, a further 15,517,241 Cannasouth Shares are also being offered to the shareholders of Eqalis pursuant to the Eqalis Offer.

The Cannasouth Board also reserves the right at its discretion to accept oversubscriptions and third party investment under this Offer for a further \$2 million (6,896,551 Cannasouth Shares) in addition to the \$9 million currently available under this Offer and the Eqalis Offer, in aggregate.

Cannasouth may at its discretion elect to issue additional New Shares under the 15% placement rule of the Listing Rules if there is demand for New Shares in excess of the size of this Offer. In the event that this occurred, the issue price for those shares issued outside the parameters of this Offer would be \$0.29.

Issue price

The Issue Price under the Offer is \$0.29 per New Share. Payment for the New Shares (together with any additional New Shares applied for under the Oversubscription Facility) must be made in full on application with a completed Entitlement and Acceptance Form delivered to the Share Registrar, or by completing an online application at <https://cannasouth.rightsoffer.co.nz>, in accordance with the instructions set out in the Entitlement and Acceptance Form.

Terms of 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. 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 the 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.

Application Monies

Cannasouth may (at its discretion) accept late applications and Application Monies, but has no obligation to do so. Cannasouth may accept or reject (at its discretion) any Entitlement and Acceptance Form which it considers is not completed correctly, and may correct any errors or omissions on any Entitlement and Acceptance Form.

If an Eligible Shareholder does not apply for any New Shares and pay the associated Application Monies by the Closing Date (5.00pm on 24 May 2023), their Rights will lapse.

Subject to the satisfaction of the "Minimum Aggregate Subscription Condition" referred to below, Application Monies received will be held in a trust account with the Share Registrar until the corresponding New Shares are allotted or the Application Monies are refunded. Interest earned on the Application Monies will be for the benefit, and remain the property, of Cannasouth and will be retained by Cannasouth whether or not the issue and allotment of New Shares takes place.

Any refunds of Application Monies will be made within five Business Days of allotment, or, if a decision is made not to proceed with the Offer, within five Business Days of the date of that decision.

Once submitted, and subject to all applicable law, an Application is irrevocable and cannot be withdrawn.

Minimum aggregate subscription condition

This Offer is being undertaken in parallel and in conjunction with an offer of \$4.5 million of new Cannasouth Shares (and Options) to the existing shareholders of Equalis Group New Zealand Limited ("Equalis Offer").

This Offer and the Equalis Offer are conditional upon not less than \$7,000,000 being raised in aggregate under this Offer and the Equalis Offer, together with any other capital raising initiatives undertaken in parallel with those two offer ("Condition"). In the event that the Condition is not satisfied by 5pm on 9 June 2023, then the Offer shall not proceed and all Applications shall be deemed to be cancelled and all Application Monies received by Cannasouth shall be refunded (without interest).

Eligibility

The Offer is only open to Eligible Shareholders or persons that Cannasouth is satisfied can otherwise participate in the Offer in compliance with all applicable laws.

Cannasouth considers that the legal requirements of jurisdictions other than New Zealand and Australia are such that it would be unduly onerous for Cannasouth to make the Offer in those jurisdictions. This decision was made having regard to the small number of Shareholders in such overseas jurisdictions, the financial resources of Cannasouth and the costs of complying with overseas legal requirements.

This Offer Document is intended for use only in connection with the Offer to any person recorded in Cannasouth's share register as a Shareholder at 5.00pm (NZ time) on the Record Date:

- whose address is shown in Cannasouth's share register as being in New Zealand; or
- whose address is shown in Cannasouth's share register as being in Australia.

This Offer Document is not to be sent or given to any person outside New Zealand in circumstances in which the Offer or distribution of this Offer Document would be unlawful.

Opening and closing dates

The Offer will open for receipt of acceptances from 10 May 2023 (Opening Date). The last day for receipt of the completed Acceptance and Entitlement Form with payment is 5.00pm on 24 May 2023 (Closing Date), subject to Cannasouth varying those dates in accordance with the Listing Rules.

No trading in rights

This Offer is non-renounceable. That means you are not entitled to sell or otherwise dispose of your Rights. The Rights will not be quoted on the NZX Main Board.

Oversubscription facility

Any New Shares in respect of which Rights are not taken up will form the Shortfall and will be available to Applicants and Firm Investors under the Oversubscription Facility. Accordingly, Applicants may apply for an additional amount of New Shares in excess of the Rights they hold, subject to the resulting availability.

Applications made under the Oversubscription Facility will be prioritised in accordance with the priority allocations policy set out on page 5.

Cannasouth reserves the right to determine who may participate in the Oversubscription Facility and may decline or scale applications for New Shares by any Eligible Shareholder, or third-party investor as it sees fit.

Eligible Shareholders who wish to participate in the Oversubscription Facility may do so, provided they have fully taken up all of their Rights by specifying the amount of New Shares they wish to apply for on the Acceptance Form where provided, and must pay that dollar amount of additional New Shares being applied for under the Oversubscription Facility in addition to their Application Monies for their Rights moneys.

Allotment of new shares

New Shares and Options issued pursuant to the exercise of Entitlements are expected to be allotted and issued by 31 May 2023 (Allotment Date). Transaction statements confirming the allotment of your New Shares and Options will be issued and mailed in accordance with the Listing Rules.

Quotation of new shares terms and ranking of new shares

The New Shares have been accepted for quotation by NZX and will be quoted upon completion of allotment procedures. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator regulated under the FMCA.

NZX accepts no responsibility for any statement in this Offer Document.

The Options will not be quoted on the NZX Main Board.

Custodians

Under the Offer, a custodian ("Custodian") is any Eligible Shareholder having a registered address in New Zealand, that:

- (a) is a trustee corporation or a nominee company and holds Shares in Cannasouth by reason only of acting for another person in the ordinary course of business of that trustee corporation or nominee company; or
- (b) holds Shares in Cannasouth by reason only of being a bare trustee of a trust to which the Shares are subject.

Custodians must confirm to Cannasouth that they are holding Existing Shares as a Custodian for one or more beneficial owners ("Participating Beneficiary") and certify the matters described below by email, together with the Custodian's Application Form.

- (a) the number of Participating Beneficiaries and their names and addresses;
- (b) in respect of each of the Participating Beneficiaries;
 - (i) the number of Existing Shares that the Custodian holds on behalf of each Participating Beneficiary and the number and dollar amount of Rights; and
 - (ii) the dollar amount of any additional New Shares in the Oversubscription Facility (if eligible),that each Participating Beneficiary has instructed the Custodian, either directly or indirectly through a Downstream Custodian, to apply for on their behalf;
- (c) that a copy of this document was given to each Participating Beneficiary;
- (d) where the Custodian holds Shares on behalf of a Participating Beneficiary indirectly, through one or more Downstream Custodians, the name and address of each Downstream Custodian; and
- (e) that the beneficial owner on whose behalf the Custodian is submitting an Application Form is not making an application as an Eligible Shareholder for New Shares under the Offer, and no other Custodian is submitting an Application Form under the Offer for that beneficial owner.

Custodians may not distribute this Offer Document to any person in any country outside New Zealand and Australia.

Terms and ranking of new shares

New Shares allotted and issued will be fully paid and will be the same class as, and rank equally in all respects with, Existing Shares on issue that are quoted on the NZX Main Board on the Allotment Date. They will give the holder the right to one vote on a resolution at a meeting of Shareholders (subject to any restrictions in Cannasouth's constitution or the Listing Rules), the right to dividends authorised by the Board and the right to a proportionate share in any distribution of surplus assets of Cannasouth on any liquidation.

Dividend policy

The payment of dividends is at the discretion of the Board. The Board has no present intention to make a distribution for the foreseeable future. This policy may change from time to time at the discretion of the Board in the future.

Amendments to the offer and waiver of compliance

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

- make non-material modifications to the Offer on such terms and conditions as it sees fit (in which event applications for Shares (and Options) under the Offer will remain binding on the Applicant notwithstanding such modification and irrespective of whether an application was received by the Registrar before or after such modification is made); and/or
- suspend or terminate the Offer at any time prior to the issue of the New Shares (and Options) under the Offer (including by reviewing the timetable for 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.

Governing law

This Offer Document, the Offer and any contract resulting from it are governed by the laws of New Zealand, and each Applicant submits to the exclusive jurisdiction of the courts of New Zealand.

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 Shareholder who as at 5:00pm (NZ time) on the Record Date is registered as a shareholder of Eqalis, and has a registered address in New Zealand or Australia
Entitlement	means the number of Rights to which Eligible Shareholders are entitled.
Entitlement and Acceptance Form	means the personalised entitlement and acceptance form provided to Eligible Shareholders.
Eqalis	means Eqalis Group New Zealand Limited.
Existing Share	means a fully paid ordinary share in Eqalis on issue at 5.00pm (NZ time) on the Record Date.
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 and respective investor, such agreement not being an application in terms of this Offer.
Ineligible Shareholders	means Shareholders other than Eligible Shareholders.
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.
NZX Firm	means an entity designated as an NZX Firm under the Participant Rules of NZX.
Offer	means the offer of New Shares to Eligible Shareholders as at the Record Date, under the non-renounceable offer set out in this Offer Document, together with the Oversubscription Facility.
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.
Oversubscription Facility	means the facility comprised of the Shortfall and available for subscription to Applicants and Firm Investors on the terms described in this Offer Document.
Record Date	means 5:00pm on 9 May 2023.
Registrar	means Link Market Services Limited.
Right	means the non-renounceable right to subscribe for 1 New Share for every 9.53075 Existing Shares held on the Record Date at the Issue Price, issued pursuant to the Offer, and the Right to receive one Option for every two New Shares subscribed for pursuant to the Offer.
Shortfall	means the number of Rights not exercised by Eqalis Shareholders under this Offer.
Share	means one Ordinary Share.
Shareholder	means a registered holder of Shares on issue.
Shortfall	means the number of Rights not exercised by Shareholders.



**LEARN MORE AT
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