



Notice of Special Meeting of Shareholders

Notice is hereby given that the Special Meeting of Shareholders of Cannasouth Limited will be held at 11:00am on [Friday, 28 April 2023](#). This Special Meeting will be a hybrid meeting, allowing shareholders to attend in person or online.



CHAIRMAN'S LETTER

13 April 2023

Dear Shareholders,

The Board of Cannasouth Limited ("**Company**" or "**CBD**") is seeking shareholder approval to implement a significant operational and capital restructure by way of a merger which has been negotiated and endorsed by the Board of the Company. The restructure relates to the conditional acquisition of Equis Group New Zealand Limited ("**Equis**") which was announced to the market on 19 December 2022, subject to shareholder approval.

Established in 2019, Equis is proving itself to be a pioneer in New Zealand's 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. Equis operates its business through a number of wholly owned subsidiaries ("**Equis Group**"), the details of which are provided in the Explanatory Notes to this Notice.

The proposed restructure of CBD can be best described as a "merger of equals". The in-substance commercial effect of the restructure is that CBD would acquire Equis in consideration for the issue of 147,891,069 new CBD shares to the existing shareholders of Equis (being the same number of shares currently on issue in CBD) ("**Merger Transaction**"). In conjunction with the Merger Transaction, CBD would also undertake a capital raising initiative seeking to raise \$9 million (but not less than \$7 million of new capital and not more than \$11 million) from a combination of CBD shareholders, Equis shareholders and third party investors, as discussed further below.

Principal components of the Restructure

The restructure comprises the following principal transactions (which together are referred to in this document as the "Restructure"):

- The Merger Transaction, which involves the purchase of 100% of the shares on issue ("**Equis Shares**") in Equis for total consideration of \$48.8 million ("**Purchase Price**").
- To satisfy the payment of the Purchase Price, CBD will issue 147,891,069 fully paid ordinary CBD shares at an issue price of NZ\$0.33 per share to the existing shareholders of Equis ("**Consideration Shares**"). Given that the quantum of the Consideration Shares to be issued to all Equis shareholders as a percentage of the existing CBD shares on issue exceeds 20% of the total number of shares on issue post the completion of the Merger Transaction and the Restructure, the Takeovers Code applies to the issue of those New Shares.
- CBD will undertake a capital raising initiative seeking to raise \$9 million (but not less than \$7 million and not more than \$11 million) of new capital to a combination of existing CBD shareholders, existing Equis shareholders and to third party investors at an issue price of \$0.29 per share ("**Capital Raise Shares**"). As part of the capital raising initiative, investors will also receive one option for every two Capital Raise Shares subscribed for ("**Capital Raise Options**") for no additional consideration.
- Should the Restructure proceed, the issue of the 147,891,069 Consideration Shares and \$9 million of Capital Raise Shares would mean that existing CBD shareholders that choose not to participate in the capital raising will be diluted down to holding 45.252% of the total number of shares on issue in CBD after completion of the Restructure¹, or 44.317% if the maximum amount of new capital is raised, and 46.228% if the minimum amount of capital is raised.

Pages 19-21 of this notice sets out a summary of reasons why CBD shareholders might vote in favour of the resolutions set out on following pages, as recommended by the Board. Pages 21-22 set out other factors shareholders might want to take into account.

¹ This calculation is made on the basis that CBD raises the targeted \$9 million of new capital and an existing CBD shareholder does not participate in the capital raising initiative. CBD shareholders could be further diluted in the future by other shares issued, including through the exercise of options described elsewhere in the notice of meeting.

Key risks associated with the Merger Transaction

As with any acquisition, the proposed purchase of the Eqalis Shares presents a number of risks that should be drawn to the attention of CBD shareholders.

The Board consider the following risks to be the material risk factors that could affect the Eqalis Group, and by extension the value of CBD shares:

- Dependence on key personnel
- Competition
- Management of growth opportunities and integration risk
- Regulatory risk
- Early stage nature of the Eqalis business operations

The above risk factors are described in more detail on pages 14-17 of this notice.

As part of the suite of documentation that is provided to you, CBD has commissioned an Independent Adviser's Report. That report has been prepared by Simmons Corporate Finance Limited to opine on certain matters required in terms of the Takeovers Code. You are encouraged to review this Report as you consider the merits of the proposed restructure.

Other matters to be considered

In conjunction with the Restructure, the following resolutions are also being tabled at the Special Meeting:

- The appointment of three new directors of the Company. On completion of the Restructure, the Eqalis shareholders have nominated each of Greg Misson, Hilary Webber and Mark Scapens be appointed as directors of the Company. Independent directors Tony Ho and Christine Pears, and executive director Mark Lucas will continue as directors after the Restructure. Juliet Hull will retire from the CBD Board on completion of the transaction. From the time of completion of the Merger Transaction, Tony Ho will continue as non-executive chair of the Company;
- An increase of the sum of directors fees payable to non-executive directors of the Company by \$100,000 from the current pool of \$250,000 per annum, to an aggregate sum not exceeding \$350,000 per annum;
- The issue of up to 17,746,928 new share options to employees, contractors and non-executive directors of CBD post completion of the Merger Transaction.

The settlement of the Restructure is conditional upon all of resolutions 1 to 8 being approved.

Board Recommendation

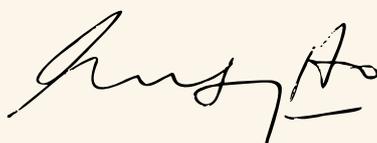
Eqalis is led by a team of passionate and experienced executives committed to the ongoing growth and success of the business.

The Board considers that the Merger Transaction, the collateral capital raising and the balance of the restructure represents an exciting opportunity for the Company and its shareholders and strongly recommends that all shareholders read this Notice of Meeting and the Independent Advisor's Report that accompany this Notice of Special Meeting.

The Board of Cannasouth Limited is very pleased to present the merger with Eqalis to shareholders for their consideration. We encourage shareholders to approve all of the resolutions at the Special Meeting.

Directors of Cannasouth Limited intend to vote each of their shareholding in favour of the merger with Eqalis.

Yours faithfully



Tony Ho
Chairman

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Special Meeting of Shareholders of Cannasouth Limited ("**Company**") will be held as a hybrid meeting at the offices of Link Market Services, Level 30, PwC Tower, 15 Customs Street West, Auckland CBD, Auckland 1010 or online at www.virtualmeeting.co.nz/cbdsm23, on Friday, 28 April 2023 at 11:00 am.

The Explanatory Notes which accompany this Notice of Meeting set out the details of the transactions which are the subject of the resolutions and the approval required for each resolution by the shareholders of the Company pursuant to the NZX Listing Rules ("**Listing Rules**"), the Companies Act 1993 ("**Act**"), the constitution of the Company ("**Constitution**") and the Takeovers Code ("**Code**").

BUSINESS OF THE MEETING

1. Acquisition of 100% of the shares on issue in Equis Group New Zealand Limited ("**Equis**") – Special Resolution – Listing Rule 5.1.1 and Section 129 of the Companies Act 1993

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

*"That the Share Sale Deed entered into between the Company and the shareholders of Equis Group New Zealand Limited ("**Equis**") ("**Sale Agreement**"), pursuant to which the Company has agreed to acquire 100% of the shares on issue in Equis ("**Equis Shares**") for \$48.8 million, which consideration will be satisfied by the issue of 147,891,069 new ordinary fully paid shares in the Company, at an issue price of \$0.33 cents per share, to the shareholders of Equis (or their nominees), and the transactions described in the Sale Agreement are approved, and that the Directors be authorised to take all actions, do all things and execute all documents and agreements necessary or considered by them to be expedient to give effect to such transactions."*

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

2. Issue of 147,891,069 ordinary fully paid shares to the shareholders of Equis ("**Consideration Shares**") – Ordinary Resolution – Listing Rule 4.1.1 and Rule 7(d) of the Takeovers Code

If resolution 1 is passed, to consider, and if thought fit, pass the following resolution as an ordinary resolution of the Company:

*"That the Directors of the Company are authorised to issue 147,891,069 ordinary fully paid shares in the Company to the shareholders of Equis as specified in the Explanatory Notes to resolution 2, at an issue price of \$0.33 per share in satisfaction of the purchase price payable under the Sale Agreement ("**Consideration Shares**") on the date of the completion of the Acquisition of the Equis Shares, and are further authorised to take all actions, do all things and execute all documents and agreements necessary or considered by them to be necessary or expedient to issue the Consideration Shares, such Consideration Shares when issued, shall rank equally with all existing ordinary shares of the Company."*

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

3. Issue of up to 37,931,034 new ordinary fully paid shares and up to 18,965,517 options to a combination of existing CBD shareholders, existing Equis shareholders, and third party investors – Ordinary Resolution – Listing Rule 4.1.1 and Rule 7(d) Takeovers Code

If resolution 2 is passed, to consider, and if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That the Directors of the Company are authorised to:

- (a) *offer and issue up to 37,931,034 ordinary fully paid shares in the Company to shareholders of Cannasouth, Eqalis and third party investors ("**Capital Raise Shares**") at an issue price of \$0.29 per Capital Raise Share through the offer structure described in the explanatory notes to resolution 3, such Capital Raise Shares when issued, to rank equally with all existing ordinary shares of the Company;*

*offer and Issue one option for every two Capital Raise Shares issued (being up to 18,965,517 options) at an exercise price per option of \$0.29 each, and otherwise on the terms described in the explanatory notes to resolution 3 ("**Capital Raise Options**"); and*

- (b) *take all actions, do all things and execute all documents and agreements necessary or considered by them to be necessary or expedient to issue the Capital Raise Shares and the Capital Raise Options."*

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

4. Appointment of Greg Misson as Director – Ordinary Resolution

If resolution 3 is passed, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That Greg Misson be appointed as a director of the Company with effect from completion of the Merger Transaction."

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

5. Appointment of Hilary Webber as Director – Ordinary Resolution

If resolution 4 is passed, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That Hilary Webber be appointed as a director of the Company with effect from completion of the Merger Transaction."

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

6. Appointment of Mark Scapens as Director – Ordinary Resolution

If resolution 5 is passed, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That Mark Scapens be appointed as a director of the Company with effect from completion of the Merger Transaction."

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

7. Approval of Directors' Fees – Ordinary Resolution

If resolution 6 is passed, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That the aggregate maximum amount of fees which can be paid to the Directors be increased by \$100,000 from the current pool of \$250,000 per annum to an aggregate sum not exceeding \$350,000 in respect of each financial year, where such amount (or lesser amount determined by the Directors for a financial year) will be divided among the Directors in such proportion and in such manner as they may agree."

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

8. Issue of up to 17,746,928 Options to Employees, Contractors, and Non-executive Directors - Ordinary Resolution – Listing Rule 4.2.1

If resolution 7 is passed, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That the Directors of the Company are authorised to:

- (a) *issue up to 17,746,928 options to acquire ordinary shares in the Company,*

to employees, contractors, and to non-executive Directors of the Company on the terms set out in the Explanatory Notes accompanying this Notice of Meeting; and

- (b) *take all action, do all things, and execute all documents and agreements necessary or considered by them to be expedient to give effect to the issue of the options."*

The implementation of this resolution is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

NOTES

1. EXPLANATORY NOTES

Explanatory Notes for Resolutions 1 to 8 are set out in the following pages. Additional information about the subject matter of the resolutions is contained in the Independent Adviser's Report that accompanies this document.

The Special Meeting will be a hybrid meeting, allowing shareholders to attend in person or online. Shareholders can join online at www.virtualmeeting.co.nz/cbdsm23

Shareholders attending and participating in the meeting virtually via the online platform will be able to vote and ask questions during the meeting. If you will be participating online you will require your shareholder number, found on your proxy form, for verification purposes.

More information regarding virtual attendance at the meeting (including how to vote and ask questions virtually during the meeting) is available in the Virtual Meeting Online Portal Guide, which is available at:

https://bcast.linkinvestorservices.co.nz/CBD/docs/2023/VM_Online_Guide_Voting_Questions_Participant_CBDSM23.pdf

2. PROXIES

All shareholders of the Company entitled to attend and vote at the meeting are entitled to appoint a proxy to attend and vote for them instead.

A proxy need not be a shareholder of the Company.

The Chairman of the meeting can be a proxy for a shareholder if a shareholder wishes to appoint the Chairman as its proxy in the proxy form. The Chairman proposes to vote any undirected proxies held by him in favour of all of the resolutions, with the exception of resolution 7, given he has an interest in that resolution and is therefore disqualified from voting, unless voting as proxy in accordance with the express instructions of the appointing shareholder.

A proxy form is enclosed and to be effective must be lodged at least 48 hours before the meeting is due to begin (i.e. before 11:00 am on Wednesday, 26 April 2023) with Link Market Services Limited, the Company's share registrar, in accordance with the instructions in the Notes to the proxy form accompanying this Notice.

3. VOTING RESTRICTIONS

The shareholders of Equis Group New Zealand Limited ("**Vendors**"), and their Associated Persons (as that term is defined in the Listing Rules) are prohibited from voting on Resolution 1.

Any shareholders of the Company, and their Associated Persons (as that term is defined in the Listing Rules), who are to receive any of the securities referred to in Resolutions 3 or 8 are prohibited from voting on those resolutions.

The Vendors and their Associated Persons (as that term is defined in the Listing Rules) or their Associates (as defined in the Code) are prohibited from voting on Resolution 2 or 3.

No director of the Company, or their Associated Persons are entitled to vote on resolution 7 by virtue of NZX Listing Rule 6.3.

Those persons who are prohibited from voting on a resolution may not act as a discretionary proxy in respect of a resolution, but may vote in accordance with express instructions.

The Chairperson shall not vote any undirected proxies in favour of resolution 7 given the Chairperson has an interest in that resolution and is therefore disqualified from voting.

All persons registered on the Company's register of shareholders as the holders of shares as at 5pm on Wednesday, 26 April 2023 shall, subject only to the preceding restrictions, be entitled to vote at the Meeting in person or by proxy.

4. CONDITIONAL NATURE OF RESOLUTIONS 1 to 8 (INCLUSIVE)

The implementation of resolutions 1 to 8 are conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

By Order of the Board of Directors



Tony Ho
Chairman



EXPLANATORY NOTES

NZX Listing Rules ("Listing Rules"), Companies Act 1993 ("Act"), the Constitution of the Company ("Constitution") and The Takeovers Code ("Code")

The Company is listed on the NZX Main Board and must comply with the Listing Rules and the Code. In addition, various provisions of the Listing Rules are included in the Constitution. The Act, the Code, the Constitution and the Listing Rules contain specific requirements which are relevant to the resolutions comprised in this Notice.

The implications of the Listing Rules, the Act, the Code and the Constitution, insofar as they relate to each resolution, are addressed in the Explanatory Notes to each resolution.

Nature of Resolutions

The resolutions which are to be considered at the Meeting include one special resolution and 7 ordinary resolutions. A special resolution is a resolution passed by a majority of not less than 75% of votes of shareholders of the Company, entitled to vote and voting. An ordinary resolution is a resolution passed by a simple majority of votes of shareholders of the Company, entitled to vote and voting.

RESOLUTIONS 1 TO 8

Set out below is further information on the Merger Transaction and the Restructure (which are both undertaken contemporaneously) and the resolutions to be proposed in respect of the Restructure at this Meeting. Shareholders should also read the Independent Adviser's Report that accompanies this Notice of Meeting.

The implementation of resolutions 1 to 8 is conditional upon all of resolutions 1 to 8 being approved by the shareholders of the Company.

Consequences of Resolutions 1 to 8 not being approved

In the event that all of resolutions 1 to 8 are not approved, then the Merger Transaction will not proceed, and CBD will proceed with a separate capital raising initiative to continue to fund the business.

RESTRUCTURE HIGHLIGHTS

Summary

The principal terms of the Merger Transaction and the Restructure are as follows:

Merger with Eqalis

→ The Restructure involves CBD acquiring 100% ownership of Eqalis Group New Zealand Limited ("**Eqalis**"). The "in-substance nature" of the transaction is in effect a merger of two entities - CBD 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 medicinal 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 licensing to non-competitive companies.

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 Eqalis' 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 Format: 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, Eqalis 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 Eqalis' 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.

Eqalis Pharmaceuticals

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

Currently, Eqalis 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 Eqalis 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 Eqalis 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.

Terms of the Merger Transaction

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

Collateral Restructure matters

- In conjunction with the completion of the purchase of Eqalis, CBD will undertake an offer of up to 37,931,034 new CBD shares, at an issue price of \$0.29 per share ("**Capital Raise Shares**"), for a maximum raise of \$11 million to a combination of CBD shareholders, Eqalis shareholders and to third party investors. The minimum amount of capital that must be raised under this offer is \$7 million, and the target amount to raise is \$9 million. The new capital will be applied towards funding the ongoing working capital and future growth capital requirements of CBD post completion of the acquisition of Eqalis.
- In addition, one option ("**Capital Raise Option**") will be issued for every two Capital Raise Shares issued (up to 18,965,517 Capital Raise Options) at an exercise price of \$0.29 each, and otherwise on the terms described in the explanatory notes to resolution 3 below.
- On completion of the Restructure, three new directors nominated by the shareholders of Eqalis (Ms Webber and Messrs Misson and Scapens) will join the Board of CBD in addition to Messrs Ho and Lucas, and Ms Pears. Ms Hull will retire from the CBD Board.
- The Restructure is subject to a number of conditions, primarily comprising the approval by CBD shareholders of the resolutions being tabled at this meeting, and CBD raising not less than \$7 million of new capital under the capital raising initiative proposed in resolution 3.

What CBD will look like post completion of the Restructure

Following completion of the Restructure, CBD will:

- Own 100% of Eqalis. The future performance of CBD and the CBD shares will therefore be, in part, dependent upon the future performance of the existing business operations of CBD, together with the existing business operations of the Eqalis Group following completion of the Restructure.
- The issue of the Consideration Shares and the Capital Raise Shares will have the following effect on existing CBD 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%

→ CBD will have three new directors on the re-constituted CBD Board of six.

→ CBD will have additional cash in the bank (between \$7m and \$11m, before payment of transaction costs).

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.

Further details of the Restructure are set out in the Explanatory Notes to Resolutions 1 to 8 of this Notice of Meeting.

Timetable

In the event that CBD shareholders approve the Restructure, then the timetable for the Restructure is anticipated to be as follows:

Event	Date
Completion of the Merger Transaction	On or about 2 June 2023
Issue of Consideration Shares and Capital Raise Shares, restructure of the CBD Board of Directors	On or about 2 June 2023

What happens if the Restructure is not approved?

In the event that all of the resolutions at the Special Meeting are not approved by CBD shareholders:

- the Restructure will not proceed;
- CBD will proceed with a separate capital raising initiative to continue to fund the business;
- No break fees are payable by CBD to any parties as a consequence of the Merger Transaction not proceeding.

CBD will have incurred "sunk" costs of circa \$250,000 in respect of the Merger Transaction to date. Those costs include legal fees, the fees for the preparation of the IA Report, Registry costs and costs payable to the regulators to review the material circulated to CBD shareholders.



RESOLUTION 1:

ACQUISITION OF 100% OF THE SHARES ON ISSUE IN EQALIS GROUP NEW ZEALAND LIMITED ("EQALIS") – SPECIAL RESOLUTION - LISTING RULE 5.1.1 AND SECTION 129 OF THE COMPANIES ACT 1993

GENERAL

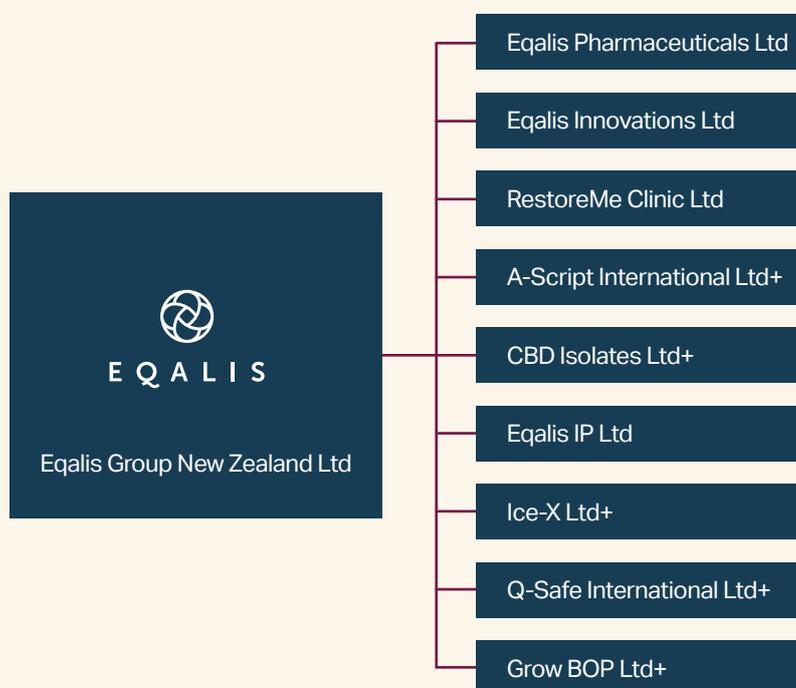
The Company has entered into a Share Sale Deed ("**Sale Agreement**") with the shareholders of Eqalis ("**Vendors**") to acquire 100% of the shares on issue in Eqalis, which owns 100% of the operating subsidiaries detailed below ("**Eqalis Group**") for \$48.8 million in aggregate ("**Merger Transaction**"). The purchase price will be satisfied by the issue of 147,891,069 million CBD shares, at an issue price of \$0.33 per share ("**Consideration Shares**"), to the Vendors.

Following the completion of the Merger Transaction, Eqalis (and the Eqalis Group) will become a wholly owned subsidiary company of Cannasouth Limited.

THE BUSINESS OPERATIONS OF EQALIS

The business operations of Eqalis are detailed above in pages 8 to 10.

THE ORGANISATIONAL AND OPERATIONAL STRUCTURE OF EQALIS



+ Denotes an inactive, non-trading, entity.

THE DIRECTORS AND SENIOR EXECUTIVES OF THE EQALIS GROUP

The directors of Eqalis Group New Zealand Limited that will be transitioning to be directors of CBD post merger are Greg Misson, Hilary Webber and Mark Scapens. The biographies for each of these prospective directors is provided in the Explanatory Notes to resolutions 4, 5 and 6.

In addition to the directors, the Eqalis Group have the following senior executives within their leadership team who will also be transitioning across in the merged company:

David Macaskill

Group Lead: Strategy and Operations

David is a registered Trans-Tasman patent attorney, and barrister and solicitor of the High Court of New Zealand with a Master of Science (Chemistry) and Bachelor of Laws. He has 17 years' experience in intellectual property strategy spanning a range of industries, including pharmaceuticals, animal healthcare, medical devices and software, artificial intelligence and machine learning, and agri-tech. Before joining Equalis as Strategy and Operations lead, David was a partner in New Zealand's largest privately owned intellectual property specialist boutique. His passion is technology development and commercialisation.

Tyrone Carlton

General Manager

Tyrone has over a decade of experience in business management in fast-paced industries. He holds a Bachelor of Management Studies from the University of Waikato with a Double Major in Strategic Management and Marketing. His specialist expertise is in business strategy and personnel management. Tyrone drives Equalis' cultivation team, having overseen the design and build of Equalis' cultivation sites, and implemented cultivation focused R&D projects. He now manages each cultivation site's performance while overseeing the daily operations at Equalis' Katikati facility.

Jake Chew

Innovation Manager

Jake is at the forefront of Equalis' innovation programme, leading the team on projects ranging from cultivation to extraction processes and equipment, while being a lynch pin in establishment of the company's GMP facility. He has a proven ability to take technology from a concept to commercial reality. He finds happiness in staring into the abyss posed by difficult problems, and finding solutions to the many problems of the challenging medicinal cannabis industry.

Vickie Clarke

Financial Controller

Vickie is a chartered accountant with a Bachelor of Business majoring in accounting and business management. She has a diverse skillset gained through CFO and senior executive roles in the NZ Defence Force, horticulture, manufacturing, healthcare, and construction industries. Prior to working with Equalis, she held a senior level role with KPMG New Zealand in which she led strategic and operational business planning workshops. These skills have been put to good use at Equalis, where she has been instrumental in creating the company's financial, HR, legal and administrative systems in addition to her responsibilities for financial planning.

Brendon Ogilvy

Chief Executive Officer of RestoreMe

Brendon is an experienced executive with a background in market research and online businesses. He is the CEO of RestoreMe, having led the business from concept to market launch. Success for Brendon is about empowering team members to deliver smart, superior service to delight their customers.

RISKS ASSOCIATED WITH THE COMMERCIAL OPERATIONS OF THE COMPANY

The table below contains information which the CBD Board and the Board of the Equalis Group consider relevant to an assessment of the likelihood, nature and potential magnitude of the impact of the risks associated with CBD acquiring the Equalis Group. These risks are based on the knowledge and assessment of those parties as at the date of this Notice of Meeting. It is possible that other risks may emerge or develop over time.

Dependence on key personnel

What is the risk?	<p>The Equis Group's operations are heavily reliant on certain key personnel.</p> <p>If any of the key personnel were to leave the Equis Group post merger, CBD's operations and financial performance could be adversely affected.</p>
Why is it significant to the combined Equis Group and CBD?	<p>The Equis Group is particularly dependent on its key personnel. While it is not anticipated, if the Equis Group loses the services of key individuals this could have a material adverse effect on its future performance until the skills that are lost are adequately replaced.</p>
Information to assist assessment of the likelihood, nature and potential magnitude of the risk	<p>The key executives of the Equis Group will be incentivised to deliver business growth and achieve the Equis Group's goals, which reduces the likelihood that they will leave the Equis Group. These incentives will include participation in CBD's employee share option scheme post merger, and other retention tools as are currently used with CBD's team.</p>

Competition

What is the risk?	<p>The medicinal cannabis sector in New Zealand is young and emerging. There are however a relatively large number of market participants in the sector.</p> <p>One or more of the Equis Group's (and CBD's) competitors could seek to offer comparable services and products at lower prices, which might cause downward pressure on the Equis Group's (and CBD's) pricing and ability to create gross margin and revenue. One or more competitors could also offer comparable services which are preferred by the market leading to reduced demand for the merged Equis Group and CBD's services, or may be successful in securing major new contracts or developing new technologies. New competitors may also enter the market in the future.</p>
Why is it significant to the combined Equis Group and CBD?	<p>The actions of, and emergence of new competitors, may impact the prices that the combined Equis Group and CBD entity can charge for its services or reduce the level of its business, both of which could negatively impact on the combined Group's business, financial condition and results.</p>
Information to assist assessment of the likelihood, nature and potential magnitude of the risk	<p>Whilst competition is inevitable and unavoidable, both the Equis Group and CBD are seeking to position themselves with a point of difference in the verticals in which they operate with respect to service quality, excellence and sustainability.</p> <p>The CBD Board expect that CBD post completion of the Restructure will be able to mitigate this risk given their experience in the industry, understanding of the sectors in which they operate, and with assistance from the experienced Senior Leadership Team.</p>

Management of growth opportunities and integration risk

What is the risk?

As CBD seeks to expand through the acquisition of Equis and to continue to expand organically, it may not successfully identify the right growth opportunities or manage its growth, which could lead to adverse operational and financial performance.

While CBD conducts thorough due diligence as part of each proposed acquisition or growth opportunity, it is possible that one or more material issues or liabilities may not have been identified, or may be more significant than expected and that CBD may not be adequately compensated or protected for such issue or liability in relation to the representations, warranties and indemnities provided by the vendor of the relevant business.

Why is it significant to the combined Equis Group and CBD?

CBD needs to carefully and seamlessly manage the integration of new employees from the Equis Group into their own business operations.

CBD expects that significant growth and increased operating complexity will place additional demands on its operating systems as well as personnel. If CBD's operating systems, personnel or distribution networks are unable to keep pace with these demands, CBD's business, operating results and financial condition may be materially adversely affected.

Information to assist assessment of the likelihood, nature and potential magnitude of the risk

The CBD Board believes that they, together with the incoming Equis directors have the requisite experience to manage the growth of the existing CBD business operations and also successfully integrate CBD with the Equis Group's operations.

Regulatory risk

What is the risk?

Almost all of the combined Equis and CBD business operations are heavily regulated, and may be subject to new or amended regulation, including medicines, manufacturing, employment, and health and safety regulation, which impose additional costs or restrictions on the combined Equis and CBD group, or may cause delays in the commercialisation of new products.

Why is it significant to the combined Equis Group and CBD?

Both CBD and Equis believe that they comply with all applicable regulations in the markets in which they operate. However, in the event of the introduction of new or amended regulations, the combined Group might be required to change the manner in which it undertakes its operations commercially. If there are delays caused by the interpretation of existing regulations, or the introduction of new regulatory hurdles, then that will have a flow-on effect on the timing by which CBD will be able to receive revenues from the new products that are affected by the delays.

Information to assist assessment of the likelihood, nature and potential magnitude of the risk

The executive of both CBD and Equis have extensive expertise with respect to regulatory compliance in the medicines and health sectors.

Early stage nature of the Equis business operations

What is the risk?	<p>Both CBD and Equis are early stage companies with limited trading history and no assurance of future revenue growth or profitability.</p> <p>There is no guarantee of any return, and any such returns may take some time to materialise.</p>
Why is it significant to the combined Equis Group and CBD?	<p>Given CBD and Equis are both early stage companies, with limited trading histories, there can be no assurance that their revenues are proven or established.</p> <p>As well as establishing their core product offerings, CBD and Equis are developing additional products and plans to expand into new categories. Should these initiatives fail to produce substantial increases in revenues, then CBD may not become profitable.</p>
Information to assist assessment of the likelihood, nature and potential magnitude of the risk	<p>CBD and Equis have both worked hard to develop their infrastructure from which to launch their product offerings into the New Zealand market.</p> <p>The Board of CBD considers that CBD post merger will be well positioned for growth in the future.</p>

FINANCIAL INFORMATION FOR THE EQALIS GROUP

The selected consolidated financial information for Equis group New Zealand Limited below has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The Equis Group: Selected financial information

Financial information	6 months to 30 September 2022 (unaudited)	12 months to 31 March 2022 (audited)	12 months to 31 March 2021 (audited)
Revenue	\$0	\$300,008	\$354,190
EBITDA	(\$2,672,839)	(\$4,404,099)	(\$2,526,624)
Net profit after tax	(\$2,962,116)	(\$4,779,030)	(\$2,931,232)
Dividends on all equity securities of the issuer	\$0	\$0	\$0
Total assets	\$6,882,691	\$5,271,669	\$4,124,533
Cash and cash equivalents	\$2,529,876	\$1,007,456	\$873,215
Total liabilities	\$1,492,147	\$1,474,609	\$1,121,382
Total debt	\$0	\$0	\$0
Net cash flows from operating activities	(\$2,799,162)	(\$3,713,716)	(2,477,740)

Notes:

A full copy of the Eqalis group audited financial statements for the period ended 31 March 2022, and the unaudited financial statements for the six months ended 30 September 2022, is available to view on CBD's website at <https://www.cannasouth.co.nz/eqalis/>

Eqalis has been in an establishment phase, waiting for regulatory approval of its products. Eqalis was unable to sell products pending that regulatory approval in the six month period ended 30 September 2022. Revenue in previous financial years was for previous products that were able to be sold under the regulatory framework in place at the time. However, when the current regulatory framework was put in place those previous products were unable to be sold; hence the fact that Eqalis had no revenue to September 2022.

Trading updates for Eqalis Groups' three active subsidiaries since 30 September 2022 are provided below:

- Eqalis Pharmaceuticals filed with MedSafe in November 2022 applications for verification of three products for compliance with the Minimum Quality Standard. These applications are still undergoing assessment but are anticipated to be completed by Q2 2023.
- Eqalis Pharmaceuticals has signed a supply agreement with Novachem Australia to facilitate entry to the Australian market. Under the agreement, Novachem will sponsor Eqalis' products into the Australian market, distribute Eqalis' products to Eqalis' own customer base and promote Eqalis' products to Novachem's existing customers.
- Eqalis Pharmaceuticals' sales and business development teams are continuing to work on opening up new export markets and building connections with customers and partners.
- RestoreMe Clinic launched in December 2022. The clinic is now booking patient appointments, and RestoreMe Clinic's doctors are providing patient consultations. Dispensing of prescriptions facilitated by the RestoreMe Clinic platform is continuing.
- Eqalis Innovations continues to work on new product development, and a range of innovative technologies that will provide Eqalis with competitive advantages while delivering improved patient outcomes and improving medicine affordability.

Cannasouth currently has a balance date of 31 December, and Eqalis 31 March. Following completion, balance dates of all group companies will be aligned to 31 December as required by law.

CONDITIONS OF THE SALE AGREEMENT

The acquisition of the Eqalis Group is conditional upon the Company obtaining all shareholder approvals that may be required to undertake the Merger Transaction and the transactions associated with the Merger Transaction as detailed in this Notice of Meeting, including but not limited to, those approvals required in accordance with the Companies Act, the Code and the Listing Rules.

In addition, the settlement of the transaction is conditional upon (amongst other things):

- The Company raising not less than \$7 million of new capital through the issue of Capital Raise Shares (as described elsewhere in these explanatory notes);
- The Company obtaining consent to the proposed transfer of the Eqalis Group from each landlord and counterparty to each material contract entered into by Eqalis and regulatory approvals from governmental agencies.

REQUIREMENT FOR RESOLUTION

The proposed acquisition of the Eqalis Group must be approved by shareholders. Shareholder approval is required in respect of resolution 1 for the following reasons:

Major Transaction

→ The value of the Eqalis Group is greater than half the value of the Company's assets. Therefore the Company will be entering into a "major transaction" for the purposes of section 129 of the Companies Act. Section 129 of the Companies Act requires that a major transaction must be approved by a special resolution of shareholders present in person or proxy and able to vote at the meeting.

A special resolution of shareholders means a resolution of shareholders approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the question.

Acquisition of Assets with a Gross Value above 50% of the Average Market Capitalisation of CBD – Listing Rule 5.1.1(b)

→ Listing Rule 5.1.1(b) requires that in the event that CBD proposes to acquire assets with a gross value above 50% of the Average Market Capitalisation of CBD (as that term is defined in the Listing Rules), then that transaction must be approved by an ordinary resolution of shareholders, or a special resolution if approved by way of a special resolution is required under section 129 of the Companies Act. Given the value of the Eqalis Shares exceeds this threshold, Listing Rule 5.1.1(b) requires approval by way of special resolution under section 129 of the Companies Act (as set out above).

A special resolution of shareholders means a resolution of shareholders approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the question.

THE VALUATION METHODOLOGY UTILISED BY THE BOARD

The CBD Board negotiated the purchase price for the Eqalis Group on a commercial arms-length basis with the Vendors.

The \$48.8 million purchase price for the shares in Eqalis was agreed based on the CBD Board's evaluation of the intellectual property, manufacturing and collateral physical assets and processes, together with the existing business operations held by the Eqalis Group. After evaluating those Eqalis Group assets held, the CBD Board considered that the value of those assets was comparable to the same value of assets that CBD held. Therefore the value attributed to the Eqalis Group was the same as the value attributed to CBD in the transaction.

Further information about the valuation of the Eqalis Group is provided in section 5 (pages 36 to 38) of the Independent Adviser's Report that accompanies this Notice of Meeting.

KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

Recommendation of the Board

The CBD Board strongly recommends that all shareholders review the Independent Adviser's Report that accompanies this Notice of Meeting so that they can fully appreciate the nature of the prospective Restructure and the Merger Transaction.

The Board recommends that CBD shareholders vote in favour of the Merger Transaction and the Restructure. The reasons for such recommendation are that:

- The issue of the Consideration Shares to the Vendors' will enable the Company to satisfy the payment of the purchase price payable by the Company to the Vendors to acquire Eqalis.
- The Directors believe that the Acquisition of Eqalis should have materially positive benefits for the Company for the following reasons:
 - 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 CBD and Eqalis 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 CBD 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 CBD 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 NextGen 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.

→ **CBD 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.

→ **CBD 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 NextGen products to deliver lower cost and more effective medicines to patients.

→ **CBD 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.

→ **CBD 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.

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

- The Directors consider that the issue price for the Consideration Shares is fair and reasonable to the Company.
- Each of the Directors who hold shares in CBD intend to vote in favour of the Merger Transaction.

The Board also strongly recommends that you read the Independent Adviser's Report accompanying this Notice.

The CBD Board supports fully the Merger Transaction and the Restructure and recommends that shareholders support the resolutions being tabled at the Special Meeting to approve the Merger Transaction and the Restructure.

Your vote is important

For the Restructure to proceed, it is necessary that CBD shareholders approve all of resolutions 1 to 8 including the acquisition of the Equis Group, the restructure of the CBD Board, and the capital raising initiatives. The acquisition of the Equis Group requires the approval of a special (75%) resolution. The restructure of the CBD Board and the issue of the Consideration Shares and the Capital Raise Shares requires the approval of an ordinary (50%) resolution, subject to the voting restrictions detailed in this Notice.

Reasons to vote in favour of the Merger Transaction, the acquisition of the Equis Group and the Restructure

→ Accelerate the growth of the combined CBD and the Equis Group post completion

- Please refer to the narrative above under the heading "Key Considerations Relevant to your vote".

→ Potential to generate increased shareholder value

- Should the Board of CBD (post completion of the Restructure), together with the executives of the Equis Group, be able to effectively implement their business strategy to grow the combined CBD and Equis Group business operations, then that performance may lead to an appreciation in the underlying CBD share price, and in doing so increase shareholder value.

→ If the Restructure proceeds, and shareholders are dissatisfied with the outcome of the Restructure, they will have an opportunity to sell their shares in CBD

- It is the Board's view that it is likely that trading liquidity in CBD's shares on the NZX should continue should the Restructure proceed.
- In the event that the Restructure proceeds and existing CBD shareholders do not wish to continue to hold their CBD shares, or are dissatisfied with the progress that the combined CBD and Equis Group is making, then CBD shareholders will have the opportunity to sell their CBD shares on market (post completion of the Restructure), subject to liquidity in CBD's shares at that time.

Other considerations relevant to the Merger Transaction and the Restructure

While the Board expects that the Merger Transaction and the Restructure will deliver positive value for existing CBD shareholders, and the Board has recommended that CBD shareholders vote in favour of the Merger Transaction and the Restructure, shareholders should also consider the following factors relating to the Merger Transaction and the Restructure and the potential impact on CBD and its shareholders.

→ You may believe that the consideration payable to acquire the Equis Group is too high

- The price payable by CBD to acquire Equis is \$48.8 million. You may consider that the purchase price is too high having regard to the current operational performance of the business operations of the Equis Group.

→ You may consider the dilutionary impact of the issue of the Consideration Shares and the Capital Raise Shares is too significant

- The dilutionary impact of the issue of the new shares in the Company to be issued as part of the Restructure (comprising the Consideration Shares and the Capital Raise Shares) is 54.748% (assuming CBD raises \$9 million from the capital raise initiative and CBD shareholders did not participate in the capital raising initiative). You may consider that the dilutionary impact of embarking on the Restructure is too significant in the context of the Restructure as a whole.

→ You may consider that the Merger Transaction and the Restructure are not in your best interests

- There may be other reasons, particular to you, why you consider that the Merger Transaction and the Restructure are not in your best interests.

→ **You may consider that there is a possibility that a superior transaction could emerge**

- The Board has no basis to believe that an alternative acquisition or restructuring proposal will be received given that CBD has not received any approaches since the announcement of the Merger Transaction and the Restructure on 19 December 2022.
- The Board believes that the acquisition of Eqalis is the right business opportunity to pursue at this time with a view to generating increased shareholder value.

BUY-OUT RIGHT

In respect of those shareholders who vote against Resolution 1, section 110 of the Companies Act gives those shareholders certain rights to require the Company to purchase their shares in the Company, if Resolution 1 is approved. Any shareholder who casts all votes attached to the shares registered in their name (and having the same beneficial owner) against Resolution 1 is entitled to require the Company to purchase their shares.

The right to have shares purchased must be exercised within 10 Business Days of the passing of Resolution 1 by the dissenting shareholder by giving written notice to the Company. The mechanics and the procedure for such an acquisition are provided in Appendix 3 to this Notice of Meeting.

VOTING RESTRICTIONS

The Vendors, and their Associated Persons (as that term is defined in the Listing Rules) are prohibited from voting on Resolution 1.



RESOLUTION 2:

ISSUE OF 147,891,069 ORDINARY FULLY PAID SHARES TO THE SHAREHOLDERS OF EQALIS GROUP NEW ZEALAND LIMITED – ORDINARY RESOLUTION – LISTING RULE 4.1.1 AND RULE 7(d) OF THE TAKEOVERS CODE

GENERAL

The purchase price for the acquisition of 100% of the shares in Eqalis will be satisfied by the issue of 147,891,069 fully paid ordinary shares in the Company ("**Consideration Shares**") to the shareholders of Eqalis ("**Allottees**"). The details of those individual Allottees is provided in Part 1 of Appendix 1.

The Consideration Shares will each have an issue price of \$0.33 per share. If Resolutions 1 to 8 are approved, the Consideration Shares shall be issued by the Company to the Allottees, contemporaneously with the settlement of the Merger Transaction but immediately prior to the issue of Capital Raise shares.

The Allottees would hold or control 50.0% of the total number of voting securities on issue in the Company in aggregate immediately following the completion of the Merger Transaction, but before the issue of the Capital Raise Shares.

Full particulars of the Allottees (being the Vendors), and where applicable the controllers, of the Consideration Shares and their respective allocations of Consideration Shares are detailed in paragraph 2 of Appendix 1 of this Notice.

ISSUE PRICE

The Board believes that the issue price of \$0.33 for each of the Consideration Shares represents fair value to the Company taking into account the following:

- the issue price for the Consideration Shares was negotiated between the CBD Board and the Vendors on a commercial arm's length basis; and
- reflected the market price of the CBD shares when the parties first entered discussions regarding a potential Merger Transaction, albeit on a non-binding and incomplete basis; and
- given the CBD Board considers the Merger Transaction to be a "merger of equals", i.e. a merger of two entities (CBD and Eqalis) with equal value, it is therefore logical that the issue price for the Consideration Shares be equal to the CBD share price.

REQUIREMENT FOR RESOLUTION

Listing Rule 4.1.1 requires that the issue of the Consideration Shares be approved by an ordinary resolution of the existing shareholders of the Company.

In addition, the issue of the Consideration Shares is required to be approved in accordance with the Code. Under Rule 6 of the Code, a person who holds or controls:

- no voting rights, or less than 20% of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and the person's associates hold or control not more than 20% of the voting rights in the code company; or
- 20% or more of the voting rights in a code company may not become a holder or controller of an increased percentage of the voting rights in the code company.

There are a number of exceptions to this rule. These include the exception under rule 7(d) of the Code, where a person may become the holder or controller of an increased percentage of voting rights in a code company by an allotment of voting securities in the code company if the allotment has been approved by an ordinary resolution of the code company in accordance with the Code.

The Company is a code company. In accordance with Rule 7(d) of the Code, the allotment of the Consideration Shares to the Vendors is required to be approved by an ordinary resolution as an exception to Rule 6 of the Code.

The Code requires the Company to obtain an Independent Adviser's Report. The purpose of the Independent Adviser's Report is to assess the merits of the proposed allotment of the Consideration Shares to the Allottees having regard to the interests of those persons who may vote to approve the allotment. Simmons Corporate Finance Limited has prepared such a Report and a copy of it accompanies this Notice of Meeting. The appointment of Simmons Corporate Finance Limited was approved by the Takeovers Panel.

The information required under Rule 16 of the Takeovers Code is set out in Appendix 1 of this Notice of Meeting.

The chronology of share issues in respect of the completion of the Merger Transaction and the Restructure are as follows:

- The Consideration Shares will be issued to the shareholders of Eqalis in the numbers provided in Appendix 1. As a result, the Eqalis shareholders together would hold 50% of the voting rights in the Company immediately prior to the issue of Capital Raise Shares;
- Subsequently, the Capital Raise Shares will be issued. To ensure compliance with the Takeovers Code, the participation of Eqalis shareholders in the Capital Raise will be capped as described below on page 26.

For the purposes of the Code, all of the shareholders of Eqalis have been treated as if they were collectively associates (as that term is defined in the Code) given they are acting in concert as parties to the Share Sale Deed, and are also parties to an existing shareholders' agreement in respect of Eqalis. Post completion, to the best of the Company's knowledge, those shareholders should not be regarded collectively as associates because they will no longer be acting in concert in relation to the Merger Transaction and the shareholders' agreement they currently have will be terminated, and they will each be free to decide how they may vote their shares in CBD.

VOTING RESTRICTIONS

The Vendors and their Associated Persons (as that term is defined in the Listing Rules) or their Associates (as defined in the Code) are prohibited from voting on Resolution 2.



RESOLUTIONS 3:

ISSUE OF UP TO 37,931,034 NEW ORDINARY FULLY PAID SHARES AND UP TO 18,965,517 OPTIONS TO A COMBINATION OF CBD SHAREHOLDERS, EQUALS SHAREHOLDERS AND THIRD PARTY INVESTORS – ORDINARY RESOLUTION – LISTING RULE 4.1 AND RULE 7(d) TAKEOVERS CODE

GENERAL

In conjunction with the completion of the Merger Transaction, the Company proposes to issue up to 37,931,034 new fully paid ordinary shares in the Company ("**Capital Raise Shares**") to a number of investors at an issue price of \$0.29 per Capital Raise Share. The capital raising initiative is targeted to raise \$9 million (but not less than \$7 million and not more than \$11 million) of new capital. The Capital Raise Shares are the same class of share as the existing ordinary shares on issue in the Company. If the minimum amount of \$7 million is not raised the capital raise initiative will be cancelled and the Merger Transaction will not proceed.

In addition, one option ("**Capital Raise Option**") will be issued for every two Capital Raise Share issued (with fractional amounts rounded-down, for a maximum issue of 18,965,517 Capital Raise Options) at an exercise price of \$0.29 each, and otherwise on the terms described below:

- a. Each Capital Raise Option entitles the holder to acquire one ordinary share in the Company;
- b. The exercise price payable upon the exercise of each Capital Raise Option will be \$0.29;
- c. The Capital Raise Options shall vest (come into existence) on the date of their issue, and shall have a term of 36 months from the date of their issue.
- d. Capital Raise 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 Capital Raise Options which are not exercised during the Exercise Period shall lapse;
- f. In respect of any Capital Raise Options that are exercised during the Exercise Period, the new Shares to be issued following the exercise of the Capital Raise Options, shall be issued and allotted by the Company on the last business day of the month in which the respective Capital Raise Options were exercised;
- g. Shares issued upon exercise of a Capital Raise 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 Capital Raise Options are transferable using an off-market transfer form (that will be provided by the Company on request). However, the Capital Raise Options will not be quoted on the NZX Main Board;
- i. The Capital Raise Options shall not confer on the holder the right to participate in rights issues undertaken by the Company;
- j. The holders of the Capital Raise Options will not be entitled to vote at any meeting of the shareholders of the Company; and
- k. On any consolidation, subdivision or other reconstruction of shares the number of shares over which each Capital Raise Option is exercisable will be adjusted in proportion to the reconstruction, and the aggregate exercise price will remain unchanged.

CAPITAL RAISE OFFER STRUCTURE

The offer of the Capital Raise Shares will be structured as follows:

→ Up to \$4,500,000 of the Capital Raise Shares will be offered to existing CBD

shareholders on a pro rata basis, pursuant to a non-renounceable rights issue ("**CBD Offer**"). CBD shareholders will be entitled to apply for more shares in this offer, subject to scaling detailed below;

- Up to \$4,500,000 of the Capital Raise Shares will be offered to existing Equis shareholders on a pro rata basis to their respective shareholdings in Equis, pursuant to a non-renounceable rights issue ("**Equis Offer**"). Equis shareholders will be also entitled to apply for more shares in this offer, subject to scaling detailed below, and to the extent that the relevant shareholder's percentage shareholding following the Capital Raise Share allotments does not exceed the percentage shown in column 7 of Appendix 2. The pro-rata entitlements of Equis shareholders are shown in Appendix 2, together with firm commitments to apply for new shares entered into by certain Equis shareholders.
- There will be an ability to accept up to \$2 million of oversubscriptions under the above two offers in aggregate, for a maximum issue size of \$11 million in aggregate.
- Third party investors, including for this purpose certain CBD shareholders or Equis shareholders (together "**Firm Investors**") are being approached to secure binding commitments to participate in the offer of the Capital Raise Shares, subject to sufficient Capital Raise Shares being available. To date, binding commitments to participate in the offer for amounts of **\$3.3 million** in aggregate have been received. These investors will take priority in the allocation of any oversubscriptions under the two offers ahead of CBD and Equis shareholders' applications for oversubscriptions. The identity of those Equis shareholders that have agreed to firm commitments are shown in Appendix 2.

Priority of Subscriptions

The Applications of CBD Shareholders, Equis Shareholders and Firm Investors would be dealt with in the following priority:

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

Use of proceeds of Capital Raise Shares

The funds raised from the issue of the Capital Raise Shares will be applied to the combined CBD and Equis Group's strategic objectives, depending on the total raised. The objectives include:

- Funding the ongoing working capital requirements of CBD post Completion including:
 - Building and expanding international sales team;
 - Funding merger implementation costs;
- Funding existing CBD 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

It is anticipated that the Capital Raise Shares will be issued on the same date as the completion of the Merger Transaction, with settlement of the issue of all of the Capital Raise Shares to occur at the same time as the issue of the Consideration Shares.

Dilutionary Impact

If the targeted \$9 million of new capital is raised, those investors issued Capital Raise Shares will hold 9.50% of the shares on issue in the Company. If the maximum amount of \$11 million, or minimum amount of \$7 million, is raised, investors issued Capital Raise Shares would hold 11.37%, or 7.54% of the shares on issue, respectively.

REQUIREMENT FOR RESOLUTION

Listing Rule 4.1.1 require that the issue of the Capital Raise Shares be approved by an ordinary resolution of the existing shareholders of the Company.

Rule 7(d) of the Code also requires the issue of the Capital Raise Shares to Eqalis shareholders to be approved by an ordinary resolution of the existing shareholders of the Company. The disclosures required by Schedule 5 of the Code are set out in Appendix 2.

The Company does not consider that Takeovers Code approval is required for any shares issued on exercise of the Capital Raise Options because, to the best of the Company's knowledge, the present association arising from in concert activity of Eqalis shareholders will have ceased at the time the Capital Raise Options become capable of exercise, but Capital Raise Option holders should take care to ensure they comply with the Code at the point at which any of them exercise their Capital Raise Options.

ISSUE PRICE

The CBD Board notes that the issue price for the Capital Raise Shares (\$0.29) is \$0.04 less than the issue price for the Consideration Shares (\$0.33). The reason for this differential in issue price is as follows:

The issue price of \$0.33 for the Consideration Shares reflected the market price of the CBD shares when the parties first entered discussions regarding a potential Merger Transaction, albeit on a non-binding and incomplete basis; and

The current market price for the CBD Shares at the time the board finalised the essential terms of the capital raise was circa \$0.29.

VOTING RESTRICTIONS

Those parties who agree to subscribe for the Capital Raise Shares, and their Associated Persons (as that term is defined in the Listing Rules) are prohibited from voting on this resolution.

The Vendors and their Associated Persons (as that term is defined in the Listing Rules) or their Associates (as defined in the Code) are prohibited from voting on Resolution 3.

RESOLUTIONS 4, 5 AND 6:

APPOINTMENT OF DIRECTORS – ORDINARY RESOLUTIONS

GENERAL

It is anticipated that following completion of the Merger Transaction, Greg Misson, Hilary Webber and Mark Scapens ("**Proposed Additional Directors**") will be appointed to the Board of the Company with effect from Completion.

Tony Ho, Christine Pears and Mark Lucas will continue on the CBD Board. Juliet Hull will step down on the date of the completion of the Restructure.

Mr Tony Ho would continue as non-executive Chairman of the Board from Completion.

Ordinary resolutions approving the appointment of each of the Proposed Additional Directors are sought. The appointment of the Proposed Additional Directors will be effective from Completion.

Biographies for each of the Proposed Additional Directors are provided below:

Greg Misson

Greg is an inventor and entrepreneur with a passion for solving difficult problems. His first enterprise, launched in 1984, developed innovations for the world's rapidly expanding dairy processing industries. In 2003 he was founding director of New Zealand's first large private dairy manufacturing company.

Greg has also been involved in airlines, architecture, business consulting and investment. He has a passion for taking organisations from concept to profit through smart thinking.

The Board considers that Mr Misson will not be an Independent Director (as that term is defined in the Listing Rules).

Hilary Webber

Hilary's expertise covers the areas of strategic and business growth, treasury and financial management, as well as innovation and research and development. Hilary's governance roles include being a former director of NZ Dairy Group (now Fonterra), AgResearch, Anchor Foods, Mighty River Power (now Mercury) and Westpac Advisory Board. She was the inaugural Chair and co-founder of the Dairy Women's Network which has over 8000 members.

Formerly a Registered Nurse, Hilary's interest in medicinal cannabis started when she saw the positive impact it had on her husband's terminal cancer. She believes that access to and affordability of medicinal cannabis is every person's right.

The Board considers that Ms Webber will be an Independent Director (as that term is defined in the Listing Rules).

Mark Scapens

Mark has over 30 years of business experience covering horticulture, retail, wholesale, education and property sectors. He has launched start-ups, bought businesses and sold them. Mark's experience includes 20 years in government funded private education where he operated to high standards of compliance and service delivery.

Mark's core strengths include an ability to envisage a big picture, long range view and an appetite for emerging industries. He loves creating something from nothing as well as breathing life back into businesses.

The Board considers that Mr Scapens will not be an Independent Director (as that term is defined in the Listing Rules).

VOTING RESTRICTIONS

There are no voting restrictions in respect of resolutions 4, 5 and 6.

RESOLUTION 7:

APPROVAL OF DIRECTORS FEES – ORDINARY RESOLUTION

GENERAL

Given the Board is proposed to increase from four (three non-executive directors) to six (four non-executive directors and two executive directors), the Board seeks approval for the maximum aggregate directors' remuneration to be increased by \$100,000 from \$250,000 per annum to a maximum sum of \$350,000 in respect of each financial year following the Restructure (on the basis that the Company will have four non-executive directors). It is anticipated that the directors' remuneration will be paid as follows:

- \$80,000 per annum shall be paid to the Chairman of the Board of Directors of the Company;
- \$50,000 per annum shall be paid to each non-executive director of the Company.
- \$5,000 per annum supplementary fee shall be paid to the chair of the Finance and Audit Committee

Currently, directors' fees of \$185,000 are actually payable to directors of the Company in aggregate. Accordingly, the Proposed Additional Directors remuneration of \$235,000 will represent an increase of \$50,000 to the level of directors' fees currently payable by the Company. The proposed increase of the aggregate fees for non-executive directors to \$350,000 will provide additional capacity for the Company to recruit and appoint future directors as the Company grows.

In the event of an increase in the total number of directors holding office, the Board may, without the authorisation of an ordinary resolution of shareholders, increase the total remuneration by such an amount as is necessary to enable the Company to pay the additional director or directors of the Company remuneration not exceeding the average amount then being paid to each of the other non-executive directors (other than the chairperson) of the Company.

VOTING RESTRICTIONS

No person intended to receive directors' fees, and no Associated Person (as that term is defined in the Listing Rules) of that person may vote on Resolution 7.

RESOLUTION 8:

ISSUE OF UP TO 17,746,928 OPTIONS TO EMPLOYEES, CONTRACTORS, AND NON-EXECUTIVE DIRECTORS - ORDINARY RESOLUTION – LISTING RULE 4.2.1

GENERAL

The Vendors have requested approval of resolution 8 be sought, which seeks approval to issue up to 17,746,928 options to acquire ordinary shares in the Company ("**Options**") to employees, contractors and non-executive directors of CBD and of the Equalis Group post completion of the Restructure ("**Group**").

Each Option, once issued, permits the holder of an Option to give notice to the Company of his or her intention to exercise the Option and to be issued one new ordinary share in the Company for every Option exercised. The Option can only be exercised during the exercise period (referred to below), and upon the payment by the holder of each Option of the exercise price for each Option, to the Company.

The Vendors consider that it is beneficial for the Company to offer and to subsequently issue Options to certain current and future employees, contractors, and non-executive directors of the Group, for the following reasons:

- The issue will encourage recipients of the Options to hold shares in the Company will assist in encouraging a high level of commitment and retention, and aligns their interests with those of external investors;

- The Options will only be issued to targeted recipients who are considered to be particularly valuable to the growth and development of the Company;
- The structure of the issue of the Options will assist the Company in retaining the key staff of the Group for the future;
- The opportunity to offer Options to prospective new employees and non-executive directors will assist the Company in securing the services of those parties as part of the package available to be offered to those parties;
- The offer of Options provides an appropriate way to incentivise employees and non-executive directors without the Company incurring a direct cash cost.

The Options are proposed to be allocated and issued by the new Board of the Company post completion of the Restructure to certain existing or future employees and non-executive directors of the Company as determined by the Board. It is the intention of the new Board that the vast majority of the Options will be granted to employees of the Group, and not to non-executive directors of the Company.

Because the shareholders' agreement between Equalis shareholders will cease to apply on allotment of the Consideration Shares and each such person will be free to exercise voting rights in the Company however they see fit, the Company does not anticipate any existing Equalis shareholder that is issued Options will be restricted by the Takeovers Code from the exercise of their Options unless, at the time of exercise of such Options, the person, together with their associates (determined as at the time of exercise of the Options) would hold or control more than 20% of the voting rights in the Company.

DILUTIONARY IMPACT OF EXERCISE OF OPTIONS

Total Options Pool

The total pool of Options proposed to be approved by shareholders represents 5.32% of the total share capital proposed to be on issue as at the date of the completion of the Restructure (assuming the Consideration Shares are issued and \$9 million is raised under the capital raising initiative and that no Capital Raise Options are exercised).

In the event that:

- All 17,746,928 Options were issued; and
- All 17,746,928 Options were exercised,

the holders of those Options would hold 17,746,928 shares in the Company, representing approximately 5.05% of the total number of shares on issue post the completion of the Restructure, the exercise of their Options, and the issue of the new shares to the relevant Option Holders (assuming the Consideration Shares are issued and \$9 million is raised under the capital raising initiative and that no Capital Raise Options are exercised).

TERMS OF ISSUE OF THE OPTIONS

The principal terms of the Options are as follows:

- Each Option entitles the holder to acquire one ordinary share in the Company;
- The exercise price payable in respect of each Option will be determined by the Board of CBD at the time that the Options are to be issued;
- The Options shall vest in the holder over three years in equal one third tranches as follows (a) one third shall vest on the date of their issue, (b) one third shall vest on the first anniversary of the date of their issue, and (c) one third shall vest on the second anniversary of the date of their issue;
- The Options must be exercised in the period commencing on the relevant vesting date and ending on that date being 3 calendar years after the vesting date ("**Exercise Period**");
- Should the services of the holder of an Option cease to be retained by the Company or a subsidiary of the Company prior to a tranche of Options vesting in the holder, other than due to death or illness, then those Options that have not vested at that time shall terminate and any vested, but unexercised Options, must be exercised within 30 days of the holders cessation of employment or service or those Options will lapse;

- Any Options which are not exercised during the Exercise Period shall lapse;
- 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 exercise date (except for any dividend or other entitlement where the entitlement date occurs prior to the exercise date);
- The Options are not transferable without the prior approval of the Company in writing;
- The Options shall not confer on the holder the right to participate in rights issues undertaken by the Company;
- The holders of the Options will not be entitled to vote at any meeting of the shareholders of the Company;
- 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 reconstruction, and the aggregate exercise price will remain unchanged,

and otherwise on the terms set out in the Option Agreement to be entered into between the Company and each holder of the Options.

REQUIREMENT FOR RESOLUTION

Listing Rule 4.2.1 states in general terms, that shareholder approval by ordinary resolution must be obtained for any issue of Equity Securities (which includes the Options) by the Company and, accordingly, shareholder approval by ordinary resolution is being sought in accordance with Listing Rule 4.2.1. In approving the issue of the Options, Shareholders are also effectively approving the issue of new ordinary shares to the holders of the Options following the exercise of an Option by a holder of an Option.

VOTING RESTRICTIONS

Any shareholders of the Company, and their Associated Persons (as that term is defined in the Listing Rules), who are to receive any of the securities referred to in Resolution 8 are prohibited from voting on Resolution 8.



APPENDIX 1 -

INFORMATION REQUIRED BY THE TAKEOVERS CODE IN RESPECT OF RESOLUTION 2 – ISSUE OF 147,891,069 NEW VOTING SECURITIES (“CONSIDERATION SHARES”) TO THE SHAREHOLDERS OF EQALIS GROUP NEW ZEALAND LIMITED

1. Identity of the Allottees and Controllers of the Consideration Shares

The Consideration Shares being allotted pursuant to Resolution 2 are being allotted to the following shareholders of Equis Group New Zealand Limited (“Allottees”), in the following amounts:

Name of Shareholder of Equis (each an “Allottee”). Each Allottee named is the holder and controller of voting rights in respect of the shares to be allotted, except to the extent that another controller of those voting rights is specified below.	Number of new CBD Consideration shares to be issued	% of control of the Group post Merger Transaction and immediately prior to the issue of the Capital Raise Shares
Mark James and Sharon SCAPENS, CLM TRUSTEES LTD Controller: Mark and Sharon Scapens	22,064,894	7.46%
Murray Robert and Necia Carmen MCBRIDE, Igor GERRITSON	14,040,087	4.75%
HAPUKA No 2 TRUSTEES LTD Controller: Gregory Misson and Geoff Bilkey	11,999,987	4.06%
Claude Henry GRAYLING	10,722,666	3.63%
Alan John and Lynda BOUGEN, Graeme ELVIN	10,447,475	3.53%
Gail Jean and Stephen John RICKETTS, NAPIER INDEPENDENT TRUSTEES (STEPHEN & GAIL RICKETTS FAMILY TRUST) LTD Controller: Stephen and Gail Ricketts	6,872,135	2.32%
LUX INVESTMENTS LIMITED Controller: Katrina and David Wilson	6,397,334	2.16%
Brendon George and Cynthia Jewel OGILVY and MAIDSTONE TRUSTEES (2010) LTD Controller: Brendon and Cynthia Ogilvy and Graeme Skeates	5,440,194	1.84%
Mary Lenore LOMAS and Richard Wayne NASH	5,042,762	1.70%
Andrina Pauline and Gregory Ross MCCULLOCH	4,787,207	1.62%
Fiona Maree and Graeme Alan RICKETTS, NAPIER INDEPENDENT TRUSTEES (GRAEME & FIONA RICKETTS FAMILY TRUST) LTD Controller: Fiona and Graeme Ricketts	4,752,659	1.61%
Fatima Idris AWAN	4,620,393	1.56%
Jason MARRA	4,483,259	1.52%
Antonius Petrus Wilhelmus Maria and Lynnette Maree MARTENS	4,356,676	1.47%

Name of Shareholder of Eqalis (each an "Allottee"). Each Allottee named is the holder and controller of voting rights in respect of the shares to be allotted, except to the extent that another controller of those voting rights is specified below.	Number of new CBD Consideration shares to be issued	% of control of the Group post Merger Transaction and immediately prior to the issue of the Capital Raise Shares
Amanda Jane and Daniel Patrick MCGOVERN and WENDY E SINCLAIR TRUSTEE COMPANY (2017) LIMITED Controller: Amanda and Daniel McGovern and Wendy Sinclair	3,716,943	1.26%
Jason Conan MURRAY and Janine MURRAY	2,452,418	0.83%
Hilary WEBBER	2,365,598	0.80%
Elizabeth PLANT, Anthony Edwin WILSON	2,192,314	0.74%
Alice Waina and Peter James STEWART and Bryce Matthew Reid SMITH	1,956,783	0.66%
Gregory Charles MISSON	1,882,415	0.64%
Amanda RAGG and Geoffrey STREET	1,672,626	0.57%
Brendan Bede and Michaela Elizabeth MURRAY and John Ellis SCHNACKENBERG	1,672,623	0.57%
Antony McKenzie PONDER	1,672,623	0.57%
CUSTODIAL SERVICES LIMITED Controller: Craigs Investment Partners on behalf of various clients	1,055,560	0.36%
CUSTODIAL SERVICES LIMITED Controller: Neil Craig	541,312	0.18%
James MCCULLOCH	1,539,495	0.52%
Gregory Charles MISSON and Elizabeth PLANT and Kirsten MURFITT	1,136,067	0.38%
Andrew John HAMBLETON	1,099,542	0.37%
Richard Wayne NASH	791,670	0.27%
Mark James SCAPENS	788,215	0.27%
BJU TRUSTEE LIMITED Controller: Janine Urwin	743,389	0.25%
Sondra Dawn TAYLOR	703,707	0.24%
Mitchell Guy CUEVAS	541,312	0.18%
David George SYME	465,006	0.16%
Paul Charles Ian BARNES	435,813	0.15%
David MACASKILL	366,934	0.12%
Nicola Mary and Peter James STEVENS and TREISHT SERVICES 2020 LTD Controller: Peter and Nicola Stephens, Michael Jones and Daniel Wein	366,515	0.12%
Alexandra Louise ROBERTSON and Reuben Shaun TUCKER	351,853	0.12%
Jacob CHEW	351,853	0.12%

Name of Shareholder of Equis (each an "Allottee"). Each Allottee named is the holder and controller of voting rights in respect of the shares to be allotted, except to the extent that another controller of those voting rights is specified below.	Number of new CBD Consideration shares to be issued	% of control of the Group post Merger Transaction and immediately prior to the issue of the Capital Raise Shares
Tyrone CARLTON	351,853	0.12%
Vickie CLARKE	263,890	0.09%
Kirsten MURFITT	223,015	0.08%
Ash BHULA	91,626	0.03%
Murray Robert MCBRIDE	70,371	0.02%
TOTAL	147,891,069	50.0%

2. Particulars of the voting securities being allotted

A total of 147,891,069 new voting securities ("**Consideration Shares**") are proposed to be allotted to the Allottees, with the number of Consideration Shares to be allotted to each Allottee as specified above.

The Consideration Shares will represent 50.0% of the aggregate of the existing voting securities on issue in the Company, immediately after the issue of the Consideration Shares, and the percentage held or controlled by each Allottee immediately after the issue of the Consideration Shares is as specified above.

The Allottees will together hold or control 50.0% of all of the voting securities on issue in the Company after the issue of the Consideration Shares.

Because each Allottee is acting in concert with each other by selling their shares in Equis to the Company, and due to an existing shareholders' agreement between them, each Allottee has been treated as an "Associate" of each other for the purposes of the Takeovers Code.

Accordingly, the aggregate of the percentages of all voting securities that will be held or controlled by each Allottee and the Allottee's associates after completion of the allotment is 50.0%.

The shareholders' agreement between Equis shareholders will cease to apply on allotment of the Consideration Shares and each Allottee will be free to exercise voting rights in the Company however they see fit. Accordingly, the circumstances that have led the Company to treat each Allottee as an "Associate" will cease to apply.

3. Issue Price for Voting Securities

The issue price for the Consideration Shares is \$0.33 for each Consideration Share to be allotted.

The payment date of the issue price for the Consideration Shares will be satisfied upon the date of the completion of the acquisition of Equis by the Company. The consideration for the subscription for the Consideration Shares will be satisfied by the transfer by the Vendors of the Equis Group to the Company.

4. Reasons for the allotments

The reasons for the Company issuing and allotting the Consideration Shares to the Allottees are as follows:

- (a) The Company has entered into the Sale Agreement with the Vendors which provides for the acquisition of Equis;
- (a) The Sale Agreement provides for, amongst other matters, the Company to issue the Consideration Shares to the Allottees in satisfaction of the purchase price payable by the Company to acquire Equis, which company in turn owns the Equis Group.

5. The allotment under Resolution 2 if approved, will be permitted under Rule 7(d) of the Takeovers Code as exceptions to Rule 6 of the Takeovers Code.
6. In accordance with Rule 16(g) of the Takeovers Code, the Allottees have each confirmed that there are no agreements or arrangements (whether legally enforceable or not) that have been, or are intended to be, entered into between the Allottees and any other person (other than between the Allottees and the Company in respect of the matters referred to in paragraphs 1 to 5 above) relating to the allotment, holding or control of the voting securities to be allotted, or to the exercise of voting rights in the Company, other than in respect of the allotment each Allottee has entered into a Share Sale Deed to sell their shares in Equalis to the Company on arms-length terms.
7. A report from an independent adviser that complies with Rule 18 of the Takeovers Code accompanies this Notice of Meeting.
8. A statement by the Directors of the Company required by Rule 19 of the Takeovers Code is set out below.

Directors' Statement

The Directors unanimously recommend approval of the allotment of the Consideration Shares referred to in Resolution 2.

The reasons for the recommendation in relation to Resolution 2 are that:

- (a) The issue of the Consideration Shares to the Allottee will enable the Company to satisfy the payment of the purchase price payable by the Company to the Vendors to acquire Equalis under the Sale Agreement.
- (b) The Directors believe that the acquisition of the Equalis Group should have materially positive benefits for the Company for the following reasons outlined earlier in this Notice of Meeting, but including:
 - (i) 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 Equalis and CBD brings with it a suite of synergistic benefits including expertise, technology, GMP manufacturing capability, product distribution and licensing.
 - (ii) 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 CBD shareholders.
 - (iii) Cannabis medicines 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.
 - (iv) All of the above will ensure patients have low-cost access to medicinal cannabis and ensure that CBD can respond to changes in market demand, both locally and internationally.
- (c) The Directors consider that the issue price for the Consideration Shares is fair and reasonable to the Company.
- (d) Having regard to the value attributed to the Company in the Merger Transaction, together with the value attributable to the Equalis Group, and the business opportunity afforded to the Company with the Merger Transaction, the Board believes that the proposed Merger Transaction and the Restructure presents a credible and exciting opportunity for the Company and its shareholders.

APPENDIX 2

INFORMATION REQUIRED BY THE TAKEOVERS CODE IN RESPECT OF RESOLUTION 3 – OFFER OF CAPITAL RAISE SHARES TO EQUALIS SHAREHOLDERS

1. Identity of the Allottees and Controllers of the Capital Raise Shares

The Capital Raise Shares being allotted pursuant to Resolution 3 are being offered for allotment to the following shareholders of Equalis Group New Zealand Limited (“Allottees”), in the following amounts:

Name of Shareholder of Equalis (each an “Allottee”). Each Allottee named is the holder and controller of voting rights in respect of the shares to be allotted, except to the extent that another controller of those voting rights is specified below.	Firm commitment to subscribe (where applicable)	Pro rata Entitlement to Capital Raise Shares	Additional shares above pro rata entitlement arising from firm commitment	Maximum Capital Raise Shares that could be allotted to Allottee (approved maximum number)	Maximum percentage of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents	Maximum % of control of the Group following the issue of the Capital Raise Shares assuming minimum \$7m raised
Mark James and Sharon SCAPENS, CLM TRUSTEES LTD Controller: Mark and Sharon Scapens	\$300,000	2,315,125		2,315,125	0.724%	7.621%
Murray Robert and Necia Carmen MCBRIDE, Igor GERRITSON		1,473,134		1,473,134	0.460%	4.849%
HAPUKA No 2 TRUSTEES LTD Controller: Gregory Misson and Geoff Bilkey	\$200,000	1,259,080		1,259,080	0.394%	4.144%
Claude Henry GRAYLING	\$300,000	1,125,059		1,125,059	0.352%	3.703%
Alan John and Lynda BOUGEN, Graeme ELVIN	\$200,000	1,096,185		1,096,185	0.343%	3.608%
Gail Jean and Stephen John RICKETTS, NAPIER INDEPENDENT TRUSTEES (STEPHEN & GAIL RICKETTS FAMILY TRUST) LTD Controller: Stephen and Gail Ricketts	\$100,000	721,048		721,048	0.225%	2.373%
LUX INVESTMENTS LIMITED Controller: Katrina and David Wilson		671,230		671,230	0.210%	2.209%
Brendon George and Cynthia Jewel OGILVY and MAIDSTONE TRUSTEES (2010) LTD Controller: Brendon and Cynthia Ogilvy and Graeme Skeates		570,804		570,804	0.178%	1.879%
Mary Lenore LOMAS and Richard Wayne NASH		529,104		529,104	0.165%	1.742%
Andrina Pauline and Gregory Ross MCCULLOCH	\$100,000	502,290		502,290	0.157%	1.653%

Name of Shareholder of Eqalis (each an "Allottee"). Each Allottee named is the holder and controller of voting rights in respect of the shares to be allotted, except to the extent that another controller of those voting rights is specified below.	Firm commitment to subscribe (where applicable)	Pro rata Entitlement to Capital Raise Shares	Additional shares above pro rata entitlement arising from firm commitment	Maximum Capital Raise Shares that could be allotted to Allottee (approved maximum number)	Maximum percentage of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents	Maximum % of control of the Group following the issue of the Capital Raise Shares assuming minimum \$7m raised
Fiona Maree and Graeme Alan RICKETTS, NAPIER INDEPENDENT TRUSTEES (GRAEME & FIONA RICKETTS FAMILY TRUST) LTD Controller: Fiona and Graeme Ricketts	\$128,400	498,665		498,665	0.156%	1.641%
Fatima Idris AWAN		484,788		484,788	0.152%	1.596%
Jason MARRA		470,399		470,399	0.147%	1.548%
Antonius Petrus Wilhelmus Maria and Lynnette Maree MARTENS	\$60,000	457,117		457,117	0.143%	1.505%
Amanda Jane and Daniel Patrick MCGOVERN and WENDY E SINCLAIR TRUSTEE COMPANY (2017) LIMITED Controller: Amanda and Daniel McGovern and Wendy Sinclair		389,995		389,995	0.122%	1.284%
Jason Conan MURRAY and Janine MURRAY		257,316		257,316	0.080%	0.847%
Hilary WEBBER	\$100,000	248,207	96,621	344,828	0.108%	0.847%
Elizabeth PLANT, Anthony Edwin WILSON		230,025		230,025	0.072%	0.757%
Alice Waina and Peter James STEWART and Bryce Matthew Reid SMITH		205,312		205,312	0.064%	0.676%
Gregory Charles MISSON		197,510		197,510	0.062%	0.650%
Amanda RAGG and Geoffrey STREET		175,498		175,498	0.055%	0.578%
Brendan Bede and Michaela Elizabeth MURRAY and John Ellis SCHNACKENBERG		175,497		175,497	0.055%	0.578%
Antony McKenzie PONDER		175,497		175,497	0.055%	0.578%
CUSTODIAL SERVICES LIMITED Controller: Craigs Investment Partners on behalf of various clients		110,753		110,753	0.035%	0.365%
CUSTODIAL SERVICES LIMITED Controller: Neil Craig	\$43,128	56,796	91,921	148,717	0.046%	0.216%
James MCCULLOCH	\$100,000	161,529	183,298	161,529	0.108%	0.589%
Gregory Charles MISSON and Elizabeth PLANT and Kirsten MURFITT		119,200		119,200	0.037%	0.392%
Andrew John HAMBLETON		115,368		115,368	0.036%	0.380%
Richard Wayne NASH		83,065		83,065	0.026%	0.273%

Name of Shareholder of Eqalis (each an "Allottee"). Each Allottee named is the holder and controller of voting rights in respect of the shares to be allotted, except to the extent that another controller of those voting rights is specified below.	Firm commitment to subscribe (where applicable)	Pro rata Entitlement to Capital Raise Shares	Additional shares above pro rata entitlement arising from firm commitment	Maximum Capital Raise Shares that could be allotted to Allottee (approved maximum number)	Maximum percentage of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents	Maximum % of control of the Group following the issue of the Capital Raise Shares assuming minimum \$7m raised
Mark James SCAPENS		82,702		82,702	0.026%	0.272%
BJU TRUSTEE LIMITED Controller: Janine Unwin		77,999		77,999	0.024%	0.257%
Sondra Dawn TAYLOR	\$12,000	73,835		73,835	0.023%	0.243%
Mitchell Guy CUEVAS		56,796		56,796	0.018%	0.187%
David George SYME		48,790		172,414	0.015%	0.161%
Paul Charles Ian BARNES	\$25,000	45,727	40,480	72,414	0.027%	0.163%
David MACASKILL		38,500		38,500	0.012%	0.127%
Nicola Mary and Peter James STEVENS and TREISHT SERVICES 2020 LTD Controller: Peter and Nicola Stephens, Michael Jones and Daniel Wein		38,456		38,456	0.012%	0.127%
Alexandra Louise ROBERTSON and Reuben Shaun TUCKER		36,918		36,918	0.012%	0.122%
Jacob CHEW		36,918		36,918	0.012%	0.122%
Tyrone CARLTON		36,918		36,918	0.012%	0.122%
Vickie CLARKE		27,688		27,688	0.009%	0.091%
Kirsten MURFITT		23,400		23,400	0.007%	0.077%
Ash BHULA		9,614		9,614	0.003%	0.032%
Murray Robert MCBRIDE		7,384		7,384	0.002%	0.024%
TOTALS	\$1,668,528	15,517,241	412,320	15,929,561	4.979%	51.207%

In addition, as with other participants in the Capital Raise, Allottees will be issued with one Capital Raise Option for every two Capital Raise Shares allotted. The disclosures above do not account for any shares issued on the exercise of Capital Raise Options.

2. Particulars of the voting securities being allotted

The maximum number of Capital Raise Shares that could be allotted to each Allottee (the "approved maximum number") is as specified in the 5th column of the table above.

The percentage of the aggregate of all existing voting securities (including for this purpose the Consideration Shares) and all voting securities that could be allotted that the approved maximum number represents is shown in the 6th column of the table above.

The maximum percentage of all voting securities that could be held or controlled by the Allottee after completion of the allotments is shown in the 7th column of the table shown above.

Because each Allottee is acting in concert with each other by selling their shares in Equis to the Company, and due to an existing shareholders' agreement between them, each Allottee has been treated as an "associate" of each other for the purposes of the Takeovers Code.

Accordingly, the maximum aggregate of the percentages of all voting securities that could be held or controlled by each Allottee and the Allottee's associates after completion of the allotments (not including voting securities of any of the Allottee's Associates who are also relying on rule 7(d) in relation to the allotment or allotments (the "**relying associates**")) is shown for each Allottee in the 6th column of the table above. The disclosures have been prepared on the basis that all Equis shareholders could be 'relying associates', but:

- (i) it is possible that not all Equis shareholders will be 'relying associates';
- (ii) it is not possible, prior to commencement of the capital raise, to know which (if any) Equis shareholders will not be relying associates; and
- (iii) accordingly, the disclosures have been prepared to demonstrate what the maximum aggregate control percentage might be amongst the Equis shareholders.

The maximum aggregate of the percentages of all voting securities that could be held or controlled by the Allottee and the Allottee's associates after completion of the allotments is 51.207%.

The shareholders' agreement between Equis shareholders will cease to apply on completion of the Restructure and each Allottee will be free to exercise voting rights in the Company however they see fit. Accordingly, the circumstances that have led the Company to treat each Allottee as an "Associate" will cease to apply.

The date used to determine the information referred to above (the "**calculation date**") is the date and time immediately following allotment of the Consideration Shares but immediately prior to the allotment of the Capital Raise Shares (which is expected to be in May 2023). The calculations assume that the Consideration Shares are issued and that Allottees subscribe for up to \$4,500,000 in the Equis Offer but for a minimum combined offer size of \$7 million (so that subscriptions under the CBD Offer total \$2.5 million). The calculations also assume that there is no change in the total number of existing voting securities on issue between the calculation date and the end of the allotment period, and that each Allottee and the Allottee's associates are allotted their respective approved maximum number of voting securities.

3. Issue Price for Voting Securities

The issue price for the Consideration Shares is \$0.29 for each Capital Raise Share to be allotted payable in cash at the time of subscription.

4. Reasons for the allotments

The reasons for the Company issuing and allotting the Capital Raise Shares to the Allottees are that the issue of shares is part of the capital raising to support the Equis acquisition as described in the explanatory notes above.

5. The allotment under Resolution 3 if approved, will be permitted under Rule 7(d) of the Takeovers Code as exceptions to Rule 6 of the Takeovers Code.
6. In accordance with Rule 16(g) of the Takeovers Code, the Allottees have each confirmed that there are no agreements or arrangements (whether legally enforceable or not) that have been, or are intended to be, entered into between the Allottees and any other person (other than between the Allottees and the Company in respect of the matters referred to in paragraphs 1 to 5 above) relating to the allotment, holding or control of the voting securities to be allotted, or to the exercise of voting rights in the Company, other than for those Allottees that have agreed to firm commitment the Allottee has entered into a subscription agreement between the Company and the relevant allottee on arm's length terms.

7. A report from an independent adviser that complies with Rule 18 of the Takeovers Code accompanies this Notice of Meeting.
8. A statement by the Directors of the Company required by Rule 19 of the Takeovers Code is set out below.

Directors' Statement

The Directors unanimously recommend approval of the allotment of the Capital Raise Shares referred to in Resolution 3.

The reasons for the recommendation in relation to Resolution 3 are that allotments under the Eqalis Offer, in conjunction with allotments under the CBD Offer, will help provide funding for the acquisition of Eqalis, which is being made for the reasons specified in Appendix 1.



APPENDIX 3

MINORITY BUY OUT RIGHT

Minority Buy-Out Right

- 1.1 The information in this Appendix contains information about the ability of shareholders who vote against resolution 1 to require the Company to acquire their shares in accordance with section 110 of the Companies Act 1993 ("**Companies Act**").

Shareholders may require Company to purchase shares

- 1.2 Section 110 of the Companies Act provides that where:
- (a) a shareholder is entitled to vote on a major transaction (such as the Acquisition of the Equalis Group); and
 - (b) the shareholders of the Company approve the resolution approving the major transaction; and
 - (c) a shareholder ("**Dissenting Shareholder**") cast all the votes attached to shares registered in the Dissenting Shareholder's name and having the same beneficial owner against the resolution approving the major transaction,
- that Dissenting Shareholder is entitled to require the Company to purchase the shares held by the Dissenting Shareholder in accordance with the provisions of the Companies Act.

Notice requiring purchase

- 1.3 Section 111 of the Companies Act provides that the Dissenting Shareholder may, within 10 working days of the passing of the resolution at the meeting of shareholders, give a written notice to the Company requiring the Company to purchase those shares.
- 1.4 Within 20 working days of the Company receiving the Dissenting Shareholder's notice, the Board of the Company must:
- (a) agree to the purchase of the shares by the Company; or
 - (b) arrange for some other person to agree to purchase the shares; or
 - (c) apply to the Court for an order under section 114 or section 115 of the Companies Act (the details of which are referred to below); or
 - (d) arrange, before taking the action concerned, for the special resolution approving the Equalis Group transaction to be rescinded in accordance with section 106 of the Companies Act or decide in the appropriate manner not to take the action concerned, as the case may be; and
 - (e) give written notice to the Dissenting Shareholder of the Board's decision regarding its proposed course of action.

Price for shares to be purchased by Company determined

- 1.5 Within 5 working days of the Board giving the notice referred to above in paragraph 1.4 that the Board agrees to the purchase of the Dissenting Shareholders shares, the Board must give to the Dissenting Shareholder written notice of:
- (a) the price the Company offers to pay for those shares; and
 - (b) how:
 - (i) the matters in paragraph 1.6 were calculated; or
 - (ii) the price was calculated under paragraph 1.7 and why calculating the price using the methodology set out in paragraphs 1.6(a) to (c) would be clearly unfair.
- 1.6 The price the Company intends to pay for the shares of the Dissenting Shareholder must be a fair and reasonable price (as at the close of business on the day before the date on which the resolution was passed) for the Dissenting Shareholders shares, calculated as follows:

- (a) first, the fair and reasonable value of the total shares in each class to which the shares belong must be calculated ("**class value**");
 - (b) secondly, each class value must be adjusted to exclude any fluctuation (whether positive or negative) in the class value that has occurred (whether before or after the resolution was passed) that was due to, or in expectation of, the event proposed or authorised by the resolution;
 - (c) thirdly, a portion of each adjusted class value must be allocated to the Dissenting Shareholder in proportion to the number of shares the Dissenting Shareholders holds in the relevant class.
- 1.7 However, a different methodology from that set out in paragraphs 1.6(a) to (c) may be used to calculate the fair and reasonable price for the shares if using the methodology set out in those paragraphs would be clearly unfair to the Dissenting Shareholder or the Company.
- 1.8 The Dissenting Shareholder may object to the price offered by the Board for the shares by giving written notice to the Company no later than 10 working days after the date on which the Board gave written notice to the Dissenting Shareholder under paragraph 1.5.
- 1.9 If the Company does not receive an objection to the price in accordance with paragraph 1.8, the Company must purchase all the Dissenting Shareholders shares at the nominated price no later than 10 working days after:
- (a) the date on which the Board's offer is accepted; or
 - (b) if the Board has not received an acceptance, the date that is 10 working days after the date on which the Board gave written notice to the shareholder under paragraph 1.5.
- 1.10 The time periods in paragraph 1.9 do not apply if there is a written agreement between the Board and the Dissenting shareholder that specifically sets a different date for purchase of the shares.

Price for shares referred to arbitration if shareholder objects to price

- 1.11 If the Company receives an objection to the price offered for the shares by the Company:
- (a) the following issues must be submitted to arbitration:
 - (i) the fair and reasonable price for the shares, on the basis set out in paragraphs 1.6 and 1.7; and
 - (ii) the remedies available to the Dissenting Shareholder or the Company in respect of any price for the shares that differs from that determined by the Board; and
 - (b) the Company must, within 5 working days of receiving the objection, pay to the Dissenting shareholder a provisional price in respect of each share equal to the price offered by the Board.
- 1.12 If the price determined for the Dissenting Shareholder's shares:
- (a) exceeds the provisional price paid, the arbitral tribunal must order the Company to pay the balance owing to the shareholder;
 - (b) is less than the provisional price paid, the arbitral tribunal must order the Dissenting Shareholder to pay the excess to the Company.
- 1.13 Except in exceptional circumstances, an arbitral tribunal must award interest on any balance owing or excess to be paid under paragraph 1.12.
- 1.14 If a balance is owing to the Dissenting Shareholder, an arbitral tribunal may award to the Dissenting Shareholder, in addition to or instead of an award of interest, damages for loss attributable to the shortfall in the initial payment.
- 1.15 Any sum that must be paid in accordance with the paragraphs 1.11 to 1.14 must be paid no later than 10 days after the date of the arbitral tribunal's determination, unless the arbitral tribunal specifically orders otherwise.

Interest payable on outstanding payments

- 1.16 Interest is payable on any sum that must be paid under paragraphs 1.11 to 1.14 that is outstanding after the date on which it falls due on the basis and at the rate that the arbitral tribunal thinks fit having regard to all of the circumstances.

Timing of transfer of shares

- 1.17 On the day on which the Board gives notice that the Board agrees to the purchase of the Dissenting Shareholder's shares by the Company pursuant to paragraph 1.4(e):
- (a) the legal title to those shares passes to the Company; and
 - (b) the rights of the shareholder in relation to those shares end.

Court may grant exemption

- 1.18 The Company may apply to the Court for an order exempting it from the obligation to purchase the Dissenting Shareholder's shares on the grounds that:
- (a) the purchase would be disproportionately damaging to the Company; or
 - (b) the Company cannot reasonably be required to finance the purchase; or
 - (c) it would not be just and equitable to require the Company to purchase the shares.
- 1.19 In the event that the Company sought to make an application to the Court, the Court could make an order exempting the Company from the obligation to purchase the shares, and may make any other order it thinks fit, including an order:
- (a) setting aside the resolution approving the Acquisition of the Equis Group;
 - (b) directing the Company to take, or refrain from taking, any action specified in the order;
 - (c) requiring the Company to pay compensation to the shareholders affected;
 - (d) that the Company be put into liquidation.
- 1.20 The Court shall not make an order under paragraphs 1.18(a) or (b) unless it is satisfied that the Company has made reasonable efforts to arrange for another person to purchase the Dissenting Shareholder's shares.

Court may grant exemption if the Company is insolvent

- 1.21 If:
- (a) a notice is given to the Company by a Dissenting Shareholder requiring the Company to acquire their shares; and
 - (b) the Board has resolved that the purchase by the Company of the Dissenting Shareholder's shares to which the notice relates would result in the Company failing to satisfy the solvency test; and
 - (c) the Company has, having made reasonable efforts to do so, been unable to arrange for the shares to be purchased by another person,
- the Company must apply to the Court for an order exempting it from the obligation to purchase the shares.

- 1.22 The Court may, if it is satisfied that:
- (a) the purchase of the shares would result in the Company failing to satisfy the solvency test; and
 - (b) the Company has made reasonable efforts to arrange for the shares to be purchased by another person,
- make:
- (c) an order exempting the company from the obligation to purchase the shares; or
 - (d) an order suspending the obligation to purchase the shares; or
 - (e) such other order as it thinks fit.



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