

For Public Release
NZX Limited
Wellington

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Cannasouth Announces Integration Restructure

Cannasouth Ltd (NZX: CBD) announced today that following the merger with Equalis, effective 1 June 2023, opportunities for cost rationalisation through operational efficiencies and greater focus were identified. A range of initiatives are underway to deliver the efficiency gains and to reduce cash spend by around \$400,000 per month once restructuring is fully implemented. The restructure will retain key business intellectual property and functionality to meet immediate revenue goals.

Cannasouth is awaiting verification for a range of products intended for the New Zealand and export markets. Cannasouth expects delays on the timeline for product verification because the Medicinal Cannabis Agency (MCA) have been slow in turning around such verification approvals.

Cannasouth has proven that it can meet the New Zealand minimum quality standards (NZMQS) required by the Medicinal Cannabis Scheme and has recently exported high-quality dried flower and high purity cannabidiol (CBD) isolate. However, revenue from further products is dependent on those products being verified by the MCA. We are working with the MCA to expedite those products awaiting verification approvals.

CEO Mark Lucas says, "We believe that our new products, which are manufactured under GMP quality standards, will be verified. But given the ongoing delays around approval timelines, we are restructuring our business to factor in delays to products reaching the market. Unfortunately, this means regional jobs will be lost in the medium term."

Cannasouth previously announced its plan to dual list the Company on the Australian Securities Exchange (ASX) as a foreign exempt listing (refer to market announcement on 4 August 2023). The Board anticipated at that time that the dual listing process would conclude by year end. This is now expected to be further progressed in 2024, pending completion of a financial audit of Equalis Group for the year to 31 March 2023.

With the delays in availability of verified medicinal cannabis products, the Company's business plan for revenue generation has been delayed. There is a need for the Company to raise additional capital to continue with the Company's growth strategy. The board is currently actively considering capital raising options to support the constrained cash position of the Company in the short term. The Company will update the market when initiatives are confirmed.

Mr Lucas says, "We are seeing exponential growth in demand for medicinal cannabis products in New Zealand and Australia, with no signs of slowing down. We remain confident that our strategy will meet the needs of patients and investors".

-ENDS-

For further information visit www.cannasouth.co.nz or contact:

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About Cannasouth Limited

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

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