

23 August 2022

Dear Shareholder(s),

RIGHTS OFFER – LETTER TO INELIGIBLE SHAREHOLDERS

Cannasouth Limited (NZX:CBD) announced its intention to launch a 1 for 10 pro-rata renounceable rights issue to raise up to circa \$4.1 million ("Rights Offer") on Friday 12th August 2022.

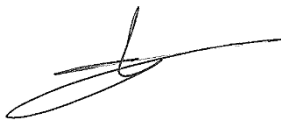
The Rights Offer is not open to those CBD shareholders who did not have a registered address in either New Zealand or Australia as at the Record Date. The reason for this was because Cannasouth considered that it would be unduly onerous and unreasonable for Cannasouth to make the Rights Offer into jurisdictions other than New Zealand and Australia having regard to a number of factors, including the number of securities held by Ineligible Shareholders, the number and value of New Shares that they would be offered and the costs of complying with the legal and regulatory requirements which would apply to an offer of securities to Ineligible Shareholders in those places.

Under the terms of the Rights Offer, you are an Ineligible Shareholder and, accordingly, you are not eligible to subscribe for New Shares under the Rights Offer. However, you may still receive some benefit from the Rights Offer, as described below:

- New Shares attributable to Rights not taken up on the closing date of the Rights Offer (being 7 September 2022) including the Rights attributable to Ineligible Shareholders (Unexercised Rights) will be offered under an Oversubscription Bookbuild Facility to Eligible Shareholders who take up their Rights in full and apply for additional New Shares, and to institutional investors.
- The Oversubscription Bookbuild is expected to be completed on or before 9 September 2022.
- The price at which New Shares will be issued under the Oversubscription Bookbuild Facility is the Oversubscription Price.
- The Oversubscription Price will be determined by Cannasouth in consultation with its advisors for the Rights Offer on or before 9 September 2022 and will be equal to or above the Offer Price.
- There is no limit to the Oversubscription Price.
- The proceeds from each New Share issued under the Oversubscription Bookbuild (if any) will be paid as follows:
 - the Offer Price of NZ\$0.30 will be paid to Cannasouth; and
 - any amount per New Share, if any, by which the Oversubscription Price exceeds the Offer Price (Premium) will be paid to the holders of Unexercised Rights (including Ineligible Shareholders) in proportion to their holdings of Unexercised Rights, provided that the amount of any such payment to a relevant shareholder exceeds \$5.00.
- Ineligible Shareholders will be deemed to hold the number of Rights they would have received if they were Eligible Shareholders for the purpose of calculating the amount of any Premium payable to them.
- Payment of the Premium (if any) is expected to be made by 21 September 2022.

- No fees or costs will be payable by any shareholder, and no interest will be collected or paid to any shareholder on any Premium payable.
- There is no guarantee that any Premium will be realised from the Oversubscription Bookbuild. The Premium may be zero, in which case no payment will be made to the holders of the Unexercised Rights attributable to the New Shares sold in the Oversubscription Bookbuild.
- The Premium (if any) may not be the highest bid for the New Shares, but will be determined having regard to a number of factors at the absolute discretion of Cannasouth.

On behalf of the Board,



Mark Lucas

Executive Director
Cannasouth Limited