



Cannasouth Limited and Group

Preliminary Condensed Consolidated Financial Statements (Unaudited)
For the year ended 31 December 2021

Cannasouth Limited and Group

Preliminary Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income For the year ended 31 December 2021

	Unaudited GROUP	GROUP
	31 Dec 2021	31 Dec 2020
	\$	\$
Continuing operations		
Revenue and other income	1,301,800	131,140
Cost of sales	(253,918)	-
Gross profit	1,047,882	131,140
Interest income	46,704	178,237
Research and development expenses	(870,326)	(721,235)
Administrative expenses	(2,530,117)	(2,765,283)
Share of net loss of joint ventures accounted for using the equity method	(1,416,467)	(274,303)
Gain on remeasurement on original equity investments	2,190,450	-
Loss before finance costs	(1,531,874)	(3,451,444)
Finance costs	(79,666)	(29,210)
Loss before tax from continuing operations	(1,611,540)	(3,480,654)
Income tax (expense) / benefit	(5,165)	-
Loss after tax from continuing operations	(1,616,705)	(3,480,654)
Other comprehensive income	-	-
Total comprehensive gain / (loss)	(1,616,705)	(3,480,654)
Total comprehensive loss is attributable to:		
Owners of Cannasouth Ltd	(1,616,705)	(3,480,654)
Profit / (Loss) per share (cents per share)		
Basic	(1.27)	(3.00)
Diluted	(1.27)	(3.00)
Weighted average number of ordinary shares issued		
Basic	127,518,857	116,101,513
Diluted	127,518,857	116,101,513

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Preliminary Condensed Consolidated Statement of Financial Position As at 31 December 2021

	Unaudited GROUP	GROUP
	31 Dec 2021	31 Dec 2020
	\$	\$
Total current assets	6,150,896	9,461,722
Total non-current assets	15,667,720	5,101,397
Total assets	21,818,616	14,563,119
Total current liabilities	1,716,898	367,357
Total non-current liabilities	4,434,711	121,217
Total liabilities	6,151,609	488,574
Net assets	15,667,007	14,074,545
Share capital	25,890,948	20,066,346
Accumulated deficit	(10,438,654)	(6,053,547)
Share-based payment reserve	214,713	61,746
Capital and reserves attributable to owners of Cannasouth Ltd	15,667,007	14,074,545
Total equity	15,667,007	14,074,545

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Preliminary Consolidated Statement of Changes in Equity For the year ended 31 December 2021

	GROUP (Unaudited)			Total Equity
	Share Capital	Share-based Payment Reserve	Accumulated Deficit	
	\$		\$	
Balance as at 1 January 2021	20,066,346	61,746	(6,053,547)	14,074,545
Shares issued	6,160,975	-	-	6,160,975
Capital raising costs	(336,374)	-	-	(336,374)
Profit / (Loss) for the year	-	-	(1,616,705)	(1,616,705)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	-	-	(1,616,705)	(1,616,705)
Increase / (Decrease) in reserves	-	152,967	(10,874)	142,093
Losses of subsidiaries at acquisition	-	-	(2,757,528)	(2,757,528)
Balance as at 31 December 2021	25,890,948	214,713	(10,438,654)	15,667,007

	GROUP			Total Equity
	Share Capital	Share-based Payment Reserve	Accumulated Deficit	
Balance as at 1 January 2020	14,149,297	32,659	(2,585,273)	11,596,683
Shares issued	6,279,430	-	-	6,279,430
Capital raising costs	(362,381)	-	-	(362,381)
Profit / (Loss) for the year	-	-	(3,480,654)	(3,480,654)
Total comprehensive income	-	-	(3,480,654)	(3,480,654)
Increase / (Decrease) in reserves	-	29,087	12,380	41,467
Balance as at 31 December 2020	20,066,346	61,746	(6,053,547)	14,074,545

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Preliminary Condensed Consolidated Statement of Cash Flows For the year ended 31 December 2021

	Unaudited GROUP	GROUP
	31 Dec 2021	31 Dec 2020
	\$	\$
Net cash flows used in operating activities	(1,881,359)	(2,928,932)
Net cash flows used in investing activities	(6,100,887)	(2,290,527)
Net cash flows from financing activities	3,994,977	5,890,976
Net increase in cash flows	(3,987,269)	671,517
Opening cash and cash equivalents	9,151,233	8,479,716
Cash acquired on acquisition of subsidiaries	351,284	-
Cash and cash equivalents at the end of the year	5,515,247	9,151,233

Cannasouth Limited and Group

Notes to the Preliminary Consolidated Financial Statements For the year ended 31 December 2021

1 Summary of significant accounting policies

General Information

Cannasouth Ltd ("the Company") is a company registered and domiciled in New Zealand. The address of the Company's registered office is c/- Braithwaite and Pearks Ltd, Level 1, 240 Victoria Street, Hamilton, 3256. The Company together with its subsidiaries, Cannasouth Bioscience Ltd, Cannasouth Cultivation Ltd and Midwest Pharmaceuticals NZ Ltd (the '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. The Group's goal is to support patients' health outcomes and improve their quality of life. Products will be produced under GxP, using environmentally friendly methods, ensuring patients are treated with therapeutic products of the highest quality.

Basis of preparation

These financial statements have been prepared under IAS 34, and therefore do not contain notes and information to the same extent as do full financial statements.

Except for the cash flow information, these financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated.

The financial statements are presented in New Zealand Dollars. The amounts presented in the financial statements have been rounded to the nearest dollar.

The same accounting policies and methods of computation are followed in these financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2020.

Basis of consolidation

The following entities and the basis for their inclusion for consolidation in these Financial Statements are as follows:

Name of subsidiary	Country incorporated	Ownership interest held by the Group	
		2021	2020
Cannasouth Bioscience Ltd	New Zealand	100%	100%
Cannasouth Cultivation Ltd	New Zealand	100%	50%
Midwest Pharmaceuticals NZ Ltd	New Zealand	100%	60%

During the year equity accounting ceased for both Midwest Pharmaceuticals NZ Ltd and Cannasouth Cultivation Ltd, and both were consolidated into the Group.

2 Significant accounting estimates and judgements

The Company makes estimates and assumptions concerning the future that affects the amounts reported in the financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Acquisitions of Midwest Pharmaceuticals NZ Ltd and Cannasouth Cultivation Ltd

During the year Midwest Pharmaceuticals NZ Ltd and Cannasouth Cultivation Ltd were both acquired by the Company and became subsidiaries. The use of the equity method of accounting was discontinued from the date of the acquisitions. Material estimates and assumptions, in particular fair value assessments relating to the acquisitions of Midwest Pharmaceuticals NZ Ltd and Cannasouth Cultivation Ltd are included in these financial statements and are subject to audit and may change.

3 Deferred tax

During the year we commenced a process to determine the business commencement dates for Group entities for tax purposes. This process is not complete as at balance date. A provisional estimate of the value of the deferred tax asset for the Group as at 31 December 2021 is \$3.0 million, but is not included in these financial statements.