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Cannasouth's Product Registrations Delayed

The registration of Cannasouth Limited's (NZX: CBD, Cannasouth, the Company) initial three imported products by the Medicinal Cannabis Agency (Agency) has been delayed.

Cannasouth submitted product assessment applications for these products to the Agency in November 2020, with an indication that it would take up to three months for approval.

Cannasouth announced to the market that first sales of these products would happen in the first half of 2021, assuming successful registration within the three months' timeline.

The rigor of the Agency required the Company to provide further technical information, which has since been lodged. This delay will affect the timing of the release of Cannasouth's own brand products.

Cannasouth's regulatory teams are working collaboratively with the Agency on the technical information required for the products to meet the New Zealand Minimum Quality Standards (NZMQS). Since the Medicinal Cannabis Scheme (Scheme) was introduced in April 2020, only four products were registered in New Zealand as meeting the NZMQS. This highlights the rigor of the Agency's process.

Cannasouth CEO Mark Lucas says, "This is a very technical exercise. The current regulation has some challenges but our experienced regulatory team, together with our Australian supplier, are working through the assessments with the Agency.

"It is challenging to produce cannabis-based medicines to pharmaceutical GMP standards. New Zealand patients are desperately waiting for more product options and we are working diligently to provide them. Working through this process has provided us with valuable insights for our own product development for local and export markets."

Once approved Cannasouth will work quickly to import product from its Australian supplier for distribution in New Zealand. This is estimated to take 12 weeks after product approval by the Agency.

Cannasouth's strategy of importing its own-brand products to supply the New Zealand market is to deliver medicinal cannabis product to patients faster and to secure an early-to-market advantage. This will also generate earlier revenues.

"The delay in getting our products registered is a consequence of being an early mover in a new regulatory environment, but in the meantime, we are full steam ahead with our other revenue generating activities," says Lucas.

Cannasouth's business priority is commissioning its state-of-the-art cultivation facility with JV partner Cannasouth Cultivation Limited. The facility will generate the main revenue stream from the sales of premium pharmaceutical cannabis flower. Product shortages for this premium quality flower have been reported in export markets including Australia, which is a key business opportunity for Cannasouth.

Longer term revenue generating activities will include:

- Manufacture and sale of GMP Pharmaceutical Cannabis Based Ingredients (CBI's) and Finished Dosage Form (FDF's) medicines into local and export markets.
- Providing toll extraction and contract manufacturing services from Midwest Pharmaceuticals NZ Limited, in which Cannasouth has a 60% shareholding.
- R&D pipeline projects

"The barriers of entry to the pharmaceutical GMP medicinal cannabis sector are high, but the opportunities are equally large for businesses with the skills, resource, and expertise to successfully navigate the challenges." says Lucas.

"The global market is expanding rapidly. Cannasouth has constructed industry-leading facilities and has assembled a world-class team, which puts us in a strong position to transition from the establishment phase to the commercialising revenue generating phase of the business' development."

-ENDS-

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About Cannasouth Limited

Cannasouth is a biopharmaceutical research and product development company based in the Waikato heartland of New Zealand. The Company has been established to focus on the development of the medicinally beneficial attributes of cannabinoid compounds such as CBD, THC and associated chemical structures that are produced by the cannabis plant. Our goal is the development of next-generation cannabinoid medicines that support patients' health outcomes and improve their quality of life. Our products will be under GMP using environmentally friendly methods without the use of harmful chemicals or solvents, ensuring patients are treated with pure cannabinoid therapeutic compounds of the highest quality. The Cannasouth group holds commercial medicinal cannabis licenses granted by the Medicinal Cannabis Agency for cultivation, possession to manufacture, and supply activities.

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