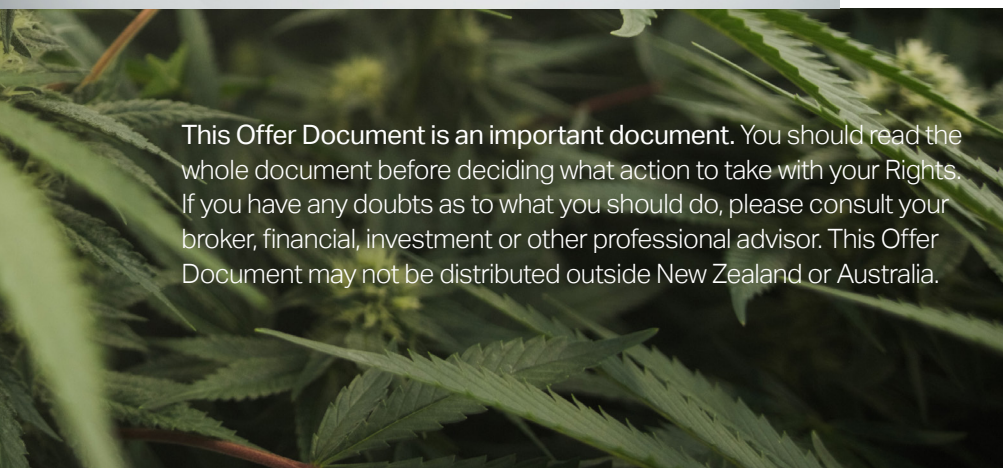


Cannasouth Limited Renounceable Rights Offer

1 for 10 renounceable rights
offer of ordinary shares

DATED 19 AUGUST 2022



This Offer Document is an important document. You should read the whole document before deciding what action to take with your Rights. If you have any doubts as to what you should do, please consult your broker, financial, investment or other professional advisor. This Offer Document may not be distributed outside New Zealand or Australia.





IMPORTANT INFORMATION

General information

This Offer Document has been prepared by Cannasouth Limited ("Cannasouth") in connection with a 1 for 10 renounceable rights offer of New Shares, followed by an Oversubscription Bookbuild Facility (Offer).

The Offer is made to Eligible Shareholders pursuant to the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

This Offer Document is not a product disclosure statement for the purposes of the FMCA, and does not contain all of the information that an investor would find in a product disclosure statement or which may be required to make an informed decision about the Offer or Cannasouth.

This Offer Document and the offer of New Shares under the Offer (and this Offer Document for the purposes of that Offer) are being made in Australia in reliance on the Australian Securities and Investments Commission Corporations (Foreign Rights Issues) Instrument 2015/356 (as modified by ASIC Instrument 22-0082) or otherwise to persons to whom the Offer can be made without a formal disclosure document under Chapter 6D of the Corporations Act 2001 (Cth).

This Offer Document is not a prospectus, product disclosure statement or any other formal disclosure document for the purposes of Australian law or the Corporations Act 2001 (Cth) and is not required to, and does not, contain all the information which would be required in a disclosure document under Australian law or the Corporations Act 2001 (Cth). It may contain references to dollar amounts which are not Australian dollars, may contain financial information which is not prepared in accordance with Australian law or practices, may not address risks associated with investment in foreign currency denominated investments and does not address Australian tax issues. Cannasouth is a company which is incorporated in New Zealand and the relationship between it and investors will be largely governed by New Zealand law.

This Offer Document has not been, and will not be, lodged or registered with the Australian Securities and Investments Commission or the Australian Securities Exchange and Cannasouth is not subject to the continuous disclosure requirements that apply in Australia.

Prospective investors should not construe anything in this Offer Document as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act 2001 (Cth).

Additional information available under Cannasouth's disclosure obligations

Cannasouth Limited is subject to continuous disclosure obligations under the NZX Main Board Listing Rules. Further information relating to the Offer can also be found

in Cannasouth's recent market announcements and its most recent unaudited financial statements for the six-month period ended 30 June 2022, which can be accessed online at www.nzx.com under the ticker code "CBD".

Cannasouth may, during the Offer, make additional releases to NZX. To the maximum extent permitted by law, no release by Cannasouth to NZX will permit an Applicant to withdraw any previously submitted Application without Cannasouth's prior consent.

We encourage you to read this document and to seek investment advice from a suitably qualified professional adviser before you consider investing.

Offering restrictions

This Offer Document is intended for use only in connection with the Offer to Eligible Shareholders. To be an Eligible Shareholder you must be:

- A Shareholder with a registered address in New Zealand;
- or
- A Shareholder with a registered address in Australia.

This Offer Document does not constitute an offer or invitation in any country in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Offer Document may not be sent or given to any person outside New Zealand or Australia. The distribution of this Offer Document (including an electronic copy) outside New Zealand or Australia may be restricted by law. In particular, this Offer Document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside New Zealand or Australia except as detailed in this Offer Document, or as Cannasouth may otherwise determine in compliance with applicable laws.

Neither this Offer Document nor the Application Form may be released or distributed in the United States.

No guarantee

No guarantee is provided by any person in relation to the New Shares to be issued under the Offer. Likewise, no warranty is provided with regard to the future performance of Cannasouth or any return on any investment made pursuant to this Offer Document. Eligible Shareholders should be aware that there are risks associated with investing in the New Shares. The principal risk is that Eligible Shareholders may not be able to recoup the Issue Price and/or may not receive any dividends, entitlements or other distributions in respect of the New Shares. In addition, the market for the New Shares may not be liquid. If liquidity is low, Eligible Shareholders may be unable to sell their New Shares at an acceptable price or at all.

Disclaimer

CM Partners Limited has not been responsible for the preparation of, and to the maximum extent permitted by law accepts no liability in connection with, this Offer Document.

Privacy

Any personal information provided in your Application will be held by Cannasouth and the Registrar at the addresses set out in the Directory. This information will be used for the purposes of administering your investment in Cannasouth and will be disclosed to third parties only with your consent or if required by law. Under the Privacy Act 2020 (New Zealand) you have the right to access and correct any personal information held about you.

Dividend policy

The payment of dividends is at the discretion of the Board. The Board has no present intention to make a distribution for the foreseeable future. This policy may change from time to time at the discretion of the Board in the future.

Decision to participate in the Offer

The information in this Offer Document does not constitute a recommendation to acquire New Shares nor does it amount to financial product advice. This Offer Document has been prepared without taking into account the particular needs or circumstances of any Applicant or investor, including their investment objectives, financial or tax position. Before deciding whether to invest in the New Shares, you must make your own assessment of the risks associated with an investment in Cannasouth, and consider whether such an investment in Cannasouth is suitable for you having regard to publicly available information about Cannasouth, your personal circumstances and following consultation with a financial adviser or other professional adviser.

Forward looking statements

This document contains certain statements that relate to the future. Such forward looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Cannasouth and which may cause the actual results, performance or achievements of Cannasouth to differ materially from those expressed or implied by such statements.

Under no circumstances should you regard the inclusion of forward looking statements in this document as a guarantee of future performance.

The statements, although made in good faith, involve known and unknown risks, uncertainties and assumptions, many of which are beyond the control of Cannasouth.

Withdrawal and date changes

Cannasouth reserves the right at its absolute discretion to:

- withdraw all or any part of the Offer and the issue of New Shares; and/or
- alter any dates set out in this Offer Document.

Enquiries

Enquiries about the Offer can be directed to an NZX Firm, an authorised financial advisor, or your solicitor, accountant or other professional adviser. If you have any questions about the number of New Shares shown on your Entitlement and Acceptance Form, or how to complete the Entitlement and Acceptance Form or online application, please contact the Registrar, whose contact details are set out in the Directory.

Times, currency and laws

All references in this Offer Document to times and dates are to times and dates in New Zealand. All references in this Offer Document to currency are to New Zealand dollars, and all references to applicable statutes and regulations are references to New Zealand statutes and regulations.

Defined terms

Capitalised terms used in this Offer Document have the meaning given to them in the Glossary in the relevant section of this Offer Document.

LETTER FROM THE CHAIR

Dear fellow shareholder,

On behalf of the directors of Cannasouth Limited we are pleased to offer eligible shareholders the opportunity to participate in a renounceable rights issue at an issue price of \$0.30 cent per share, to raise up to NZ\$4.1 million. The Rights will be quoted on the NZX. Eligible shareholders will also be able to bid for additional shares through an Oversubscription Bookbuild Facility.

Since the Medicinal Cannabis Scheme came into effect on 1st April 2020, Cannasouth has been developing at pace into a vertically integrated biopharmaceutical Group. The current focus is on the production and export of pharmaceutical grade medicinal cannabis flower, plus pharmaceutical grade medicinal cannabis finished products.

Manufacture of our recently verified finished medicinal cannabis products is underway. Sales into the New Zealand market are expected to commence later in 2022. Despite the lengthy registration process with the Medicinal Cannabis Agency, we are pleased that Cannasouth's products will provide wider treatment options to New Zealand patients.

The recent commissioning of our state-of-the-art, controlled environment agriculture greenhouse and post-harvest facility was a significant step for Cannasouth. Cannabis flower is a very popular format in global markets. To build a successful medicinal cannabis business in New Zealand will require own-grown cannabis flower. Importing flower as many of our competitors do, simply adds additional cost which must be passed on to patients. In June 2022 we completed our first commercial harvest and will continue year-round cultivation activities from this point on.



Growing pharmaceutical grade cannabis flower which meets the highest quality standards is a complex and expensive endeavour.

Our aim is to export flower in addition to selling it within New Zealand. In July Cannasouth entered into a three-year supplier agreement with a leading medicinal cannabis importer based in Germany, WEECO Pharma GmbH.

Our manufacturing subsidiary, Midwest Pharmaceuticals NZ Ltd, is operating at capacity and has secured a three-year manufacturing contract with leading New Zealand company, Harker Herbals Limited. We are currently investigating options to expand this facility.



We commend this renounceable rights issue for additional financial support from our loyal investor base to maintain our momentum and position as a leader in the New Zealand medicinal cannabis industry.

Trailblazing and navigating regulatory hurdles takes time and resources, and we believe Cannasouth has the best strategy, facilities and people to execute on our plans. Cannasouth intends to apply the cash raised towards the costs associated with:

- The delivery of flower sales to New Zealand and export markets
- Distribution of finished medicinal cannabis products in New Zealand
- Expanding plant genetics onboarding and tissue culture propagation capabilities
- Further developing CBD's laboratory support function for in-house quality testing

Eligible Shareholders are entitled to take up one New Share for every ten Existing Shares held. Eligible Shareholders and other parties may also apply for additional New Shares pursuant to the Oversubscription Bookbuild Facility. Further information about the Oversubscription Bookbuild Facility is provided in this Offer Document.

Eligible Shareholders have until 5pm on 7 September 2022 to apply for New Shares under the Offer.

Shareholders who chose not to take up their Rights entitlements will have their percentage shareholding diluted.

This document sets out important information about Cannasouth and the Offer. Before making your investment decision, I encourage you to read these documents in full and also to consider the information disclosed by Cannasouth to NZX and other information available at www.nzx.com under the ticker code "CBD".

If you are in doubt as to what you should do, you should consult your financial or professional adviser.



Yours sincerely

Tony Ho
Chair, Cannasouth Limited

KEY TERMS OF THE OFFER

Issuer	Cannasouth Limited.
The Offer	<p>A renounceable rights offer of one New Share for every ten Existing Shares held at 5.00pm (NZ time) on the Record Date, with fractional entitlements being rounded down to the nearest share.</p> <p>New Shares which pertain to Rights not taken up by Eligible Shareholders, or which are attributable to Ineligible Shareholders, will be offered through the Oversubscription Bookbuild Facility run by the Issuer and its advisors.</p> <p>Any premium achieved above the Issue Price for the New Shares pursuant to the Oversubscription Bookbuild Facility will be paid, after the deduction of any brokerage costs incurred, on a pro-rata basis to those Shareholders who did not take up their Rights or who are Ineligible Shareholders (subject to a minimum payment amount of \$5.00).</p>
Eligible Shareholders	Shareholders with registered addresses in New Zealand or Australia on the Record Date.
Issue Price	\$0.30 per New Share.
Offer Size	Up to \$4.1 million. In the event that Cannasouth receives subscriptions for more than \$4.1 million under the Offer and the Oversubscription Bookbuild Facility, it reserves the right to issue additional Shares under the 15% placement Listing Rule or in any other manner it may lawfully do so.
Shares currently on issue	137,289,614 Shares quoted on the NZX Main Board.
Maximum number of New Shares being offered	13,728,961 New Shares (subject to rounding, and to Cannasouth's right to issue further shares under the Listing Rules).
Rights	<p>Eligible Shareholders have an entitlement to subscribe for one New Share for every ten Existing Shares held on the Record Date (5.00pm, 22 August 2022) at the Issue Price. Eligible Shareholders may take up some, or all, or none of their Rights.</p> <p>Rights will be quoted on the NZX Main Board under the ticker code "CBDRA", so Eligible Shareholders may sell all or some of their Rights on the NZX Main Board between 19 August 2022 and 1 September 2022.</p> <p>Your Rights may have value. If you do nothing, your rights will lapse and you will not be able to subscribe for any New Shares and may not realise any value for your Rights in the Oversubscription Bookbuild Facility. If you do not take up all of your Rights, your shareholding percentage in Cannasouth will also be diluted.</p>

Exercising Rights purchased on the NZX Main Board

Rights purchased on the NZX Main Board may only be exercised by purchasers that have registered addresses in either of New Zealand or Australia.

Oversubscription Bookbuild Facility

Eligible Shareholders who take up all of their Rights are entitled to apply for additional New Shares pursuant to the Oversubscription Bookbuild Facility. This process may also involve institutional and other investors.

Any additional New Shares applied for under the Oversubscription Bookbuild Facility will be issued at the Oversubscription Price.

The Oversubscription Price may ultimately be the same, or greater than the Issue Price. In no event will the Oversubscription Price be less than the Issue Price.

Eligible Shareholders who take up their Rights in full and other parties may also apply for New Shares under the Oversubscription Bookbuild Facility through those NZX Firms and other market participants that have been invited to participate in the Oversubscription Bookbuild Facility by Cannasouth.

The Oversubscription Bookbuild will occur on 8 and 9 September 2022.

When to apply

Application (including postal applications) must be received by 5pm on the Closing Date (7 September 2022, unless extended).

How to apply

An application by an Eligible Shareholder must be made either:

- online at <https://cannasouth.rightsoffer.co.nz>. To complete an online application, you will be required to enter your CSN/Holder number; or
- by returning the Acceptance Form and following the payment instructions on that form.

If, before the Closing Date, Cannasouth receives both an Acceptance Form and a renunciation in respect of the same Rights, Cannasouth will give priority to the renunciation, and the Acceptance Form will not be accepted in respect of those Rights.

No Underwriting

The Offer is not underwritten.

Note:

Whilst an Eligible Shareholder is not obliged to participate in the Offer, it is important to note that if an Eligible Shareholder chooses not to participate in the Offer, then their shareholding will be diluted down accordingly.

ACTIONS TO BE TAKEN BY ELIGIBLE SHAREHOLDERS

Available actions

If you are an Eligible Shareholder, accompanying this Offer Document is an Entitlement and Acceptance Form showing the number of Rights to subscribe for New Shares that you are entitled to under the Offer. You may take one or more of the following actions:

- take up all or some of your Rights; or
- take up all of your Rights and apply for additional New Shares in the Oversubscription Bookbuild Facility; or
- sell all or some of your Rights on the NZX Main Board;
- take up some of your Rights, and sell all or some of the remaining balance on the NZX Main Board;
- do nothing with all or some of your Rights.

If you do nothing with your Rights before the Closing Date, they will lapse and you will not be able to subscribe for any New Shares under the Offer and may not realise any value for your Rights in the Oversubscription Bookbuild.

The Offer is an offer to Eligible Shareholders only. If you take up all of your Rights your percentage shareholding in Cannasouth will not reduce (subject to Cannasouth not issuing additional New Shares in addition to those being offered under this Offer), but if you do not take up all your Rights, your percentage shareholding will reduce following the completion of the Offer.

Taking up your entitlement

Eligible Shareholders who wish to take up all or some of their Rights should:

- complete their Entitlement and Acceptance Form and deliver it to the Share Registrar, along with payment of the Issue Price in full by direct debit, by no later than the Closing Date in accordance with the instructions set out in the Entitlement and Acceptance Form; or
- apply online in accordance with the instructions for online applications on the Entitlement and Acceptance Form.

There is no minimum number of New Shares that you must subscribe for under the Offer. Applicants will not be treated as having offered to purchase a greater number of New Shares than the number for which payment is made.

Applying to subscribe for more new shares under the Oversubscription Bookbuild Facility

Eligible Shareholders who wish to apply for additional New Shares in excess of their Entitlement may apply for an additional number of New Shares in excess of the Rights they hold by participating in the Oversubscription Bookbuild Facility, via either of the following processes:

- Apply for additional New Shares through the Acceptance Form or online application process on the website for the offer <https://cannasouth.rightsoffer.co.nz>, provided that the Eligible Shareholder has taken up all of their Rights in full, and apply for the dollar amount of New Shares under the Oversubscription Bookbuild Facility where provided on the Application Form. If you do not accept your Rights in full, your Application for any New Shares under the Oversubscription Bookbuild will be disregarded; or
- You may participate in the Oversubscription Bookbuild Facility through those NZX Firms that have been invited to participate in the Oversubscription Bookbuild Facility by Cannasouth. Those NZX Firms will provide you with instructions as to how you may participate in the Oversubscription Bookbuild Facility.

The issue price for the New Shares to be issued pursuant to the Oversubscription Bookbuild Facility will be determined by Cannasouth and its advisors having regard to the bids for New Shares received (and their corresponding number of New Shares bid for at those levels) from those NZX Firms and institutions invited to bid into the Oversubscription Bookbuild Facility. In no event will the issue price for the New Shares under the Oversubscription Bookbuild Facility be less than the Issue Price, however it may be equal to, or greater than the Issue Price.

The number of New Shares that you may receive under the Oversubscription Bookbuild Facility will be determined by Cannasouth and will be subject to the allocation made to you and the final issue price for New Shares struck under the Oversubscription Bookbuild Facility.

Cannasouth may scale the Oversubscription Bookbuild Facility applications in such manner as the directors of Cannasouth consider equitable and in the interests of Cannasouth. Applications received from those shareholders of Cannasouth who held Shares in Cannasouth on the Record Date will be given preference over those third parties who apply for New Shares pursuant to the Oversubscription Bookbuild Facility and who did not hold Shares in Cannasouth as at the Record Date. The directors' decision on scaling will be final.

Selling your entitlement

The Rights are renounceable. This enables Eligible Shareholders who do not wish to take up all or some of their Entitlement to sell those Rights they have not taken up.

If you wish to sell all or some of your Rights, this can be effected on the NZX Main Board by instructing an NZX Firm to sell all or some of the number of Rights specified in the Entitlement and Acceptance Form. You will need to provide your Authorisation Code (FIN) and your Common Shareholder Number (CSN) to the NZX Firm who you are instructing to sell your Rights. You may be required to pay brokerage in respect of that sale.

Trading of Rights will commence on the NZX Main Board under the code "CBDRA" on 19 August 2022 and will end at close of trading on 1 September 2022. Your Rights may be sold on the Main Board between these dates, should you choose not to take up your full Entitlement. If you wish to sell your Rights using this method you must do so before close of trading of the NZX Main Board on the end date for trading of Rights.

Renunciations must be lodged with the Share Registrar, Link Market Services Limited, not later than the Closing Date (5.00pm on 7 September 2022). The Share Registrar's details for the return of your Entitlement and Acceptance Form are set out in the Directory.

Accepting some of your entitlement and selling the balance

There is no minimum number of New Shares that you must subscribe for under the Offer. You may take up as many or as few of your Rights as you wish. If you wish to take up some of your Rights and sell the balance, you should:

- instruct an NZX Firm to sell the number of Rights you wish to sell; and
- indicate the number of New Shares you wish to apply for in the Entitlement and Acceptance Form and send your completed Entitlement and Acceptance Form to the Registrar, or submit your Application online, together with payment for the number of New Shares applied for.

If Cannasouth receives, on or before the Closing Date (5.00pm on 7 September 2022) both an acceptance and a renunciation by an Eligible Shareholder in respect of the same Rights, effect will be given to the renunciation in priority to the acceptance.



You may elect to do nothing

Your Rights may have value. If you do nothing, your rights will lapse and you will not be able to subscribe for any New Shares and may not realise any value for your Rights in the Oversubscription Bookbuild.

In that event that a premium above the Issue Price for the New Shares to be issued pursuant to the Oversubscription Bookbuild Facility is achieved, that premium will be paid, after the deduction of any brokerage costs incurred, on a pro-rata basis to those Shareholders who did not take up their Rights or who are Ineligible Shareholders (subject to a minimum payment amount of \$5.00).

How to apply for New Shares

An application by an Eligible Shareholder must be made either:

- online at <https://cannasouth.rightsoffer.co.nz>. To complete an online application, you will be required to enter your CSN/Holder number; or
- by returning the Acceptance Form to the Registrar, and following the payment instructions on that form.

If you elect to participate in the Oversubscription Bookbuild Facility, you must also make payment for both your Rights entitlement, together with the amount that you wish to oversubscribe for.

In the event that all or part of your application for New Shares in the Oversubscription Bookbuild Facility is not successful, then Cannasouth will refund any extra application monies to you within five Business Days of the Allotment Date (subject to a minimum refund amount of \$5.00).

By completing and returning an Entitlement and Acceptance Form (or completing the online application) and applying for New Shares, you agree to accept the New Shares:

- subject to the terms set out in the constitution of Cannasouth; and
- on the terms set out in this Offer Document and the Entitlement and Acceptance Form.

Your application is irrevocable and cannot be withdrawn. Cannasouth has the sole discretion to accept or reject your application for New Shares.

Enquiries

If you have any queries about the number of Rights shown on the Entitlement and Acceptance Form which accompanies this Offer Document, or how to complete the Entitlement and Acceptance Form, please contact the Share Registrar (refer to the Directory for contact details).



BUSINESS OVERVIEW

Who is Cannasouth?

The Cannasouth Group was established to focus on the commercial development of medicinally beneficial attributes of cannabinoid compounds such as CBD, THC and associated chemical structures that are produced by the cannabis plant.

Cannasouth was one of the earliest companies to operate in the New Zealand medicinal cannabis sector. The founders have a long history of involvement with industrial hemp dating back to 1995 and obtained one of the first Licences to cultivate industrial hemp in 2002.

Cannasouth was the first medicinal cannabis company to list on the New Zealand Stock Exchange in June 2019 and has cemented itself as a leader in the industry here. Our ticker code is (NZX: CBD).



Medicinal Cannabis Industry

The global medicinal cannabis industry is growing rapidly with over 60 countries now allowing some access to cannabis-based medicines. The industry is complex and highly regulated - meaning only those companies with suitable facilities, people, regulatory and quality experience will be able to successfully overcome the hurdles and commercialise products.

This is resulting in rapidly growing global demand for pharmaceutical quality cannabis-based ingredients and medicines.

New Zealand's Medicinal Cannabis Scheme came into effect on the 1st of April 2020.

Our Strategy

Our goal is to develop next-generation cannabinoid medicines that support patients' health outcomes and improve their quality of life.

To achieve our goal and vertical integration strategy, Cannasouth has focused on establishing a world-class team, facilities and capabilities, with a plan that allows for multiple and phased revenue streams.

Group Structure

The Cannasouth Group is comprised of three trading entities.

Cannasouth Cultivation Ltd

Cannasouth Cultivation operates an industry leading controlled environment agriculture (CEA) sealed green house in Waikato, New Zealand's agricultural heartland. The sophisticated, scalable cultivation facility is designed to produce pharmaceutical grade, premium quality cannabis flower for both the local and export markets.

The facility is designed to operate to both Good Agricultural and Collection Practices (GACP) and pharmaceutical Good Manufacturing Practice (GMP) quality standards making it one of the few facilities in New Zealand designed to do so. Commissioned in late 2021, Cannasouth completed its first commercial scale harvest in June 2022 and now operates year-round.

Midwest Pharmaceuticals NZ Ltd

Our manufacturing facility in the Hawke's Bay is one of New Zealand's leading contract manufacturers of liquid-based health products. With GMP certification for repacking of medicines, the business provides Cannasouth with additional income from non-cannabis revenue generated from pharmaceutical repacking, ingredient supply, and contract manufacturing services. This diversification of income provides Cannasouth with good opportunities for growth and we will continue to pursue them in addition to adding capability for manufacturing cannabis-based finished product and active

ingredients. As a manufacturer of supplements and other wellness products, Midwest positions Cannasouth well for any possible future regulatory changes which may allow cannabinoids, such as CBD, to be sold locally or exported as supplements or nutraceuticals.

Cannasouth Bioscience Ltd

We have established support services for the Group which includes research and development, sales and marketing, quality and regulatory, and shared services. These capabilities have been developed to support in-house business activities and support commercial customers who are seeking a turn-key solution.

Cannasouth has established an advanced in-house R&D and technical services department led by highly experienced pharmaceutical development scientist David Gill and equipped with industry leading cannabinoid isolation capabilities and advanced testing equipment. We have multiple Government funded research programmes underway designed to produce the next generation of cannabinoid medicines and technologies and valuable Intellectual Property (IP) in the coming years.

From its inception, Cannasouth has focused on the future of medicinal cannabinoid development and has invested in the capabilities to extract and isolate, to high purity, any compound found in sufficient quantity within the plant material to feed into its research and product development programs.

Cannasouth believes it has the most advanced technology in-house of any competitor in New Zealand for research and product development. Alongside in-house capabilities Cannasouth has established multiple external university collaborations for key research initiatives, but we have purposely kept key, sensitive, product and intellectual property development programmes in-house.

Finished medicinal cannabis products on the market are predominately basic mixtures of THC and CBD contained in an excipient, such as MCT oil. Products are generally verified for compliance with minimum quality standards with no clinical claims or efficacy data. It is vital that companies operating in the sector develop defensible IP and move beyond these generic products as quickly as possible. Cannasouth is working to this end.

Drug development from cannabis offers one of the greatest opportunities to improve and expand the offering of the pharmaceutical market. It has the potential to generate new technology, medicine formulations, combinations, devices, clinical protocols and data, which could all potentially lead to a new generation of IP. Cannasouth is leading the way and has a targeted research and development programme established, supported by government grants.



Innovation

We are working in the following areas:

- ✔ **Identify potential molecules of interest**
 - Computational molecular binding (MSc study)
- ✔ **Extraction of molecules**
 - Extraction and purification of cannabinoids (PhD study)
- ✔ **Pre-clinical studies, proof of concept for efficacy**
 - Therapeutic potential of cannabinoids in neuropathic pain (PhD study)
- ✔ **Improving bioavailability**
 - Drug delivery technologies to improve bioavailability (in-house funded project)



People

Cannasouth's people are our greatest asset. We have spent the last four years assembling a team of the highest caliber. Our team has expertise in corporate governance, finance, research and development, formulation, project management, cultivation, manufacturing, quality, and regulatory compliance.

Our team has more than 250 years of combined GMP and pharmaceutical experience. We are confident we have the most well-equipped team in New Zealand of any vertically integrated medicinal cannabis company. We are proud to be developing pharmaceutical quality medicinal cannabis finished products and ingredients, and genuine differentiated products and defensible intellectual property.

Recent Milestones

- ✓ **March 2022** First commercial-scale cannabis crop
- ✓ **May 2022** First three cannabinoid products successfully verified by the Medicinal Cannabis Agency
- ✓ **June 2022** Three-year manufacturing agreement signed with cornerstone customer, Harker Herbal Products Ltd, an iconic health and wellness brand in New Zealand, well known for its Deep Lung Support tonic
- ✓ **June 2022** Harvest of first commercial scale cannabis flower crop
- ✓ **June 2022** Signed a supplier agreement with WEECO Pharma GMBH (WEECO). WEECO is one of the leading importers and distributor of medicinal cannabis in Germany
- ✓ **August 2022** Positive encouraging preliminary results of 3-year research into using cannabinoid products for the relief of neuropathic pain management

What's Next

- ✓ GACP & GMP Certification of Cannasouth Cultivation
- ✓ Export of premium cannabis flower
- ✓ Sales of first three medicinal cannabis products
- ✓ Expansion of plant genetics on-boarding
- ✓ Commercialisation of first products from R&D pipeline
- ✓ Midwest capacity upgrade

Further Resources

Cannasouth Group's Annual Reports; Available at:
<https://www.cannasouth.co.nz/investors/financial-reports-and-news-for-investors/>

Cannasouth Medicinal Cannabis Industry Update June 2021; Available at:
<https://cdn.cannasouth.co.nz/wp-content/uploads/2021/06/04093733/Canna-Presentation-FINAL.pdf>

NZX Cannasouth Spotlight Video; Available at:
<https://www.youtube.com/watch?v=Pzp0mOa-q9E>

TERMS OF THE OFFER

The Offer

The Offer is an offer of New Shares in Cannasouth to Eligible Shareholders under a pro-rata renounceable rights issue, followed by an Oversubscription Bookbuild Facility. Under the Offer, Eligible Shareholders are entitled to subscribe for 1 New Share for every 10 Existing Shares held on the Record Date. Any fractional Entitlements will be rounded down to the nearest whole number.

The New Shares will be of the same class as, and rank equally with, the Existing Shares which are quoted on the NZX Main Board. It is a term of the Offer that Cannasouth will take any necessary steps to ensure that the New Shares are quoted immediately after the issue.

The Rights will be quoted on the NZX Main Board. Eligible Shareholders may:

- take up all or some of their Rights;
- sell all or some of their Rights on the NZX Main Board between 19 August 2022 and 1 September 2022.

Eligible Shareholders who take up their Rights in full may also apply for additional New Shares under the Oversubscription Bookbuild Facility.

The maximum number of New Shares being offered under the Offer is 13,728,961 (subject to rounding). Cannasouth may at its discretion elect to issue additional New Shares under the 15% placement rule of the Listing Rules if there is demand for New Shares in excess of the size of this Offer. In the event that this occurred, the issue price for those shares issued outside the parameters of this Offer would be the same as the Oversubscription Price referred to in the paragraph below under the heading "Oversubscription Bookbuild Facility".

Issue price

The Issue Price under the Offer is \$0.30 per New Share. Payment for the New Shares (together with any additional New Shares applied for under the Oversubscription Bookbuild Facility) must be made in full on application with a completed Entitlement and Acceptance Form delivered to the Share Registrar, or by completing an online application at <https://cannasouth.rightsoffer.co.nz>, in accordance with the instructions set out in the Entitlement and Acceptance Form.

Cannasouth may (at its discretion) accept late Applications and Application Monies, but has no obligation to do so. Cannasouth may accept or reject (at its discretion) any Entitlement and Acceptance Form which it considers is not completed correctly, and may correct any errors or omissions on any Entitlement and Acceptance Form.

If an Eligible Shareholder does not renounce their Rights and does not apply for any New Shares and pay the associated Application Monies by the Closing Date (5.00pm on 7 September 2022), their Rights will lapse.

Application Monies received will be held in a trust account with the Share Registrar until the corresponding New Shares are allotted or the Application Monies are refunded. Interest earned on the Application Monies will be for the benefit, and remain the property, of Cannasouth and will be retained by Cannasouth whether or not the issue and allotment of New Shares takes place.

Any refunds of Application Monies will be made within five Business Days of allotment, or, if a decision is made not to proceed with the Offer, within five Business Days of the date of that decision. Refunds will not be paid for any difference arising solely due to rounding or where the aggregate amount of the refund payable to the relevant Shareholder is less than \$5.00.

Once submitted, and subject to all applicable law, an Application is irrevocable and cannot be withdrawn.



Eligibility

The Offer is only open to Eligible Shareholders or persons that Cannasouth is satisfied can otherwise participate in the Offer in compliance with all applicable laws.

Cannasouth considers that the legal requirements of jurisdictions other than New Zealand and Australia are such that it would be unduly onerous for Cannasouth to make the Offer in those jurisdictions. This decision was made having regard to the small number of Shareholders in such overseas jurisdictions, the financial resources of Cannasouth and the costs of complying with overseas legal requirements.

This Offer Document is intended for use only in connection with the Offer to any person recorded in Cannasouth's share register as a Shareholder at 5.00pm (NZ time) on the Record Date:

- whose address is shown in Cannasouth's share register as being in New Zealand; or
- whose address is shown in Cannasouth's share register as being in Australia.

This Offer Document is not to be sent or given to any person outside New Zealand or Australia in circumstances in which the Offer or distribution of this Offer Document would be unlawful.

Opening and Closing dates

The Offer will open for receipt of acceptances from 23 August 2022 (Opening Date).

The last day for receipt of the completed Acceptance and Entitlement Form with payment is 5.00pm on 7 September 2022 (Closing Date), subject to Cannasouth varying those dates in accordance with the Listing Rules.

Rights trading

Application has been made for permission to quote the Rights on the NZX Main Board and all the requirements of NZX relating to such quotation that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

Eligible Shareholders may sell all or some of their Rights on the NZX Main Board between 19 August 2022 and 1 September 2022.

Eligible Shareholders who take up all of their Rights are entitled to apply for additional New Shares pursuant to the Oversubscription Bookbuild Facility. This process may also involve institutional and other investors. Investors who acquire Rights on the NZX Main Board and are not Eligible Shareholders on the Record Date are not entitled to make an Application for additional New Shares under the Oversubscription Bookbuild Facility but may be able to participate through an NZX Firm or other market participant who has been invited to participate in the Oversubscription Bookbuild Facility.

Oversubscription Bookbuild Facility

Any New Shares in respect of which Rights are not taken up will form the Shortfall and will be available to Applicants under the Oversubscription Bookbuild Facility. Accordingly, Applicants may apply for an additional dollar value of New Shares in excess of the Rights they hold, subject to the resulting availability.

If Oversubscription Bookbuild Facility applications exceed the amount of the Shortfall then such applications will be satisfied as follows:

- Firstly, preference to participate in the Oversubscription Bookbuild Facility will be given to existing Cannasouth shareholders (registered as holders of Cannasouth Existing Shares as at the Record Date) ahead of those parties wishing to participate in the Oversubscription Bookbuild Facility, who were not shareholders of Cannasouth as at the Record Date on a pro-rata basis amongst themselves (calculated based on their respective holdings of Existing Shares as at the Record Date); and



- secondly, in respect of all other applications, on a pro-rata basis (calculated based on the proportion of additional New Shares applied for under the Oversubscription Bookbuild Facility).

Cannasouth reserves the right to determine who may participate in the Oversubscription Bookbuild and may decline or scale applications for New Shares by any Eligible Shareholder, or third-party investor as it sees fit.

Eligible Shareholders who wish to participate in the Oversubscription Bookbuild Facility may do so, provided they have fully taken up all of their Rights by specifying the dollar amount of New Shares they wish to apply for on the Acceptance Form where provided, and must pay that dollar amount of additional New Shares being applied for under the Oversubscription Bookbuild Facility in addition to their Application Monies for their Rights monies.

In the case of third-party investors who have been invited to participate in the Oversubscription Bookbuild Facility, those parties shall bid for the New Shares attributed to the Shortfall. The minimum bid price shall not be less than the Issue Price. There is no maximum bid price.

The final price for the New Shares to be issued pursuant to the Oversubscription Bookbuild Facility will be determined by Cannasouth and its advisors having regard to the bids for New Shares received (and their corresponding number of New Shares bid for at those levels) from those NZX Firms and institutions invited to bid into the Oversubscription Bookbuild Facility. In no event will the issue price for the New Shares under the Oversubscription Bookbuild Facility be less than the Issue Price, however it may be equal to, or greater than the Issue Price. There is however no guarantee that the final Oversubscription price will exceed the Issue Price.

From the proceeds received from the issue of the New Shares pursuant to the Oversubscription Bookbuild Facility, the Issue Price of \$0.30 shall be payable to Cannasouth. Any premium received above that Issue Price, ie the difference between the Issue Price and the Oversubscription Price (net of any amounts required to be withheld), will be ultimately paid on a pro-rata basis to the holders of those Rights that were not ultimately exercised in proportion to their holdings of unexercised Rights, provided that the amount of any such payment to a relevant Shareholder exceeds \$5.00.



Allotment of New Shares

New Shares issued pursuant to the exercise of Entitlements are expected to be allotted and issued by 14 September 2022 (Allotment Date). Transaction statements confirming the allotment of your New Shares will be issued and mailed in accordance with the Listing Rules.

Quotation of New Shares terms and ranking of New Shares

The New Shares have been accepted for quotation by NZX and will be quoted upon completion of allotment procedures. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator regulated under the FMCA.

NZX accepts no responsibility for any statement in this Offer Document.

Custodians

Under the Offer, a custodian ("Custodian") is any Eligible Shareholder having a registered address in New Zealand, that:

- is a trustee corporation or a nominee company and holds Shares in Cannasouth by reason only of acting for another person in the ordinary course of business of that trustee corporation or nominee company; or

(b) holds Shares in Cannasouth by reason only of being a bare trustee of a trust to which the Shares are subject.

Custodians must confirm to Cannasouth that they are holding Existing Shares as a Custodian for one or more beneficial owners ("Participating Beneficiary") and certify the matters described below by email, together with the Custodian's Application Form.

(a) the number of Participating Beneficiaries and their names and addresses;

(b) in respect of each of the Participating Beneficiaries;

(i) the number of Existing Shares that the Custodian holds on behalf of each Participating Beneficiary and the number and dollar amount of Rights; and

(ii) the dollar amount of any additional New Shares in the Oversubscription Bookbuild Facility (if eligible),

that each Participating Beneficiary has instructed the Custodian, either directly or indirectly through a Downstream Custodian, to apply for on their behalf;

(c) that a copy of this document was given to each Participating Beneficiary;

(d) where the Custodian holds Shares on behalf of a Participating Beneficiary indirectly, through one or more Downstream Custodians, the name and address of each Downstream Custodian; and

(e) that the beneficial owner on whose behalf the Custodian is submitting an Application Form is not making an application as an Eligible Shareholder for New Shares under the Offer, and no other Custodian is submitting an Application Form under the Offer for that beneficial owner.

Custodians may not distribute this Offer Document to any person in any country outside New Zealand and Australia.



Terms and ranking of New Shares

New Shares allotted and issued will be fully paid and will be the same class as, and rank equally in all respects with, Existing Shares on issue that are quoted on the Main Board on the Allotment Date. They will give the holder the right to one vote on a resolution at a meeting of Shareholders (subject to any restrictions in Cannasouth's constitution or the Listing Rules), the right to dividends authorised by the Board and the right to a proportionate share in any distribution of surplus assets of Cannasouth on any liquidation.

No minimum amount to be raised

There is no minimum amount that must be raised for the Offer to proceed.

Amendments to the offer and waiver of compliance

Notwithstanding any other term or condition of the Offer, Cannasouth may at its discretion:

- make non-material modifications to the Offer on such terms and conditions as it sees fit (in which event applications for Shares under the Offer will remain binding on the Applicant notwithstanding such modification and irrespective of whether an application was received by the Registrar before or after such modification is made); and/or
- suspend or terminate the Offer at any time prior to the issue of the New Shares under the Offer (including by reviewing the timetable for the Offer). If the Offer is terminated, application monies will be refunded to Applicants without interest within 5 Business Days of termination.

Cannasouth reserves the right to waive compliance with any provision of these terms and conditions.

Cannasouth will notify NZX of any waiver, amendment, variation, suspension, withdrawal or termination of the Offer.

Governing law

This Offer Document, the Offer and any contract resulting from it are governed by the laws of New Zealand, and each Applicant submits to the exclusive jurisdiction of the Courts of New Zealand.



GLOSSARY

Allotment Date	means the date for allotment of New Shares under the Offer, expected to be on or about 14 September 2022.
Applicant	means an investor whose application for New Shares has been received by the Registrar.
Application	means an application to subscribe for New Shares under this Offer Document.
Application Monies	means monies received from Applicants in respect of their Applications.
Board	means the board of directors of Cannasouth.
Business Day	has the meaning given to that term in the Listing Rules.
Cannasouth	means Cannasouth Limited.
Closing Date	means 5:00pm (NZ time) on 7 September 2022.
Eligible Shareholder	means a Shareholder who as at 5:00pm (NZ time) on the Record Date is registered as a Shareholder, and has a registered address in New Zealand or Australia.
Entitlement	means the number of Rights to which Eligible Shareholders are entitled.
Entitlement and Acceptance Form	means the personalised entitlement and acceptance form provided to Eligible Shareholders.
Existing Share	means a fully paid ordinary share in Cannasouth on issue at 5.00pm (NZ time) on the Record Date.
Ineligible Shareholders	means Shareholders other than Eligible Shareholders.
Issue Price	means \$0.30 per New Share.
Listing Rules	means the NZX Listing Rules.
Main Board	means the NZX Main Board.
New Share	means an ordinary share in Cannasouth offered under the Offer of the same class as (and ranking equally in all respects with) Existing Shares at the time of allotment of the New Shares.
NZX	means NZX Limited.
NZX Firm	means an entity designated as an NZX Firm under the Participant Rules of NZX.
Offer	means the offer of New Shares to Eligible Shareholders as at the Record Date, under the renounceable rights offer set out in this Offer Document, together with the Oversubscription Bookbuild Facility.
Offer Document	means this document.
Opening Date	means 23 August 2022.
Ordinary Share	means one ordinary fully paid share in Cannasouth.
Oversubscription Bookbuild Facility	means the facility comprised of the Shortfall and available for subscription to Applicants on the terms described in this Offer Document.
Oversubscription Price	means the price at which New Shares are to be issued under the Oversubscription Bookbuild Facility.
Record Date	means 5:00pm on 22 August 2022.
Registrar	means Link Market Services Limited.
Right	means the renounceable right to subscribe for 1 New Share for every 10 Existing Shares held on the Record Date at the Issue Price, issued pursuant to the Offer.
Share	means one Ordinary Share.
Shareholder	means a registered holder of Shares on issue.
Shortfall	means the number of Rights not exercised by Shareholders.



**LEARN MORE AT
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