

For Public Release
NZX Limited
Wellington

02 November 2023

Cannasouth to Issue up to \$5 million in Secured Convertible Notes

Cannasouth Limited (NZX:CBD) advises that it is launching a wholesale offer of secured convertible notes ("Notes") to raise up to \$5 million.

Issue of \$1 million of Notes immediately

CBD has already secured subscription agreement for \$1 million of Notes, that has been committed by three CBD directors.

\$1 million of Notes are to be issued today. The principal terms of the Notes are detailed below.

The Notes offer is intended to provide working capital for the Company until such time as revenue is generated from several of the Company's products, recently verified by the Medicinal Cannabis Agency (See NZX announcements of 27th and 31st October 2023).

"We are on the cusp of generating commercial revenues" says Chairman, Tony Ho. "The Convertible Note subscription is led by three directors subscribing for a total of \$1million."

Given the structure of the Notes offer, only wholesale and eligible investors (as defined by the Financial Markets Conduct Act) are entitled to participate in the Notes offer.

The Company is having discussions with other wholesale and eligible investors about participating in the Notes offer.

Wholesale and eligible investors wanting to participate in the Note offer should contact the Company.

Director participation in the Notes offer is as follows:

\$500,000	Interests associated with Mark Scapens, Non-executive Director
\$250,000	Interests associated with Tony Ho, Independent Non-executive Chair
\$250,000	Interests associated with Hilary Webber, Independent Non-executive Director

Principal Terms of Notes

The principal terms of the Notes are as follows:

- 1) The Notes have a term of 24 months.
- 2) The Noteholders may at their option (subject to paragraph 6 below) either:
 - redeem the Notes for cash at the expiry of the term of the Notes; or
 - convert all or some of the Notes into ordinary CBD shares at an issue price of 16.3 cents per share at anytime prior to the expiry of the term of the Notes.

- 3) A drawdown fee equal to 3% of the face value of the Notes subscribed for, is payable to Noteholders.
- 4) The Notes bear an interest rate of 15% per annum. Interest is to be capitalised for the first 12-months of the term of the Notes, and thereafter is payable quarterly in arrears.
- 5) The obligations of CBD under the Notes are secured by a General Security Agreement over CBD's present and after acquired property to be granted in favour of all of the Noteholders.
- 6) The exercise of the conversion rights referred to in paragraph 2 above are, in the case of Notes issued to Directors, conditional upon CBD's shareholders approving the conversion rights for the Notes issued to Directors on or before 30 June 2024. Shareholder approval is optional if Directors' investment represents less than 50% of the total number of Notes issued.
- 7) In the event that shareholders do not approve the exercise of the conversion rights by Directors, then the interest rate applicable to Notes held by Directors shall increase by 3% per annum.

CEO Mark Lucas says, "Our new products were verified by the Agency last week, and we are expecting to see exponential growth in sales to meet the demand for medicinal cannabis products in New Zealand and Australia. We are excited about our imminent product launch strategy that will provide more affordable medicinal cannabis product options for both prescribers and patients, while driving rapid sales growth."

-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 Eqlis Group New Zealand Ltd.

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