

CEO's Review of Operations

For the six months ended 30 June 2022

The operating loss for the six months to 30 June 2022 was \$3,732,506 (2021: \$1,992,634).

The Group's business plan provides for the ramping up of costs from July 2021 (see figure 1 below) associated with completing the processes to deliver our first harvest as well as ongoing investment in positioning Cannasouth to be New Zealand's leading medicinal cannabis company.

Cash on hand as at 30 June 2022 was \$2.59 million (30 June 2021: \$4.63 million, 31 December 2021: \$5.52 million). The board is currently assessing its capital requirements. The board anticipates it will look to undertake a capital raising in the near term and will keep the market updated on any future capital raising initiatives.

HIGHLIGHTS FOR THE SIX MONTHS

- ✓ **MARCH 2022** Cannasouth Ltd's (NZX:CBD) subsidiary Cannasouth Cultivation Limited commenced its first commercial-scale cannabis crop in its controlled environment agriculture sealed greenhouse cultivation facility.
- ✓ **MAY 2022** Cannasouth Ltd's subsidiary Cannasouth Bioscience Limited had its first three cannabis products successfully verified by the Medicinal Cannabis Agency. Revenue to be generated by these products will complement Cannasouth's existing non-cannabis revenues generated through its manufacturing subsidiary Midwest
- Pharmaceutics NZ Ltd (Midwest), which sells products and services to the pharmaceutical, health, and wellness supplement sectors.
- ✓ **JUNE 2022** Midwest signs a three-year manufacturing agreement with its cornerstone customer, New Zealand's leading health and wellness company, Harker Herbal Products Ltd (Harker Herbals). The agreement establishes Midwest as Harker's exclusive manufacturer and confirms that Harker is a priority customer of Midwest.
- ✓ **JUNE 2022** Cannasouth Cultivation harvests its first crop. As at 30 June this crop was being processed.

SUBSEQUENT ACTIVITY

- ✓ **JULY 2022** Cannasouth Bioscience Ltd signed a supplier agreement with WEECO Pharma GMBH (WEECO), based in Germany. WEECO is one of the leading importers and distributor of medicinal cannabis in Germany.

The agreement is for a three-year term with WEECO having the right of first refusal for each new cultivar developed by Cannasouth.

Under individual cultivar supply agreements to be negotiated, cannabis flower will be supplied to WEECO from Cannasouth's world-class cannabis cultivation and processing facility based in Waikato.
- Cannasouth and WEECO have also agreed to work together to develop cannabis cultivars to best suit the needs of the European market.

The total value during years two and three of the agreement based on current market pricing could be between NZ\$12 million and NZ\$15 million dollars, depending on cultivar, pack size and type.

Cannasouth will retain sufficient flower to supply the local New Zealand market which will enable its medicinal cannabis products to be verified. This flower is expected to be a popular form of medicinal cannabis with New Zealand patients.
- ✓ **AUGUST 2022** Cannasouth Bioscience Ltd announced positive encouraging preliminary results of its 3-year research into using cannabinoid products for the relief of neuropathic pain management.

CEO's Review of Operations

For the six months ended 30 June 2022

Cannasouth's strategy of a vertically integrated group is well articulated. We are committed to producing medicinal cannabis products in New Zealand from locally sourced raw materials.

Cannasouth has a supply agreement with an Australian supplier to import three medicinal cannabis products. These products were verified by the Medicinal Cannabis Agency in May 2022. These products are an important step for Cannasouth to meet an initial business objective to make available pharmaceutical grade medicinal cannabis products to New Zealand patients as soon as possible, prior to producing own-manufactured products.

New Zealand regulations require companies to operate to the highest pharmaceutical quality standards. To participate in the medicinal cannabis industry requires not only purpose-built facilities, but also professionals with expertise in key areas such as quality management.

We have completed construction, we are fully licensed, and now are processing our first harvest as we transition from a capital-intensive start-up to generating our first cannabis revenue streams.

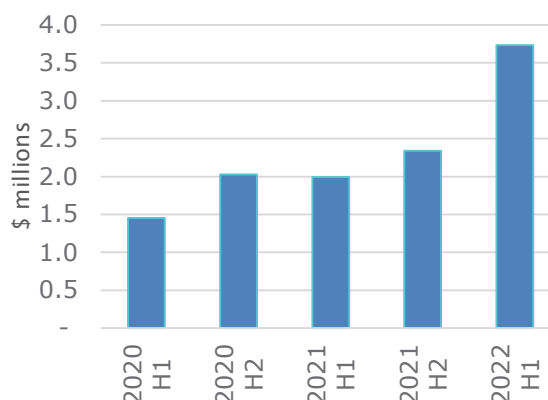
Our greenhouses are unique in New Zealand and one of only a handful of this specification globally, providing a world-class growing environment for our medicinal cannabis. Utilising the power of the sun, we greatly reduce our energy consumption and costs compared to indoor cultivation facilities traditionally used to produce premium flower.

We look forward to announcing further key milestones in the coming months as we complete building further key components of the business, to deliver affordable, next-generation cannabinoid therapeutics for local and export markets.

As noted in the 2021 Annual Report - regulations and timelines for establishing compliant facilities and registered products in this sector are onerous.

There are no shortcuts in pharmaceutical development. Over the last half year our operating costs have ramped up to include those related to processing our first commercial scale harvest. We are now on the verge of commencing revenues.

Figure 1: Operating Losses by Half Year



As such the board is currently assessing what funding is required for the Group. The board anticipates it will look to undertake a capital raising in the near term and will keep the market updated on any future capital raising initiatives.

Mark Lucas

CEO / Managing Director

10th August 2022

For further information visit www.cannasouth.co.nz or contact:



Mark Lucas
CEO / Managing Director
Email: mark.lucas@cannasouth.co.nz
Mobile: 021 484 649



Colin Foster
CFO, Cannasouth Limited
Email: colin.foster@cannasouth.co.nz
Mobile: 027 577 1498