



Cannasouth Limited Renounceable Rights Offer

1 for 8 renounceable rights
offer of ordinary shares

DATED 22 NOVEMBER 2023



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 one for eight renounceable rights offer of New Shares (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. NZX 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 NZX 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 2023, 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 of America.

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.

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,

Cannasouth's vision, from inception, is to produce affordable and effective medicinal cannabis and enabling New Zealand patient access to these products. We aspire to be a global biopharmaceutical business with a billion-dollar market capitalisation.

The Cannasouth Group has fully integrated operational capacities and end-to-end GMP manufacturing capabilities. Our competitive advantage is our focus on intellectual property development and the use of innovative technologies that significantly reduce production costs and contribute to our pipeline of new products.

With the recent verification of our CBD oral solutions (x2) and dried cannabis flower products (x3) by the Medicinal Cannabis Agency, we are thrilled to announce that we have commenced commercial sales of our own manufactured medicinal cannabis products for New Zealand patients.

We have invested time and resources, trailblazing and navigating regulatory hurdles. We have achieved approval for every licence, certification, and product verification application made with the Medicinal Cannabis Agency. We believe Cannasouth has the best strategy, facilities and extraordinary people to execute on our plans to achieve profitable trading in the years ahead.



In FY2024, Cannasouth expects to achieve \$6 to \$10 million of revenues, primarily from the New Zealand and Australian markets.¹

Importantly, Cannasouth expects to be operating cashflow positive by the end of 2024 or early 2025.

However, as we stand at this pivotal juncture your participation in this Rights Issue is crucial to achieve these revenue and cashflow targets.

Our journey to date has been marked by achieving significant milestones. We have launched our own products and positioned the business to become the largest supplier of medicinal cannabis products to the New Zealand market, but cash is required to fund the business while sales ramp up. A solid foundation in Australasia will enable us to enter other export markets. Your support is fundamental to execute our plan, reach operating cashflow positive, and provide returns to you, our valued shareholders.

We continue to believe that our strategy is the right one to deliver long-term value to our shareholders.

We are now disrupting the industry's economics through our innovative technologies.

The board is seeking support from eligible shareholders to participate in a Renounceable Rights Issue at an Issue Price of \$0.14 per share, to raise up to NZ\$5.6 million. The Rights will not be quoted on the NZX.

¹ The board believes it can achieve the revenues stated based on the size of the New Zealand and Australian markets, expected market growth, and achievable market share. Directors have used market information from various sources, including research reports and data from prescribers and pharmacies. However, because this is a developing market there is risk inherent in these assumptions.

Eligible shareholders who take up all of their entitlement will be entitled to apply for more shares through an Oversubscription Facility.

We commend this renounceable Rights Issue to our supportive shareholders. Funds raised from the Offer will be applied towards the following:

- ✓ Driving sales momentum of recently verified oral solutions and dried flower products in New Zealand and Australia.
- ✓ Meeting market demands with new plant genetics.
- ✓ Commercialisation of first gen-2 products.
- ✓ Delivery of expanded range of APIs to include THC based ingredients and products.
- ✓ Growing online RestoreMe Clinic.
- ✓ General working capital.
- ✓ ASX dual listing in 2024.

The dual listing of Cannasouth on the Australian Securities Exchange (ASX) will resume after completion of the 31 December 2023 year end audit in Q1 2024. The dual listing will broaden Cannasouth's shareholder base by enabling Australian and international investors to invest in Cannasouth on the ASX.

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

Full details of the Rights Issue Offer are on [page 15](#) of the Offer Document.

This document sets out important information about Cannasouth and the Offer. Before making your investment decision, we 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.

I look forward to your ongoing support and to continue the journey with us to achieve our vision.



Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Ho', written over a light grey background.

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 eight 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 available for Eligible Shareholders who have accepted their entitlement in full, to apply for under the Oversubscription Facility.</p>
Eligible Shareholders	Shareholders with registered addresses in New Zealand or Australia on the Record Date.
Issue Price	\$0.14 per New Share.
Offer Size	Up to \$5.6 million. In the event that Cannasouth receives subscriptions for more than \$5.6 million under the Offer, 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	320,533,594 Shares quoted on the NZX Main Board.
Maximum number of New Shares being offered	40,066,669. 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 eight Existing Shares held on the Record Date (5.00pm, 21 November 2023) at the Issue Price. Eligible Shareholders may take up some, or all, or none of their Rights.</p> <p>The Rights will not be quoted on the NZX Main Board, and accordingly there will be no established market for Rights. If you wish to sell your Rights privately to a buyer you identify, you should contact Link Market Services (see Directory) to request a Security Renunciation Form.</p> <p>You are not required to take any action in respect of your Rights, However, if you do nothing, your Rights will lapse, and you will not be able to subscribe for any New Shares. If you do not take up all of your Rights, your shareholding percentage in Cannasouth will also be diluted.</p>

Oversubscription Facility

Eligible Shareholders who take up all of their Rights are entitled to apply for additional New Shares pursuant to the Oversubscription Facility. Any additional New Shares applied for under the Oversubscription Facility will be issued at the issue price of \$0.14.

When to apply

Application (including postal applications) must be received by 5pm on the Closing Date (7 December 2023, 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.
-

No Underwriting

The Offer is not underwritten.



BUSINESS OVERVIEW

Who is Cannasouth?

Cannasouth is the first and largest NZX listed medicinal cannabis company in New Zealand. We aspire to be a global biopharmaceutical business with a billion-dollar market capitalisation.

The group is a vertically integrated biopharmaceutical operation, with end-to-end GMP manufacturing from post-harvest dried medicinal cannabis flowers to a range of CBD oral solutions. Cannasouth has established a world-class team, facilities, and integrated capabilities.

Cannasouth is the best positioned player to become the largest supplier of medicinal cannabis products to the New Zealand market. Our production capacity in New Zealand is also sufficient to provide the launch pad to supply international markets.

Our achievements

The recent successful verification by the Medicinal Cannabis Agency of our first two CBD oral solutions and three dried flower products gives us the most comprehensive product range of any New Zealand manufacturer.

Meaningful sales have now begun!

We are proud of our achievements. We have successfully navigated all of the quality and regulatory licenses and certifications required to have a fully functioning medicinal cannabis business in a highly regulated industry.

We are:

- ✔ Bringing to the New Zealand market locally grown and processed, high-quality, medicinal cannabis products at an affordable price.
- ✔ Building on our export program, following the first export of dried medicinal cannabis-flower and cannabis-based ingredients in June and September 2023.
- ✔ Utilising facilities and technologies that generate market opportunities, reduce operating costs, and drive revenue streams from the medicinal cannabis industry.
- ✔ Developing and commercialising next-generation cannabinoid medicines that will move away commodity products.



Revenue targets

In FY2024, Cannasouth expects to achieve \$6 to \$10 million of revenues, primarily from the New Zealand and Australian markets.¹

Importantly, Cannasouth expects to be operating cashflow positive by the end of 2024 or early 2025.

To achieve the target revenues above, a further injection of cash is required, which is the purpose of this Rights Issue and other initiatives.

Our successful product launch is a pivotal moment for both Cannasouth and the industry. It addresses a critical affordability issue for New Zealand patients. We are deploying innovative technologies into medicinal cannabis processing, significantly reducing production costs and prices to patients.

The key to unlocking rapid growth in the medicinal cannabis sector is in balancing quality, cost, and accessibility to meet or outperform the black market. Our recent product launch outperforms the black market.

We are now disrupting the industry's economics through our innovative technologies. This will secure our market position and deliver value to our shareholders and improve patient access to quality medicinal cannabis.

Market opportunity

New Zealand's cannabis industry (legal and illegal) is estimated to be in excess of \$1.5 billion² annually. It is estimated up to 40%³ of cannabis users report using it for therapeutic reasons, translating to a potential market value of over \$600 million annually. Only 5% of this market (i.e., \$30 million) is currently accessed through legal channels. This excludes patients new to medical cannabis who constitute a large number of new prescriptions and further enlarge the market potential.

Current market insights indicate more than 100kg of dried flower is being dispensed each month in New Zealand - some suppliers report monthly growth rates exceeding 20%. The market is on track to double in size in the next 12 months, indicating a high growth sector with a long trajectory to maturity.

Note that the current price to patients pharmaceutical quality dried flower often exceeds \$15,000 per kg, underscoring the substantial opportunity at hand. The month-on-month sales growth being reported is significant.

¹ The board believes it can achieve the revenues stated based on the size of the New Zealand and Australian markets, expected market growth, and achievable market share. Directors have used market information from various sources, including research reports and data from prescribers and pharmacies. However, because this is a developing market there is risk inherent in these assumptions.

² Refer Berl 2019 Report "Evidence to inform a regulated cannabis market" page 21. Total value of consumption \$1,482m

³ Refer <https://www.drugfoundation.org.nz/policy-and-advocacy/state-of-the-nation-2022/>. Calculation: 266,700 / 635,000 = 42%

<https://www.drugfoundation.org.nz/news-media-and-events/more-than-250000-kiwis-still-accessing-medicinal-cannabis-through-black-market/>

Market positioning

Cannasouth successfully merged with Eqlis Group on 1 June 2023, increasing Cannasouth's operational capacity, creating the largest NZX main board listed medicinal cannabis company, and delivering end-to-end GMP manufacturing capabilities.

In New Zealand, where medical cannabis is now legal, the price difference between the current green (legal) and black (illegal) market is enormous. Our goal is to bridge this gap by offering high-quality, competitively priced products, thereby shifting the paradigm from the black to the green users market. This is a win-win situation, providing better patient access to high-quality medicinal cannabis while creating a robust, legitimate market that drives economic value and shareholder returns.

Commencement of sales of new products in November 2023

The Company is well on its way to meaningful revenue generation following our recent product verifications. The verification marks a significant turning point for Cannasouth and the country's medicinal cannabis industry. It unlocks new local and export opportunities for Cannasouth. Cannasouth produces the only GMP-compliant flower fully manufactured in New Zealand which is eligible for export to international markets requiring EU GMP quality. EU GMP is the world's most stringent standard for medicines manufacturers to meet in their production processes.

We are proud to have the first New Zealand-verified dried cannabis flower products that are 100% grown, processed, and packaged locally, for use by local patients. It sets the benchmark in a market known for its rigorous regulatory compliance and its current reliance on imported products (including products which are exported for processing and reimported).

CBD oral solutions and dried cannabis flower are the largest segments in the New Zealand and Australian medicinal cannabis markets. We have launched our products to the New Zealand market to capture a significant share of the local market in both segments.

The next growth phase for the Cannasouth Group

Looking ahead, Cannasouth will be rolling out new products into Australasia and Europe, which will deliver value to shareholders. Specifically, we are planning to:

- ✔ Expand our export sales of API and oral solutions.
- ✔ Export verified GMP dried cannabis flower.
- ✔ Commercialise our Gen-2 gel and topical formulations.
- ✔ Expand our own manufactured range of APIs and finished products to include THC containing cannabis-based ingredients and products.

The company's global ambitions are underpinned by disruptive processing and drug delivery technologies, which will provide the next wave of revenue, building on current local sales.

Overview of capabilities

Cultivation of flower

Cannasouth grows and processes high-quality dried cannabis flower to GMP standard in its state-of-the-art Controlled Environment Agriculture (CEA) greenhouse and processing facility near Morrinsville. The facility combines the precise controls of indoor growing with the energy saving benefits of sunlight in a greenhouse to produce premium, pharmaceutical-quality cannabis flower for local and global markets at competitive production costs and with a smaller environmental footprint than competing indoor growing operations. The flower is sold as a finished product, and for some further use in Cannasouth Group business.

Pharmaceutical manufacture

Cannasouth has established an advanced in-house R&D and technical services department which focuses on the development of next-generation medicinal cannabis products and drug delivery technology, optimising product performance, bioavailability, and patient outcomes. The Group manufactures cannabis-based ingredients and oral solution products at its GMP certified facility in Katikati.

RestoreMe Clinic

RestoreMe is an online clinic with qualified health professionals who are educated in, and open to, prescribing medicinal cannabis products to patients. The entire process from consultation to delivery of medicines can be completed remotely, from the privacy and comfort of the patient's own home.

Innovation

Cannasouth has a valuable IP portfolio with a pipeline of advanced technologies that will provide future competitive advantages. Projects include cannabis-based pharmaceuticals. Cannasouth also has two outdoor cultivation sites at other locations.

Further Resources:

Cannasouth Group's Annual Reports; Available at:

<https://www.cannasouth.co.nz/investors/financial-reports-and-news-for-investors/>

Company Fact Sheet; Available at:

<https://cdn.cannasouth.co.nz/wp-content/uploads/2023/10/18160339/PCN006-1023-Cannasouth-Fact-Sheet-V1.pdf>

In New Zealand, medicinal cannabis products are only available via prescription from a Health Care Practitioner (e.g. GPs and specialist clinics).

A list of all medicinal cannabis products that meet the New Zealand minimum quality standard can be found here: <https://www.health.govt.nz/our-work/regulation-health-and-disability-system/medicinal-cannabis-agency/medicinal-cannabis-agency-information-health-professionals/medicinal-cannabis-products-meet-minimum-quality-standard>

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 Facility; or
- sell all or some of your Rights by private treaty to a buyer that you have identified; or
- take up some of your Rights, and sell some of the remaining balance by private treaty to a buyer that you have identified;
- 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.

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. For example, if you hold 8,000 Shares on the Record Date, you will have 1,000 Rights. If you decide not to take up any of your Rights, and all other shareholders do take up their Rights, your percentage interest in Cannasouth will be diluted.

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 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 Facility, by applying 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 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 Facility will be disregarded.

The issue price for the New Shares to be issued pursuant to the Oversubscription Facility will be \$0.14 per share, i.e., the same issue price as under the Offer.

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

Cannasouth may scale the Oversubscription Facility applications in such manner as the directors of Cannasouth consider equitable and in the interests of Cannasouth. The directors' decision on scaling will be final.

Selling your entitlement

The Rights are renounceable. However, the Rights will not be quoted on the NZX Main Board, and accordingly there will be no established market for Rights. If you wish to sell your Rights privately to a buyer you identify, you should contact Link Market Services (see Directory) to request a Security Renunciation Form.

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 will need to:

- identify a buyer to purchase your Rights by private treaty; 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.

You may elect to do nothing

If you do nothing, your Rights will lapse and you will not be able to subscribe for any 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).

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 Facility. Under the Offer, Eligible Shareholders are entitled to subscribe for one New Share for every eight 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 not 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 by private treaty to a purchaser that they identify between the Opening Date and the Closing Date.

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

The maximum number of New Shares being offered under the Offer is 40,066,699.

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.

Issue price

The Issue Price under the Offer is \$0.14 per New Share. Payment for the New Shares (together with any additional New Shares applied for under the Oversubscription 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 December 2023), 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.

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 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 22 November 2023 (Opening Date). The last day for receipt of the completed Acceptance and Entitlement Form with payment is 5.00pm on 7 December 2023 (Closing Date), subject to Cannasouth varying those dates in accordance with the Listing Rules.

No rights trading

The Rights will not be quoted on the NZX Main Board, and accordingly there will be no established market for Rights. If you wish to sell your Rights privately to a buyer you identify,

you should contact Link Market Services (see Directory) to request a Security Renunciation Form.

Oversubscription 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 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.

Eligible Shareholders who wish to participate in the Oversubscription 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 Facility in addition to their Application Monies for their Rights moneys.

Allotment of new shares

New Shares issued pursuant to the exercise of Entitlements are expected to be allotted and issued by 15 December 2023 (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

The New Shares will be quoted on the NZX Main Board 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.

Terms and ranking of new shares

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.

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 15 December 2023.
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 December 2023.
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 \$0.14 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.
Offer Document	means this document.
Opening Date	means 22 November 2023.
Ordinary Share	means one ordinary fully paid share in Cannasouth.
Oversubscription Facility	means the facility comprised of the Shortfall and available for subscription to Applicants on the terms described in this Offer Document.
Record Date	means 5 pm on 21 November 2023.
Registrar	means Link Market Services Limited.
Right	means the renounceable right to subscribe for one New Share for every eight 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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