

Cannasouth Limited
Share Purchase Plan Booklet
16 July 2021



CM PARTNERS
— LIMITED —

LEAD MANAGER



Important Information

General Information

This document has been prepared by Cannasouth Limited ("Cannasouth") in connection with an offer of new ordinary shares and one stapled option for every three shares subscribed for. The offer is made to Eligible Shareholders under the exclusion in clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013. This document is not a product disclosure statement and does not contain all of the information which may be required in order to make an informed investment decision or about the Offer or Cannasouth Limited.

Additional information available under continuous disclosure obligations

Cannasouth is subject to continuous disclosure obligations under the Listing Rules. Market releases by Cannasouth, including its most recent financial statements, are available at www.nzx.com under code CBD.

Offering restrictions

No action has been taken to permit a public offering of the Shares in any jurisdiction outside New Zealand. The distribution of this document in a jurisdiction outside New Zealand may be restricted by law and persons who come into possession of it (including nominees, trustees, or custodians) should seek advice on and observe any such restrictions. No person may subscribe for, purchase, offer, sell, distribute, or deliver the Shares, or be in possession of, or distribute to any other person, any offering material, or any documents in connection with the Shares, in any jurisdiction other than in compliance with all applicable laws and regulations. Without limiting the foregoing, this document may not be sent into or distributed in the United States.

Eligibility

You may participate in this Share Purchase Plan (SPP) if you are a shareholder of Cannasouth Limited (Cannasouth) at 5:00pm on the Record Date of 15 July 2021, with a registered address in New Zealand. You may not participate if you hold the Shares on behalf of another person who resides outside New Zealand.

Application Amount

If you wish to participate in this SPP, you can apply for up to a maximum aggregate value of \$15,000. There is no minimum application amount.

Issue Price of Shares

The Issue Price for the Shares is \$0.40 per Share. For every three shares acquired, investors will be issued with one Option, the details of which are provided on page 13.

No Guarantee

No person named in this document (nor any other person) guarantees the Shares to be issued pursuant to the Offer or warrants the future performance of Cannasouth or any return on any investment made pursuant to this document.

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 as a representation or warranty by Cannasouth or its directors or officers or any other person with respect to the achievement of the results set out in any such statement, or that underlying assumptions used will in fact be realised.

Decision to participate in the Offer

The information in this document does not constitute a recommendation to acquire Shares, or financial product advice. This document has been prepared without taking into account the investment objectives, financial, or taxation situation or particular needs of any Applicant or investor.

How to apply

You can choose to participate in this SPP online at www.cannasouthshareoffer.com, or by completing an Application Form. You should read the instructions on the Application Form carefully. If you are a Custodian, you also need to complete and return a Custodian Certificate. To determine whether you are a Custodian, and how to obtain a Custodian Certificate, refer to clause 3 of the Terms and Conditions. You need to return your completed Application Form (and, if applicable, a Custodian Certificate) to the address on the Application Form. Applications MUST be received by 5:00pm on 30 July 2021 to be accepted.

Dividend Policy

Cannasouth has a policy of not paying dividends and the Directors are unable to predict when any dividend may be paid in the future. This will depend on a number of factors including the future success, profitability, and financial position of Cannasouth.

Enquiries

Enquiries about the Offer can be directed to an NZX Primary Market Participant, or your solicitor, accountant, or other professional adviser. If you have any questions about the number of Shares shown on the Offer Application Form that accompanies this document, or how to complete the Offer Application Form, please contact the Registry.

Times

All references in this document to time are to New Zealand time.

Chairman's Letter

Dear Shareholders,

The Offer

On behalf of the Board of Cannasouth Limited (Cannasouth), I am pleased to offer you an opportunity to participate in a Share Purchase Plan (SPP), where you can apply for a maximum of \$15,000 of Shares in Cannasouth at an Issue Price of \$0.40 per New Share. There is no minimum application amount. In addition, for every three New Shares that you subscribe for, you will be issued with one Option to acquire one additional share. The exercise price for the Option will be \$0.40, and the Option shall have a term of 24 months from the date of the issue of the Option. The Options will not be quoted on the NZX Main Board.

Application of Funds Raised

Having successfully created the foundations of the business, Cannasouth now has a clear pathway to generating significant revenues in the year ahead. The Company currently has more than \$4.2 million of cash on hand, no debt, and a monthly cash burn of \$350,000. The timing is right to consolidate Cannasouth's business activities to enable it to fully capture the revenue opportunities in front of it.

In order to advance the Company's path to revenue, the Company has resolved to:

- Buy the remaining 50% of Cannasouth Cultivation Limited (CCL) for \$3 million cash (plus 1,350,000 new Cannasouth shares at an issue price of \$0.40 per share representing \$540,000).
- Fund the CCL JV partners remaining share of the CCL build cost of \$2 million cash.
- Buy the remaining 40% of Midwest Pharmaceuticals (NZ) Ltd (Midwest) for \$1,026,000 of which \$880,000 of the purchase price shall be satisfied by the issue of 2.2 million new Cannasouth shares at an issue price of \$0.40 per share (equal to \$880,000) and the remaining \$146,000 in cash.
- Raise additional funding to:
 - Increase marketing spend for export flower sales
 - Accelerate R&D and new product development
 - Additional working capital

To fund the above initiatives, Cannasouth is raising \$6 million of new capital. The new capital is to be raised through a priority offer to clients of CM Partners (the lead manager of the capital raising), and a dual offer to retail investors, comprising Cannasouth shareholders through this SPP, and a general offer to members of the public. Cannasouth also reserves the right to raise additional new capital through a placement to wholesale investors up to \$2 million.

Further details about the SPP and the terms and conditions are set out in this Offer Document and the accompanying Application Form. You should read these documents carefully and seek professional advice if you have any queries about making an investment decision. Further information about Cannasouth can be found on our website <http://www.cannasouth.co.nz>, including a Medicinal Cannabis Industry Update (June 2021) and a Company Fact Sheet.

The SPP closes at 5pm on Friday 30 July 2021. If you wish to participate in this SPP, please ensure that you complete an online application or return the completed Application Form contained in this Offer Document and payment to Link Market Services by the Closing Date. On behalf of the Board, I would like to thank you for your ongoing support of Cannasouth Limited.

Yours sincerely,



Tony Ho
Chairman

Questions And Answers

What is the Offer?

The Offer allows Eligible Shareholders to subscribe for additional Shares in Cannasouth without incurring brokerage or other transaction costs. All Shares issued under the Offer will be of the same class and rank equally with all existing fully paid ordinary Shares, which are listed on the NZX Main Board, and, on issue, will carry the same voting rights and other entitlements. In addition, for every three New Shares that you subscribe for, you will be issued with one Option to acquire one additional share. The exercise price for the Option shall be \$0.40, and the Option shall have a term of 24 months from the date of the issue of the Option. Further details of the terms of the Options to be issued are detailed in paragraph 7 of the Terms and Conditions section on page 13.

Do I have to participate in the Offer?

No - participation is entirely voluntary. Before you apply for Shares under the Offer, we recommend that you seek independent financial advice from your financial adviser.

Can I participate in the Offer?

You can participate in the Offer if you are an Eligible Shareholder. An Eligible Shareholder is a person who, at 5.00pm on the Record Date, was recorded in Cannasouth's share register as being a registered holder of Shares and having a registered address in New Zealand.

For the avoidance of doubt, no U.S. Person (as defined in Regulation S under the US Securities Act of 1993) can participate in the Offer.

Cannasouth has decided that the Offer is not available to shareholders who are not resident in New Zealand, so as to avoid the risk of breaching laws in the relevant jurisdictions. Cannasouth, in making this decision, has considered the small number of overseas shareholders not resident in New Zealand.

If you are a Custodian, or you hold shares through a Custodian, please read section 3 of the Offer Terms and Conditions.

How much can I invest under the Offer?

The amount you may invest under the Offer is limited.

Eligible Shareholders may elect to apply for a parcel of Shares up to \$15,000. There is no minimum application amount. If you receive more than one copy of this Offer Document, or if you hold Shares in more than one capacity (e.g., because you are both a sole and joint holder of Shares), the total value of the parcels of Shares that you may apply for in all capacities is NZ\$15,000.

By applying to purchase Shares under the Offer, you give the certification set out in the terms and conditions of the Offer and the Application Form.

The Offer is non-renounceable, so you cannot transfer your right to purchase Shares under the Offer to anyone else.

What can I do if I own shares through a trustee or custodian or own shares in more than one capacity?

Custodians that hold Shares on behalf of one or more beneficial owners may apply for Shares to the value of up to \$15,000 on behalf of beneficial owners who are New Zealand residents, provided that they comply with certain certification requirements and other conditions set out in the terms and conditions of the Offer. For this purpose, in summary, a Custodian is a trustee company, nominee, or bare trustee that is permitted to act as custodian under applicable laws. The offer set out under the Offer is made to the Custodian as the registered holder (not the beneficiary directly). This means it is at the discretion of the Custodian whether to extend the Offer to their beneficiaries.



Joint holders are treated as a single shareholder under the Offer and together can only make one Application up to \$15,000. If you own Shares through a trustee or Custodian and also own Shares in your own name, then you may either purchase Shares yourself or instruct your trustee or Custodian to purchase Shares on your behalf, up to \$15,000. You may not do both.

Number of New Shares being offered?

Up to \$6 million is being sought under this Offer and a general offer to members of the public, but Cannasouth has discretion to accept over subscriptions.

What is the Issue Price of the Shares under the Offer?

The Issue Price is \$0.40 per Share. The number of Shares to be issued will be the subscription amount divided by the Issue Price, subject to any rounding as described in the Terms and Conditions. No moneys are required to be paid to receive the Options to be issued in conjunction with the Shares (on a one Option for every three New Shares subscribed for basis). If a holder of an Option wishes to exercise that Option at some stage in the future during the term of the Option, then they must pay the sum of \$0.40 for each Option exercised.

What are the risks of investing in the Offer?

The market price of Shares may rise or fall between the date of this Offer and the date when the Shares issued under the Offer are allotted to you. As a result, the Issue Price you pay for Shares issued to you under the Offer may exceed the price of Shares trading on the NZX Main Board. In other words, the value of the Shares issued to you under the Offer may be, at the time of issue, lower than the Issue Price. There can be no certainty that Cannasouth's shares will trade on the NZX Main Board at or above the Issue Price following the issue of the Shares under the Offer. Accordingly, you should seek your own financial advice in relation to this offer and your participation in the Offer.



How do I apply for Shares under the Offer?

If you wish to participate in the Offer, you can do so online at www.cannasouthshareoffer.com. Alternatively, please follow the step-by-step instructions set out in the enclosed personalised Application Form. If you are not applying online, you must return your completed Application Form (and, if applicable, your Custodian Certificate) with your payment to the designated address.

If the exact amount of money is not tendered, Cannasouth reserves the right not to accept all or part of your payment. In those circumstances, Cannasouth will return your Application Form (and, if applicable, your Custodian Certificate) and refund all or part of your payment without interest.

If the Offer is oversubscribed and Cannasouth elects to not accept any oversubscriptions, the Applicant will receive the number of Shares at the Issue Price accepted by Cannasouth following scaling and a refund of the balance of the relevant payment amount. All refunds will be made without interest. Refunds will be issued within five Business Days following the Allotment Date.

Refer to page 10 of this document for the conditions surrounding any scaling.

You will not be able to withdraw or revoke your Application once you have sent it in.

If you do not wish to participate in the Offer you do not have to take any action.

How long is the Offer open?

The Offer opens on 16 July 2021 and is expected to close at 5.00 pm on 30 July 2021, unless extended. Please allow adequate time for mail deliveries. Applications received after this time may not be accepted.

When will I receive my Shares and Options?

You will receive the Shares and Options issued to you under the Offer on the Allotment Date, which is currently expected to be by 6 August 2021. A statement confirming the number of Shares and Options issued to you under the Offer will be sent to you on or about 6 August 2021.

About Cannasouth Limited

Cannasouth Background

Cannasouth Limited was listed on the New Zealand Stock Exchange (NZX) in June 2019 following an oversubscribed Initial Public Offering, which raised \$10,000,000 in new capital for the Company.

Cannasouth was the first publicly listed medicinal cannabis company in New Zealand and currently has circa 3,700 individual holdings on its share registry, with one of these holdings representing another approx. 20,000 underlying individual shareholders.

Since listing in 2019, Cannasouth has cemented its position as a leader in the medicinal cannabis industry in New Zealand. It is now poised to accelerate its vertical integration strategy of 'seed to sale' and begin supplying products into both the New Zealand and fast-growing export medicinal cannabis markets.

Cannasouth is a people-led business and has made securing top talent a priority. The Company has assembled the most complete and experienced team in the medicinal cannabis industry in New Zealand with over 220 years of combined GMP, and pharmaceutical R&D experience.

Cannasouth has developed innovative, industry leading facilities designed to produce pharmaceutical quality medicinal cannabis products for the most highly regulated markets at a competitive production cost, while doing so in an environmentally sustainable manner. Cannasouth has also developed advanced Research and Development capability, with funding support from Callahan Innovation for several important research initiatives. The focus is on developing the next generation of cannabinoid therapeutics and technologies to improve patient outcomes, disrupt the industry, and create valuable IP.

Recent Company Milestones

- Secured additional Research and Development funding via a Callahan Innovation Fellowship Grant to create a cannabinoid and receptor docking library which compliments existing studies being conducted into neuropathic pain/drug discovery, and drug delivery system/optimisation technology.
- Entered a services agreement with Colorado based Vera Cultivation to support development of commercial cultivation operations.
- Completed construction, now commencing commissioning and validation of its innovative, next generation Controlled Environment Agriculture (CEA) sealed greenhouse cultivation facility with JV partner Cannasouth Cultivation Limited.
- Successfully achieved commercial licenses under the Medicinal Cannabis Scheme (MCS), including permitted activities of manufacture, cultivation, and supply for its operations at the Waikato Innovation Park, and cultivation activity for its commercial cultivation facility at Cannasouth Cultivation.
- Secured a supply agreement for importation of first own-brand medicinal cannabis products and subsequently submitted product assessments to the Medicinal Cannabis Agency (MCA) for approval to distribute these in New Zealand.
- Grown highly skilled human resource capability across the Cannasouth Group including the following appointments: respected scientist David Gill as Chief Scientific Officer, Colin Foster as Chief Financial Officer, John Sanders as Chief Commercial Officer, Satish Nand as Head of Quality, and more recently, Tony Clark as Operations Manager for CCL.



Current Activities

After successfully creating the foundations of the business, Cannasouth can now see a clear pathway to generating significant revenues. The current priority for the business is the commissioning and production of first commercial crops from Cannasouth Cultivation.

The first commercial scale harvest is planned for the end of December 2021. Once fully certified, this facility will produce premium quality Good Agricultural and Collection Practices (GACP) and Good Manufacturing Practice (GMP) compliant cannabis flower, suitable for the highest value export markets. There is significant demand from export markets for this flower and Cannasouth is regularly being approached to enter into supply agreements from offshore parties. First export sales are expected to begin in early 2022.

Focus for next 12 months

- Complete construction and commissioning of Cannasouth Cultivation's growing facilities and commence production and sales of medicinal cannabis raw flower.
- Registration and launch of Cannasouth's first imported own brand medicinal cannabis products.
- Complete manufacturing layout changes at Midwest and install cannabinoid processing equipment to commence offering toll/contract manufacturing services to the industry, and
- Progression of next generation products through continued research and development.

Application of funds raised through the SPP

Cannasouth currently has more than \$4.2 million of cash on hand, no debt, and a monthly cash burn of \$350,000. The funds raised from the SPP and the collateral capital raising initiatives will enable Cannasouth to:

- Buy the remaining 50% of CCL for \$3 million cash (plus 1,350,000 new Cannasouth shares at an issue price of \$0.40 per share representing \$540,000).
- Fund the CCL JV partners remaining share of the CCL build cost of \$2 million cash.
- Buy the remaining 40% of Midwest for \$1,026,000 of which \$880,000 of the purchase price shall be satisfied by the issue of 2.2 million new Cannasouth shares at an issue price of \$0.40 per share (equal to \$880,000) and the remaining \$146,000 in cash.
- Fund :
 - Increased marketing spend for export flower sales
 - Accelerate R&D and new product development
 - Additional working capital

Taking 100% control of both its joint venture cultivation and joint venture manufacturing facilities will enable Cannasouth to capture 100% of all future revenues generated from these operations. Midwest's revenues are currently circa \$2 million p.a. and will be reflected in the Group revenues when the remaining 40% of the company is purchased. Cultivation revenues of circa \$8 million p.a. are expected to begin in 2022, subject to securing suitable offtake agreements.

Acquisition of Cannasouth Cultivation Limited

Currently Cannasouth owns 50% of Cannasouth Cultivation. CCL has built a state-of-the-art growing and processing facility. It has a highly competitive production cost. Its cultivation assets are energy efficient and more environmentally sustainable than indoor cultivation operations. It is now in the final equipment installation and validation phase. The facility is designed to produce premium, GMP quality, cannabis biomass.

Current capacity, once operating, will generate circa \$8 million revenues per annum, based on conservative current global pricing, and subject to securing commercial offtake agreements. The facility has been designed to be scaled to 4 times its initial production level.

The principal terms of the acquisition of Cannasouth Cultivation are:

- The purchase price is \$3.54 million
- The purchase price is to be satisfied with the payment of \$3,000,000 cash (\$2 million immediately, the balance paid over 18 months), and the issue of 1,350,000 CBD shares at an issue price of \$0.40 per share (\$540,000 in value), which shares shall be escrowed for nine months
- The acquisition is subject to the Company successfully completing its capital raising initiative.





Midwest Pharmaceuticals (NZ) Limited

Currently Cannasouth owns 60% of Midwest Pharmaceuticals (NZ) Limited. Midwest operates a GMP compliant manufacturing and packing facility specialising in the manufacture, re-packing, and wholesale supply of pharmaceutical raw materials, including both actives and excipients and the manufacture of dietary supplements and herbal extracts.

Its products are used by compounding pharmacies, hospitals, universities, and pharmaceutical and veterinary manufacturers. Midwest has circa \$2 million of revenues per annum.

The facility is currently being expanded to accommodate cannabis-based medicine production. Midwest also has the opportunity to generate additional revenues from existing operations. Midwest's facilities will be GMP certified for medicinal cannabis manufacturing.

The principal terms of the acquisition of Midwest Pharmaceuticals are as follows:

- The purchase price is \$1.026 million
- The purchase price is to be settled with the issue of 2,200,000 CBD shares at an issue price of \$0.40 per share (\$880,000 in value), which shares shall be escrowed for 24 months, and the payment of \$146,000 in cash, to be paid over 18 months.

Terms And Conditions

Capitalised terms have the meaning attributed to them in the Glossary at the end of this Offer Document.

1. Eligible Shareholders

- 1.1 You may participate in this SPP only if you are an Eligible Shareholder. An Eligible Shareholder is a person who, at 5.00pm on the Record Date, was recorded in Cannasouth's share register as being a registered holder of Shares and having a registered address in New Zealand.
- 1.2 Joint holders of Shares are taken to be a single registered holder of Shares for the purposes of determining whether they are an Eligible Shareholder and the certification on the Application Form is taken to have been given by all of them.
- 1.3 If you are an Eligible Shareholder, your right to participate in this SPP is personal to you and is non-renounceable.
- 1.4 Cannasouth reserves the right not to extend the Offer in this SPP to Eligible Shareholders in a jurisdiction outside New Zealand in circumstances where it considers that so extending the Offer may breach the legal requirements of that jurisdiction.



2. Issue Price and Number of Shares

- 2.1 The Issue Price for New Shares under this SPP is \$0.40 per New Share. For every three shares acquired, an investor will receive one Option to acquire one additional share. The exercise price for each Option is \$0.40. Further details of the Options are provided on page 13.
- 2.2 If you are an Eligible Shareholder you may elect to purchase parcels of Shares up to \$15,000, subject to scaling (if any), by filling in the appropriate box on the Application Form. Any fractional Shares allocated under the SPP will be rounded down to the nearest whole number of Shares. There is no minimum application amount.
- 2.3 The maximum number of Shares that can be subscribed for under this Offer in aggregate is 37,500.
- 2.4 Eligible Shareholders may only make a single Application for Shares under the SPP. This applies to all Eligible Shareholders, including those who receive more than one offer under the SPP (for example, because they hold Shares in more than one capacity) and including whether the Eligible Shareholder is applying through a Custodian or on his or her own behalf. Accordingly, if you own Shares through a trustee or Custodian and also own Shares in your own name, then you may either purchase Shares yourself or instruct your trustee or Custodian to purchase Shares on your behalf. You may not do both.
- 2.5 If Cannasouth receives Applications in excess of the funds being sought it reserves the right to accept any oversubscriptions. If Cannasouth elects to not accept any oversubscriptions, it will scale back all Applications in the SPP on a proportionate basis in accordance with the number of Cannasouth shares held by the Applicant (or, in the case of an Application made by a Custodian, the relevant beneficial owner(s) named in the schedule submitted with the Application Form) on the Record Date. The Board believes this is the most equitable manner in which to deal with Applications in excess of the funds being sought under the SPP.

3. Custodians

- 3.1 Under the SPP, a Custodian is any Eligible Shareholder having a registered address in New Zealand, that:
 - (a) 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.

- 3.2 Custodians may apply to purchase Shares for an amount greater than \$15,000, provided that the Custodian only applies for no more Shares than collectively have an aggregate application price of \$15,000 for each beneficial owner for whom the Custodian acts as a Custodian. Each beneficial owner may only direct the Custodian to apply on behalf of that beneficial owner for a single share parcel.
- 3.3 Custodians must confirm to Cannasouth that they are holding Shares as a Custodian for one or more beneficial owners and certify the matters described in clause 3.4 below by providing a Custodian Certificate together with the Custodian's Application Form. To request a Custodian Certificate, or if you would like further information on how to apply for Shares as a Custodian, you should contact Cannasouth's Share Registrar, Link Market Services Limited, at any time from 8:30am to 5:00pm (Monday to Friday) prior to the Closing Date on (09) 375 5998.
- 3.4 If a Custodian applies to purchase Shares on behalf of one or more beneficial owners, the Custodian must certify to Cannasouth in writing the following matters in the form and manner set out in the Custodian Certificate (available on request from the Share Registrar):
- (a) that the Custodian held Shares on behalf of:
 - (i) one or more other persons that are not Custodians; and /or
 - (ii) another Custodian (Downstream Custodian) that holds beneficial interests in Shares on behalf of one or more other persons to which those interests relate, on 15 July 2021 at 5:00pm (each, a Participating Beneficiary) who have subsequently instructed the Custodian, and/or the Downstream Custodian, to apply for Shares under the SPP on their behalf;
 - (b) the number of Participating Beneficiaries and their names and addresses;
 - (c) the number of Shares that the Custodian holds on behalf of each Participating Beneficiary;
 - (d) the dollar amount of Shares that each Participating Beneficiary has instructed the Custodian, either directly or indirectly through a Downstream Custodian, to apply for on their behalf;
 - (e) that there are no Participating Beneficiaries in respect of which the total of the application price for the following exceeds \$15,000:
 - (i) the application price for new Shares applied for on their behalf under the SPP; and
 - (ii) the application price for any other Shares issued to the Custodian (as a result of an instruction given to the Custodian or a Downstream Custodian) for that Participating Beneficiary under any arrangement similar to the SPP in the 12 months prior to the Application for new Shares under the SPP;
 - (f) that a copy of this document was given to each Participating Beneficiary;
 - (g) 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
 - (h) that the beneficial owner on whose behalf the Custodian is submitting an Application Form is not making an Application as an Eligible Shareholder for Shares under the SPP, and no other Custodian is submitting an Application Form under the SPP for that beneficial owner.

4. Completing the Application Form and Paying for Shares

- 4.1 If you wish to participate in this SPP, you are encouraged to apply at www.cannasouthshareoffer.com. Alternatively, complete and return by mail a printed Application Form and provide payment in accordance with the instructions on the Application Form. If you are a Custodian, you must also complete a Custodian Certificate which may be obtained from Cannasouth's Share Registrar, Link Market Services Limited.

- 4.2 To be valid, your Application (and, if applicable, Custodian Certificates) must be received by Link Market Services Limited by 5.00pm on 30 July 2021. Applications (and, if applicable, Custodian Certificates) received after that date will only be accepted at Cannasouth's discretion. Applications (and, if applicable Custodian Certificates) should be returned in the following manners:

Online: By completing the online application and payment at www.cannasouthshareoffer.com

By Email: applications@linkmarketservices.co.nz
(please use "Cannasouth SPP" as the subject of the email)

By Hand: Cannasouth Limited Share Purchase Plan
C/- Link Market Services Limited
Level 3 0, PwC Tower
15 Customs Street
Auckland 1010 New Zealand

By Mail: Cannasouth Limited Share Purchase Plan
C/- Link Market Services Limited
P.O. Box 91976
Auckland 1142

5. Cannasouth's Discretion to Accept or Reject Applications

- 5.1 Cannasouth has discretion to accept or reject your Application to purchase New Shares under this SPP, including (without limitation) if:
- your Application is incorrectly completed, incomplete or otherwise determined by Cannasouth to be invalid.
 - your direct debit is dishonoured or has not been completed correctly.
 - your bank deposit is not in New Zealand dollars for the exact amount of the parcel that you have selected on the Application.
 - your Application is received after the Closing Date. While Cannasouth has discretion to accept late Applications and payment, there is no assurance that it will do so.
 - Cannasouth believes that you are not an Eligible Shareholder or Custodian; or
 - Cannasouth considers that your Application does not comply with these terms and conditions.
- 5.2 Where Cannasouth rejects an Application under the terms and conditions of this SPP, any application monies received in respect of the rejected Application will be refunded to the affected Applicants within five Business Days of the Allotment Date. No interest will be paid on any such refunded monies.

6. Significance of Sending in an Application

- 6.1 If you apply to participate in the SPP by completing an online application, or completing and returning the Application Form:
- your Application, on these terms and conditions, will be irrevocable and unconditional (i.e. cannot be withdrawn).
 - you certify to Cannasouth that you are an Eligible Shareholder entitled to apply for New Shares under these terms and conditions.
 - you agree to be bound by the constitution of Cannasouth. A copy of the constitution is available from the Company, free of charge, by emailing the company's chief executive Mark Lucas at mark.lucas@cannasouth.co.nz.

- you authorise Cannasouth (and its officers or agents) to correct any error in, or omission from, your Application and to complete the Application by the insertion of any missing details.
 - you acknowledge that Cannasouth may at any time irrevocably determine that your Application is valid, in accordance with these terms and conditions, even if the Application is incomplete, contains errors or is otherwise defective.
 - you agree to indemnify Cannasouth for, and to pay to Cannasouth within five (5) Business Days of demand, any dishonour fees, or other costs Cannasouth may incur in a direct debit for payment which is dishonoured.
 - you acknowledge that none of Cannasouth, its advisers or agents has provided you with investment advice or financial product advice, and that none of them has an obligation to provide advice concerning your decision to apply for and purchase New Shares under this SPP.
 - you acknowledge the risk that the market price for the Shares may change between the Record Date, the date that you apply for New Shares under this SPP and the Allotment Date. A change in market price during this period will not affect the Issue Price but may affect the value of the New Shares you receive under this SPP.
 - you acknowledge that Cannasouth is not liable for any exercise of its discretions referred to in these terms and conditions; and
 - you irrevocably and unconditionally agree to these terms and conditions and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of this SPP.
- 6.2 If a Custodian applies to purchase New Shares (and Options) under this SPP for a beneficial owner pursuant to clause 3.2, the matters referred to in clause 6.1 will be taken to be given by each beneficial owner on whose behalf the Custodian is applying to purchase New Shares.

7. The Shares (and Options)

- 7.1 New Shares issued under this SPP will rank equally with each other and will have the same voting rights, dividend rights and other entitlements as existing fully paid Shares in Cannasouth.
- 7.2 For every three New Shares you subscribe for, you will be issued one Option. In the case of fractional entitlements to receive Options, your entitlement will be rounded up to the nearest whole number of Options.
- 7.3 The principal terms of the Options are as follows:
- Each Option entitles the holder to acquire one ordinary share in the Company;
 - The exercise price payable upon the exercise of each Option will be \$0.40;
 - The Options shall vest on the date of their issue, and shall have a term of 24 months from the date of their issue (Exercise Period);
 - Any Options which are not exercised during the Exercise Period shall lapse;
 - In respect of any Options that are exercised during the Exercise Period, the new Shares to be issued following the exercise of the Options, shall be issued and allotted by the Company on the last business day of the month in which the respective Options were exercised;
 - Shares issued upon exercise of an Option shall be credited as fully paid and rank equally in all respects with shares on issue at the relevant exercise date (except for any dividend or other entitlement where the entitlement date occurs prior to the exercise date);
 - The Options are transferable. However, the Options will not be quoted on the NZX Main Board;
 - The Options shall not confer on the holder the right to participate in rights issues undertaken by the Company;

- The holders of the Options will not be entitled to vote at any meeting of the shareholders of the Company; and
- On any consolidation, subdivision or other reconstruction of shares the number of shares over which each Option is exercisable will be adjusted in proportion to the reconstruction, and the aggregate exercise price will remain unchanged.

8. Financial Statements

- 8.1 You may obtain free of charge the most recent annual report and financial statements of Cannasouth by contacting Cannasouth (see the Company Directory for details), or you may download these reports from the Cannasouth website at www.cannasouth.co.nz.

9. Amendments to the SPP and Waiver of Compliance

- 9.1 Notwithstanding any other term or condition of this SPP and/or the Application Form, Cannasouth may, at its discretion:
- (a) make non-material modifications to this SPP or such terms and conditions (in which Applications for New Shares under this SPP will remain binding on the Applicant notwithstanding such modification and irrespective of whether an Application was received by Link Market Services Limited before or after such modification is made); and/or
 - (b) suspend or terminate this SPP at any time prior to the allotment of the New Shares under this SPP. If this SPP is terminated, application monies will be refunded to Applicants within 10 Business Days of the Offer being withdrawn. No interest will be paid on refunded monies.
- 9.2 Subject to law and the Listing Rules, Cannasouth reserves the right to waive compliance with any provision of these terms and conditions. If Cannasouth waives compliance with any provision of these terms and conditions, such waiver will apply to all Eligible Shareholders.

10. Governing Law

- 10.1 These terms and conditions shall be governed by and construed in accordance with the laws of New Zealand.

11. Dispute Resolution

- 11.1 If any dispute arises in connection with this SPP, Cannasouth may settle it in any manner it thinks fit. It may do so generally or in relation to any particular participant, Application or Share. Cannasouth's decision will be final and binding.

12. Inconsistency

- 12.1 Unless otherwise determined by the Directors, in the event of any inconsistency between the terms and conditions of this SPP and Cannasouth's constitution, Cannasouth's constitution shall prevail.

Glossary

Allotment Date	By 6 August 2021
Applicant	An investor whose Application for New Shares (and payment of the corresponding Issue Price in respect of each New Share subscribed for) has been received by the Registry prior to the Closing Date.
Application	Either an Application Form or an application submitted online at www.cannasouthshareoffer.com .
Application Form	The personalised application form relating to this SPP that you received with this Offer Document, including the instructions on the reverse of that form.
Board	The board of directors of Cannasouth.
Business Day	Has the meaning given to it in the Listing Rules.
Cannasouth (or Company)	Cannasouth Limited.
Closing Date	5pm, 30 July 2021.
Custodian	See clause 3.1 of the Terms and Conditions for the definition of "Custodian".
Directors	The directors of Cannasouth.
Eligible Shareholder	A person who, at 5.00pm on the Record Date, was recorded in Cannasouth's share register as being a registered holder of Shares, and having a registered address in New Zealand.
Issue Price	The price at which the New Shares will be issued pursuant to this SPP, being \$0.40 per Share.
Listing Rules	The NZX Listing Rules applying to the NZX Main Board, as amended from time to time.
Midwest	Midwest Pharmaceuticals (NZ) Ltd.
New Shares	New fully paid ordinary shares in Cannasouth, that are the subject of this Offer and will rank equally in all respects with existing shares when issued.
NZX Main Board	The NZX Main Board operated by NZX.
NZX	NZX Limited.
Offer	The offer to Eligible Shareholders to subscribe for New Shares, and Options pursuant to the SPP.
Offer Document	This document containing the SPP offer to Eligible Shareholders.
Opening Date	16 July 2021.
Options	Means the share option which permits the holder to acquire one share in the Company, the terms of which are detailed on page 13.
Primary Market Participant	Has the meaning given to it in the Listing Rules.
Record Date	5 pm on 15 July 2021.
Shares	Ordinary shares of Cannasouth which are, or once allotted under this SPP will be, quoted on NZX under the code "CBD".
SPP	The Share Purchase Plan detailed in this Offer Document whereby Eligible Shareholders may subscribe for New Shares, and Options at the Issue Price.

