

For Public Release  
NZX Limited  
Wellington

30 November 2021

## **Acquisition of Outstanding Stake in Cannasouth Cultivation Complete**

Leading medicinal cannabis company, Cannasouth Limited (NZX: CBD) ("Cannasouth" or "the Company") is pleased to announce it has entered into an unconditional agreement to acquire the balance of the stake it does not already own in its cultivation joint venture business.

The unconditional agreement is with Aaron Craig and his family interests (Craig Family Interests) to acquire the remaining 50% stake in the Joint Venture, Cannasouth Cultivation Limited (Cannasouth Cultivation), together with all shareholder loans advanced by the Craig Family Interests to Cannasouth Cultivation.

This arrangement supersedes the lapsed agreement previously entered into with the Craig Family interests in July 2021.

Cannasouth Cultivation has built a state-of-the-art growing and processing facility which will produce medicinal cannabis flower biomass at a highly competitive production cost, is energy efficient, and more environmentally sustainable than indoor cultivation operations. The facility is designed to produce premium Good Agricultural and Collection Practices (GACP) and Good Manufacturing Practice (GMP) pharmaceutical compliant cannabis biomass capable of meeting the highest global quality standards. The facility has recently completed the construction and commissioning phases, has been deep cleaned and is now ready to begin the first commercial crop with plants now being transferred from the Company's cultivation research facility.

### **Commercial Benefits of the Acquisition**

- Take 100% control of the cultivation business
- Capture 100% of future profits for the benefit of CBD shareholders
- Post-acquisition revenues from Cannasouth Cultivation will be consolidated into the Cannasouth Group Income Statement
- Improve operational efficiencies across the Group
- Accelerate the pathway to significant revenue generation

Cannasouth Chief Executive Mark Lucas says "There continues to be strong global demand for premium-grade pharmaceutical cannabis flower which is the high value niche Cannasouth Cultivation is targeting. Cannasouth would like to take this opportunity to thank the Craig Family interests for their support and expertise as a valued joint venture partner in developing the innovative cultivation facility to such a high standard, in a cost-effective manner".

### **The principal terms of the Cannasouth Cultivation acquisition are as follows:**

- Cannasouth will acquire the remaining 50% of the shares on issue in Cannasouth Cultivation which it does not already own, together with all of the shareholder loans advanced to Cannasouth Cultivation by the Craig Family interests, for an aggregate purchase price of \$3,540,000.

**The purchase price to be satisfied as follows:**

- The issue of 1,384,616 new ordinary fully paid shares in Cannasouth at an issue price of \$0.39 per share (amounting in aggregate to \$540,000). The new shares will be issued subject to a 9-month escrow;
- The payment of \$275,000 in cleared funds on the date of settlement of the transaction;
- The balance of \$2,725,000 to be paid by a series of consecutive quarterly payments of \$250,000, the first of which shall be made on that date being the earlier of (i) 60 days after Cannasouth Cultivation's first commercial export shipment of product; or (ii) 1 September 2022;
- The balance of the purchase price outstanding on the third anniversary of the settlement date of the transaction will be payable in one lump sum on that date;
- Interest accrues on the unpaid purchase price.

The settlement date for the acquisition is 30 November 2021.

The completion of this transaction means Cannasouth now wholly owns all group entities after completing the acquisition of the outstanding 40% shareholding in Midwest Pharmaceuticals NZ Limited in August 2021.

This is a significant milestone in Cannasouth's strategy to become a fully integrated seed to sale medicinal cannabis business.

**Corporate Advisor**

Corporate and capital markets advisory firm, CM Partners, advised Cannasouth with the acquisition.

-ENDS-

For further information visit [www.cannasouth.co.nz](http://www.cannasouth.co.nz) or contact:

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**About Cannasouth Limited**

Cannasouth is a biopharmaceutical research and development company based in the Waikato heartland of New Zealand. The Company has been established to focus on the commercial development of the medicinally beneficial attributes of cannabinoid compounds such as CBD, THC and associated chemical structures that are produced by the cannabis plant. Our goal is the development of next-generation cannabinoid medicines that support patients' health outcomes and improve their quality of life. Our products will be produced under GMP using environmentally friendly methods without the use of harmful chemicals or solvents, ensuring patients are treated with pure cannabinoid therapeutic compounds of the highest quality. The Cannasouth group holds commercial medicinal cannabis licenses granted by the Medicinal Cannabis Agency for cultivation, possession to manufacture, and supply activities.

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