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**Rua to Accelerate Growth with Proposed Acquisition of Zalm Therapeutics  
Transaction Expected to Diversify Revenue, Accelerate Market Entry and Expand Patient  
Choice**

Rua Bioscience (NZX: RUA) has entered into an agreement to acquire 100% of Zalm Therapeutics Limited (Zalm), a New Zealand-based medicinal cannabis company, who has Australia's leading listed medicinal cannabis company, Cann Group (ASX:CAN) as one of its key shareholders and partners. Rua is acquiring Zalm for \$10m equity value through the issue of new Rua shares at approximately \$0.41 per share. Rua anticipates completing the acquisition in late January 2022, subject to necessary Rua shareholder approval.

This is an outstanding opportunity, that benefits Rua in the following ways:

- Significantly earlier access to GMP, export-quality oil products at scale by mid 2022;
- Preferential pricing through a long-term supply agreement as a result of Cann's world leading scale and GMP capability as they are in the final stage of commissioning one of Australasia's largest and most technologically advanced indoor growing facilities, due to commence production in January 2022.
- No minimum production commitment, and a fully variable cost base, substantially de-risking Rua's growth when compared with competitors who are investing heavily in cultivation and production ahead of building sustainable revenue.
- The combination of accelerated speed to market, access to significant volume of variable cost product at market-leading cost will enable us to build a beachhead presence in our target markets well ahead of production coming on stream at Tairāwhiti, significantly strengthening the business model and reducing capital requirements.
- Ownership of an exclusive patient-focused Therapy Awareness and Empowerment Toolbox developed by Atlantis Healthcare, which will support patients through their journey.
- Enabling Rua to invest over \$7.5m in sales and marketing over the next four years to significantly accelerate our New Zealand and key export market entry and penetration.
- Enhancement of the company's existing kaupapa (founding principles).

Rua Chairman, Trevor Burt, says "combining speed to market with long-term preferential access to substantial volumes of competitively priced product will enable the company to build a meaningful market presence faster and with a greater economy of scale than our current capacity or that of any other New Zealand medicinal cannabis company. This will significantly reduce pressure on revenue.

"Critically, the deal complements Rua's existing kaupapa by building Rua's market position earlier and ahead of our competitors. This in turn will enable greater commercial opportunity for the world-class cultivation and production that will come from Te Tairāwhiti.

"In essence, this deal will accelerate our revenue generation, offering further stability to our local operations, enabling the expansion of our local grower partner programme and fostering our long-term aspirations for local job creation".

Zalm Chairman and former Air New Zealand CEO, Rob Fyfe, says the team is excited about the potential of the deal. Rua's acquisition of Zalm will create what he describes as New Zealand's premier medicinal cannabis company.

"We reviewed the New Zealand market to see who best to work with. When we looked at Rua Bioscience, we saw a unique and deeply-held kaupapa, and an experienced and capable team that will accelerate rapidly through Zalm's partnerships with Cann Group and Atlantis Healthcare. We believe this is a fantastic deal, and we are thrilled to have this opportunity to move forward with Rua."

#### Zalm Supply Contract and Products

Rua would acquire Zalm's third party supply contract for GMP-grade medicinal cannabis with Cann, including exclusive supply into New Zealand. Cann is currently in the final commissioning phase of one of Australasia's largest and most technologically advanced indoor growing facilities at Mildura, Victoria, which will deliver world world-class and globally competitive scale and GMP capability and will complement their existing production facility in Melbourne. When the first stage of this facility is fully commissioned in early 2022, Cann expects to have capacity to produce 12,500kg of medicinal cannabis per annum, with the ability to increase this to 70,000kg in future stages.

The supply contract has no minimum commitment levels for Rua, but allows preferential access to a percentage of Cann's supply. This substantially de-risks Rua's growth strategy when compared with competitors who are investing heavily in cultivation and production before building sustainable revenue streams.

Rua would acquire Zalm's market-ready products, including distribution agreements in New Zealand and distribution relationships across key export markets, supplying products directly into retail, hospital, pharmacy, and other wholesale channels.

Rua would also own an exclusive Therapy Awareness and Empowerment Toolbox developed by Atlantis Healthcare, which will provide personalised support to patients during their medicinal cannabis therapy.

#### Accelerating Rua's Path to Market

Rua recently announced the New Zealand release of its first product early in 2022 with flower for Germany to follow.

Rua CEO, Rob Mitchell, says "Rua's commercial strategy recognises the need to diversify revenue, accelerate market entry and expand patient choice. This transaction will address all three, enabling Rua to supply patients with two unique brands: Rua, a locally-produced, premium oil and flower produced in New Zealand; and Zalm's Australian-grown oil and dried flower.

The acquisition will expand Rua's grower partner network to cover Australasia. However, Rua's Mangaoporo cultivation centre will remain at the heart of our genetics innovation, producing premium Rua-branded products, and providing genetics and cultivation advice across the group, enabling Cann to grow proprietary varieties at a global scale for supply to Rua for processing."

#### Deal Structure

The structure includes milestone payments, based on achievement of purchase price tiers and supply, at scale, of specific flower and oil products to Rua's global markets.

To maximise the potential of this acquisition, and the global commercial opportunities Cann and Atlantis Healthcare will help enable, Rua will establish a new Transition Advisory Board, chaired by Board representative, Brett Gamble, and:

- The major shareholders and Directors of Zalm - Rob Fyfe and Michael Wilding;
- Rua's CEO, Rob Mitchell, and CCO, Dr Andi Grant; and
- Cann's CEO, Peter Crock and COO, Shane Duncan.

#### Transaction Terms and Funding

Rua Bioscience has entered into a conditional agreement to acquire Zalm for \$10m equity value (\$8.5m enterprise value net of Zalm cash). 100% of the agreed purchase value will be satisfied through the issue of new Rua shares at approximately \$0.41 (based on 60-day VWAP) with \$3.3m paid on completion and remaining consideration paid in equal instalments (\$3.3m) conditional on Zalm achieving critical production, pricing and regulatory milestones during the period 2022 to 2024. Assuming all milestones are achieved, Rua would ultimately issue 24,420,000<sup>1</sup> new Rua shares to Zalm shareholders. \$1.0m of Zalm cash is available to Rua immediately on settlement with ~\$0.5m held in escrow pending achievement of at least one of two milestones.

#### Shareholder Approval

The issue of shares for this transaction is subject to approval by Rua's shareholders by way of ordinary resolution, requiring a simple majority of the votes of those shareholders eligible to vote and voting. Rua intends to hold a virtual Special Shareholders Meeting in mid-January 2022 for this purpose. Further details will be included in the coming Notice of Meeting, expected to be sent out to Rua shareholders around mid-December.

For further information regarding Zalm and the proposed acquisition, please refer to the Investor Presentation that accompanies this NZX Announcement.

Ends.

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#### About Rua

New Zealand pharmaceutical company Rua Bioscience aims to be a leading producer of cannabinoid derived medicines. The company was established in 2017 to support local economic development in Te Tairāwhiti and is a forerunner in the New Zealand medicinal cannabis sector. Rua has developed two commercial-scale facilities (a controlled cultivation site in Ruatorea and a manufacturing and extraction plant in Gisborne). The company anticipates the New Zealand release of our first product early in 2022 with flower for Germany to follow via a New Zealand exclusive contract with German distributor Nimbus Health.

Through the Zalm acquisition we combine our unique kaupapa, expertise, product innovation and excellence in cultivation with experienced international manufacturing and distribution partners; positioning Rua to rapidly accelerate its global business, revenue generation in a capital efficient manner.

#### About Zalm

Zalm is a medicinal cannabis business with attractive supply and distribution arrangements for GMP-grade cannabis products to NZ and global markets. Zalm has developed a transparent and secure supply chain from seed to sale and has formed strategic partnerships with key partners to ensure Zalm can act in a capital light, agile and patient demand driven manner. Zalm has developed, and trademarked, a considered and distinctive brand to differentiate itself as a patient-centric and reputable provider of medicinal cannabis products.

Zalm is headed by Rob Fyfe & Michael Wilding, who have led the development of very successfully NZ/regionally-branded companies that create significant value in regions.

#### About Cann

Cann Group is an established ethical leader in Australia's emerging medicinal cannabis industry. Cann Group Limited (ABN 25 603 949 739) is building a world-class business focused on breeding, cultivating, manufacturing and supplying medicinal cannabis for sale and use within Australia and for approved overseas export markets. Cann also owns Satipharm, a Europe-based business exclusively licensed to manufacture, develop and market the proprietary Gelpell delivery system for cannabinoids. Cann has established research and cultivation facilities in Melbourne and is developing a state-of-the-art cultivation and manufacturing facility near Mildura, Victoria. Cann

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<sup>1</sup> Subject to adjustments in certain circumstances.

Group has established a leading position in plant genetics, breeding, extraction, analysis and production techniques required to facilitate the supply of medicinal cannabis for a range of diseases and medical conditions. The Company is commercialising a range of imported and locally sourced and manufactured medicinal cannabis products.

Learn more at: [www.canngrouplimited.com](http://www.canngrouplimited.com) | [www.satipharm.com](http://www.satipharm.com)

#### About Atlantis Health

For over 25 years the NZ founded company has focused on delivering award-winning personalized behaviour change solutions that address practical and emotional challenges across an extensive range of different health conditions.

From ultra-rare and orphan diseases to common conditions, including cancer, type 2 diabetes and asthma their programs have covered over 200 disease states assisting people manage their health in over 30 countries.