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NZX Limited  
Wellington

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## Rua Half-Year Result – Constructive Period with First Product, First Revenue Imminent

### Highlights for the six months to 31 December 2021:

- **July** – Rua begins work in earnest with the University of Waikato on Hyperspectral imaging in anticipation of entering the \$2.5b cannabis testing industry
- **September** - Rua gains GMP Certification of our Gisborne manufacturing facility
- **October** – Prime launches Rua documentary series
- **November** – Rua enters into a conditional agreement to purchase Zalm Therapeutics and secures significant Callaghan Innovation funding
- **December** - Rua Bioscience given the green light to distribute its first product to New Zealand patients

Rua Bioscience Limited (NZX: RUA) has today announced its financial results for the six months to 31 December 2021.

The loss after tax for the six months to 31 December 2021 was \$2.46m, with total cash and investments on hand at the end of the period of \$12.29m.

In that time, the company achieved several critical milestones in its strategy, crucially gaining GMP certification and receiving verification that its first medicinal cannabis product meets the NZ Medicinal Cannabis Agency's (Medsafe's) quality standards. These milestones enable the company to distribute its first medicine in New Zealand, which it intends to do by the end of March or early April 2022.

Rua Chief Executive Officer Rob Mitchell said the six-month period was exceptional for the company, with the team managing expenditure while making significant strides in providing quality medicinal cannabis products.

"Our major focus has been on making medicinal cannabis products available to patients, a milestone we are now only a matter of weeks away from achieving", he says.

Rua Chief Financial Officer Hamish White says the result was in line with the company's expectations for the half-year as Rua moves to commercialisation.

"The company's investment focus was on those areas that will deliver revenue, investing in new product development and select long-term opportunities across the medicinal cannabis value chain."

### Update on Key Milestones

#### Readying for Sustainable and Scalable Domestic and Export Sales

Rua made significant steps towards producing its first products and hence first revenues. In September 2021, Rua received Good Manufacturing Practice (GMP) certification to manufacture its first medicinal cannabis product, a CBD oil. GMP certification is the global standard for all pharmaceuticals and certifies that Rua can manufacture a consistently safe product and of acceptable quality. GMP is a prerequisite for both domestic and export sales.

GMP certification was followed in December 2021 by verification that the same product meets the NZ Medicinal Cannabis Agency's (Medsafe's) quality standards, enabling Rua to distribute its first medicine in New Zealand. The certified compounded CBD oil will be made available as a prescription-only medicine through GPs in late March or early April. Rua will manufacture the medicine in its purpose-built facility in Gisborne.

Rua entered a conditional agreement to purchase New Zealand-owned medicinal cannabis company Zalm Therapeutics in November 2021. Approved by shareholders at a special meeting in January 2022, the acquisition will enable Rua to supplement its premium Rua-branded product with a range of Australian-grown cannabis oil products. Rua expects to make these products available for New Zealand patients in the second half of CY2022.

The Zalm acquisition also unlocks access to a facility in Mildura that will soon be one of Australasia's largest and most technologically advanced indoor growing and manufacturing sites. Cann Group will deliver world-class globally competitive GMP quality ingredients at scale through this facility. Cann has recently received GMP certification of its Southern facility (in Melbourne) and is currently commissioning Mildura. Acquiring Zalm's third-party contract with Cann should give Rua faster access to global markets and generate export revenue sooner.

### **Plant Discovery and Breeding**

Our crop growing programme is essential as a business focusing on commercialising unique cannabis cultivars; the resulting genetics are some of our most important assets.

Indoors, Rua's cultivation team has been running at full capacity as they work through the battery of engineering and validation trials required before Rua can grow commercially. In December, that activity extended to its outdoor facility with East Coast Cannabis Company (E3C) as its first local cultivation partner. This summer, E3C is responsible for Rua's outdoor trial crop, planting, managing, and harvesting unique Rua cultivars in the company's 3,000m<sup>2</sup> outdoor growing facility. The arrangement with E3C brings expertise, expands our outdoor cultivation capacity, and establishes pathways for a new generation of local growers to participate in the global industry.

### **Research and Development**

Rua has also been working to create long-term value across the medicinal cannabis value chain by developing world-class partnerships and programmes in the R&D space.

In July 2021, Rua began working in earnest with the University of Waikato on Hyperspectral imaging with a view to entering the \$2.5b cannabis testing industry. This world-leading project blends Rua's outstanding cultivation expertise with the exceptional agritech research expertise of the team at WaikatoLink, in hopes of revolutionising medicinal cannabis crop management practices.

Secured in November 2021, a Callaghan Innovation grant of \$376,000 will support a projected \$1.25m investment into plant science and the creation of uniquely superior medicinal cannabis products. Rua will deploy the funding across the company's value chain, looking at specific innovations from cultivation to packaging, including identifying high-performing commercial cultivars, advancements in CO<sub>2</sub> extraction, packaging, and DNA tracking and protection of unique Rua cultivars. Rua expects these projects will add significant value to the company over time.

### **Team Capability and Capacity – Recruiting for the Future**

Rua's recruitment strategy focuses on two equally critical components: building a capable and committed team that will propel the company towards commercialisation, creating highly-skilled, well-paid jobs for the people of Te Tairāwhiti.

Rua continues to attract world-class talent. Our team now includes scientific, quality and manufacturing expertise from Europe, the United States and Asia Pacific. Pleasingly, in this period, 51% of Rua's team had iwi or whānau connections to the East Coast.

## **Towards Sustainability**

In August 2021, the company released its Rua Sustainability Framework, which will guide its sustainability programme for the foreseeable future. As well as aligning with the United Nations Global Compact Sustainable Development Goals (SDGs), our bespoke Rua Sustainability Framework will underpin our goal to lead the global industry as an ethical and sustainable cannabis business. It will shape the way Rua engages with stakeholders, support sustainable decision-making processes at all levels of the company; shape business strategy; guide innovation; drive better performance; create value and attract investment. The company has set several environmental, social and governance targets, which can be found on page 45 of the company's 2021 Annual Report.

## **Outlook**

The second half of FY22 promises to be transformational as Rua focuses squarely on driving domestic and global sales.

The first premium Rua-branded products will be made available for prescribers in New Zealand in late March, early April 2022. As a result of the purchase of Zalm and the subsequent relationship with Cann, Rua expects to enter domestic and global markets faster and with a broader range of products. This means a steadily-growing range of products for patients and prescribers and increasingly diverse income streams for the company. There is expected to be a very modest impact on revenue in FY22.

Our indoor cultivation team will continue to grow premium dried flower for Germany and develop the unique Rua cultivars we will grow at scale as Rua further develops its cultivation centre of excellence at Mangaoporo.

Globally, our commercial team will identify those sustainable offshore high-standard GMP markets where Rua products can be market leaders. In this respect, Indian Stock Exchange listed pharmaceutical group Dr Reddy's recent purchase of our German distributor, Nimbus Health, is significant. With the added scale of Dr Reddy's, Rua anticipates greater reach for its products distributed by Nimbus in the German market and potentially beyond. It is also an important signal of the industry's growing legitimacy. Following Jazz Pharmaceuticals USD7.2bn acquisition of GW pharmaceuticals in early 2021, Dr Reddy's move is another example of the international pharmaceutical industry's growing interest in the burgeoning medicinal cannabis industry.

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**For more information, please visit [www.ruabio.com](http://www.ruabio.com) or contact:**

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## **About Rua Bioscience**

Rua Bioscience is a New Zealand pharmaceutical company aiming to produce cannabinoid derived medicines for export and local markets. Rua has been an early mover in the sector and was the first private company in New Zealand to receive a licence to cultivate cannabis for research purposes. Founded in 2017 in Ruatorea as a subsidiary of charitable company Hikurangi Enterprises Limited, Rua is underpinned by its mission to heal the people and heal the land. It is committed to New Zealand's Te Tairāwhiti (East Coast) region and its local community.

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