



Acquisition of Zalm Therapeutics

Investor Presentation

30 November 2021

Rua Bioscience Limited (Rua) is a New Zealand pharmaceutical company aiming to be a leading producer of cannabinoid derived medicines. Rua was established in 2017 in part to support local economic development in Te Tairāwhiti (East Coast) region, and is a pioneer in the New Zealand medicinal cannabis sector. Rua listed on the NZX Main Board on 22 October 2020.

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



Executive Summary

Subject to shareholder approval, Rua has reached agreement to acquire Zalm Therapeutics. The acquisition provides access to significant world-class scale cannabis manufacturing capacity, which will accelerate Rua's sales into its key target markets

Zalm Overview	<p>Zalm Therapeutics Limited ("Zalm") is a capital light and patient-centric NZ medicinal cannabis company. Zalm has a highly attractive long-term supply agreement with Cann Group, one of Australasia's largest GMP compliant medicinal cannabis plant breeding, cultivation, production and manufacturing companies.</p>
Strategic Rationale	<ul style="list-style-type: none">• Speed to Market: significantly earlier access to GMP, export-quality oil products at scale by mid 2022; along with Rua's CBD oil product expected for product launch in 1H22.• World Class and Globally Competitive Scale: Cann Group are in the final commissioning phase of their indoor grow facility expected to complete in early 2022 with approximately 12,500kg of annual dried flower capacity making it one of the largest in the Southern Hemisphere.• Quality Leadership: Cann Group's facilities will be GMP compliant and utilise the latest indoor growing technologies and science.• Economics: The acquisition of Zalm gives RUA access to significant long-term quantities of GMP compliant oils and dried flower under a long-term supply agreement with Cann Group at preferential and highly competitive market pricing.• De-Risks the Business Plan: the agreement provides Rua with access to global scale manufacturing capacity without the need for capital investment providing a lower-risk pathway to market. This will enable Rua to focus on redirecting investment into the development of premium Rua-branded East Coast cultivars and sales and marketing to accelerate our export and New Zealand market strategy.• Patient-focused Therapy Awareness Programmes: ownership of an exclusive patient-focused Therapy Awareness and Empowerment Toolbox to support patients through their journey, through exclusive partnerships with Atlantis Healthcare (a global specialist in designing and delivering personalised behaviour change solutions in healthcare).• IP and Knowledge Sharing: Cann Group are committed to supporting Rua with trans-Tasman training, collaboration and knowledge sharing which will help ensure we can continue to develop Tairāwhiti as New Zealand's centre for Cannabis expertise.

Executive Summary (Cont.)

Proposed acquisition for \$10m equity value with one third paid upfront and the remaining two thirds in equal instalments upon achievement of critical production and regulatory milestones.

Summary Acquisition Terms

- \$10m equity value (\$8.5m enterprise value net of Zalm cash) assuming full achievement of earn-out milestones¹
- 100% of agreed purchase value satisfied through 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 the achievement of key milestones¹:
 1. Receiving necessary German regulatory approvals for the sale of CBD and THC oil extracts and confirmation of agreed production volumes at specified preferential pricing terms, expected by July 2022; and
 2. Receiving necessary German regulatory approvals for the sale of dried flower and confirmation of agreed production volumes at specified preferential pricing terms, expected by July 2023.
- Major shareholders of Zalm, Rob Fyfe and Michael Wilding, to sit on new Transition Advisory Board along with two representatives from each of Cann Group and Rua.
- Assuming all milestones are achieved, Rua would issue 24,420,000¹ new Rua shares to Zalm shareholders. This exceeds Rua's 15% placement capacity under the NZX Listing Rules and is therefore subject to approval by Rua's shareholders.

1. Subject to potential future adjustment under certain circumstances (see page 17)

Acquisition of Zalm Therapeutics



Zalm Business Overview



Zalm is a medicinal cannabis business with attractive supply and distribution arrangements for GMP-grade cannabis products to NZ and global markets.

Supply and Cultivation

Zalm has long term supply and technical services agreements with Cann Group, one of Australia's leading medicinal cannabis suppliers.



Distribution

Distribution agreements held with CDC Pharmaceuticals (NZ) and to supply finished products directly into wholesale channels, and export distribution relationships in our key target export markets.



Products and Patient Management

Zalm plans to launch a range of cannabis oils range in both NZ and Germany in 2022, with dried cannabis flower also planned to launching in Germany 2H2022.

A patient wellbeing programme developed with Atlantis Healthcare for personalised support to patients and clinicians in the use of Zalm products.



Ownership

Majority owned by Rob Fyfe, Michael Wilding, Jonty Edgar and Australian listed Cann Group.

Supply Chain and Distribution

Consistent with Rua's cultivation partner strategy, Zalm's supply arrangements with Cann Group provides Rua with further ability to service the NZ and international medicinal cannabis markets.



Cultivation and Growing

- Zalm has executed long-term supply agreements with Cann Group at highly competitive pricing terms compared to grower partner alternatives assessed by Rua.
- A long-term technical services agreement with Cann Group is also held for the provision of operational services that include:
 - Licensing and regulation;
 - Medicinal cannabis production and processes;
 - Genetics access, selective breeding and cultivation; and
 - New product formulation and manufacturing.
- This allows Zalm to source high-quality, GMP-grade medicinal cannabis without significant capital investment in cultivation and production facilities.



Distribution Channels

- Key distribution agreements are held with CDC Pharmaceuticals in New Zealand, and key export distribution relationships are held across our key target export markets.
- These will allow Zalm to supply finished products directly into retail, healthcare, pharmacy and other wholesale channels.



Zalm Product Range



Zalm has developed a product suite of three cannabis oil products under the aZana brand, expected to launch in 2H CY2022 comprising THC, CBD and balanced (THC/CBD blend) oils.



All aZana products will be manufactured in Cann's GMP facility (once licencing complete) and meet New Zealand and European regulatory requirements.



Through the long-term supply agreement, Zalm is well placed to be able to work with Cann Group to access their future pipeline of innovative products.



THC

aZana THC26 is a whole-plant formulation which has been designed for oral consumption. THC is the main psychoactive compound found in cannabis and is responsible for the 'high' feeling.

CBD

aZana CBD100 whole-plant cannabis oil is a CBD dominant formulation, which contains less than 2% THC and is designed to be taken orally. Unlike THC, CBD is non psycho active.

Balanced

aZana THC10 CBD15 is a balanced 3:5 oil designed to be taken orally.

Patient Management

In conjunction with Atlantis Healthcare, Zalm is developing a comprehensive digital platform that provides patients and clients upfront and ongoing support in the use of Zalm products.

Pre-Prescription	<p>'Is medicinal cannabis right for me' (IsMC4Me?)</p> <p><i>Therapy Awareness and Empowerment Toolbox</i></p> <p>Patients are provided with personalised advice and evidence of those in a similar situation or condition. This ensures a well-informed decision and facilitates empowering conversations with the doctors and other expert contributors.</p>
Post-Prescription	<p>MyZalm</p> <p><i>Patient Management Programme</i></p> <p>Programme includes trial and cost-sharing of aZana product, with an ongoing support programme to monitor well-being / quality of life. Patients are provided with access to community platforms and given the option to contribute experiences to a NZ 'register', feeding into local and global learning cohorts</p>

- Zalm has exclusive arrangements with Atlantis Health for development of a health platform for medicinal cannabis in NZ.
- Atlantis Health is a global group of companies with internationally recognized expertise in designing and delivering personalized behavior change solutions that empower positive health outcomes.
- Atlantis Health has developed similar health or patient support platforms globally for Pfizer, Abbvie, GlaxoSmithKline and Merck.
- This patient centric offering differentiates Rua, Zalm, and its products from other medicinal cannabis companies by providing a toolbox that allows:
 - Patients to access personalised advice to enable choice;
 - Clinicians to prescribe appropriate products; and
 - An ongoing tool for monitoring and supporting patients' well-being.

Strong Strategic Rationale



Secures Supply at a Global Scale

Exclusive supply arrangements with Cann Group provide access to a globally scalable grower partner at attractive price terms, without the need for significant capital investment.

Cann Group Overview

- Established in 2014, Cann Group was the first Australian company to be issued with a medicinal cannabis Research Licence and Cultivation Licence.
- ASX listed with current market capitalization of ~A\$100m.
- Existing production facilities currently provide ~1,200kg per annum of production capacity for dried flower. Completion of Stage 1a of Cann Group's production facility in Mildura, expected in early 2022, allows for an additional ~12,500kg per annum. Further expansion opportunities at Mildura are available for staged increases in production capacity up to a total of 70,000kg.

Zalm Supply Arrangements

- Zalm provides long term preferential access to a percentage of Cann Group's production capacity at highly competitive pricing, with Zalm prioritized over other customers / offtake outside of Australia.
- Fully variable product cost and no minimum order quantities.
- Initial term with two exclusive agreements for supply and technical services expires October 2027, with the ability to extend beyond this period.
- Exclusive supply and sale rights for NZ and non-exclusive for Australia and other global markets that Zalm directs.
- Price terms are at significantly better terms than other grower partner opportunities Rua has evaluated to date due to scale and market efficiencies.



Cann Group's new Mildura cultivation and processing facility expected to be completed in early 2022

Expanded Cannabis Oil Product Range

The acquisition of Zalm will extend Rua's own medicinal cannabis product rollout with complementary oils anticipated to be available in New Zealand 1H CY2022.



Rua to provide own cultivars to Mildura facility for Rua premium-branded cannabis products.

CANN
GROUP LIMITED

Manufactured finished Zalm products sent direct to market



RUUA
BIOSCIENCE

CY2022
*Oil products launched in
NZ and international
markets (AU, Germany)*

Zalm®

- Consistent with our current strategy, Ruatorea and Gisborne facilities will be utilised for high quality batch production of Rua branded premium products for NZ and export markets. It will also remain home of the world class R&D across the medicinal cannabis chain.
- The Ruatorea site will continue to serve as a "Centre of Excellence", providing unique plant genetics for Cann Group to grow at scale in their Mildura facility.
- Zalm transaction milestones protect Rua from non-performance against production targets (volumes and dates) and market regulatory risk (German regulatory approvals).
- Cann Group to cultivate and manufacture aZana-branded finished products from Australian genetics directly to NZ and export markets.
- NZ oil products expected to launch to market during 2022.
- Transaction milestones are based on Cann Group achieving the capacity to deliver at least 10,000 units of each oil per annum to Germany, at specified preferential pricing margins. This expected to be met by July 2022 and no later than Dec 2022.¹

Significant Source of Additional Cannabis Flower

Dry flower available through the Cann Group supply agreement will widen Rua's existing flower product portfolio and significantly increase manufacturing capacity.

- The genetic varieties of dried flower supplied by Cann Group are expected to be ready for export markets in Q3 CY2023.
- Transaction milestones are based on Cann Group achieving the capacity to deliver at least 150kg per month of dried flower to Germany, at specified preferential pricing margins, as well as the establishment of Rua cultivars at commercial scale in their GMP facility. The milestone is expected to be delivered by July 2023 and no later than Mar 24.¹
- Access to Cann Group's breeding, cultivation and manufacturing facilities will provide Rua with sufficient scale to enter the EU and Australasian markets while reducing the capital requirements to establish our own large-scale facilities.
- Through the technical services agreement, Rua will also be able to leverage Cann's extensive R&D capability and genetics projects.
- Access to Cann Group cannabis flower will allow Rua to focus on smaller scale premium Rua-branded production of East Coast cultivars for local and global markets from our own facilities as well as assessing other grower partner initiatives (including outdoor trials).

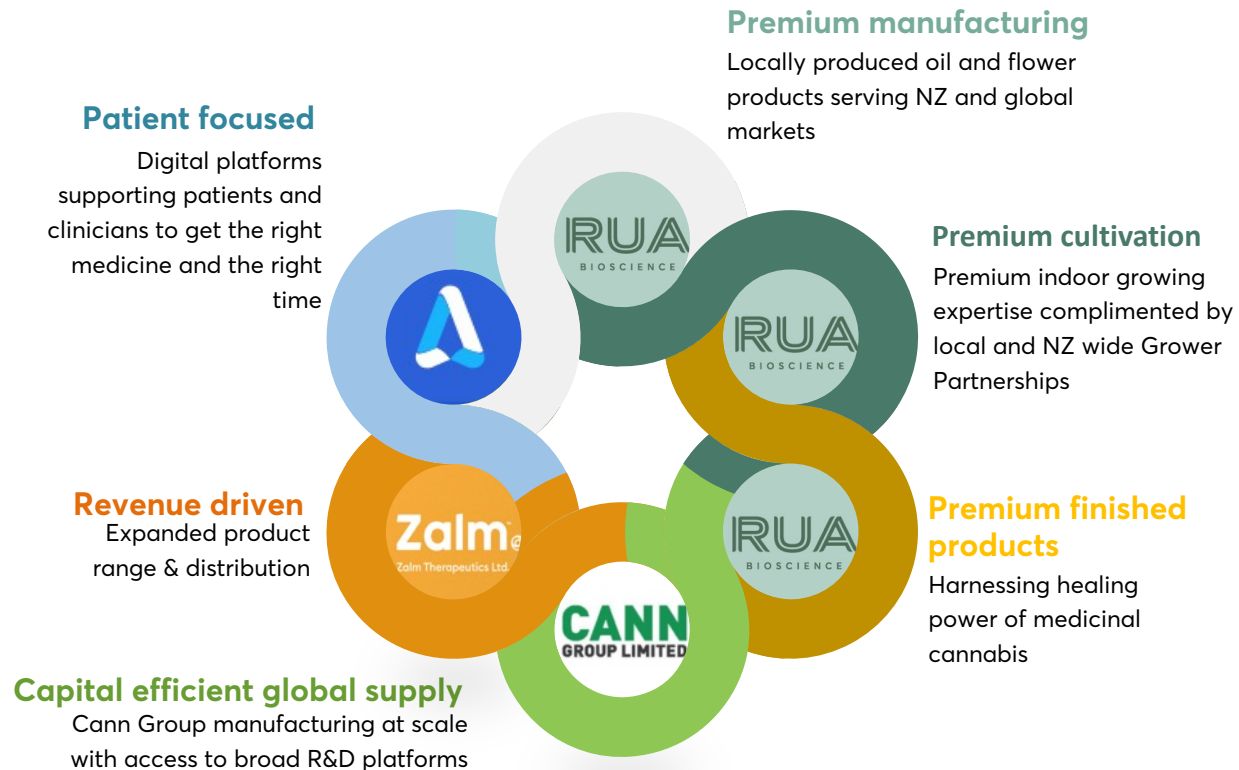
¹ Product dates currently expected by Rua but subject to necessary regulatory approvals



Cann Group's new Mildura cultivation and processing facility expected to be completed in early 2022

Creating New Zealand's Premier Medicinal Cannabis Company

The combination of Rua and Zalm will create NZ's premier medicinal cannabis company with access to one of Australasia's largest GMP-grade medicinal cannabis supply, increased R&D capabilities and international and domestic distribution channels.



Transaction Summary



Transaction Terms

Zalm is being acquired at an equity value of approximately \$10 million, funded through the issue of new Rua shares with \$3.3 million paid upfront and the remainder on achieving key milestones.

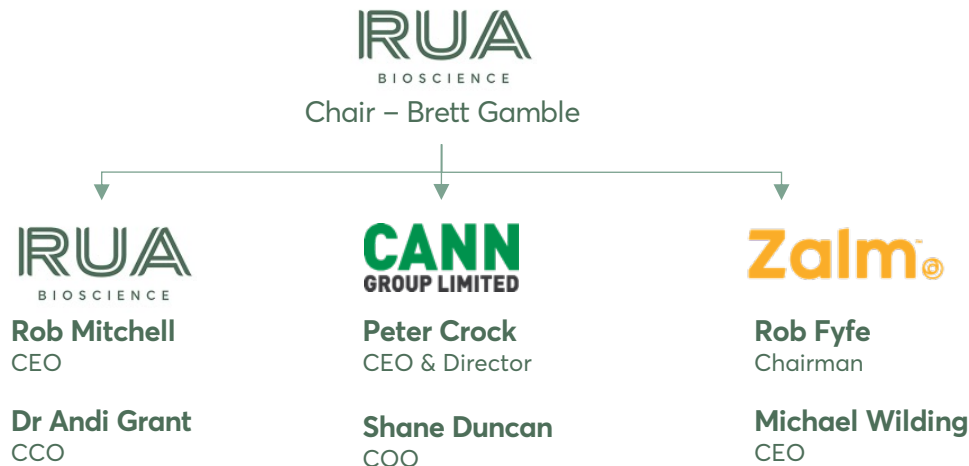
Value and Payment Milestones¹	<ul style="list-style-type: none"> \$10m equity value and \$8.5m enterprise value (net of Zalm cash).¹ 100% of agreed purchase value satisfied through issue of 24,420,000 new Rua shares with 8,140,000 issued on completion (~\$3.3m) and remaining share consideration issued contingent on completion of two critical milestones (subject to adjustments noted below): <ol style="list-style-type: none"> 8,140,000 Rua shares (\$3.3m) on Cann Group supplying the necessary manufacturing information required for Rua and their Agents to submit their German regulatory approvals for the sale of CBD and THC oil extracts as medicinal cannabis products and confirmation of production capacity of 10,000 units per annum (for each of CBD100, THC26 and Balanced) at specified preferential pricing terms (expected by July 2022); and 8,140,000 Rua shares (\$3.3m) on Cann Group supplying the necessary manufacturing information required for Rua and their Agents to submit their German regulatory approvals for the sale of dried flower grown at Cann Group's cultivation facilities and confirming commercial production capacity of up to 150kg per month at specified preferential pricing terms (expected by July 2023). The total number of shares issued to Zalm shareholders will be adjusted in the following circumstances: <ul style="list-style-type: none"> If Rua raises additional capital prior to achievement of the second milestone at an issue price below \$0.4095 <u>and</u> if the prevailing share price at satisfaction of milestone two is lower than \$0.4095, Rua will issue additional shares such that the total number of shares issued is equal to \$10m divided by the higher of the market price and \$0.348 (implying an effective cap of 4,315,623 additional shares); and If the future contracted purchase price for oil and dried flower from Cann Group is above certain agreed levels, the number of shares issued under the relevant milestone will be reduced (or result in the milestone not being achieved if the purchase price exceeds agreed thresholds). \$1.0m of Zalm cash available to Rua immediately on settlement with ~\$0.5m held in escrow pending achievement of at least one of 2 milestones. If neither of 2 milestones is achieved, ~\$0.5m of cash will be released to vendors and Rua would have paid \$3.3m for Zalm (\$2.3m net of cash).
Shareholder Approval Condition	<ul style="list-style-type: none"> Potential issue of up to 28,735,632 of Rua shares (contingent on achieving milestones and any adjustments) represents 20.3% of current Rua shares on issue. This potential placement exceeds the 15% limit under NZ Listing Rule 4.5. The transaction is therefore conditional on shareholder approval by way of ordinary resolution. Shareholder approval to be sought at special meeting of shareholders mid-January 2022. If approved, settlement of the transaction is scheduled on or before 31 January 2022.

¹ Transaction value based on ascribed Rua share value of \$0.4095 being the 60-day volume weighted average price up to 12 November.

Establishment of Transition Advisory Board

Rua, Cann Group and Zalm are forming a Transition Advisory Board to facilitate the integration of Zalm and deliver on Rua and Cann Group's strategic priorities post acquisition.

Transition Advisory Board



- Over the 12 months following settlement of the transaction, the transition advisory board will ensure the objectives of the strategic partnerships, and all key existing relationships, remain aligned for all stakeholders in order to maximise the value from the transaction.
- Zalm vendor shareholders will own ~5.7% of Rua on initial completion with the potential to earn up to ~14.7% through achievement of milestones, ensuring strong alignment for success.



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