

Rua Bioscience Ltd (NZX: RUA)  
Annual Shareholder Meeting  
10:00am, 12 October 2022

## CHAIRMAN'S COMMENTARY

Tēnā koutou ladies and gentlemen, my name is Trevor Burt chair of Rua Bioscience. Welcome to our Annual Shareholders Meeting. Thank you for joining us. It's a pleasure and a privilege to be here to deliver an update on our operations over FY 2022 and to provide some insight into what the future holds for us at Rua Bio.

### Board of Directors – Leadership to Grow Rua (slide 7- 8)

Before we get into our formal agenda, I'd like to take a few moments to introduce the Board and recognize the contribution of two people who have been key to our journey so far.

Supporting Rua is a very capable Board of Directors who possess a wealth of domestic and international expertise:

- Panapa E hau was appointed to the Board in October 2017.
- Brett Gamble was appointed in December 2019. Brett retires by rotation and seeks reappointment today.
- Anna Stove was appointed in May 2019 and, in FY23, agreed to take on the role of Managing Director.
- Martin Smith was appointed to the Board in November 2018.

Martin retires today and formally leaves us at the close of this meeting. Martin has made a significant contribution to the company during his five-year tenure. Martin joined the Board when the business was at the conceptual stage and quickly became a key part of the governance team. Martin guided the business through to our NZX listing and has played a big part in getting us export ready.

I'd like to take this opportunity to thank Martin for all his hard work and wish him all the best for the future. Martin Smith's retirement is consistent with Rua's succession plan and our intention to supplement the Board's skill base as the company nears export market entry with its first products. To that end, in July 22, we announced the appointment of Teresa Ciprian.

Teresa has an exceptional background in commercialisation, innovation, marketing and business development in the primary sector, specifically with dairy products, functional beverages and other foods on the global stage. Teresa has a track record of helping develop highly capable leaders, strong brands, accumulating IP and seeing organisations flourish through continuous improvement.

Teresa was appointed as an Independent Non Executive Director effective 1 August 2022 and seeks re-election today.

Finally, in June, we welcomed Bronson Marshall as an observer on the Rua Board, as part of the OnBoard NZ programme. Bronson is the Māori Sector Driver at KPMG New Zealand, was raised in Gisborne and has whakapapa to Ruatorea, so brings both personal and professional purpose to his role here. A qualified accountant, Bronson has previously worked for AuditNZ, Spark and GSMA in London. We're really pleased to be part of Bronson's governance journey and to be able to support the advancement of Board diversity in Aotearoa.

### Leadership Changes (slides 9)

In July, Rob Mitchell announced his retirement. Since his appointment as CEO in February 2020, Rob has built a world-class team, leading them through significant milestones and developing new strategic partnerships. Under Rob's leadership, Rua launched on the NZX, gained GMP certification, launched our first product in New Zealand, and developed new global market opportunities. The Board would like to thank Rob for his leadership

and continued commitment to the vision of Rua's Co-founders, keeping kaupapa and community at the heart of the business.

While the Board looks to appoint a new Chief Executive Officer, Rua Director Anna Stove will lead the business as Managing Director. Her leadership and expertise in the pharmaceutical sector and deep knowledge of the company will enable Rua to maintain momentum.

#### Co-founder Refocuses (slide 10)

In September, Rua Bioscience announced the departure of co-founder and former CEO, Manu Caddie. This was in line with a managed succession plan, as Manu looked to develop opportunities in other areas.

A true entrepreneur with a passion for social enterprise, Manu leaves Rua to follow new projects focused on the development of high value extracts from native plants and fungi. These are projects that Manu has been developing in parallel with his part time role at Rua over the past two years.

Rua will continue a relationship with Manu through some of these projects. We're extremely proud to be part of a much larger legacy that he is building and wish him the very best on his new endeavours.

#### Our Strategy – Focus and Objectives (slide 13)

Let me start with our strategy, which is unchanged. We continue to focus on our four key strategic areas:

- Creating unique product and plant IP
- Developing new products and markets
- Optimising cultivation and processing, and
- Developing our people

FY22 was our most satisfying and challenging year yet. To ensure a pathway to sustainable revenue, Rua started the year with three key objectives:

- To build a clearer view of the regulatory environment
- To secure product supply at scale
- To further develop key markets

While there is no doubt we have experienced delays and that our commercial milestones are not as advanced as we had expected, our team made excellent progress on all key indicators.

#### Achievements at a Glance (slide 14)

We progressed our commitment to New Zealand prescribers and patients, and our shareholders by receiving Good Manufacturing Practice (GMP) certification from Medsafe and subsequent verification that our first medicinal cannabis product meets Medsafe's quality standards. These were the necessary regulatory steppingstones for the April launch of our first medicine in New Zealand.

We welcomed the East Coast Cannabis Company as our first local cultivation partner.

We also significantly advanced our export strategy:

- Shareholders overwhelmingly approved the purchase of Zalm Therapeutics and its supply contract for GMP-grade medicinal cannabis with Australian producer Cann Group, and
- We received our narcotic license through Nimbus Health GmbH (Nimbus) for the distribution and marketing of our first product for the German medicinal cannabis market.

#### Volatility in the NZ Market (slide 15)

Despite of all those achievements a key challenge has been our share price, as you can see from this chart. We're pre-revenue, we have a small market cap, and receive no coverage from analysts. We are subject to the volatility of the market and as such, our share price decline roughly reflects that of the overall share market which you can see in blue. However, I believe that we have performed adequately compared to our peers as you can see from the red line, which is Rua.

We reported some very positive news last week, which has had a positive impact on our share price and isn't reflected in the graph. We know shareholders, investors and analysts are waiting to see us meet our goals and further demonstrate a clear path to revenue. If we continue our current trajectory, which we intend to do, one would expect to see our share price improve.

We appreciate your support and perseverance while we work to deliver on that promise. To talk about that further is Managing Director, Anna Stove.

## MANAGING DIRECTOR'S COMMENTARY

### FY22 Overview (slide 17)

In the past year, Rua has been focused on preparing for market entry – securing partners and developing the frameworks and strategies that will give the company the best chance of success both in New Zealand and globally.

- Rua launched our first product for NZ patients as a prescription only medicine in April 2022 & we have already gained 5% market share
- We are focusing on the developing European medicinal cannabis market, which is estimated to be worth €2.3b by 2026.
- In addition to Germany, there are a number of other European countries where Rua is looking to expand. Recently Rua signed an agreement with European medicinal cannabis distributor, Motagon, to become its preferred Australia/NZ supplier of medicinal cannabis products.
- We have exported our first seeds to Australia.
- We have formally received our first order of flower for Germany, so we are on track to have our first export products available for German patients early 2023.

### Rua's Operational Priorities (slide 18)

In FY22, we focused on four key operational priorities:

1. Leveraging our Cann cultivation and processing facility to launch products to Germany.
2. Further developing the European market.
3. Successfully manufacturing CBD100 in Gisborne, launching our first product & increasing our market share in NZ.
4. We are continuing to discover interesting new, illicit varieties at Ruatorea - ultimately growing chosen varieties at scale in Australia.

I will talk about each of these priorities in more detail in the coming slides.

### Leveraging our Cann Group Production Capacity to Service Global Markets (slide 19)

In January 2022, we received overwhelming shareholder approval to secure the company Zalm. This acquisition provides us with a long-term supply contract for GMP-grade medicinal cannabis through Cann Group, ultimately using our unique cultivars.

Cann's new AUD \$120m cultivation and processing facility at Mildura is considered one of the largest and most advanced in Australasia. The first stage of its construction is complete and is capable of producing 12,500kgs of dried cannabis flower per year. When complete, capacity at the 13.5-hectare facility will grow up to 70,000 kilograms.

Just last week, Cann announced that the GMP manufacturing licence for this facility has been extended to cover the manufacture and release of finished dried flower products for patient use. Rua will leverage this to deliver a range of medicinal cannabis products to multiple export markets.

We believe that combining speed to market with long-term preferential access to substantial volumes of very competitively priced product will allow Rua to build a meaningful market presence faster and with a greater economy of scale. We view this as a major competitive advantage as new markets are established.

### Rua Significantly Advances German Market Entry (slide 20)

We have just received our first order from German distributor, Nimbus Health marking a significant commercial milestone & signifying just how close we are to cementing export revenues and providing German patients with a sustainable supply of Rua medicines.

The order is for Rua's high THC flower, which has been developed through an extensive R&D programme by Cann Group.

In Germany, 70% of medicinal dried-cannabis flower is prescribed to patients with pain. Flower with a THC content of greater than 20% makes up 77% of those prescriptions. At its launch, we believe Rua's flower will be one of the highest THC dried flower medicines on the market, which will give Rua a significant competitive advantage.

Rua has been working with Nimbus since 2020 and anticipates exporting this order by year's end. Rua's commercial team is now working with them on the company's launch into Germany.

### Advancing our Export Strategy (slide 21)

From its outset, Rua has understood that it must go global to support local and has had its eye on the developing European medicinal cannabis market.

Rua recently signed five-year manufacturing and supply agreement with European medicinal cannabis distributor Motagon. This gives us the first opportunity to supply the European distributor with a full portfolio of medicines, including dried cannabis flower and full spectrum oils. Beyond Germany, we are in discussions in markets including Poland, Czech Republic, and the United Kingdom.

Of course, while Rua looks to global markets, the company remains committed to its connection to Te Tairāwhiti. The kaupapa to give back to the community will always be part of our DNA and entering global markets will secure meaningful revenue so we can continue prioritising sustainable economic development in the Ruatorea and East Coast communities.

### Entering the NZ Market (slide 22-23)

The launch of Rua's first medicine in New Zealand was a milestone for patients, prescribers and the medicinal cannabis industry. This medicine is an important first step for the company and the community for which it was created.

Rua is one of just two companies in New Zealand locally manufacturing medicinal cannabis that meets the minimum quality standards as set out by the Medicinal Cannabis Agency. Available on prescription, medical practitioners are now able to include Rua's medicine in patient treatment plans.

The product launch was complemented by the launch of our free compassionate access programme. Consistent with our kaupapa, the programme is a meaningful way of enabling prescribers to supply medicinal cannabis to those in need of it in our community.

The New Zealand Market is one that we've been committed to, given the heightened demand for medicinal cannabis products.

Reliable data on the use of medicinal cannabis in Aotearoa is limited. However, data released by the Ministry of Health under the Official Information Act shows that the number of packs supplied in New Zealand in the year to 30 June 2022 was over 43,000 units; compared to just over 2,000 in 2018.

New Zealand prescribers are increasingly engaged and curious as they better understand the role cannabinoids can play in conventional medicine. While not always considered a first-line treatment, practitioners are increasingly willing to trial medicinal cannabis where patients are not responding to standard treatments. Rua's medicine was launched in late April this year and has gained nearly 5% market share in six months. This is a fantastic outcome, especially in due to NZ regulations where we can't market or advertise this product. I used to head up a large pharmaceutical company in NZ & I can assure you that this first six months is a terrific outcome.

### Ruatorea – Our Home of genetic Innovation (slide 19)

Rua's cultivation centre of excellence at Ruatorea continues to drive world-class R&D and unique cultivar development.

Our R&D facilities include six growing rooms with specialist seed production capability as well as an outdoor research growing facility. Rua's indoor cultivation team have continued to establish the unique varieties which Rua will be able to grow at scale in Cann's GMP-certified facility in Mildura.

Additionally, our new cultivation partner the East Coast Cannabis Company expanded and led our outdoor trial programme.

### Rua recently Exported Its First Seeds to Australia (slide 25)

Rua recently exported its first seeds to Australia. Although this was a small step, it was an exciting moment for the company.

The seeds will be grown by Rua's cultivation partner Cann Group, to be assessed for their commercial potential. Rua will also run parallel trials with remaining seed at our cultivation R&D facility in Ruatorea. This is the first step of establishing the process of sending genetics to Australia, where we can then grow at a global scale. It also demonstrates that, in time, we will be able to export unique East Coast genetics from Ruatorea to the world.

### We are a Business with a Deep Sense of Kaitiakitanga (slide 26)

As a business with a deep sense of kaitiakitanga, Rua believes we are responsible for protecting and nurturing the environment and sharing the benefits of a successful business with our community. Rua's intergenerational view comes from a deep-seated belief that great business is good for the land and its people.

The Rua Sustainability Framework guides Rua's sustainability programme. It shapes the way the company engages with stakeholders; supports sustainable decision-making processes at all levels of the company; shapes business strategy; guides innovation; drives better performance; creates value and attracts investment.

In FY22, we made great progress with our sustainability goals with a focus on progressing our 'Toitu Envirocare journey and strengthening our approach to ethical governance.

### Opportunities and Challenges for the Sector (slide 27)

In regards to Toitu, Rua has completed the CO2 emission analysis of our base year and we have received the draft results.

Our total greenhouse gases for FY22 was 217 tons of CO2. Our top emission was caused by a leaking refrigerant - R-404A which has been subsequently repaired. It's great to now have this benchmark & we have plan in progress to reduce. These results are unaudited. Our audit is scheduled for early November.

### Continuing our commitment to Drive Community Change (slide 28)

Rua is focused on maximising the potential of the emerging medicinal cannabis industry to enhance health, heal the whenua and restore prosperity to the region. This year, we have continued our commitment to drive community change focusing on inspiring the next generation of scientists and entrepreneurs.

In 2020, Trust Tairāwhiti committed \$50,000 over two years to Rua's community capability development projects. This funding was matched by Rua and managed by the company's Community Engagement Coordinator, Darylene Rogers. It supports our Scholarships, Careers Series, Internships and industry exposure visits.

Last year, Rua awarded eight Undergraduate Scholarships and two Postgraduate Scholarships.

Rua guided four kura from Te Tairāwhiti through our cultivation facility in Ruatorea as part of the company's student exposure visits. The students experienced first-hand the indoor cultivation process and heard about the potential career pathways available to them.

We also worked with Ngata Memorial College, taking students to visit industry partners in Auckland and included visits to The University of Auckland, ESR, Plant and Food Research and Manaaki Whenua.

#### Leadership Changes (slide 29)

Last month, we announced that Andi Grant would step down from the role of Chief Commercial Officer and that that role would be filled by current Chief Operating Officer, Paul Naske.

Andi joined Rua in June 2021 and I want to thank Andi publicly for her efforts which have substantially progressed Rua's global business goals. Highlights have been that she has significantly advanced our entry into Germany, where we will launch by year's end. She also played a key role in the acquisition of Zalm and has progressed our cultivation partnership with Cann Group.

I am thrilled that Paul has agreed to step into this critical role. Paul has been with Rua since the very early days and has helped build our organisation. He also oversaw the construction of Rua's two world-class medicinal cannabis facilities in Mangaoporo and Gisborne. Paul's expertise complements that of Andi's, so we expect a seamless transition over the next month.

#### Rightsizing Rua (slide 30)

Earlier this year, the Board undertook a review of our operations understanding that the journey to sustainable revenue had been delayed significantly by the global COVID19 pandemic and slow NZ Regulatory decisions. These delays meant that we were not reaching our commercial milestones or meeting the expected outcomes we had provided to our investors. We took this into account when considering how long our capital funding would support our current organisational structure and spend.

Our vision remains the same and our commitment to creating an intergenerational business remains strong, but we need to be flexible around our strategy and structure to achieve this.

In September, we proposed a right sizing to the team. This is never an easy process, but people understood why & we received significant support for the change. A large number of employees provided in-depth feedback during the consultation process. This feedback helped us make the ultimate decision on structure. We believe we now have the right focus and agility to ensure a sustainable future.

#### Pathway to Sustainable Revenue (slide 31)

So just to recap...in the last 12 months:

- We purchased Zalm Therapeutics and their long-term supply contract for GMP-grade medicinal cannabis through Cann Group, with the goal of ultimately using our unique cultivars.
- We launched our first product for NZ patients as a prescription only medicine in April 2022 and we have already gained 5% market share.
- We have continued our focus on the developing European medicinal cannabis market.
- We have signed five-year manufacturing and supply agreement with European medicinal cannabis distributor Motagon, which gives Rua the first opportunity to supply the European distributor with a full portfolio of medicines. Beyond Germany, we are in discussions in markets including Poland, Czech Republic and the United Kingdom.
- We have exported our first seeds to Australia.
- We have formally received our first order of flower for Germany, so we are on track to have our first export products available for German patients early 2023

Although the last 12 months have been challenging with COVID interruptions & regulatory delays we have still made strong progress.

I believe that with right sizing the business, rebuilding our kaupapa and culture, and having a laser focus on our future strategy and deliverables, we have set ourselves up for future success. I will now hand you over to our Chief Financial Officer, Hamish White, who will walk you through our financial results.

## ANNUAL RESULTS

### Rua Receives First Revenues (slide 33)

In FY22, Rua focused on preparing for market entry. Walking through the key financial highlights.

Our **total income** for FY22 was \$646k. This includes funding from NZTE, Callaghan Innovation and the Research Development Tax Incentive, as well as revenues from our first product for New Zealand patients. Sales began late in the financial year and are beginning to show strong growth as Anna mentioned. This is an area we're proactively working in, and our commercial team has a solid strategy to grow local market share by increasing the volumes and range of medicines we deliver to New Zealand patients.

In the next financial year, Rua expects to drive export revenue as the company enters new high-value markets in Europe, with a particular focus on the launch of our first flower product in Germany.

Our **R&D investment** for FY22 was \$2.98m up \$1m from FY21.

R&D is the lifeblood of any pharmaceutical company and especially of Rua's as we look to develop medicinal cannabis products that are unique to the global market. As previously mentioned, this investment was underpinned by a \$376,000 grant from Callaghan Innovation for a series of exciting projects related to plant science and product development. The team is undertaking innovative ventures including the existing hyperspectral imaging project, which looks to revolutionise crop management practice; advancements in CO2 extraction; and DNA tracking and protection of unique Rua cultivars.

Meanwhile, Rua's cultivation centre of excellence at Ruatorea continues to drive unique cultivar development. Together our cultivation and manufacturing teams are an incubator of medicinal cannabis innovation, furthering Rua's aspiration to produce next-generation pharmaceuticals.

Overall, Rua had a net loss before tax for the year ended 30 June 2022 of \$7.49m, which was in line with our expectations.

### Rua Remains Well Capitalised (slide 34)

In terms of our balance sheet...

Rua remains well capitalised with investments, cash and cash equivalents on hand at the end of the year of \$9.94m. As a company we are constantly monitoring our cashflow to ensure we have the appropriate resources to meet our key milestones.

Based on our cash on hand, Rua has no plans to capital raise in the next financial year.

In February, Rua acquired Zalm Therapeutics. As Anna highlighted, this partnership with Cann Group creates a unique opportunity in the NZ market with Rua having access to scalable supply of high-quality product without additional capital outlay. We see this is a major competitive advantage – this is a capital lite growth strategy and provides agility as we enter new markets around the world.

As part of the acquisition we have recognised intangible assets related to the favourable supply contract with Cann Group and resulting goodwill. As the contract is milestone-based we have also recognised two contingent liabilities, these are both subject to particular milestone achievements.

As at the end of the financial year, the total assets of the Group were \$33.57m with total liabilities of \$9.38m bringing our net assets to \$24.2m.

### Investing in the Future (slide 35)

In terms of our Cashflow...

Net cash outflow from operating activities for FY22 was \$6.84m.

Our net cash inflow from investing activities was \$5.59m. This primarily relates to the maturing of investments and associated drawdown of term deposits. As part of the Zalm acquisition, Rua received \$876k in cash. On completion of either milestone 1 or 2 under the Zalm acquisition, Rua will receive an additional \$500k and any interest accrued.

In summary, the company remains focused on the development of our product portfolio and streamlining systems and processes in both our cultivation and manufacturing operations to drive the best return on investment in a highly dynamic and regulated industry. Rua has done a lot of the heavy lifting to get to market having built facilities, attracted world class people, secured licences, secured sustainable and scalable supply and progressing relationships with customers around the world.

We look forward to the year ahead as we focus on entering new markets, generating sales and building our product portfolio.