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NZX Limited
Wellington

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Rua Bioscience Annual Results – Company on track to deliver revenue

Rua Bioscience (RUA:NZX) (Rua) announces its annual financial results for the 12 months ended 30 June 2021 (FY21).

In FY21, Rua's focus has been on building solid foundations for growth – developing the partnerships, places, processes, and people it needs to create a sustainable medicinal cannabis business model.

Rua's commitment to creating shareholder value has seen it working on two fronts - preparing to enter local and global medicinal cannabis markets by calendar year end 2021 / early 2022 and developing long-term opportunities across the medicinal cannabis value chain.

Highlights FY21:

- **July 2020** Exclusive New Zealand supplier sales agreement signed with German pharmaceutical wholesaler Nimbus Health to distribute pharmaceutical-grade medicinal cannabis products.
- **August 2020**
 - Commercial licence received to grow and supply cannabis-derived medicines.
 - Completed construction of its facilities, including a cultivation centre in Ruatorea and a purpose-built extraction and manufacturing facility in Gisborne.
- **October 2020** NZX listing, \$20m raised in oversubscribed Initial Public Offering (IPO).
- **November 2020** MedSafe Compliance Management team begin Gisborne manufacturing facility GMP audit.
- **March 2021** Successful export of the first medicinal cannabis flower sample to Germany.
- **June 2021** Hyperspectral Imaging project with the University of Waikato announced, targeting entry into the \$2.5b Global cannabis testing industry.

Summary of Results

Figures in brackets are for the 12 months to 30 June 2020

Rua recorded a loss before tax for FY21 of \$6.17m (FY20 \$3.60m). The investment in R&D was \$1.90m (FY20 \$1.29m), and the total other income received was \$0.45m (FY20 \$0.73m).

Cash and investments at 30 June 2021 were \$16.4m (FY20 \$3.94m). Total investment in property, plant and equipment as at 30 June 2021 was \$6.17m (FY20 \$5.66m).

The result was in line with the board's expectations for the year-end and sees Rua further continue to roll-out its strategy to deliver revenue through export sales of pharmaceutical-grade dried cannabis flower to Germany and manufacture the Company's first products for New Zealand patients.

Rua Chief Financial Officer (CFO) Hamish White said, "as a company we continue to focus on the development of our product portfolio and the associated systems and processes in both our cultivation and manufacturing operations. The IPO in October 2020 was a significant milestone for the company and has provided the funding to continue our momentum as we begin to transition into commercialisation in FY22."

The Company achieved several key milestones in its strategy during the period, including a successful, oversubscribed IPO. The Company was listed on the NZX Main Board on 22 October 2020, raising its targeted \$20 million. Rua deployed funds raised from the IPO across strategic priority areas that underpin achieving initial sales and revenue.

Update on Key Milestones

1. Progress Towards First Export Sales

Rua's first material sales will be through wholesale exports of pharmaceutical-grade products into the German market via its agreement with Nimbus Health. Germany remains Rua's core focus - its size, expected growth, and favourable market dynamics present unparalleled opportunities for the Company. Latest data¹ (June 2021) from Germany shows continued strong growth for cannabis flowers (up 29% in the second quarter of calendar 2021 from the first quarter) as well as cannabis extracts which grew 16% during the same period.

Good Manufacturing Practice (GMP) certification is an essential step in this process. Rua began the audit of its Gisborne manufacturing facility in November 2020 and, while the process has been considerably slower than originally anticipated due to many factors outside of our control, we continue to work closely with Medsafe towards finalising GMP Certification; a process we hope to complete soon.

In March, Rua successfully exported its first sample of dried flower material to Germany for scientific analysis.

2. Product for New Zealand Patients

Rua has been working to meet the heightened demand for medicinal cannabis products in Aotearoa. The Company anticipates having product available for New Zealand patients as a prescription-only medicine in 2022, once it has obtained GMP certification, completed the New Medicinal Cannabis Product Application process and Ministry of Health's Quality Standard assessment which is required for all new products.

3. Progress on Cultivation Optimization and Capacity

Rua's cultivation is progressing well and as planned. Discussions continue with potential grower partners to expand cultivation capacity and increase biomass supplies. The Company has a number of MoUs and small supply agreements in place as it looks to test and develop different cannabinoid products.

4. Research and Development (R&D)

¹ Market Data Report – The German Cannabis Market – Q2 2021

R&D is the critical for all pharmaceutical companies and is an area on that Rua has focused on in FY21.

In June, Rua announced a ground-breaking, two-year research programme to investigate the application of hyperspectral technology to the cultivation and assessment of medicinal cannabis, paving the way for Rua to enter New Zealand's booming agritech sector.

Primarily driven by global demand for medicinal cannabis, commentators expect the cannabis testing industry to be worth around \$2.5bn (US \$1,806 million) by 2025². However, current analytical methods present significant challenges for commercial cannabis growers.

Testing requires the destruction of product, is expensive, and the turn-around of results means delays in decision-making. Rua's researchers anticipate real-time monitoring using hyperspectral imaging will transform how the global medicinal cannabis industry qualifies, assesses, and manages its crops.

Rua Bioscience Chief Executive officer (CEO) Rob Mitchell says, "if the technology works the way we expect it will, hyperspectral imaging will revolutionise our internal cultivation practices and position us well to lead in the development and marketing of world-class agritech for the global cannabis industry".

5. Team Capability and Capacity

In FY21, Rua's recruitment strategy focused on two equally critical components; building a capable and committed team that will propel the Company towards commercialisation; creating highly skilled jobs for the people of Te Tairāwhiti.

In May, Rua welcomed Product Development Manager Dr Dawn Smith. Dr Smith joined Rua from Crown Research Institute Scion and is responsible for developing innovative medicines for evolving markets. Dawn comes with a proven track record in producing pharmaceuticals, medical devices, packaging and new products.

In June, Dr Andi Grant joined the team as Rua's CCO. Dr Grant was a key appointment and she brings a wealth of global pharmaceutical experience having worked for companies including Janssen Cilag, Living Cell Technologies and Roche Products NZ; her task, to drive Rua's domestic and global expansion.

Of the Company's 30 staff as at balance date, 15 have whānau connections or whakapapa to Te Tairāwhiti. These staff work at all levels of the organisation.

Outlook

Rua Bioscience is a pharmaceutical company aiming to lead the production of cannabinoid-derived medicines. The Company has a focused and realistic export strategy, with a clear path to revenue and a view extending along the medicinal cannabis value chain. Proceeds from the IPO continue to fund Rua Bioscience's next growth stage, building long-term resilience and accelerating growth.

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² Markets and Markets. (2021, January). Cannabis Testing Market by Products & Software's (Instruments, Consumables, LIMS), Services (Heavy Metal Testing, Microbial Analysis, Potency, Residual Screening), End-User (Cultivators, Laboratories, Research Institutes) -Global Forecast to 2025. Retrieved May 2021, from MarketsandMarkets.com: <https://www.marketsandmarkets.com/Market-Reports/cannabis-testing-market-46932450.html>

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Notes to Financial Information

As disclosed in Note 7, the Company has a deferred tax asset of \$2.55m that has arisen largely from the recognition of \$2.3m of tax losses. The tax losses have been incurred during the pre-revenue, research and development stage of the Company's business in the medicinal cannabis industry.

NZ IAS 12 Income Taxes permits a deferred tax asset to be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Key to this is meeting milestones as the Company progresses towards commercialisation, including obtaining and retaining licenses to operate.

Recoverability of deferred tax asset is considered a key audit matter due to the significance of the balance to the financial statements and the inherent estimation uncertainty due to the nature of the balance. Refer to the Independent Auditors Report for more information.

NB: Figures in brackets are for the 12 months to 30 June 2020

About Rua Bioscience

Rua Bioscience is a New Zealand pharmaceutical company aiming to produce cannabinoid derived medicines for both 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. The Company has completed facilities for cultivation and manufacturing and is currently going through the GMP certification process. www.ruabio.com