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Rua Half-Year Result – Company Progressing Strategy, On Track Against Milestones

Highlights H1 2020-21:

- **July** – Signed binding exclusive New Zealand supplier sales agreement with major German pharmaceutical wholesaler, Nimbus Health for Rua to supply pharmaceutical grade medicinal cannabis products.
- **August** – Granted commercial licence to grow and supply cannabis derived medicines.
- **August** - Signed supply agreement with cultivation partner, Medbloom to grow and supply Rua with cannabis plant material.
- **October** – Commissioned cultivation centre in Ruatorea.
- **October** – Rua listed on NZX, raises \$20 million in IPO.
- **November** – Rua began its GMP certification process with the audit of its manufacturing facility in Gisborne by MedSafe.

Rua Bioscience (NZX:RUA) Rua announces its half-year financial results for the six months to 31 December 2020.

The operating loss for the six months to 31 December 2020 was \$3.48m. Cash on hand was \$19.2m and investment in property, plant and equipment was \$6.23m.

The result was in line with the company's expectations for the half-year. Investment made by the company reflected its strategy to invest in focussed areas to deliver initial revenue through the first export sales of pharmaceutical grade dried cannabis flower to Germany.

During the period, the company achieved key milestones in its strategy, including a successful Initial Public Offering (IPO) and listing on the NZX Main Board on 22 October 2020. The IPO was oversubscribed and the company raised the full amount of \$20 million.

Rua Chief Executive, Rob Mitchell said Rua Bioscience has an achievable export strategy to provide a clear path to revenue. "I am pleased to report that Rua progressed well against its key milestones in this period, and is on track to meet its objectives this financial year."

Funds raised from the IPO have been deployed across strategic priority areas that underpin achieving initial sales and revenue. Rua Chief Financial Officer, Hamish White said "As a pre-revenue company, we have taken a conservative approach to financial planning and management against our strategic priorities to minimise cash burn and maximise return for every dollar we spend."

Update on Key Milestones

1. Progress towards first export sales

Rua's first material sales will be through wholesale exports of pharmaceutical grade dried cannabis flower into the German market via our agreement with Nimbus Health. An important step in this process was the export of dried flower material to Germany for scientific analysis, which was shipped last week.

The company made further progress toward its Good Manufacturing Practice (GMP) Certification. Rua's manufacturing facility in Gisborne was audited by MedSafe in November 2020 as part of the GMP Certification process. Mr Mitchell said, "We hope to achieve certification by mid to late April, and while a slight delay on what was originally planned, it is important to note this is unlikely to affect our ability to achieve first commercial production cycles in late H1 2021 and first export revenues of dried flower by the end of H2 2021 as planned. The delays were caused by factors outside of our control. We understand that Rua is the first New Zealand Medicinal Cannabis company to have had a GMP audit at this time."

2. Progress on Cultivation Optimization and Capacity

Rua's own cultivation is also progressing well and as planned. The company's outdoor cultivation trials are also underway. First production from cultivation partner MedBloom, was expected in H2 2021, however this will now be 2022. Discussions continue with additional grower partners in order to expand cultivation capacity and increase biomass available for supply in H2 2021.

3. Research and Development

Preclinical studies are currently underway to compare cannabinoid compositions for their efficacy and to assess compounds for potency enhancement. Results are expected in Q2 2021 and will be used for further product formulation development.

Cannabinoid research is progressing well. Other sources of cannabinoids have been identified and are currently being investigated for their potential with research partners.

4. Team Capability and Capacity

The Rua team has grown as it builds deliberately towards commercialisation, with three roles filled in the period, taking the current team to 26.

"We are well advanced in the recruitment process for a Chief Commercial Officer who will develop, lead and execute Rua's domestic and global business development and commercial strategy for the organisation.

"We have also begun our search for a Product Development Manager who will focus on the early stage of product development and product lifecycle development," says Mr Mitchell.

Consistent with its economic development aspirations, the company now has 13 staff with whakapapa to Te Tairāwhiti working at all levels of the organisation.

Outlook

Rua Bioscience is a pharmaceutical company that is aiming to be a leading producer of cannabinoid derived medicines. The company has a focussed and realistic export strategy, with a clear path to revenue. Proceeds from the IPO are funding Rua Bioscience's next stage of growth, building long-term resilience and accelerating growth.

We understand that Rua is the first New Zealand medicinal cannabis company to undertake Medsafe's GMP certification process. Despite minor delays from suppliers due to Covid-19, the company continues to meet its operational goals to support production when certification is obtained.

Rua's first material sales will be through wholesale exports of pharmaceutical grade dried cannabis flower into the German market via our agreement with Nimbus Health. The company's first commercial production cycle is expected in late H1 2021 and the company is on track to deliver its first export revenue by the end of the calendar year, barring any unforeseen impacts, operational restrictions and/or supply chain issues due to Covid-19 domestically and internationally.

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Notes to Financial Information

During the reporting period Rua obtained legal advice on its employee share option plans (ESOP), this advice has led to an accounting adjustment of the June 2020 financial results. Refer to note 13. Share Based Payments for more information.

About Rua Bioscience

Rua Bioscience is a New Zealand pharmaceutical company aiming to be a leading producer of 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 connection with its local community. The company has completed facilities for cultivation and manufacturing and is currently going through the GMP certification process. www.ruabio.com