# 2024 - 2026 BUSINESS PLAN

Februari 2024

# REAL CANNA DENMARK A/S

www.realcannadenmark.com

Real Canna
DENMARK

GOOD MANUFACTURING PRACTICE
GMP
CERTIFIED

## *Forward-Looking Information*

*This Business Plan contains forward looking information that reflects the company's current view on future events and financial and operational development. Words that indicate predictions or indications regarding future developments or trends, and which are not based on historical facts, constitute forward looking information. Forward looking information is inherently associated with both known and unknown risks and uncertainties, as it depends on future events and circumstances. Forward looking information doesn't constitute a guarantee regarding future results or development, and actual results may differ materially from what is stated in the forward looking information. Forward looking information expresses only the assessments and assumptions made by the Board of Directors and Executive Management of the company as of the Business Plan Date.*

## *Responsibility Statement*

*We hereby declare that, to the best of our knowledge, the information contained in this Business Plan is in accordance with the facts, and the Business Plan makes no omission likely to affect its import.*

## *Information Sourced from a Third Party*

*The company confirms that the information in the Business Plan, which has been sourced from a third party, has been accurately reproduced and, as far as the company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The information includes publicly available historical market data and industry expectations, including the size of the market that the company is active in.*

## *Auditor's Review*

*None of the information in the Business Plan has been reviewed or revised by the Auditor of the company or other consultancy provider.*


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# EXECUTIVE SUMMARY

Real Canna Denmark, a company formed under the laws of England and Wales and with its wholly-owned, operating subsidiary Real Canna Denmark ApS (together, "RCS"), operates a high-care indoor farm and processing facility in Denmark. Our facility has a 650 square meter footprint. The facility passed inspection by the Danish authorities on June 23, 2021, and we commenced grow operations on July 1, 2021. The facility will be used to produce medical-grade cannabis products under license from the Danish government.

On June 23, 2021, RCS was granted a Development Scheme license permitting the growing of cannabis for research and development purposes. The license award is a substantial step toward the final licensing tier sought by RCS, the Danish Government's "Pilot Program" license, which includes Good Manufacturing Practice certification. Licensing under the Pilot Program will allow RCS to market and sell medical cannabis products for the Danish market and, eventually, with the expected liberalization of the current legal environment, across the European Union.

Danish certification and licensing requirements are considered among the toughest in the world. From a sales and marketing perspective, the Danish Pilot Program license is recognized worldwide as one of the most stringent regimes for the certification of product quality and consistency in the industry. RCS expects obtaining the Pilot Program license will make the company among the most competitive cannabis producers globally and open a sizeable market expansion opportunity.

Because most European countries have legalized only the importation and not the production of cannabis, RCS's presence in Denmark, and the anticipated Pilot Program license and GMP certification, will provide the company with a significant competitive advantage owing to the barrier to entry imposed on potential competitors.

RCS intends to move forward by developing our existing operations into a world-class growing facility focused on the production of three primary products:

- Cannabis Seeds
- Cannabis Flowers

Although the Development Scheme license permits cannabis cultivation and not the sales of THC-containing products, RCS is not restricted from the sales of non-THC products, particularly terpenes and seeds. This presents a unique opportunity for early revenue, as the company is presently in a position to extract, market, and sell terpenes and seeds to buyers. RCS has purchase orders for, seeds, flower and future production of terpenes. We expect the first revenue from such sales in Q3 2023.

As of this writing, cannabis cultivation for medical or recreational use has been legalized in 33 states within the United States. Numerous other countries have decriminalized the use of cannabis, while others are in the legalization process. RCS expects its first-mover advantage and the industry's barriers to competitive entry to result in an enviable market position and allow the company to take advantage of the rapidly approaching tipping point for worldwide cannabis legalization. This will give RCS access to the early development stages of a multi-billion dollar global marketplace.

RCS is currently in the process of applying for the listing of its shares on a European exchange. The plan is to list on the Spotlight Stock Exchange in Q1 2024.

RCS expects to expand the usable indoor growing area to 2,500 square meters by 2026, positioning the company to realize annual revenues of over €22.8 million with a forecasted 2026 EBITDA of over €6.3 million. In our current funding round, projected internal rates of return for investors are expected to exceed 85.0%.

In addition, RCS plans on adding 40,000 square meters of outdoor growing in Portugal, with revenues of €580 million and a projected EBITDA of €345 million in 2026. The cost of outdoor growing is about €400 euro per kilo while the sale price is €3,500 per kilo.

## The Opportunity

While the majority of cannabis companies remain focused primarily on the cultivation and distribution of a wide variety of end-user products, there are, however, opportunities that have developed in support of the industry's farmers, edible-makers, dispensary owners, and producers of cannabis-derived medicines. As the cannabis legalization wave spreads, entrepreneurs in every part of the industry are building companies along the entire value chain. Specialized agricultural equipment manufacturers, security product and service providers, and technology companies have all staked a claim in the global "Green Rush."

RCS believes that peripheral industries will also benefit from cannabis legalization. The production of terpenes, cannabis flowers, and cannabis seeds, in particular, represents an enormous business opportunity. Terpenes are a significant growth market available to the company essentially immediately. In addition, cannabis seed and flower production are characterized by high demand and regulatory and legal barriers to entry, representing an unparalleled opportunity for growth and profitability for first movers and those able to defuse the regulatory and legal complexities of cannabis production. Another cannabis licensed producer in Denmark received a 30 ton per year contract with a significant Israeli customer for cannabis flower. We believe this order has a value of €150 million annually with considerable profit margins.

## Global Value Proposition

The legalization of cannabis across major jurisdictions in North America and around the globe has stimulated a new marketplace for consumer goods and medical products. In the 21st Century cannabis industry, we have seen exponential growth in product diversity, including innovative concentrated forms such as oils, soft gel pills, shatter, and vape pen cartridges.

When it comes to the cannabis flower itself, which also serves as an input for oils and concentrates, the quality, exclusivity, and genetic makeup of each strain have become even more important, with major corporations and innovative cannabis companies working to improve their base product. Driven by cannabis connoisseurs, medical users, and entrepreneurs in need of strains that produce unique remedial effects, the legalization of the

cannabis industry has caused an explosion of innovation in cultivating the optimal cannabis plant for a particular application.

Driven by this product variety, many cannabis cultivators and researchers have begun creating uniquely-tailored strains optimized for each particular use case through the process of artificial selection. Artificial selection has been common practice in farming for centuries, with farmers routinely selecting the best plants and breeding their superior genetics after each crop rotation to improve the following harvest.

In the cannabis space, the art of artificial selection and marker-assisted breeding have enabled cultivators to optimize the size, color, smell, density, and texture of the resulting cannabis crop. The diversity of cannabis strains currently known to cultivators and researchers has created a new field within the cannabis industry, with licensed producers working alongside researchers and product designers to optimize strains for their unique use cases and subsequent requirements.

## Operations Summary

RCS plans to secure an additional 2,500 square meter, multi-level cultivation facility in Portugal. A buildout of this facility can facilitate up to 6,750 square meters of growing area. Still, for the purpose of conservative planning, the company's financial projects account for the expansion of the useable grow area from 563 square meters to 1,125 meters after two years of operations and to 1,875 square meters after four years of operations.

This growth rate leaves significant room for improvement in a more optimistic demand case, in the case of an early second financing round to invest in earlier capital expenditures required for facility expansion (rather than relying on organic growth only) or after the initial four-year ramp-up period. We have not yet incorporated numbers from the planned outdoor growing as the company is currently searching for a suitable location. Still, as mentioned above, the plan is to have at least a 40,000 square meter outdoor growing area.

## License for Terpenes

In the future we wish to do the production, marketing, and sales of turpines, the production of terpenes can commence early 2024. While the company forecasts solid demand for and significant revenues from terpenes, obtaining the Pilot Program license and GMP certification should significantly increase the pricing of terpenes from €12,500 per liter to €50,000 per liter.

## License Progression (Seeds)

Having been granted a Development License, the next critical step is to meet the requirements of the Danish authorities to qualify for the Pilot Program License. To demonstrate RCS's ability to meet production standards and quality requirements, RCS must produce a minimum of four generations of cannabis plants with the same DNA and Cannabinoid profile in tested samples. Once we have demonstrated the ability to produce successive generations that are identical in this way, we will have met the primary requirements for Pilot Program licensing and GMP certification from the Danish authorities.

In pursuit of this goal, RCS will establish five grow rooms of approximately 100 square meters each. Ten mother plants from each strain will then be selected. These 10 mother plants will be grown, and cuttings will be harvested. Once cuttings have grown into full plants (usually at least 6 weeks), second cuttings can be obtained. The cycle will be repeated until RCS can produce a minimum of four successive generations as described.

## Cultivation Post-GMP License / Seeds / Margin Enhancement

Following GMP approval RCS will maintain separate grow rooms per strain to avoid cross-contamination between strains. RCS expects to run successive cycles to produce one harvest per week.

With GMP certification in place, seeds harvested can be sold as cultivated under high care and medical grade conditions, substantially increasing margins through

additional pricing power owing to the GMP process under which the seeds were cultivated.

### Cultivation Post-GMP License / Flowers

Following the Pilot Program license award, RCS will commence growing operations for cannabis flowers, with an initial grow area expanding to 1,125 square meters in year 3 of operations dedicated to growing GMP-certified medical marijuana.

## Motivation: Why Now?

The cannabis market is rapidly expanding as more countries legalize or decriminalize cannabis for recreational and medical use. Accordingly, the demand for seeds is quickly increasing. Most cannabis seeds are assumed to be grown illegally, and there are almost no producers that are GMP certified or regulated as legal cannabis producers in any jurisdiction under an authorized licensing scheme.

### Cultivation of Feminized Medical Cannabis Seeds

RCS believes that the market is ready for an institutional-level seed supplier with the knowledge and experience to deliver a pharmaceutical-grade product and the discipline to ensure organizational sustainability through compliance and the consistent application of the highest industry standards.

## Company's Assets

As of today, Real Canna Denmark main assets consist of:

- A Development Scheme License for producing cannabis plants for research and development purposes – a highly valued asset.
- Exclusivity of high potency cannabis strains (Super Congo™ and Super Congo Extreme™, and more than 50 others).
- A seed bank with more than 50 high end valuable, and highly sought-after seed strains.
- Experienced team with deep market knowledge in the cannabis and entrepreneurship field.

**INDICATIVE ROADMAP FOR Real Canna Denmark**

Mission: To Become the Leading GMP Cannabis Seed and Flower Cultivator in Europe


*Source: Real Canna Denmark*


# OPERATIONS

## Products

RCS operates a high-care indoor farm and processing facility in Denmark to produce medical-grade cannabis products. Certain plants might be grown using different mediums, such as special soil or misting techniques. The company started growing cannabis plants under the Danish government's Development Scheme to develop the desired product quality and consistency to enter the Pilot Program. The Pilot Program license will allow the company to deliver medicinal cannabis products to Danish patients and export them to the worldwide markets and countries that allow for import (such as Israel and Canada at the present time). Germany and France are expected to be significant markets for RCS's products once they launch their own liberalization schemes. Germany is currently the largest market in Europe for medical cannabis.

The RCS business model aims to build a world-class facility for producing THC and non-THC cannabis products, including terpenes, cannabis seeds, and cannabis flower and buds, to be sold to pharmaceutical companies and other customers.

RCS has focused its early efforts on the production of terpenes, and once Pilot Program licensing and GMP certification are obtained from the Danish authorities, GMP seeds, and GMP medical cannabis flower and buds. Currently, our market strategy is centered around the non-THC product space and the healthcare industry - focusing on the direct and indirect supply of high-quality seeds for the growing pharmaceutical market. In addition, we look to exploit opportunities within the flavorings market for our terpenes.

Cannabis applications for treating a wide range of diseases and symptoms are being explored as major pharmaceutical companies continue to develop medicines such as Epidiolex and Sativex – the first approved medicines derived from the cannabis plant. Under the Danish GMP licensing scheme, RCS will use the highest standards possible to grow exceptional products for the medical cannabis sector and intends to position itself to take advantage of the

recreational use market once the required liberalizations permit. Initially, the company expects to begin by marketing its two proprietary strains, the Super Congo™ and the Super Congo Extreme™.

In addition, RCS intends to select 3 to 5 other highly sought-after strains in the market for its initial product lines. The company will grow these strains under a high care regimen free of contaminants and pollutants. The Danish GMP certification requires the cultivation and testing of plants with the same results over four generations.

The mother plants will then be grown for approximately six weeks, after which cuttings can be taken, and a new generation can be grown. The cycle is repeated every six weeks until consistency and repeatability in DNA and Cannabinoid profile is achieved according to the GMP standards set by the Danish authorities. We expect this process to take between 8 and 12 months.

Once GMP certified, RCS expects to expand its product line to include 15 to 20 strains of GMP-certified seeds and GMP-certified buds.

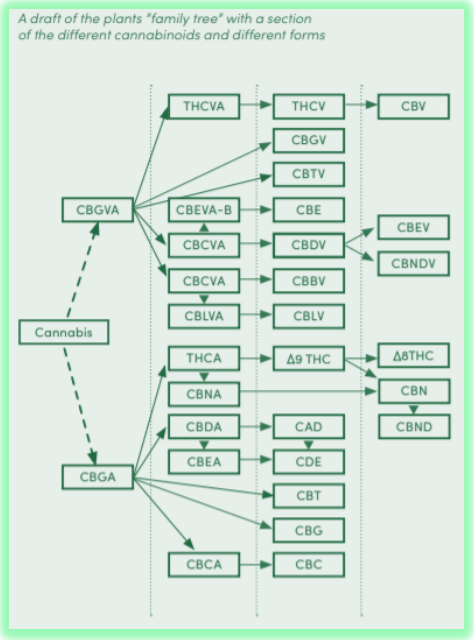

## Quality

The starting material is the most critical factor in determining the end quality of each extraction. In the case of products derived from the cannabis flower, just as premium grapes are necessary to create the finest wines, so too are premium flower, an essential input to create a quality concentrate product. The effect, potency, aroma, taste, and yield of a cannabis crop can all largely be informed by genetics. Genetics is key to flower's effects, flavors, vigor, and growth attributes. Every strain carries a unique genotype that serves as the blueprint for its growth, as well as a specific phenotype that is influenced

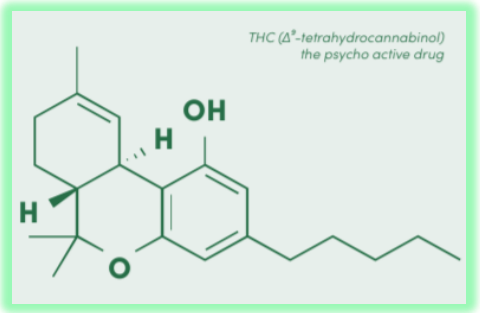
by its environmental factors and affects a range of strain attributes like color, smell, structure, and potency.

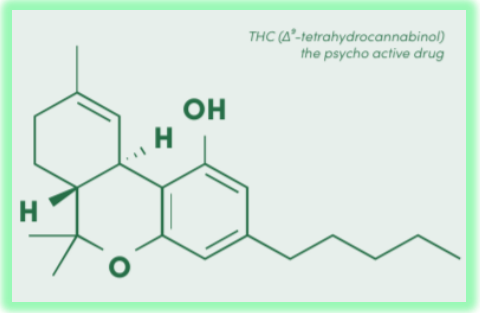
Since a cannabis plant's genetics are the essential starting material, each premium strain holds significant value. In addition to the optimal effects enjoyed by recreational uses, the emergence of the medical cannabis market has further emphasized the importance of product quality and consistency and the application of artificial selection by experienced cultivators to produce medical strains designed to satisfy specific medical needs.

## Description of Proprietary Assets




RCS' product line will feature proprietary offerings such as our Super Congo™ and Super Congo Extreme™ strains, potentially among the highest THC-producing seed varieties in the world. The company has also acquired exclusive rights to over 50 high THC-yielding strains, now RCS's exclusive property. These specialty strains provide RCS with significant opportunities to offer "Bespoke Growth Services" (discussed in detail below).




### Highlights of Production Process:

GMP-certified seeds grown in a high-care facility ensure a high-quality product free of heavy metals, fungus, rot, and other contaminants. GMP certification will permit RCS to sell to a market that is very sensitive to contamination, adulterants, and overall product purity by offering the most completive product available in these categories.

### Technology:

Climate control and a high automation level will keep production costs low without compromising seed quality and premium pricing. All equipment used in the facility meets the highest possible standards and has a

proven operational track record after years of use in other GMP-certified facilities.

### Genetics:

RCS' approach is focused on maintaining strain traceability and gives the company to provide detailed DNA profiles on every seed to ensure consistency. RCS can offer over 50 unique strains exclusively, including two unique seeds (Super Congo™ and Super Congo Extreme™) with exceptionally high THC content (over 30%).

In addition, the company believes that, after further testing and development, its Super Congo™ and Super Congo Extreme™ strains will lead to a plant with THC concentrations approaching 32%. Such a high concentration would be a significant competitive advantage for the company and support an increased shareholder value creation due to sound product quality, high THC concentration, and the price premiums RCS will be able to demand for the resulting products.

## Revenue Model

### Key Revenue Base: Terpenes

The market for non-THC, cannabis-based flavorings, and fragrance products is expanding quickly. Several prominent players in the food and beverage space seek to add unique flavorings to their existing product lines. As a result, cannabis-derived terpenes can command prices from €12,000 per liter for non-GMP certified terpenes and as high as €50,000 per liter for GMP-certified terpenes. RCS expects to begin the production of non-GMP certified terpenes in the near future. RCS expects production yields of 0.11 liters of terpenes per square meter per year on a six-cycle basis (on a 6-liter yield per 100 kilograms of processed cannabis plant material).

**EXAMPLES OF HIGH-PRICED CANNABIS GENETICS**

*Real Canna Denmark has by far the strongest plant in the world with THC of up to 45%*

| Strain Name | Description | THC Content | Value/price |
|---|---|---|---|
| Super Congo Extreme (Real Canna Seeds) | Highest THC cannabis strain in the world at 5% higher than Oracle or Super Congo | Up to 45% THC | 3 seeds for $600-US |
| Oracle | Top THC strain | Up to 40% THC | 6 seeds for $600 US |
| Fruity Pebbles | Cross between Grandaddy Grandaddy Purple, Tahoe Tahoe Alien, and Green Ribbon | Up to 22-24% THC | 8 seeds for $1500-US |
| Kosher Kush | 2012 Cannabis Cup Winner. | Up to 18-22% THC | 6 seeds for $100-US |
| XJ-13 | Cross between Jack Herer Herer and G13 Haze; great great sativa known for starting your day. | Up to 15-18% THC | 10 seeds for $100-US |

*Source: Real Canna Denmark*

### Key Revenue Base: Seeds

Medical cannabis seed production is characterized by high demand, high regulatory and legal barriers to entry, and an unparalleled opportunity for growth and profitability.

One kilogram of cannabis seed contains approximately 60,000 to 70,000 seeds. A single cannabis seed can retail for US$1, US$3, or even US$10, depending upon the brand, yield, rarity, and popularity. Certain rare and sought-after seeds can sell for as much as US$150 or more per seed. On average, a cannabis seed is sold wholesale for about US$1. At significant quantities, that price can drop to about US$0.40 to US$0.50 per seed. Due to the relatively high margins, cannabis seed production can be highly profitable for retail and wholesale distribution.

Seed prices are expected to rise at a rate of 10% per year over the next five years. RCS' seed segment expects to focus primarily on producing cannabis seeds for wholesale distribution to commercial growers and pharmaceutical companies.

For RCS financial models, we assume a production capacity of 60,000 seed units per square meter per year on a six-cycle per year basis. We also assume a conservative €0.35 per seed average sale price subject to GMP certification. With relatively high margins, cannabis seed production can be highly profitable for retail and wholesale distribution. In addition, seed prices are expected to rise at a rate of 10% per year over the next five years.

RCS' seed segment expects to focus primarily on producing medical cannabis seeds for wholesale distribution to commercial medical growers and pharmaceutical companies.

### Key Revenue Base: Flower

Cannabis flower represents the traditional THC cannabis product. RCS expects its harvests to yield 1.50 kilograms of flowers per square meter per year on a five-cycle per year basis. Subject to GMP certification, RCS uses average sale prices of €5,000 per kilogram for its cannabis flower in our financial models.

### Key Revenue Base: Bespoke Growth Services

RCS also plans to offer its customers Bespoke Growth Services based on our unique GMP strains. Using RCS' Bespoke Growth Services, clients can pre-reserve the entire cultivation of RCS' unique cannabis strains to ensure their future delivery and exclusive worldwide access to the resulting cultivations. In addition, clients can specify specific hybridizations or strain design combinations from RCS' existing strains inventory or outsource growth and cultivation to RCS for RCS strains paired with the customer's own varieties. For clients, this provides the advantage of access to GMP-certified strains of their own design.

### Summary of Key Assumptions for Revenue Models:

- GMP certification of the facility in Demark within 12 months of closing the current funding round.
- Initial useable grow area of 563 square meters
- Plant yields of 60,000 seeds per square meter per year Plant yields of 1.50 kilograms of flower per square meter per year
- Terpenes yields of 0.11 liters per square meter per year.
- 8-10 weeks growing period (5 or 6 cycles per year depending on the product).
- The average seed selling price of €0.35 per seed.
- The average flower selling price of €5,000 per kilogram.
- Pre-GMP average terpenes selling price €12,500 per liter.
- Post-GMP average terpenes selling price €50,000 per liter.

- Bespoke Growing Services to develop €1,000,000 per year in early revenue and increase to over €5,000,000 in revenue in year five.
- 70% of seeds are retained, 20% are used for the company's own inventory, and approximately 10% of the seeds are deemed dead and cannot be used.

## Building and Facilities

RCS has established its high-care indoor grow space in Denmark. The facility has 650 square meters in total floor space. In addition, the company plans to expand with a 2,500 square meter facility in Portugal. RCS expects 90% or 6,750 square meters of the Portugal facility to be usable for growing operations contingent on capital expenditure budgets for equipment and refurbishment. Additionally, as mentioned before, the company plans on a significant outdoor grow of at least 40,000 square meters.

Existing construction (as well as future expansion) is carried out according to standards to fulfill the GACP / GMP requirements (e.g., walls and ceiling in the facility will be smooth, free from cracks, open joints, and not able to shed particulate matter). The emphasis in construction has been on establishing the spaces as easy to clean. Walls and floors are coated with materials like heavy-duty polyurethane and epoxy floor painting specific to pharmaceutical industry standards. Emergency exits and escape routes are denoted with clear sign markings.

RCS is advised by Elcon Security on all aspects of security, including fire safety. Elcon plans were a fundamental part of the overall construction process and security requirements established by the Danish authorities.

Throughout the construction process, microbiological testing is undertaken, e.g., initial stick swab testing of the internal building fabric to check for total viable counts, Enterobacteriaceae, E. Coli, Salmonella, and Listeria. Stick swabs are replaced with appropriate sponge-type swabs for Listeria testing.

Appropriate fencing and other security barriers required by Danish regulations have been installed. All facilities are controlled to be free from insects, rodents, and pests.

## Description of Plant and Equipment

RCS has selected an indoor growth facility approach to assure that plants are insulated from environmental conditions and the perils of mother nature. RCS considers the indoor approach superior even to greenhouse facilities, as greenhouse implementations fail to provide consistent control of environmental impacts, e.g., light, heat, pests, rot, and fungus.

The company's indoor, high-care facility provides complete control of every aspect of the growing process. This benefit directly impacts the quality and quantity of the company's key offerings. Even under a rigorous "one harvest per week" schedule, automated systems control the planting-to-extraction process.

RCS's cultivation takes place in an intensive, indoor facility. This high-care growing unit, which uses LED lighting in a vertical production system, has been designed to yield high-quality consistent outputs which do not require further purification before use in the pharmaceutical industry. The outdoor growing will focus mainly on one strain to avoid cross-contamination.

### Introduction to the Facility and High Care Farming

RCS' organic knowledge and experience are complimented by the latest farming technologies developed by market leaders in the Cannabis Industry and proprietary systems explicitly built for cannabis seed production. The facility allows various plants to be grown simultaneously with specialized lighting designed to deliver high output with less heat than traditional illumination solutions.

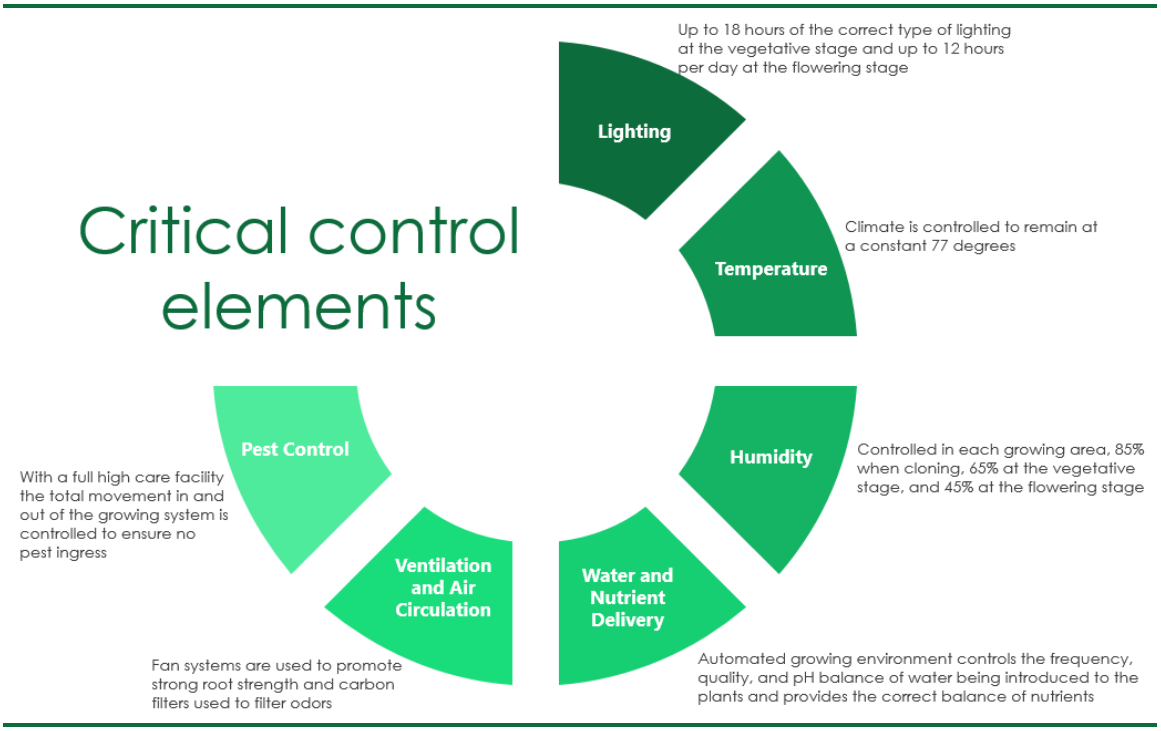
The RCS installation provides illumination in the perfect visual spectrum to grow efficiently 365 days per year. After expansion, robotics and automation speed transitional movement and replace cost-intensive labor for repetitive processes within the facility. A specially designed management system is used to monitor critical production points and ensure a high level of control over the environment, process, and product consistency.

The RCS system provides complete control over nutrients, changes in air quality, and water usage, giving RCS increased yields, improved efficiency, and exceptional product quality.

The control envelope includes:

disposal procedures are in place to ensure the controlled removal of waste materials in compliance with applicable regulations.

**CRITICAL CONTROL ELEMENTS**




*Source: Real Canna Denmark*

As energy is a high direct cost, sensors are integrated with Predix (GE Cloud) to monitor and calculate the best times and frequencies to run each individual system. Software assists in predicting failures in the system to aid maintenance strategies and avoid downtime.

In addition, RCS's experienced team and automated systems give the company complete control over the planting-to-extraction process. Process automation, combined with our specialized knowledge of cultivation, allows our team to harvest at precisely the right time for maximum yield.

- Our systems speed the movement of plants from cultivation to the harvest of seeds.
- Once harvested, all seeds undergo a strict sorting process to ensure only those of the highest quality will be sold to customers.
- After the selection process is completed,

## Equipment List for High Care Cultivation

As the RCS facility is dedicated to cannabis production, and the equipment is not used in any other context, the risk of cross-contamination with foreign plants or organic pollutants is reduced. In addition, further anti-contamination and isolation methods (dedicated equipment and certified cleaning protocols) are in place to avoid cross-contamination or cross-pollination between cannabis strains.

All equipment is selected in accordance with purpose and requirements, as stated in the relevant European Union guidelines and the requirements of the Danish authorities. Standard operating procedures and working instructions are in place for the equipment's use, maintenance, and cleaning. Where possible, all equipment is manufactured in stainless steel or equivalent to meet the applicable level of hygiene and allow for easy cleaning.

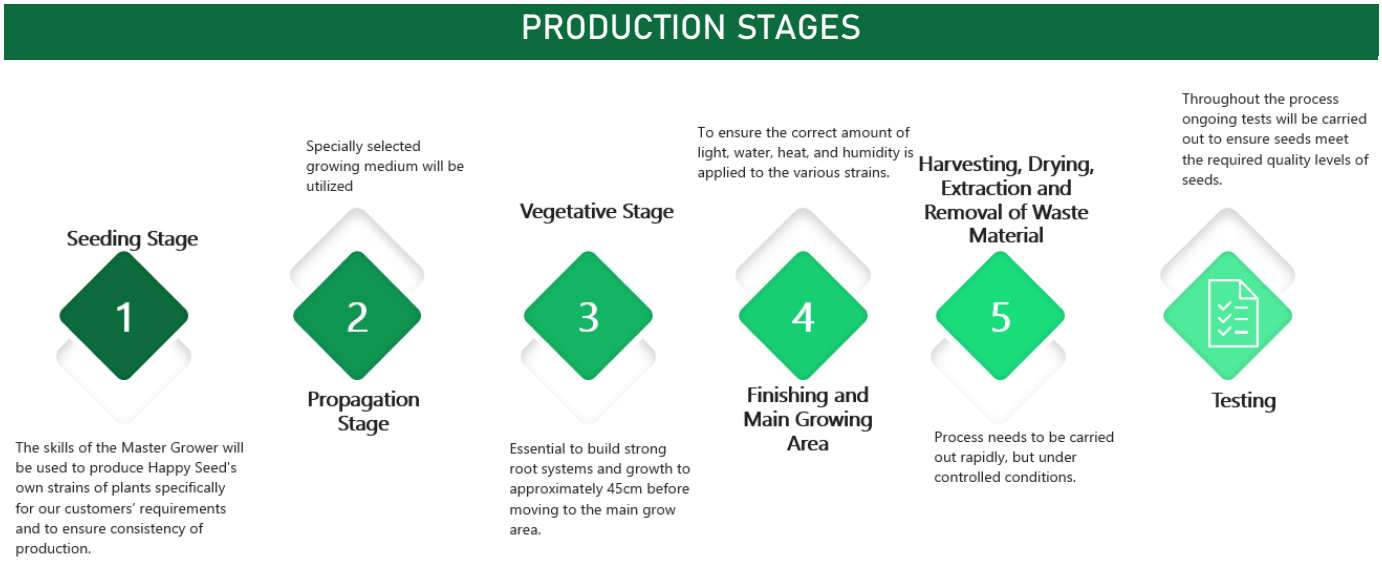
Below is the list of equipment that is planned to be used in RCS's production:

- Lighting - LED horticultural lighting (highly energy efficient, long life, low heat radiation)
- Alarm Systems (as part of the overall security plan)
- Air Compressor
- Seed Disinfector
- UV Tunnels
- Industrial Washing Machine (for the deep cleaning of trays)
- CO2 Vessel (introduction of small amounts into the indoor facility is essential to the process of photosynthesis. CO2 is consumed by the photosynthesis process, and strict controls are in place to prevent the accidental emission of CO2)
- Trays (high-impact polystyrene suitable for use with fertilizers, effects of temperature changes, UV radiation, and general wear and tear)
- Metal Detector
- Wheels
- Generator
- Fans
- Air Shower (to remove any particles from clothing when accessing high care areas)
- Large Hatches (to transfer hatches via secure movement of trays between rooms)

- Small Hatches (to transfer hatches via secure movement of trays between rooms and the water system)
- Deep Cleaning Equipment
- Harvesting Machinery
- Seeder
- Measuring equipment (liquids)
- Intelligent Control System (to monitor all aspects of the production facility and cleaning systems)
- HVAC (systems to control all air, temperature, and humidity movements)
- Transformer
- Air Purification System (to remove Ethylene and air purification solutions, and to assist in the control of aging, decay, virus spread, fungal, mold, and bacterial pathogens)
- Printers (for labeling)
- Testing Equipment (for product quality control)
- Extraction Equipment (uses of state-of-the-art CO2 extraction or microwave extraction processes)
- Trimming Machine and Equipment
- Scales
- Bag Closing Machine
- Nitrogen Sterilization Machine
- GC device
- PH meter

## Production and Methodology

Cannabis plants, like all living things, go through a series of stages as they grow and mature. In the seeding stage (2-3 weeks), plants need the maximum light and appropriate water levels. The primary developmental process during this phase is the growth of cotyledon (seed leaves) and the iconic fan leaves of the cannabis plant. The vegetative stage follows a 2-8 week process during which plants need flowing dry air, fresh warm water, and increased nutrients – especially nitrogen.




*Figur 1*

*Source: Real Canna Denmark*

## Seed Supply and Mother Stock Strategy

The production of flowering plants from seeds takes approximately 8 to 10 weeks, depending on the varieties selected. RCS takes clones from the mother plant during the vegetative growth cycle and uses new seeds to produce mother-stock plants. Cuttings are taken from these mother-stock plants to supply plant material for growing-on and flowering cultivation.

## Establishment and Early Growth of Clones

The traditional method for rooting cuttings includes using plastic-covered hoops fixed to benches, often in conjunction with under-tray heating. The RCS model calls for cuttings taken from the mother stock to be rooted and established in a vertically stacked system, using a substrate such as rockwool or coir plugs. Because higher humidity conditions will be required in the propagation and vegetative area under this model, the RCS facility provides for precision humidity control during these phases. The resulting infrastructure permits continuous production of rooted plants in this section of the facility, a distinct efficiency gain for total facility yield.


## Growing Area

Rooted plants require additional space to grow and specific environmental controls to regulate temperature, humidity, carbon dioxide concentration, nutrient supply, and photoperiod. Plants in the growing area also require a more extended lighting period of up to 18 hours per 24-hour period, which RCS provides via carefully monitored automated systems. Where containerized systems are used for growing the plants, inert substrates such as coir and rockwool will be used as they offer the ideal conditions for rooting and fast growth.

Once the plants have exhibited optimal growth, they are moved to the final growing and flowering area, where they remain for 4 to 6 weeks, depending on the plant variety used. The switch from vegetative to reproductive growth can be induced in the same area by adjusting the photoperiod from 18 to 12 hours per 24 hours.

Alternatively, for some strains, the optimal methodology involves raising all the plants in a main growing area before moving the plants into separate flowering areas for finishing. The exact concept varies with different plants or strains based on RCS analysis of the optimal growing and maturity strategy per strain.

## Flowering Area

In the RCS model, using separate flowering areas provides the optimum spacing, environmental control, and lighting parameters to maximize the production of flowering material and active ingredients.

Size is a crucial component, and RCS expects the required density for larger plants to be five plants per square meter, though ultimately, density will depend on the precise plant growth characteristics of the new seed lines.

RCS expects heights of 2.5 to 3.0 meters will be required for each flowering compartment, including 1.5 meters for vertical plant growth, and allotments for the installation of

specific LED luminaires and separate air conditioning ducting.

Depending on the plant material, the final flowering phase will likely take 4 to 6 weeks. As RCS begins to realize efficiencies, individual flowering areas might support up to 8 crops per year, though generally, RCS financial models assume a more conservative 5 per year.

To support the creation of new strains of cannabis, RCS' models call for establishing a breeding cell and a pollination area. Close circuits and other remote monitoring methods limit unnecessary pedestrian traffic in these areas and eliminate potential sources of contamination. All cells are equipped with a custom-designed HWAC system (with a separate HWAC unit for breeding) to ensure safe and stable genetics. Independent systems also facilitate RCS' tracking of the genetic lineage of every seed from start to finish. Accordingly, seeds and plants with desired attributes can be selected to produce strains with optimal medicinal effects.

### Harvest

For optimal yields and efficiency, harvesting must occur when the plant has reached optimal maturity to produce the best quality plant material for its intended use and potency. The assessment of plants to determine the optimal harvest time is more art than science; however, RCS tailors the exact harvesting time to match the peak maturity of the particular strain being grown based on several factors considered during the assessment period, including:

- The flowering time recommended by the seed provider.
- Chromatic analysis of the color of the stigma (the hair-like strands that cover the bud) or the color of the trichomes.
- Visual and/or chromatic analysis of the trichomes and pistils.
- Other methods proprietary to RCS.

Typically, RCS processes target an optimal temperature of 25 degrees and relative humidity of 40% during the growing process. RCS methodologies stagger harvest times between strains to prevent simultaneous harvesting of disparate strains. This substantially reduces the

potential for cross-contamination or the accidental mixing of harvested plant materials by assuring that processes that disturb the plants or require transportation of plant materials are isolated with respect to strain.

## Processing

Once harvested, all seeds undergo a strict sorting process to ensure only those of the highest quality will be sold to customers. The primary processing methodologies involve all procedures after harvest and before packaging, e.g., trimming, drying, and extraction.

As time is of the essence when moving plants from harvest to the drying room, the RCS process calls for a team of trained experts to work in concert during the harvesting, finalizing, and trimming of the material, as well as the migration of the product to the drying area. A vertical system for drying plant material in perforated trays is utilized via a controlled stream of warm, dry air from the HVAC system.

Once dried and cleaned, seeds are sorted and packed. The finished seed product is then moved to the packaging area. Owing to regulation and the potential for theft, the removal of waste material is conducted under strictly controlled procedures.

## Packaging

The extracted seeds and dried flowers are packed in a suitable material to comply with pharmaceutical or other end-user requirements.

Typical packaging may include:

- Tamper-evident, child-resistant security elements.
- Elements designed to prevent contamination while keeping the cannabis product secure from alteration or theft.
- Labeling or features required to remain compliant with legal requirements or regulatory procedures for storage or transportation.
- Features that meet source and destination standards for design, labels, printed warnings, and expiration dates.
- Shipping, handling, or storage instructions are printed outside the packaging.

## Storage

RCS maintains secure storage facilities on site with controlled temperature and humidity conditions. Storage rooms for cannabis products are also subject to strict access controls. RCS maintains a regular delivery schedule to minimize "stock on hand" levels according to a carefully designed risk reduction strategy. All storage facility designs result from consultation with our security advisors and comply with Danish regulations.

## Waste Disposal

Material for destruction is weighed for audit and recording-keeping purposes and stored in locked containers in a segregated area until destruction. According to regulation, RCS applies to the DKMA on a "batch-by-batch" basis for permission to destroy byproducts and waste material. When permission is granted, waste material is transported to a certified incinerator company. Destruction takes place under the surveillance of two staff members from RCS.

## Production Personnel and Quality Control

Once full operations are undertaken, RCS anticipates that a 24-hour shift pattern of working will be employed on site:

- Seeding, germination, and main growing room operations 06.00 to 14.00
- Harvesting and extraction 14.00 to 22.00
- Cleaning and maintenance 22.00 to 06.00

Key functionalities are listed below:

- **Operations Manager.** Responsible for managing activities that are part of producing goods and services. Direct responsibilities include: managing the operations process, embracing design, planning, control, performance improvement, and operations strategy. Ensuring all aspects of high care are maintained throughout the process.
- **Grower/Cultivator Supervisor.** Responsible for all aspects of seed acquisition through germination and final processes in the main grow area. Responsible for making key decisions for technical issues regarding all plant matters. Ensuring all aspects of high care are maintained throughout the process.

**Production Controller.** Oversees all aspects of planning, coordinating, and directing all manufacturing activities and influences to ensure having finished plants ready on time and of high quality. Ensuring all aspects of high care are maintained throughout the process.

**Technical Manager.** Responsible for pharmaceutical crop safety system / audit / compliance requirements. Ensuring all aspects of high care is maintained throughout the process.

**Senior Engineer.** Responsible for all aspects of maintenance of all equipment. Implementation of preventative actions to minimize disruption. Directs regular servicing of all equipment.

**Audit and Compliance.** Appropriately qualified person to undertake all aspects of maintaining full audit trail and procedural checklists.

**Master Grower and Head Cultivator.** Holds significant experience in the cultivation of cannabis. Responsible for seed selection, cloning, and plant cuttings in conjunction with pharmaceutical consultants.

**Seeding and Germination Area.** Responsible for receiving seeds from the storage area via transfer hatches through which the seeds are treated with UV rays. Sows seeds into growing media. Places seeded items onto trays. Place trays into racks. Monitors the growing of seeds and ensures adequate water, temperature, and humidity specific to the germination room. Investigates any issues with growing and reports back to the production controller.

**Main Growing Areas (2 Persons).** Responsible for moving plants from the germination area into new growing media, then placed onto trays. Places replanted items onto trays. Places trays onto racks. Investigates any issues with growing and report back to the production controller. Liaises with the production controller on audit files.

**Harvesting and Extraction Area (2 Persons).** Responsible for removing trays from main growing rooms to harvest areas. Harvests and lays out plants in a dedicated drying area. Selects those plants that have reached maximum drying for migration to the extraction unit.

**Laboratory Senior.** Responsible for all microbiological analysis of the product at all stages of production. Works with external third-party testing facilities and with medical advisors.

**Cleaning and Maintenance.** Responsible for cleaning all non-growing working areas within the building. Receives instruction from Senior Engineer on all aspects of maintenance. Ensures all aspects of high care are maintained throughout the process.

**Specialist Cleaning (2 Persons).** Responsible for cleaning all growing working areas within the building. Ensures all aspects of high care are maintained throughout the process.

## Sales and Marketing Plan

RCS has carefully selected other partners in critical areas such as systems automation, security, digital marketing, and research.

Our sales and marketing strategy is to engage directly with wholesale cannabis seed distributors and large cannabis growers while at the same time building an online retail presence to sell directly to hobby growers and smaller commercial producers. Longer-term, we plan to focus on the pharmaceutical uses of cannabis in manufacturing medications. We believe that by becoming a certified Good Manufacturing Process (GMP) grower, our products will enjoy a high level of differentiation from our competitors and allow us to sell seeds at a premium to current market prices.

Real Canna Denmark's' market strategy includes several key channels:

- Meetings with wholesale buyers
- Promotion directly through special platforms
- Pharmaceutical industry engagement
- Magazines: Online and print advertising, blogs and magazine articles, including, Dope, Cannabis Now, 420 Magazine, Marijuana Ventures, and MG Magazine
- Website content and blogging: Website with detailed information, product catalog, and SEO optimization. SEO efforts to maintain a consistently high ranking in the Google, Bing, and Yahoo search engines
- Industry events: conferences, business, and industry associations, and trade shows

The company's plan involves using outside sales representatives, for which we have established a three-tiered commission structure beginning at 5.0% up to 15.0% depending upon the size and frequency of the orders generated by a particular representative. We assume a 7.5% overall average commission rate for our financial modeling purposes.

### Market Penetration Strategy (Priorities):

1. Scandinavia, Germany, United Kingdom, France, Italy, Poland
    a. Greater EU/EFTA Area
    b. Asia
2. Long-Term Global Expansion

## Licensing Requirements GMP and EUDRA

As of June 23, 2021, RCS has been awarded a Development Scheme License by the Danish authorities, permitting the company to grow cannabis plants in its Danish facilities for research and development purposes, and to market and sell non-THC products derived from such activities. The Development Scheme License is a significant step towards obtaining a Pilot Program license and Good Manufacturing Practice (GMP) certification from the Danish authorities for the growth of cannabis plants in Denmark and the marketing and sales of cannabis products containing THC.

Initially, RCS will use its mandate from the Danish authorities to focus on the medicinal-pharmaceutical market for cannabis products, a market in which the company believes it will have significant pricing power owing to the worldwide recognition of the Danish GMP and licensing scheme as one of the most stringent regimes in the world.

A Danish Pilot Program license and GMP certification will allow the company to import and export cannabis for production and sale.

### Background of the Danish Medicinal Cannabis Pilot Program

On January 1, 2018, the Danish government issued an executive order instituting a pilot program for the liberalization of cannabis for medicinal use in Denmark (the "Pilot Program"). Under the new order, patients could be enrolled in the program to receive cannabis products

for medicinal use in connection with various doctor-supervised treatments. Additionally, the importation of legally-produced and certified medicinal cannabis and intermediate products was legalized.

To foster the local production of cannabis for medicinal use in mind, the executive order also established a licensing process to enable companies to engage in the cultivation of cannabis for research and development purposes (the "Development License") to eventually produce cannabis for medicinal use in Denmark and for export to jurisdictions where the import of medicinal cannabis is legal.

### Background of the Danish Development Scheme for the Cultivation and Handling of Medicinal Cannabis

On January 1, 2018, a special development scheme (the "Development Scheme") for the cultivation of cannabis in Denmark was introduced. Under the scheme, companies can apply for a Development Scheme license, cannabis cultivation, and handling license to eventually produce cannabis suitable for medicinal use. Companies licensed under the Development Scheme (i.e., those granted a Development License can establish their production facilities and procedures and begin cultivation and production in Denmark of medically suitable cannabis solely for research and development purposes.

Cannabis developed or produced under the Development Scheme is not available for prescription by a physician or is independently saleable.

### Background of the Danish GMP Certification / Licensing Scheme

On July 1, 2018, Denmark issued an executive order on the cultivation, production, and distribution of cannabis bulk, and the production of cannabis primary products entered into force. Under the new order, Danish companies may apply for a license (the GMP license/certification) to produce medicinal cannabis for various pilot programs involving the medical use of cannabis in Denmark via prescription or other medical schemas. In addition, cannabis produced by companies under the GMP license/certification may be exported to jurisdictions where the import of medicinal cannabis is legal. The Danish Parliament has recently voted to make the programs permanent. As a **result**, the value of the RCS

license has substantially increased. In addition, RCS expects additional barriers to entry to be erected for new applicants.

### The Danish Development Scheme: Application Process

Companies seeking to be inducted into the Development Scheme begin the process by submitting the appropriate application form.

A detailed project description is required and must include:

- A detailed account of the company's plans for cannabis cultivation and production
- A detailed plan outlining the methods and processes that the company will use to produce a consistent and standardized product of the quality required to certify the product as suitable for use in the medicinal cannabis pilot program
- A description of the safety measures the company will employ in connection with the cultivation and processing of cannabis
- Evidence that the production contemplated by the company will result in cannabis that meets the high standards required for inclusion in the Danish medicinal cannabis pilot program or the manufacture of medicinal or pharmaceutical products

### Conditions for Granting a Danish Development Scheme License

The license for the cultivation and handling of cannabis for medicinal use under the Danish Development Scheme may be issued by the Danish authorities subject to the following:

- The application form is complete and free of errors or omissions.
- Based on an in-depth pharmaceutical assessment, specifically of the project description, the Danish Medicines Agency finds it probable that the project can contribute to the production of cannabis products for the medicinal cannabis pilot program or the manufacture of medicinal or pharmaceutical products.

- After examination, the Danish Agricultural Agency lodges no objection to the agricultural conditions employed by the applicant.
- The Danish National Police, taking the applicant's personal circumstances into account, has no reservations in granting the application.
- The Danish Medicines Agency has carried out an inspection with satisfactory results.

## Conditions for Granting a Danish GMP License / Certification

The executive order of July 1, 2018, created a scheme for companies to apply for a license to cultivate medicinal cannabis in Denmark for export or sale under Pilot Program. The order itself was issued pursuant to the Act on a Medicinal Cannabis Pilot Program and defined the regulatory schema under which cultivation can take place.

In particular, it includes rulemaking, which defines:

**Cannabis Bulk:** Processed cannabis ready for further processing (e.g., for extraction of cannabis oil) or for packaging in consumer-ready packs so it can become a cannabis primary product.

**Cannabis Primary Product:** Finished cannabis products produced outside Denmark can be imported for use in the Pilot Program and sent to wholesale distributors and pharmacies via the production of a cannabis intermediate product. The term also covers Danish-grown cannabis packed in consumer-ready packs from cannabis bulk. Danish-grown "primary products" can be exported.

**Cannabis Intermediate Product:** Intermediate cannabis products which may be sent to wholesale distributors and pharmacies. In Denmark, intermediate product manufacturers have their products admitted to the Danish Medicines Agency's list of products to qualify for admission to the Pilot Program.

**Cannabis End-Product:** Any cannabis product which is produced or derived from a cannabis intermediate product. The finished cannabis end-product may be dispensed to a specific patient according to a doctor's prescription. Stand-alone pharmacies or hospital

pharmacies are responsible for this final stage of production or preparation of the dispensed product.

All the products described above require a license to import, cultivate, or produce in Denmark. Every license must be adjusted to the activities that the company seeks to perform.

## Requirements for Companies

The requirements imposed on companies under the Danish licensing scheme depend on the activities the company will be allowed to perform. These requirements are designed to assure that only cannabis products of sufficiently high quality, purity, and pharmaceutical standards are dispensed for the treatment of patients.

Companies cultivating cannabis for medicinal use in Denmark must comply with relevant medicinal and pharmaceutical rules and Danish rules and regulations on good agricultural and collection practices (GACP). Cannabis cultivation must also comply with Good Manufacturing Practice (GMP) standards. Most companies employ specialists and consultants to ensure continuous compliance with these strict rules.

The Danish Medicines Agency monitors whether the companies meet the requirements and follow their own procedures via spot and surprise visits by inspectors from the Agency.

## Good Manufacturing Practice (GMP) Guidelines

Good Manufacturing Practice (GMP) ensures that products are consistently produced and controlled according to quality standards. It is designed to minimize the risks involved in any production that cannot be eliminated through testing the final product.

The GMP schema covers all aspects of production, from the starting materials, premises, and equipment to the staff's training and personal hygiene practices. Detailed, written procedures are required for each process that could affect the quality of the finished product.

Strict procedures to continuously document compliance with correct procedures are required at each step in the manufacturing process. Good Manufacturing Practice guidelines provide manufacturing, testing, and quality assurance specifications to ensure that a food or drug product is safe for human consumption.

Danish rules, in particular, require that food, pharmaceutical, and medical device manufacturers strictly follow GMP procedures and design their own operational and procedural guidelines that correspond with Danish regulations and legislation. RCS has hired J&K Consulting out of Germany to assist with obtaining GMP certification. J&K has a long and experienced track record of obtaining GMP certification for its clients and helping firms meet essential requirements.

### Key Principles in the GMP Schema:

- Controlled environmental conditions are always maintained to prevent cross contamination of food or drug product from adulterants that may render the product unsafe for human consumption.
- Manufacturing processes are clearly defined and controlled, and all critical processes are validated to ensure consistency and compliance with specifications.
- The consistency of manufacturing processes is monitored, and any changes to the process are evaluated.
- Changes that potentially impact the quality of the drug or product are validated as necessary.
- Operators are trained to carry out and document procedures.

GMP guidelines are a series of general principles that must be observed during manufacturing.

### Key Benefits of Employing GMP Schema:

- Prove the organization's management capabilities in product quality and safety assurance.
- Enable employees to develop good production/operations habits.
- Reduce safety risk in product quality and safety
- Timely detection of production and management problems with related cost reduction benefits.
- Maintain close compliance with relevant laws and regulations.
- Enhance the international credibility and public image of the organization.
- Increase the customer's long-term confidence in the enterprise.

## The Good Manufacturing Practice Certification Process

### Setting a Target

Any company that plans to market or sell cannabis in the European Union must obtain an EU-GMP certification. In addition, local GMP certifications in the European Union (e.g., Denmark) may entail stricter requirements (though no EU jurisdiction may reduce the basic GMP standard below the EU-GMP floor).

### Infrastructure Evaluation

At this stage, the company evaluates the infrastructure and its compliance with GMP requirements. EU-GMP requirements differ from GPP as the GMP standard has a more expansive coverage area, including, for example, production and storage.

The Infrastructure Evaluation is designed to define and highlight any gaps in infrastructure requirements, measure the ability to rectify said gaps and estimate potential costs. If a company accepts the EU-GMP infrastructure requirements, it must implement and minimize these gaps in a way acceptable under GMP guidelines.

### Quality Management Systems Assessment

This stage is a gap analysis between the existing quality management system and minimum EU-GMP standards. Deltas between existing systems and the minimum standard are identified and must be rectified.

### Documentation Update

The Documentation Update phase evaluates the company's high-level documentation procedures (e.g., master validation plans or quality manuals). In the Danish example, master documentation in this area is identified and perfected against best practices documentation specifications before submission to the appropriate regulatory authorities.

### Standard Operating Procedures Update

A standard operating procedure (SOP) includes a company's process and personnel instructions which provide guidance to employees to carry out complex routine tasks. In complex manufacturing or production

environments, several hundred SOPs may be required. These instructions are subject to a gap analysis versus GMP standards during the update process and updated to meet or exceed GMP requirements.

**GMP Implementation**

The GMP Implementation stage entails the execution of a validation and stability program. The validation stage helps to update documentation, standardize operating procedures, and add missing programs after a gap analysis. Validation's ultimate goal is to show that a given facility will manufacture products consistently with high quality and comply with standards. The stability program involves the evaluation of elements that contribute to the appropriate shelf life for a given product. Ideally, stability stages should be designed according to international standards, such as ICH Q1 or BfArM.

Following final GMP implementation, a trial run period is conducted to establish that the company's implementation will permit it to function fully under GMP standards once production in earnest is commenced.

**Audit**

The external audit is an essential part of GMP compliance and certification. GMP-certified entities must conduct routine audits of every element of the manufacturing process along with all other aspects of operation covered by the GMP standards.

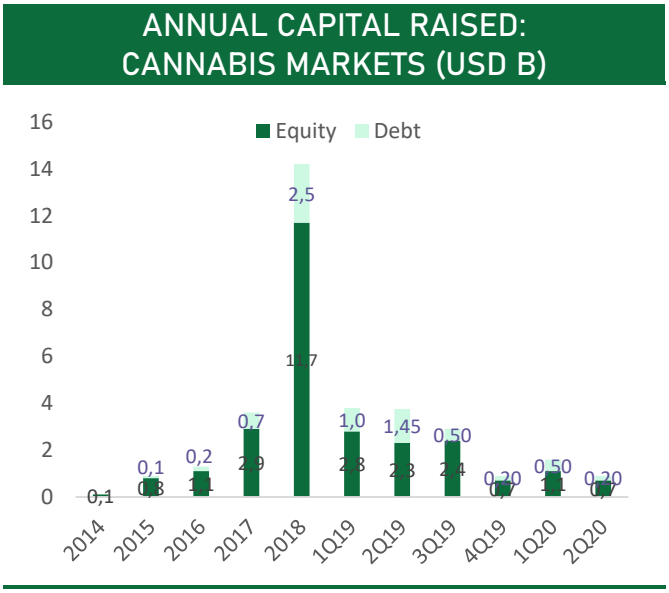
**Inspection**

In Europe, GMP standards compliance is verified by local regulatory agencies as well as the European Medicines Agency (EMA). The EMA coordinates inspections to examine the quality of products and their relevance to the intended use. Once the EMA has received an application for GMP certification, they will arrange the inspections and confirm the company's compliance with standards.

EU-GMP applications are submitted via EudraGMDP. The process is extensive and expensive, presenting a barrier to entry for smaller, early-stage players who may technically be able to comply with GMP standards but lack the resources to undertake GMP certification.

EU-GMP inspectors issue EU-GMP certificates and/or manufacturing and import licenses. Applicants must also complete a detailed GMP compliance report before an

inspection can be scheduled. The inspection team will interview relevant personnel, review documentation, and visit the facility. During site visits, inspectors may check manufacturing, quality control laboratories, stock and storage areas, temperature control, returns, purchasing and sales functions, and transportation arrangements. Overseas manufacturing sites will also be inspected. Further periodical inspections are also performed based on risk assessments.




*Source: BDS Analytics, Arcview Market Research*

Capital raised in the cannabis market skyrocketed recently, generally showing confidence in the market. The immense progress on legalizing cannabis worldwide in the past few years has completely changed the investment picture for cannabis companies. Cannabis

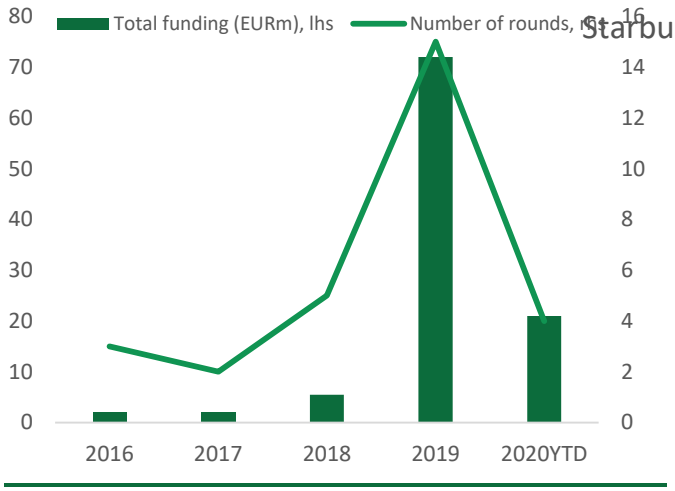
## Industry Analysis

### The Cannabis Industry in Europe

Since 2020-2021, about a dozen mergers and acquisitions or private placements with valuations above €5 million involving companies focused on medical cannabis in Europe. €100 million of new money has been invested in medical cannabis-focused companies across Europe over the past 18 months. While this represents a sharp increase compared with the period before 2020, Europe is still far from the levels experienced in North America, where more than US$3 billion was invested in the medical cannabis market through more than 450 deals in 2020.

companies raised US$14 billion in 2019, according to tracking by Viridian Capital Advisors, more than twice the money that was raised in 2014 - 2017 in total.

**VC ACTIVITY IN EUROPEAN CANNABIS TECH**




*Source: Dealroom*
*Analysis of European seed, early-seed and late-stage rounds for the tags: Cannabis, hemp' YTD: April 19, 2020*

Marijuana businesses have raised hundreds of millions of dollars in recent months, a trend that is expected to continue as an investment dry spell that began late last year appears to be easing. Investors have shown renewed interest in US cannabis companies after most states designated "essential" businesses during the coronavirus pandemic, allowing them to keep their doors open. In addition, marijuana companies have shown more fiscal discipline by cutting costs.

In the past 18 months, roughly $3.3 billion has been raised by special acquisition companies, or SPACS, to buy cannabis operations as institutional investors recognized the opportunity to acquire distressed/discounted assets in the industry.

In the last two years, early to mid-stage marijuana funding deals included:

- **Dutchie**, an online ordering platform for cannabis retailers, raised US$35 million from a group of investors, including rapper Snoop Dogg's Casa Verde Capital, NBA star Kevin Durant's Thirty-Five Ventures, and former Starbucks CEO Schultz.

- **Ascend Wellness Holdings**, a New York-based multistate operator, closed a US$68.2 million funding round with plans to use US$41 million to expand its operations.

- Multistate marijuana and hemp operator **Jushi Holdings** increased a debt financing announced in late July by roughly US$18 million to a total of US$33.3 million, citing strong demand from shareholders and management.

- **Innovative Industrial Properties** (IIP), the nation's largest cannabis real estate investment trust and the only MJ REIT that trades on the New York Stock Exchange, raised US$370 million "over the last three months to support our long-term tenant partners and their continued expansion initiatives, while forging additional partnerships with the top-tier operators in the industry," IIP Chair Alan Gold told analysts on August 6 after the release of the company's second-quarter financial report.

In the industry's early days, most investments were from high-net-worth individuals and family offices or from exclusively cannabis-focused funds. However, the past 18 months have seen increasing interest from traditional venture capital firms interested in mid to late-stage opportunities. While many remain barred from investing in cannabis-related companies by investment universe restrictions or other constraints imposed by their limited partnership agreements, we expect more dedicated funds and a wider base of investors to emerge, attracted by the high growth potential of the cannabis market.

In Europe, 80% of deals concern Germany-based companies, which are active in distributing medical cannabis products within the country.

One notable example is the €20m fundraising by Sanity Group, which saw the US-based cannabis-focused venture capital firm Casa Verde invest in the company alongside more traditional venture capitals such as Holtzbrinck, Cherry, and TQ Venture.

This round had a first close announced in August 2019 and a second close in February 2020.

Pioneering medical product distributor Cannamedical also recently announced a capital increase of €12 million,

funded by US-based traditional healthcare investor Steve Wiggins, which brought the total amount invested in the company to €27 million. The deal was closed in April 2020 amid Germany's government-imposed lockdown, demonstrating investors' continued appetite for space despite the Covid-19 crisis. CanPharma, another leading German medical cannabis supplier, is raising a double-digit million-euro round. Other companies involved in the German cannabis sector and likely to raise additional funds in the coming months include Emmac Lifesciences, Foliumed, and Wundr/iuvo.

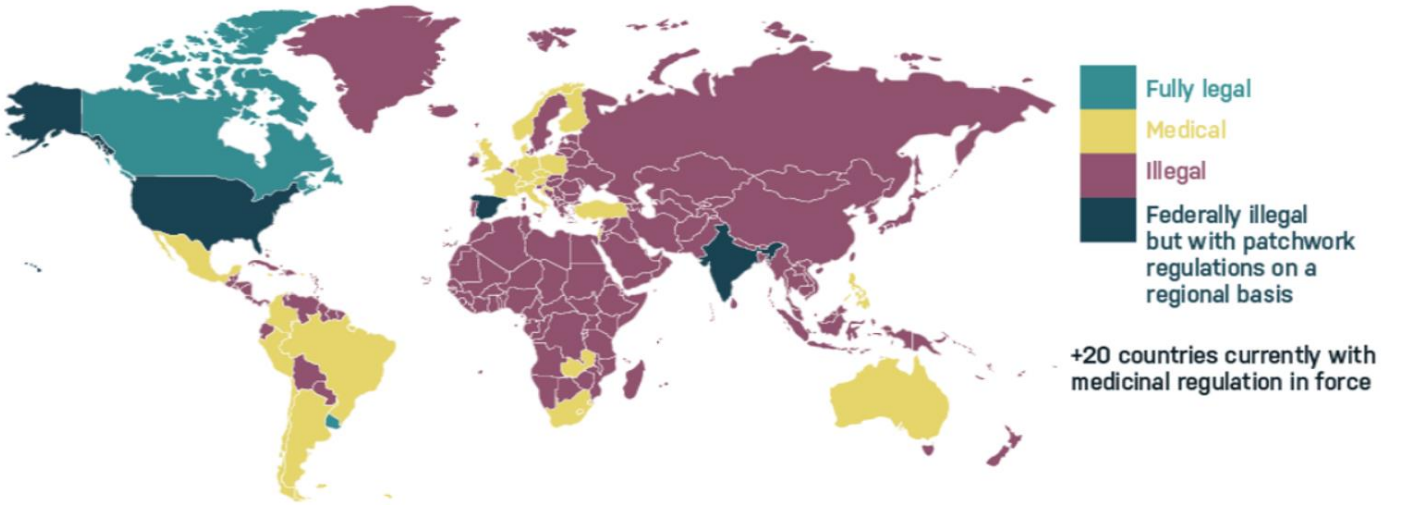
## Cannabis Legalization is Going Global

The cannabis market is rapidly expanding as more countries legalize or decriminalize cannabis (an offense is reclassified from criminal to non-criminal, i.e., it remains an offense and may be punished by the police or other agencies rather than a court) - both for recreational and medical use. Accordingly, the demand for cannabis seeds is rapidly increasing.

Most cannabis seeds are grown illegally and globally; almost no producers are GMP certified. The market is ready for an institutional-level seed and terpenes supplier with the knowledge and experience to deliver a pharmaceutical-grade product and the discipline to ensure organizational sustainability through compliance and consistently applying the highest industry standards.

**THE STATE OF LEGAL MARIJUANA MARKETS: PROHIBITION IS ENDING**

*State of World Cannabis*



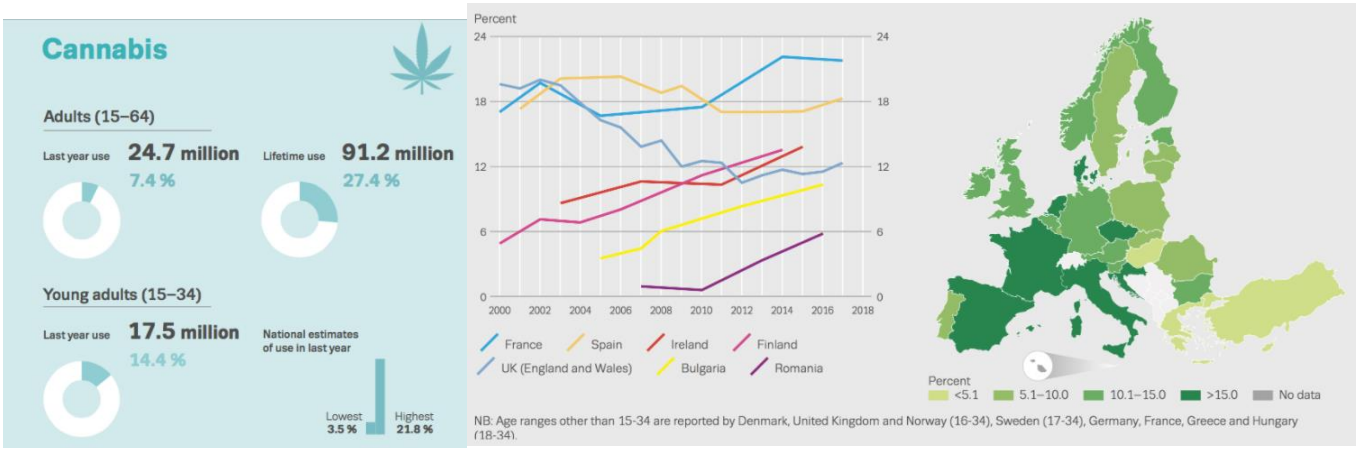

*Source: BDS Analytics, Arcview Market Research*

More than 50 countries worldwide have legalized some form of medical cannabis, while six countries have legalized cannabis for recreational use by adults. Cannabis cultivation for medical or recreational use has been legalized in 37 states within the United States. It is permitted for medical and recreational use in Canada, Georgia, Greece, Malta, Mexico, North Macedonia, Uruguay, Luxembourg, Lesotho, South Africa, and Israel.

Numerous other countries have decriminalized the use of cannabis, while others are in the legalization process. In the past few years, more and more European countries legalized

## ESTIMATES OF CANNABIS USE IN THE EUROPEAN UNION

State of World Cannabis




*Source: The European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)*

medical use of cannabis, among those Germany, the UK, France, Spain and Italy.

Under international laws, cultivation, supply and possession of cannabis should be allowed only for 'medical and scientific purposes': while all EU Member States treat possession of cannabis for personal use as an offence, but many have decriminalized it (meaning that the possession of a certain amount will lead to no or minor prosecution) and over one third do not allow prison as a penalty for minor offences (see map below). In many

of the countries where the law allows imprisonment for cannabis possession, national prosecutorial guidelines advise against the imposition of penalties.

Due to the proximity and cultural similarity of many European countries, major cannabis reform actions taken by one government will probably be echoed by its neighbors. Luxembourg is set to be the first European country to legalize cannabis, likely by the end of 2021. It is thought that a thriving legal cannabis industry in Luxembourg could prompt its neighbors to reform policies on adult use, particularly if the same commercial and societal benefits exhibited in the North American cannabis market liberalization could be exemplified.

Despite the extensive global prohibition, over 263 million people worldwide consume cannabis every year. In Europe, around 7.4% of adults (15-64) used cannabis in 2019, and 14.4% of young adults (15-34). Among the countries, France, Spain, and Ireland have the highest share of adults using cannabis in 2019.

Regions such as Latin America, and Africa, are poised to potentially compete in the export market with low production costs and an optimal climate for outdoor growing that would allow two to three harvests a year rather than just one. While the slowest region to adopt legalization, Asia also represents a wealth of opportunity in the form of low-cost labor and a long history of hemp production.

## Potential Market Size

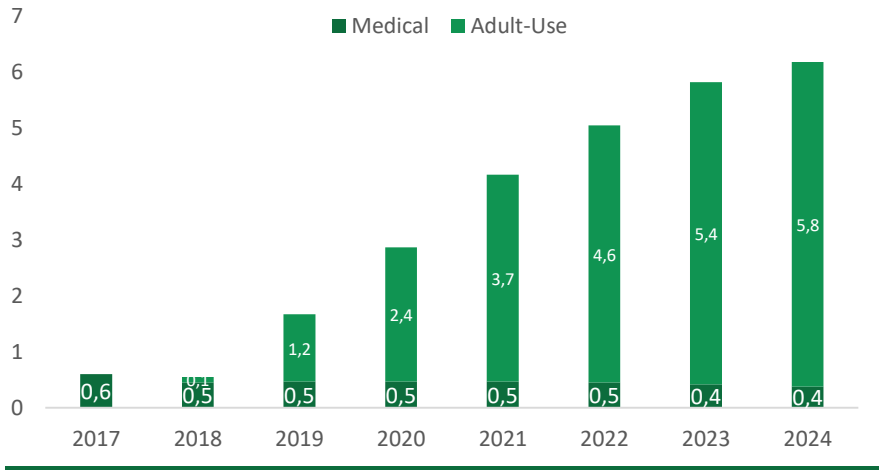
### Canada

Canada has been at the forefront of the global cannabis market in commercial and medicinal terms. The country's early adoption of legalized medical – and, later, adult-use – cannabis, in tandem with the light regulatory approach favored by the Canadian government, has contributed to a boom in Canadian cannabis production; both with the formation of new businesses dedicated to cannabis products and the expansion of existing entities to meet growing consumer demand.

Canada has permitted the legal use of cannabis for the medical market since 2001, and in October 2018, that country became the first of the G7 nations to fully legalize recreational cannabis. It is predicted that the cannabis market for Canada could be C$6.8 billion by this year

alone (2020), but accounting firm Deloitte & Touche predicts that the recreational market alone could be worth C$8.7 billion.

**CANADA LEGAL CANNABIS SPENDING (USD BILLIONS)**



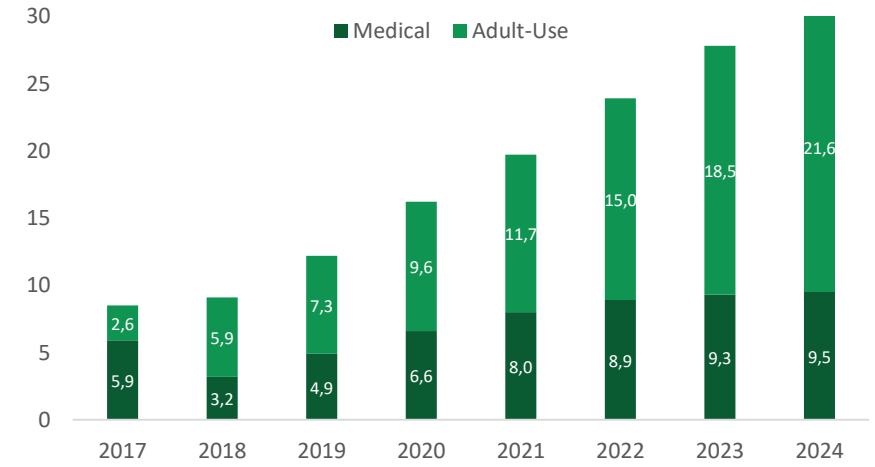

*Source: BDS Analytics, Arcview Market Research*

Canadian sales of legal adult-use cannabis grew by 5.2% from July to August, reaching a monthly total of C$ 244.9 million. The monthly record for Canadian marijuana sales implies an annualized market worth more than C$ 2.9 billion.

## United States

The market in the United States is growing. As of May 2019, 33 states had legalized medical cannabis, and 11 states had legalized cannabis for recreational use. The US medical and recreational market is estimated at US$12 billion in 2018 (globally US$13.8 billion), and according to Arcview Group, it is projected to increase to US$23 billion by 2022 (Globally to US$32 billion).

**US LEGAL CANNABIS SPENDING (USD BILLIONS)**



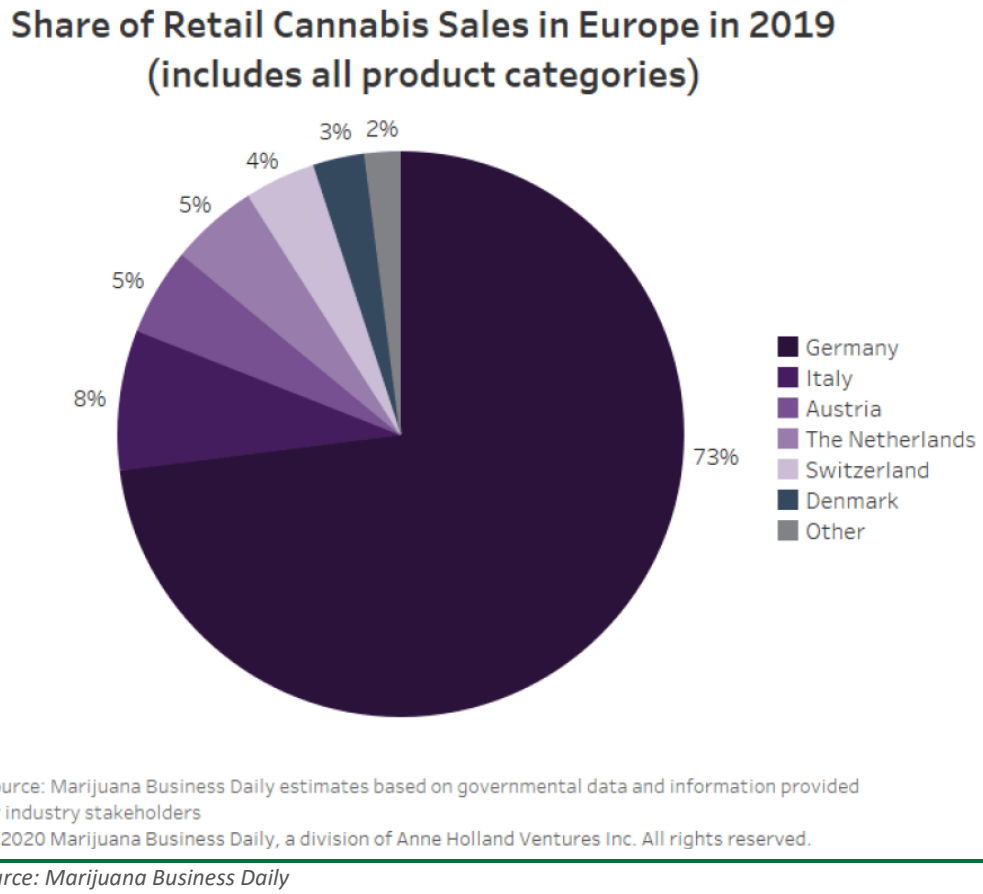

*Source: BDS Analytics, Arcview Market Research*

## Europe

The European medical cannabis market is at an inflection point. The mounting evidence attesting to the therapeutic value of cannabis in treating a variety of diseases and conditions has been critical for developing support for medical cannabis legalization. Public sentiment in most of North America and Europe has now shifted towards supporting some degree of cannabis legalization. Polls in the US have shown that 93% of adults agree that there should be some form of legal cannabis. In the UK, support for legalization has hit a high of 77%. Support in continental Europe is also growing. In Germany, about half of the population considers medical cannabis as a good alternative to traditional medicines and is likely to take medical cannabis as a treatment.

Western Europe boasts some of the world's fastest evolving and most significant opportunities in medical cannabis, with countries reassessing their restrictions as public support for legalizations grows and commercial and social benefits become apparent.

**WESTERN EUROPE BOASTS OPPORTUNITIES IN MEDICAL CANNABIS**




*Source: Marijuana Business Daily*

| SATIVEX PRODUCT DATA | |
|---|---|
| Medicinal product | Sativex △ |
| Product number | 568392 |
| Strength | 27+25 mg/ml |
| Package | 3 x 10 ml oromucosal spray, opl. |
| Active substance | Cannabinoids |
| Company | GW Pharma (International) B.V. |
| ATC code | N02BG10 |
| Dose dispensing | no |
| Dispensing groupe | AP4NB |
| **Price** | |
| Price per package | 520.18 eur. |
| Price per unit | 17.34 eur. |
| Price per defined daily dose | - |
| Pharmacy cost price | 384.00 eur. |

It is estimated that at the end of 2019, the Western European medical cannabis market was worth between €230 million and €280 million at retail prices, of which between €150 million and €175 million was in Germany. While the German cannabis industry is still in its infancy, it is the third largest market globally, behind the US and Canada.

Germany amended its regulations on the therapeutic use of cannabis products in March 2017. Since then, the population of patients receiving medical cannabis products has increased from roughly 1,000 people to more than 60,000 in 2019. This still represents less than 0.1% of the population. In comparison, in the USA and Canada, the proportion of medical cannabis patients is estimated at 1.5% to 2% of the population, equating to a potential of two million patients in Germany.

More than half of the market value comes from medical cannabis flowers, distributed by several competing companies that have been granted a narcotics license. The remainder of the market is composed of extracts (3%), finished drug products (such as Sativex produced by GW Pharma), and Dronabinol, a synthetically produced THC, marketed by C3, a subsidiary of the Canadian licensed producer Canopy Growth.

In Germany, medical cannabis products are sold exclusively in pharmacies and are only prescribed by doctors as a last resort medicine if the patient has exhausted all other avenues of treatment. There were 267,348 prescriptions in 2019.

Despite a continuously growing demand, the market remains highly constrained. Firstly, only a limited number of doctors (roughly 2,000 to 3,000, less than 5% of the German total) prescribe medical cannabis products. The vast majority of doctors are not yet comfortable or educated enough in the subject to do so.

Secondly, the supply of medicines is still insufficient. At present, only around 10% of the 20,000 pharmacies in Germany sell medical cannabis products. Also, 2019 was characterized by several interruptions in the supply chain when quality issues temporarily took brands like Aurora off the shelves.

Prescriptions are for specific brands, and if the brand is not available, the patient must return to the doctor for

another prescription. Currently, Germany depends 100% on imports, with cannabis flowers being supplied from Canada, the Netherlands, and marginally from Portugal. Around 10 EU GMP (Good Manufacturing Practice) certified cultivators were allowed to export their products to Germany, limiting the sources of supply. The situation will evolve in the coming few months as more cultivators are expected to be granted authorization to sell into Germany. However, the education of doctors and patients, improvements in stability and efficacy of products, enhancements in the supply chain, and sales setups are likely to foster demand. We estimate that the German market will grow to €1.5 billion by 2025.

We expect that the sharp increase in the patient population will be partially offset by a decrease in price induced by the rise in supply sources and pressure from health insurers, which currently reimburse two-thirds of medical cannabis prescriptions.

There are currently more than 40 companies allowed to distribute medical cannabis products to pharmacies in Germany. Distributors must hold a narcotics license and a specific license for each product reference distributed. Of the companies that hold the required licenses, only a dozen are active.

One group of distributors are subsidiaries of Canadian licensed producers (including Tilray, Aurora, Canopy Growth and Aphria); and another are independent European producers and distributors (such as CanPharma, Demecan or Sanity Group) distributing flowers from Bedrocan and other EU-GMP certified cultivators. This second group will likely attract continuing investment and interest.

Distributing medical cannabis flowers in Germany is currently relatively straightforward, as demand exceeds supply. The main challenge for distributors is to secure high-quality medical cannabis. However, as the market grows, the main success factor will be the ability to reach all key stakeholders. Distributors will need to have large dedicated sales teams on the ground to target the country’s 70,000 doctors and 20,000 pharmacies.

As the market matures, it will converge toward more traditional pharmaceutical standards. Winners will be the companies with experience in the pharma world, capable of securing deals with insurance companies;

offering a flawless supply chain, logistics setup, and a portfolio of products tailored to patients' needs.

From a product perspective, we expect to see improvements in galenical formulation and product consistency, stability, and efficiency.

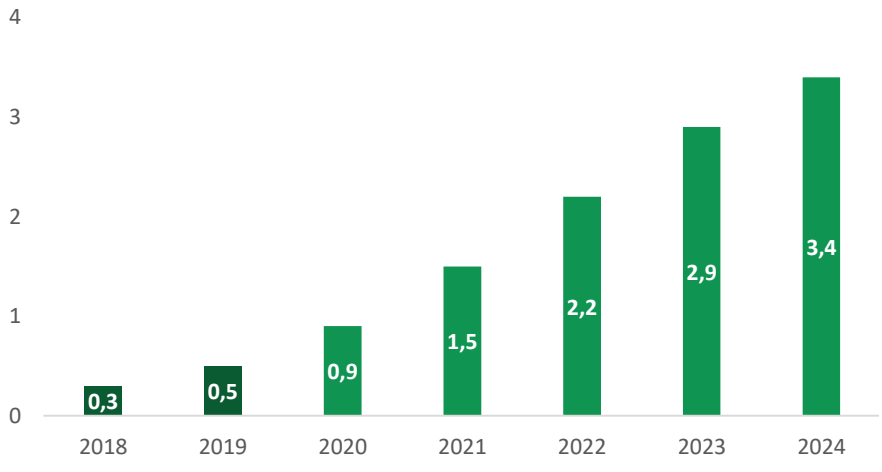
The winning companies will be the first movers that can:

- Secure stable, long-term, and high-quality supply via solid offtake agreements, ensuring that their own brand products are constantly on the shelves of pharmacies;
- Have an established nationwide sales team to address the full depth of the market, so their products are prescribed and distributed in progressive cities like Berlin or Hamburg, as well as in the small towns of rural Germany.
- Target all stakeholders: patients, doctors, pharmacies, and health insurers.
- Offer a full range of quality products tailored to the various needs of patients; and
- Educate prescribers.

While the European market is expected to grow much faster (CAGR of 50%), it is still a lagging market with a tiny fraction of the global volume. The spending on cannabis is highly dependent on legislation.

However, it can be assumed that the illegal market must be a multiple of the legal market, considering that 33 million EU citizens (7.4%) consumed cannabis in 2019.

**EUROPE LEGAL CANNABIS SPENDING (USD BILLIONS)**




*Source: BDS Analytics, Arcview Market Research*

Not surprisingly, Europe is expected to be the largest contributor to international spending throughout this forecast period. With large European markets like Germany and the U.K. significantly broadening their medical cannabis programs in the last two years and France aggressively pushing to follow suit, spending in Europe is forecast to grow at a CAGR of 48.9% from USD 308 million in 2018 to USD 3.4 billion—62.5% of international sales—in 2024. Germany is, and will remain, the largest European market throughout the forecast period, did cross the billion-in-spending mark by 2022.

There is a broad difference in the market estimates for the cannabis industry: e.g., Prohibition Partners' proprietary market-sizing model predicts that the European market will be worth USD 39.1 billion by 2024, driven strongly by its medicinal cannabis market, which will account for 57% of the value.

Key facts about the German medical cannabis market in 2019 include:

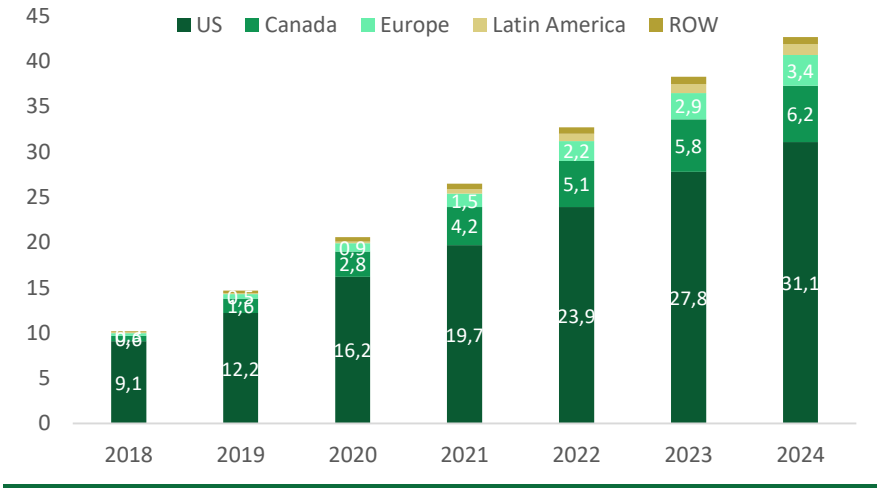
- Roughly 6,500 kilograms (14,330 pounds) of flower were imported to be dispensed to patients in pharmacies (more than double the 3,000 kilograms imported in 2018)
- Statutory health insurers covered €123 million (US$134.4 million) worth of different cannabis products in 2019 (slightly more than half for flower products)
- German pharmacies processed 267,348 prescriptions under the statutory program in 2019 (up 44% from the 185,370 prescriptions processed the previous year)
- Adding private prescriptions that were paid out of pocket by patients, Marijuana Business Daily estimates the total retail value of the market—including all cannabis products—was at least 170 million euros in 2019
- Germany's market will be 100% dependent on imports at least until the end of 2020, when the first domestic harvests are expected

## Global Market

Clearly, cannabis legalization is rapidly approaching a tipping point worldwide, and market numbers are

projecting the development of a multi-billion dollar global marketplace.

**GLOBAL SPENDING BY REGION (USD BILLIONS)**



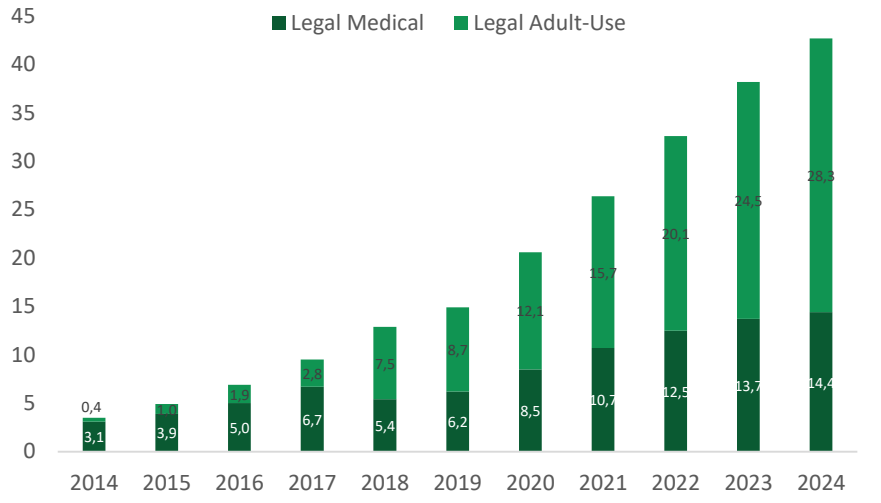

*Source: BDS Analytics, Arcview Market Research*

The estimated size of the cannabis market varies widely since there is no consistent definition of what constitutes the "CBD market" and whether estimates include legal and illegal use. But some estimates reach as high as US$150 billion by 2025: e.g., Grand View Research predicts the global legal cannabis products market reaching US$146 billion by 2025, and Barclays, in their European Consumer Staples Report (September 2018), suggests the global figure could be as high as US$272 billion by 2028.

Consumer spending on legal cannabis worldwide grew by an estimated 45.7% to US$14.9 billion in 2019, nearly triple the 17% growth rate the industry posted in 2018 when the world's largest single market in California struggled during the transition to an overtaxed adult-use business. Global sales are forecast to grow another USD 5.7 billion (an increase of 38%) to USD 20.9 billion in 2020, up from the USD 19.3 billion forecasts in June. According to BDS Analytics, the worldwide legal market is expected to grow to USD 42.7 billion in 2024, rising at a compound annual growth rate (CAGR) of 26.9% from 2018.

| EPIDYOLEX PRODUCT DATA | |
|---|---|
| Medicinal product | Epidyolex Δ |
| Product number | 400959 |
| Strength | 100 mg/ml |
| Package | 100 ml oral solution |
| Active substance | Cannabidiol |
| Company | GW Pharma (International) B.V. |
| ATC code | N03AX24 |
| Dose dispensing | no |
| Dispensing groupe | NBS |
| **Price** | |
| Price per package | 1712.16 eur. |
| Price per unit | 17.12 eur. |
| Price per defined daily dose | - |
| Pharmacy cost price | 1267.76 eur. |

**GLOBAL LEGAL CANNABIS SPENDING BY TYPE (USD BILLIONS)**




*Source: BDS Analytics, Arcview Market Research*

## Cannabis-Based Products for Medicinal Use

Cannabis-based products that were previously listed in Schedule 1 can now be prescribed by doctors on the General Medical Council Specialist Register in the UK on a named patient basis. Currently, general practitioners in the UK cannot prescribe them.

These products are not licensed for specific medical indications but are used off license for medicinal purposes in many countries and are certified for quality according to good manufacturing practice (GMP). Examples include herbal cannabis (floral material from the cannabis plant).

The recommended route of administration is through a medical vaporizer device, and smoking is currently prohibited under NHS guidance. Extracts from the cannabis plant (such as cannabis oils containing THC) are also available for oral administration.

Some cannabis-based products were already available for medicinal use before rescheduling in 2018. Sativex, an oral spray derived from the cannabis plant containing THC and CBD in a 1:1 ratio, is licensed for treating spasticity in multiple sclerosis in 29 countries, including the UK, Israel, Canada, Brazil, and Australia.

However, meta-analysis suggests its effectiveness may be limited, and it is not recommended by the UK's

National Institute for Health and Care Excellence (NICE) because of poor cost-effectiveness.

Epidiolex, an oral CBD solution derived from the cannabis plant, was licensed by the US Food and Drug Administration in June 2018 to treat seizures in two rare and severe forms of childhood epilepsy—Lennox-Gastaut syndrome and Dravet syndrome. At the time of writing, an application for the same indication is under review by the European Medicines Agency. It can currently be prescribed on a named patient basis in the UK.

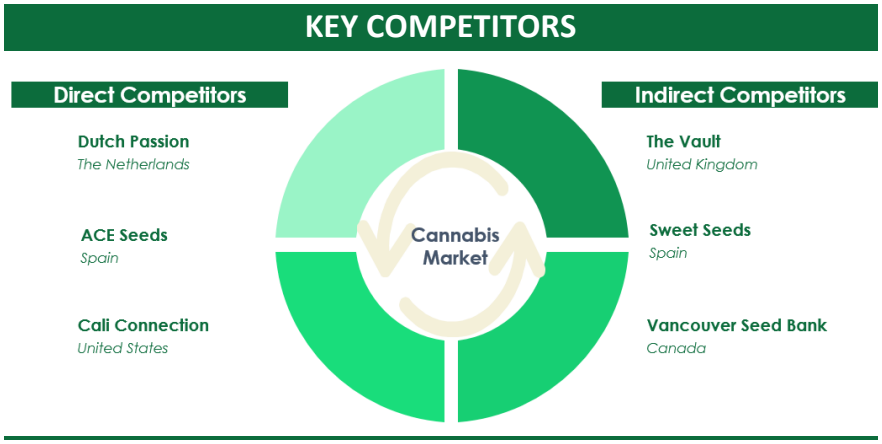
### Synthetic Cannabinoids for Medicinal Use

Dronabinol and nabilone are synthetically produced medicinal products that mimic the effects of THC. Dronabinol has an identical structure to THC, while nabilone has a related structure and is more potent than dronabinol, requiring lower doses to achieve clinical efficacy. Countries including the US, the Netherlands, Germany, Austria, and Croatia have licensed the use of both products. They are licensed to treat weight loss in patients with AIDS and nausea and vomiting in people receiving chemotherapy who have failed to respond adequately to conventional anti-emetics. Nabilone is licensed in the UK, while dronabinol is not licensed but can be prescribed on a named patient basis.

# COMPETITIVE PICTURE OVERVIEW

Given that the cannabis market is rapidly expanding as more countries legalize or decriminalize cannabis, more and more businesses continue to obtain licenses to operate and enter the market. Thus, the competition within the cannabis market space is rapidly growing. In addition, regulatory delays are also hampering legal cannabis' capacity to compete with the illegal market, which faces no costs related to regulatory oversight.

RCS faces both direct and indirect competition in the cannabis market. There is a large number of breeders and seed banks with established operations and strong brands. In addition, with more locations to purchase products, more information available, and the opportunity to price shop, customers can afford to be picky despite the high demand, intensifying the competition. While there are a lot of small and more prominent players, the key competitors for the company are described below.




*Source: Real Canna Denmark*

## Dutch Passion

Dutch Passion are one of the world's oldest cannabis seedbanks and one of the few remaining original seed companies. Dutch Passion boasts 30 years of experience in the industry and breeds high-quality strains for recreational and medicinal use.

## ACE Seeds

Located in Valencia, Spain, ACE is part of the Cannabis Breeders Association. They have an intensive Research & Development program and

produce annual limited editions of exotic marijuana strains

### Cali Connection

The company is an association of breeders from northern and southern California. Over the years, they have won numerous High Times Cannabis Cups to further their validity

### Export Market and Competitive Advantage for Danish Companies Within the Medical Cannabis Industry

Due to the strict Danish requirements, Danish companies are well positioned to be preferred suppliers in a global market with similar high requirements (e.g., Germany). With Denmark's high requirements, Danish companies will automatically meet the requirements in various geographic markets, as Denmark sets high and strict standards. For this reason, several international companies have invested in the Danish medical cannabis sector. Among the advantages for the Danish medical cannabis sector are:

- Easy access to the European Union market (through new export legislation)
- Free production possibilities (no restrictions or quotas)
- A supportive, predictable, and stable government
- Strong and competent level of education, including pharma and agriculture
- The country's technological advantage

Denmark has achieved a unique position in the European market through its legislation. The majority of countries in Europe are highly dependent on cannabis imports as they have no or partially limited production (quota based). Denmark, in contrast, has no limit on how much medical cannabis must be produced. Also, the new export legislation gives the Danish manufacturers access to large markets in the form of neighboring countries. Denmark is one of the only countries in Europe that is allowed to export cannabis.

Further, Denmark is characterized by quality medicine produced in Denmark and is recognized as a leading agricultural producer. As also described above, due to the stringent requirements of the Danish Medical

Administration and the uniform quality requirements by the Danish medical cannabis regulations, Danish-based manufacturers is expected to have a competitive advantage in the new European markets.

With this advantage in the export regulation, Danish manufacturers can capture the market before it is fully established. So far, the European market has many countries with patients but a minimal supply of manufacturers.

## Competition in the German Market for Medical Cannabis

Producers that want to distribute to German pharmacies need to either own or have an agreement with a German importer. Only pharmacies can sell directly to patients.

German importers must:

- Be a registered business with commercial register entry through the Handelsregister
- Have a pharmaceutical wholesaler license issued at the regional government level
- Obtain a license for dealing with narcotics at the federal level

The federal government confirmed at the end of February that, so far, flower for patients in Germany came from only Canada, the Netherlands, and Portugal.

As of April 2020, we are unaware of a change in this situation, but the BfArM already granted the first import permits for cannabis flower from Denmark and Spain. There might be a significant delay between obtaining the import permit and getting the product on the market because other requirements must be fulfilled.

Three of the major Canadian companies serving the German market have acquired importers in the country: Aphria, Aurora Cannabis, and Canopy Growth.

Three additional Canadian producers have supply agreements with German companies and provided products in 2019: Cronos Group, Tilray, and Wayland Group.

The wholesalers that had products imported from countries other than the Netherlands as of early 2020 were:

1. Aurora Cannabis distributes its own products produced in Canada.
2. Cannamedical distributes products imported from Canadian producer Wayland, and products from Portugal produced by Tilray. According to Cannamedical, the company imported 1,158 kilograms in 2019, which represents 18% of total imports.
3. Canopy Growth, which distributes its own products produced in Canada
4. Pohl Boskamp, which distributes products imported from Canadian producer Cronos
5. Tilray, which distributes its own products produced in Canada

Some of the suppliers listed above also import Dutch flower.

Regarding non-flower products, in 2019, only two companies imported cannabis extracts from Canada. Tilray started selling these products in 2017 and Aurora in 2019.

Dronabinol is produced in Germany by C3, the former cannabinoid division of Bionorica now owned by Canopy Growth. For some of C3's production, flower from Austria and the Netherlands is imported. In April 2020, German firm Cantourage became a new supplier of dronabinol, which it imports from Israel.

## Competition in the Italian Market for Medical Cannabis

Italy continues to represent Europe's second-largest medical cannabis market by volume of flower and other full-spectrum products sold as magistral preparations.

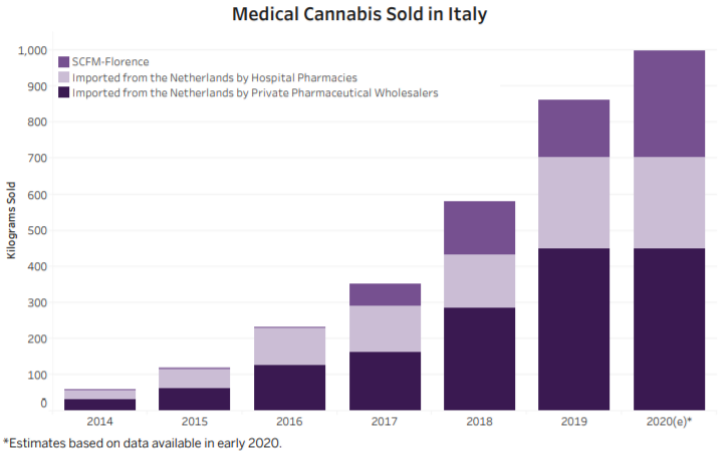
Key facts about the Italian medical cannabis market in 2019 include:

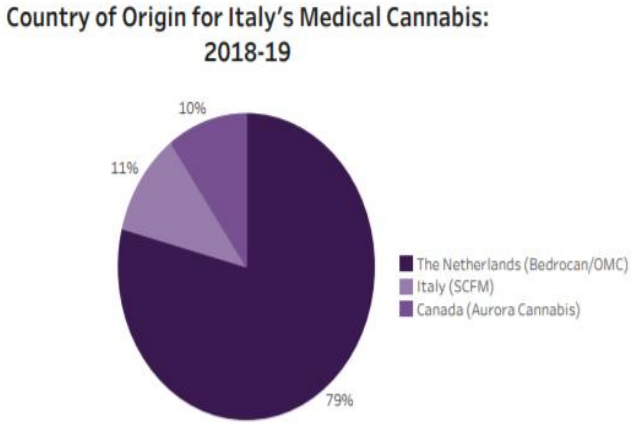
- 861 kilograms (1,898 pounds) of flower were sold, up 50% from sales in 2018
- More than 80% of the flower sold to patients was imported from the Netherlands. The rest was either produced domestically by the army or supplied to the military by Aurora Cannabis, which produced it in Canada.

The retail value of the market is hard to accurately assess because of the large number of possible products that could be prescribed, but we estimate it at about €20 million. Nearly half that value is represented by the pharmacies' markups

Italy attracted significant attention from Canadian companies in 2018 and 2019 because many hoped it could represent the next big European export destination after Germany. So far, however, Canadian companies have supplied only a tiny fraction of the Italian medical cannabis market. Bedrocan products exported by the Dutch government Office of Medical Cannabis (OMC) provide the bulk of the medical cannabis for Italy, representing just over 80% of the 861 kilograms of flower supplied to pharmacies in the country in 2019. Italy is the second-largest export destination for the Dutch OMC. The rest of the total supply is distributed to pharmacies by the Italian Ministry of Defense, which grows some cannabis domestically and buys the rest from Canadian producer Aurora.

## MEDICAL CANNABIS SOLD IN ITALY




*Source: Marijuana Business Daily*

### The Netherlands: Medical Cannabis

The Netherlands remains the cannabis export powerhouse of Europe and has a more mature domestic market than any of its neighbors. Several European countries are gearing up to challenge the Netherlands as exporters, but as of early 2020, the only meaningful export from a European Union country to another not involving the Netherlands was a 500-kilogram shipment from Portugal to Germany at the end of 2019.

Here are some key medical cannabis market facts from the Netherlands in 2019:

- The country exported 3,370 kilograms of flower for pharmacy dispensing
- Exports for dronabinol manufacturing or for research purposes are not included in the 3,370 kilograms figure. Exports for dronabinol represented roughly 1,000 kilograms
- The retail value of the Netherlands' domestic market is EUR 12 million. It has not grown meaningfully during the past three years
- Full-spectrum oils prepared in individual pharmacies represented more than half the prescriptions

Bedrocan is the only medical cannabis grower in the Netherlands, selling exclusively to the Office of Medical Cannabis (OMC).

## Denmark

At the end of 2017, the Danish Parliament unanimously voted in favor of a four-year trial period for medical cannabis, creating a new domestic market and export possibilities. Before the start of the trial program, sales of isolated THC and/or CBD as magistral preparations have been possible, as have sales of Sativex and other finished pharmaceutical products.

In terms of domestic production, dozens of licenses have been granted, many of which are operational. But as of the end of 2019, no company had been able to supply domestic patients with Danish production, nor had they been able to export commercially to other countries. More than 40 licensed domestic producers exist.

The domestic market can be divided into medical cannabis products that are part of the so-called Pilot Program and those that are not. In 2019, products offered under the Pilot Program consisted of only flower and full-spectrum oils, including Three chemovars of flower—Bedica, Bediol, and Bedrocan—which are produced by Bedrocan in the Netherlands and imported into Denmark by CannGros.

Unlike in countries such as Germany or the Netherlands, Danish authorities receive applications for cultivation and manufacture on an ongoing basis.

As of March 2, 2020, Denmark had:

- 44 granted licenses (double the number as of March 2019)
- Three pending licenses
- 10 refused or expired licenses
- Five withdrawn licenses

At the end of 2019, no Danish-produced medical cannabis had reached domestic or foreign patients.

## Identifying Companies with GMP Certification

Cannabis sold in Germany must abide by the Good Agricultural and Collection Practices (GACP) and Good Manufacturing Practice (GMP) quality standards. Obtaining European Union-GMP certification is one of the key requirements for any business looking to sell its medical marijuana products in Germany.

Two Canadian cannabis companies received EU-Good Manufacturing Practice (GMP) certification, an essential step to exporting medical marijuana to markets in the European Union.

Brampton, Ontario-based producer Northern Green Canada received its EU-GMP certification on March 4, 2020. On the same day, Eve & Co subsidiary Natural MedCo earned a certificate of EU-GMP compliance for its Strathroy, Ontario, facility.

## Cannabis Manufacturing Report's List of Cannabis Companies with Documented, Registered GMP Certification (Short-List)

**Charlotte's Web, Boulder, Colorado**

- Products: Hemp oils; CBD products
- Type: NSF Dietary Supplements GMP Registration

**Hemp Depot, Colorado Springs, Colorado**

- Products: Hemp seeds and oils; CBD products
- Type: NSF Dietary Supplements GMP Registration

**Mile High Labs, Broomfield, Colorado**

- Products: CBD and hemp extracts
- Type: SGS Good Manufacturing Practice Certification/ISO 9001:2015 certification

**Among those with GMP audits:**

**Bluebird Botanicals, Louisville, Colorado**

- Products: Hemp extracts
- Type: Eurofins GMP audit/GMP for Dietary Supplements audit

**Commonwealth Extracts, Louisville, Kentucky**

- Products: Hemp oils; CBD products
- Type: AIB International GMP Audit

**Stillwater Brands, Commerce City, Colorado**

- Products: THC- and CBD-infused beverages and edibles
- Type: Eurofins Dietary Supplements GMP Audit

It is also worth looking at the revenues and EBITDA development for some of the cannabis-listed peers (see the list on the next page). As can be seen, most of the peers showed strong growth in sales in recent years, partly due to legalized recreational cannabis in Canada, which supports strong growth potential for Real Canna Denmark if EU also starts to legalize this.

While the EBITDA is still in negative territory for most of the peers, it is expected to turn positive with a good margin in the next few years. The main reason behind the lingering nature of low EBITDA margins is that most companies have high fixed costs and inefficient operations.

Accordingly, they have limited scalability and are stuck with relatively low margins.

| USD millions | | Revenue | | | | | | | | EBITDA | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e | 2023e | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e | 2023e |
| Canada-Focused | Valens Co Inc/The | 0.0 | 0.0 | 0.0 | 41.5 | 69.3 | 111.2 | 151.3 | 92.9 | -0.4 | na | -9.9 | 16.2 | 15.9 | 28.1 | 43.5 | 32.2 |
| | Aurora Cannabis Inc | 1.1 | 13.6 | 43.5 | 201.6 | 213.8 | 306.7 | 419.9 | 568.8 | -3.0 | -7.6 | -65.8 | -106.2 | -145.2 | 2.9 | 69.5 | 144.6 |
| | Canopy Growth Corp | 9.7 | 30.4 | 60.8 | 171.6 | 312.8 | 393.1 | 600.9 | 894.3 | -0.4 | -6.1 | -48.2 | -166.6 | -309.0 | -228.9 | -108.0 | 108.5 |
| | Organigram Holdings Inc | 4.6 | 4.3 | 9.7 | 63.0 | 70.6 | 97.9 | 117.7 | 150.0 | 1.5 | -7.3 | 31.3 | 18.7 | -11.0 | 15.5 | 20.1 | 32.4 |
| | Tilray Inc | 12.6 | 20.5 | 43.1 | 175.6 | 223.2 | 335.0 | 455.6 | 425.0 | -5.1 | -5.6 | -54.1 | -82.5 | -95.7 | 6.0 | 48.4 | 79.7 |
| | Green Organic Dutchman Holdings Ltd/ | na | 0.0 | 1.5 | 8.1 | 22.4 | 48.2 | 91.3 | na | na | -11.3 | -33.5 | -39.1 | -23.4 | -0.9 | 6.7 | 18.7 |
| | MediPharm Labs Corp | na | na | 7.9 | 91.6 | 45.1 | 83.6 | 143.1 | 153.4 | na | na | -5.5 | 20.6 | -10.1 | 15.0 | 37.5 | na |
| | Village Farms International Inc | 155.5 | 158.4 | 150.0 | 178.3 | 193.8 | 202.8 | 279.0 | 166.0 | 7.7 | 6.4 | 0.8 | 12.0 | 10.5 | 32.0 | 70.0 | 65.3 |
| | Cronos Group Inc | 0.4 | 3.1 | 12.1 | 32.3 | 39.2 | 92.1 | 187.5 | 205.1 | -1.0 | -0.9 | -19.4 | -51.4 | -97.9 | -61.2 | -2.0 | 47.9 |
| | Aphria Inc | 6.4 | 15.4 | 29.0 | 167.7 | 410.2 | 526.6 | 640.8 | 856.2 | -0.1 | 0.4 | -4.5 | -34.6 | 10.7 | 51.2 | 96.5 | 191.1 |
| | HEXO Corp | 0.0 | 3.1 | 3.9 | 36.6 | 59.4 | 101.3 | 144.0 | 184.9 | na | -0.7 | -12.8 | -28.3 | -30.7 | -1.4 | 15.1 | 31.7 |
| | TerrAscend Corp | 0.0 | 0.0 | 5.3 | 64.4 | 156.3 | 272.5 | 387.2 | 549.8 | -0.7 | -5.1 | -16.2 | -22.2 | 35.2 | 84.8 | 115.3 | 170.9 |
| | Ignite International Brands Ltd | 0.0 | 0.0 | 0.0 | na | na | na | na | na | -0.1 | -0.2 | -0.5 | na | na | na | na | na |
| | Auxly Cannabis Group Inc | 0.2 | 0.0 | 0.6 | 5.3 | 33.6 | 69.3 | 105.1 | 148.4 | -0.3 | -13.8 | -44.4 | -29.8 | -25.1 | -6.0 | 10.1 | 21.6 |
| | Weedmd Inc | 0.0 | 1.1 | 6.1 | 20.6 | 34.1 | 86.4 | na | na | -2.1 | -5.3 | -8.0 | -5.7 | -8.3 | 24.6 | na | na |
| | Delta 9 Cannabis Inc | na | na | na | na | 37.0 | 47.9 | 55.3 | na | na | na | na | na | 4.9 | 9.3 | 8.1 | na |
| | Zenabis Global Inc | 23.5 | 25.1 | 25.8 | na | na | na | na | na | 4.4 | 4.9 | 5.7 | na | na | na | na | na |
| | Aleafia Health Inc | 0.0 | 3.0 | na | na | 41.4 | 84.9 | 130.3 | na | -0.1 | -4.5 | na | na | 4.8 | 26.2 | 28.2 | na |
| | Vivo Cannabis Inc | 0.5 | 0.7 | na | 18.8 | 29.4 | 68.7 | 95.7 | 100.1 | -3.1 | -18.7 | na | -8.7 | -5.3 | 11.7 | 28.7 | 28.9 |
| | Supreme Cannabis Co Inc/The | 0.0 | 0.0 | 7.0 | 30.6 | 30.4 | 55.1 | 67.1 | na | -3.1 | -13.6 | -14.4 | -5.9 | -21.7 | 2.4 | 22.9 | na |
| | TerrAscend Corp | 0.0 | 0.0 | 5.3 | 64.4 | 156.3 | 272.5 | 387.2 | 549.8 | -0.7 | -5.1 | -16.2 | -22.2 | 35.2 | 84.8 | 115.3 | 170.9 |
| | Sundial Growers Inc | na | na | na | 71.2 | 67.9 | 85.5 | 121.2 | na | na | na | na | -8.2 | -19.7 | -6.3 | 10.9 | na |
| | PharmaCielo Ltd | na | na | 0.0 | na | 9.4 | 56.5 | na | na | na | na | -0.1 | na | -8.1 | 26.9 | na | na |
| | Flowr Corp/The | na | na | na | 4.9 | 12.6 | 51.4 | 87.8 | 74.3 | na | na | na | -14.2 | -12.9 | 8.0 | 18.4 | 13.2 |
| | Green Growth Brands Inc | na | na | 0.0 | 21.0 | 65.8 | 170.9 | 253.8 | na | na | na | -2.5 | -26.3 | -46.2 | -12.3 | 23.1 | na |
| | Flower One Holdings Inc | 0.0 | 0.0 | 0.1 | 8.5 | 32.6 | 80.6 | 105.6 | na | na | na | -7.9 | 1.0 | -4.8 | 18.6 | 31.9 | na |
| US-Focused | GrowGeneration Corp | 8.0 | 14.4 | 29.0 | 78.9 | 167.5 | 245.6 | na | na | -0.4 | -2.7 | -3.9 | 6.7 | 13.9 | 24.2 | 40.4 | 54.7 |
| | 4Front Ventures Corp | 0.0 | 0.0 | na | 53.0 | 106.1 | 147.7 | 248.4 | na | -0.1 | -0.2 | na | -1.5 | 5.6 | 43.0 | 48.4 | na |
| | Trulieve Cannabis Corp | 0.1 | 15.2 | 102.8 | 252.0 | 488.8 | 654.3 | 900.3 | 1,045.0 | -3.0 | 8.1 | 78.3 | 119.2 | 231.5 | 287.8 | 453.0 | 563.0 |
| | Innovative Industrial Properties Inc | na | 6.4 | 14.8 | 41.4 | 112.5 | 194.3 | 231.5 | 288.0 | na | 0.7 | 8.0 | 33.4 | 98.0 | 169.5 | 211.0 | 259.0 |
| | Columbia Care Inc | na | na | 39.3 | 82.0 | 196.1 | 402.8 | 466.3 | 575.0 | na | na | -29.0 | -50.1 | -17.3 | 74.6 | 110.7 | 179.0 |
| | Green Thumb Industries Inc | 0.0 | 0.0 | 62.5 | 217.4 | 503.9 | 742.8 | 984.3 | 1,234.0 | -0.3 | -0.2 | -21.2 | 32.5 | 135.5 | 232.4 | 312.7 | 448.0 |
| | Curaleaf Holdings Inc | 0.0 | 0.0 | 77.1 | 253.3 | 740.7 | 1,421.3 | 1,860.0 | 2,093.0 | -0.1 | -0.1 | -20.0 | 19.0 | 148.9 | 410.9 | 482.5 | 611.5 |
| | Acreage Holdings Inc | na | na | 21.1 | 139.1 | 138.9 | 244.1 | 300.0 | 522.0 | na | na | na | -51.5 | -65.9 | 30.7 | 10.6 | 24.8 |
| | Harvest Health & Recreation Inc | 0.3 | 0.2 | 0.1 | 117.2 | 222.0 | 336.7 | 325.9 | 291.8 | na | na | na | -30.9 | 10.3 | 64.1 | 45.0 | 53.3 |
| | Greenlane Holdings Inc | na | 88.3 | 178.9 | 186.0 | 136.6 | 166.3 | 185.0 | na | na | 3.5 | -1.0 | -8.1 | -18.1 | 2.8 | 4.8 | na |
| | Arena Pharmaceuticals Inc | 92.2 | 21.3 | 18.0 | 805.1 | 3.0 | 41.5 | 112.4 | 180.5 | -0.3 | -87.7 | -141.0 | 495.7 | -436.5 | -408.5 | na | na |
| | Charlottes Web Holdings Inc | 14.7 | 40.0 | 69.5 | 98.5 | 112.3 | 171.8 | 207.5 | 218.5 | 1.2 | 12.7 | 16.5 | 8.3 | -13.2 | 27.1 | 38.7 | 57.7 |
| | Cara Therapeutics Inc | 0.1 | 0.9 | 13.5 | 20.1 | 22.0 | 33.3 | 136.9 | 271.0 | -56.9 | -59.0 | -77.0 | -109.5 | -117.0 | -118.9 | -84.9 | 38.3 |
| | Cresco Labs Inc | 0.0 | 0.0 | 0.0 | 122.2 | 407.1 | 692.9 | 793.5 | 1,020.5 | na | na | 0.0 | 0.4 | 65.8 | 182.2 | 237.0 | 323.5 |
| | Neptune Wellness Solutions Inc | 17.4 | na | 21.6 | 19.2 | 21.2 | 99.2 | 144.1 | 162.1 | -9.4 | na | 3.7 | -1.4 | -21.5 | 1.5 | 32.9 | 52.5 |
| | Planet 13 Holdings Inc | na | na | 21.2 | 65.0 | 53.8 | 99.2 | na | na | na | na | -2.4 | 10.4 | 5.9 | 26.7 | na | na |
| | KushCo Holdings Inc | 8.2 | 18.8 | 52.1 | 147.8 | 111.9 | 132.3 | 203.0 | na | 0.2 | 0.8 | -25.3 | -32.2 | -30.7 | 3.9 | 23.6 | na |
| | Scotts Miracle-Gro Co/The | 2,506.2 | 2,642.1 | 2,663.4 | 3,109.7 | 4,030.2 | 4,114.5 | 4,248.3 | 4,401.0 | 521.1 | 513.5 | 282.3 | 592.3 | 717.5 | 748.3 | 750.0 | 778.5 |
| | 22nd Century Group Inc | 12.3 | 16.6 | 26.4 | na | na | na | na | na | -10.6 | -12.4 | -22.7 | na | na | na | na | na |
| | GW Pharmaceuticals PLC | 14.7 | 10.4 | 12.7 | na | 512.3 | 788.3 | 1,053.8 | 1,235.9 | -154.5 | -180.8 | -279.5 | na | -27.8 | 211.5 | 458.2 | 622.5 |
| | CV Sciences Inc | 11.1 | 20.7 | 48.2 | 55.8 | 27.3 | 37.8 | 38.4 | 43.0 | -12.0 | -4.7 | 10.8 | -11.2 | -14.1 | -5.6 | -7.3 | -4.3 |
| | cbdMD Inc | na | 4.5 | 0.5 | 25.0 | 40.7 | 50.3 | 62.5 | 70.2 | na | -0.2 | -1.6 | -11.0 | -12.1 | -0.8 | -0.1 | 6.1 |
| | AYR Strategies Inc | na | na | 0.0 | na | 159.2 | 255.9 | 324.1 | 366.0 | na | na | -37.5 | na | 58.2 | 110.3 | 130.9 | 146.8 |
| | Jushi Holdings Inc | 0.0 | 0.0 | 0.0 | na | 73.0 | 200.9 | 190.3 | na | -0.4 | -0.1 | -0.1 | na | -5.0 | 48.0 | 44.0 | na |
| | Vireo Health International Inc | 0.0 | 0.0 | 0.0 | 30.0 | 48.4 | 82.9 | 95.4 | na | -0.1 | -0.1 | -0.1 | -16.2 | -6.2 | 13.5 | 22.5 | na |
| | TerrAscend Corp | 0.0 | 0.0 | 5.3 | 64.4 | 156.3 | 272.5 | 387.2 | 549.8 | -0.7 | -5.1 | -16.2 | -22.2 | 35.2 | 84.8 | 115.3 | 170.9 |

*Source: Bloomberg consensus*

# SWOT ANALYSIS

## Strengths:

**Expertise** – we have a deep knowledge of farming across a variety of products and industries and have retained key people with extensive knowledge of the cannabis Industry including our partner from Nordic Hemp Group.

**Supply Chain** - we have access to an established network of suppliers and industry partners. We focus on using suppliers who already have demonstrated experience in building high-care growing and cultivation facilities.

**Experience** – among other key personnel, we have retained a former grower/CEO of a well-known cannabis company in Denmark responsible for producing several unique cannabis strains.

**Demand** - the cannabis industry continues to expand rapidly and is expected to grow thirtyfold in the next 10 years. We expect widespread demand expansion in flowers and buds given low supply for high-quality, industrial production of cannabis, particularly GMP-certified products.

## Weaknesses:

**Nascent Brand** - we will compete with a large number of breeders and seed banks with established operations and strong brands.

**Limited Pricing Power** - as more competition comes online, seed pricing is expected to contract, which may adversely affect future earnings.

**Need for Capital** – To fully execute our business plan, we will require significant capital investment in equipment, marketing, and working capital. High capital costs related to creating a world-class facility is, however, a barrier to entry for competitors. In addition, investment in cannabis companies is unsuitable for some investors which has the effect of contracting the availability of equity capital.

## Opportunities:

**Technology** – we expect significant gains via automation as a cost reduction tactic. CRM technology

will also enable us to collect better customer data and improve our marketing efforts.

**Regulations** - globally, cannabis prohibitions have loosened in recent years, making it easier for our businesses to carry out operations.

**E-commerce** - there has been a new trend and growth in sales within the e-commerce industry. Real Canna Seeds intends to leverage these trends via the opening of an online store under Danish regulations.

### Other:

- Denmark has opened the market for medical cannabis
- Worldwide, cannabis acceptance is gaining ground. Germany, Italy, and Israel are very active in the liberalization of the regulatory space and there is activity in the EU to produce Europe-wide liberalizing legislation. Luxembourg is expected to be the leader, with Spain close behind in the next couple of years.
- Tax revenues and job creation in the cannabis space provide excellent opportunities for all countries.
- While public equity markets are still in their "cannabis infancy," companies that deliver results enjoy very high P/E ratios.
- Significant growth in legal cannabis consumption opens the door to new markets.
- More and more pharmaceutical companies are using cannabis in drugs, e.g., Sativex, for the treatment of MS. Epidiolex for epilepsy in children and some new medications for chemotherapy-induced nausea.

### Threats:

**Political Uncertainties** - the tenuous relationship between politics and the cannabis industry could continue to prove to be a barrier in business, hindering performance at times and causing our business to incur unexpected costs.

**Changing Regulations** - the cannabis industry is subject to ever-changing regulation and compliance requirements which requires a great deal of agility by companies that intend to operate in the global cannabis space.

# ORGANISATION: MANAGEMENT & PERSONNEL PLAN

## Organization and Management.

RCS has a team of managers with extensive experience in cultivating cannabis and other plants in high-care hydroponic facilities.

### Paal Anders Nordvi
**President and Director**

Paal is a serial entrepreneur with a track record of success in building businesses in various US, Europe, and Asia industries. Paal has significant cannabis industry knowledge and a network of relationships in business and finance.

### Janus Nielsen
**Primary External Consultant**

Through his company Nordic Hemp Group Janus has been involved and provided advice in our seed and extraction processes combined with facilitating various product solutions based on his +10 years of experience in the industry along with his vast international network

### Anders Raft
**Director**

Anders provides valuable know-how in the transition from proof of concept to proof of business due to his +8 years experience with start-ups from various industries. Anders has furthermore proven experience in operations and product management and an extended background in the field of marketing and project management.

### Anders Olofssen
**Master Grower**

A cannabis genetics expert and a specialist in the production of flowers and derivative products such as hash, pollens, oils, food products, and cosmetics. He is a former director, founder and head grower of Medical Cannabis Denmark Aps and has subsequently worked as a freelance consultant within the industry.

**Firas Alturk**
**Pharmaceutical Regulatory Assistance**

Firas is a specialist in pharmaceutical production, medical devices, Danish cannabis regulation, and overall compliance.

The total number of staff in production is expected to increase from 6 to 27 by 2026.

All personnel involved in cultivation, production, and handling of cannabis will be trained to a high standard, including GACP and GMP standards and the Danish laws and rulemaking on cannabis and euphoriant substances.

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Forecasted # Workers | 6 | 9 | 15 | 18 | 25 |

# PARTNERS, COOPERATION, AND CONSULTANCY

RCS has carefully chosen its partners and personnel. It has been a priority to build a team with specialists with extensive knowledge within their areas of expertise to ensure quality in every step of the plan and the effective implementation of our future practical processes.

Significant examples include:

### Elcon Security
**Security and Risk Management**

Realizing the importance of adequate safety measures within the Cannabis industry in Denmark, RCS has chosen Elcon, a full-service security provider that offers comprehensive solutions.

RCS utilizes Elcon in risk management consultancy, safety, and risk precaution design, fire safety, personnel security awareness training, physical and facility security design, and background screening of RCS's prospective employees.

### Firas Alturk
**Pharmaceutical Regulatory Assistance**

Firas Alturk has been providing RCS with consultancy in regard to the Danish cannabis industry and country-specific cannabis regulations. He is a specialist in pharmaceutical production, medical devices, the Danish cannabis regulation and overall compliance.

### Eurofins
**Laboratory and Analyses**

Eurofins in Denmark has been selected by RCS to perform the external testing and analyses to complement RCS' internal testing regimes. Eurofins has a global network of world-class laboratories and testing facilities. The RCS team has extensive experience working closely with Eurofins in other countries, and we expect to take advantage of the Eurofins certification for handling euphoriant substances.

## DNA Genetics

**Seed Provider**

Established over thirteen years ago, DNA Genetics have developed their brand as well as influenced the global market by developing high quality seeds imported directly from California to cannabis-legal jurisdictions.
DNA Genetics has extensive experience working with the medical and scientific community. DNA Genetics will be directly involved in RCS' selection and development process via the genetic evaluation of seeds and strains for artificial selection and quality assurance.