





Spinnaker Opportunities

What is Spinnaker Opportunities?

Spinnaker Opportunities Plc (“Spinnaker” or the “Company”) is a Standard Listed cash shell focused on delivering a material acquisition in the cannabis processing industry.

Spinnaker aims to generate an attractive capital return to its shareholders by achieving a valuation uplift upon Reverse Takeover (“RTO”) and by selecting a target business that has significant further value growth potential following acquisition.

Can you tell us a bit about the Company?

The Company was incorporated on 17 November 2016 with the goal to seek an acquisition of a material business opportunity which is likely to constitute a Reverse Takeover (“RTO”).

The Company's Initial Public Offering, which consisted of a Subscription and a Placing, was over-subscribed and the Company was admitted to trading on 17 May 2017 under the ticker “SOP LN”. Gross proceeds were £1.2 million of which the Board invested an aggregate of £0.3 million.

Why is SOP pursuing an RTO in the cannabis processing industry?

Research published by Alphagreen.io in May 2020 suggests that more than eight million Britons are buying CBD products, with the industry consistently growing at over 20% per year. The cannabis industry is also in a fortunate position where, unlike many other industries, it is booming because of the COVID-19 pandemic. As the public become more health conscious, new alternatives are becoming favourable. The relatively new cannabis processing industry offers an attractive opportunity for Spinnaker, allowing the Company to create the most efficient return of shareholder capital, due to the lower cost of entry, and enables consistent value creation.

Is SOP focused solely on the Cannabis Industry?

The Company's active focus remains on the delivering a material acquisition in the cannabis processing industry. Spinnaker has made substantial advances with the FCA towards completion of the RTO with Kanabo Research ("Kanabo"), an R&D company focused on the distribution of cannabis-derived products for medical patients, and non-THC products for CBD consumers, and firmly believes it is favourably positioned to take advantage of the burgeoning medical cannabis market within Europe, with its medical-grade vaporiser, research licences and patents.

What is the upcoming news flow?

Upcoming news is expected regarding completion of the RTO and re-listing on the London Stock Exchange. Commentary will be provided from time to time, including in the interim financial statements for the period ending 30 June 2020.

What experience does the Board and management have of running a London listed company?

Andy Morrison has extensive experience as Advisor of Junior Public Companies and various members of the Board and management have senior executive experience with expertise encompassing blue chip American organisations, AIM listed companies, TSX-V listed companies and start-up ventures

Members of the Board and management team also have corporate finance backgrounds, which will be an asset when it comes to running a listed company



What feedback has Spinnaker received from the FCA?

During 2019, Spinnaker, Kanabo and its advisers worked on the prospectus documents and by December, these were in substantially agreed form, ready for submission to the FCA's Eligibility Committee. Shortly after this, Spinnaker was informed that the FCA would be undertaking an internal review of its policies on regulation of cannabis-related businesses (as a whole) and that the review would conclude by March 2020. No further substantive feedback has been provided to date. The Board remains confident in the legal position of the proposed business and looks forward to an early and satisfactory resolution.

What has caused setbacks in the RTO?

As cannabis-related businesses are a relatively new industry the Stock Exchange and FCA have had to write new internal policies for companies and investors which are in line with the UK's laws and regulations. Unfortunately, this process has taken them longer than they initially anticipated.

We also understand that the FCA is engaged in giving guidance on a multitude of issues arising from COVID-19 and it is, therefore, reasonable to expect delays on an issue requiring the input of key decision makers at the FCA. The setbacks have given Spinnaker and Kanabo the opportunity to refine and perfect the prospectus documents in preparation for re-listing.

What has the Board been doing in the meantime?

The Board has been working proactively through its advisers with the Stock Exchange and FCA to facilitate the successful RTO of Kanabo. Spinnaker and its advisers have also been making a continuous effort to ensure that materials required for the RTO transaction are up to date.

What are the next steps in the process?

The Share Purchase Agreement covering the proposed transaction was executed on 2 December 2019. Once approval from the FCA for the RTO of Kanabo is received, the next step will be the completion of the transaction and re-listing on the Stock Exchange. A GM will be required to approve certain aspects of the transaction.

Does the Company have an idea of when the RTO will be completed?

The timeline for completion of the RTO is dependent on approval from the FCA. Spinnaker and Kanabo have been working together to ensure that both companies are ready to hit the ground running once approval has been granted.



Kanabo Research

What is Kanabo Research (“Kanabo”)?

Kanabo is an R&D company focused on the distribution of cannabis-derived products for medical patients, and non-THC products for CBD consumers. Kanabo has conducted extensive R&D to develop high-quality cannabis extract formulas, innovative medical-grade vaporizers, and various non-smoking consumption solutions – making use easy and accessible for anyone in need of treatment.

What has Kanabo been doing whilst the RTO is being completed?

Kanabo has continued its business development activities directed towards expanding the list of qualified suppliers of raw materials, certified contract manufacturers and sales through its distributor network in the target markets.

The company is selling initial products such as its medically certified VapePod device in Europe already, and is ready to scale up to meet market demands and projected sales and revenues upon completion of the RTO.

Will Kanabo need any additional funding before the RTO?

To date, Spinnaker has issued three loan tranches of £100,000 to Kanabo to further support sales growth pending completion of the transaction. At this moment we do not anticipate that Kanabo will require any further financial support before completion of the RTO. However, this may be subject to change depending on when approval from the FCA is received.



CBD vs. THC

Can you explain the difference between CBD and THC?

Cannabidiol (CBD) and tetrahydrocannabinol (THC) are the two most well-known active compounds found in the cannabis family. THC is the primary psychoactive compound in cannabis. When correctly administered it can be used as a painkiller and antioxidant. CBD, on the other hand, has no psychoactive effects and is primarily found in hemp. It is known to have many benefits, including treating epilepsy, pain relief, alleviating anxiety and helping with sleeping and eating disorders.

What is medical cannabis and what are its restrictions?

Medical cannabis is a term usually applied to products with approved therapeutic benefit for treating certain conditions, but which have a concentration of the THC psychoactive compound greater than 0.2%. Medical cannabis products are available on prescription only, whereas CBD products are widely available over the counter in High Street retailers and online.

Currently in the UK there are only two licenced medical cannabis products available, via prescription, which are supported by The National Institute for Care and Excellence (NICE) as a cost-effective form of treatment, with all other products being classed as “unlicensed”. Recent publicity surrounding certain individual cases has increased public debate about the potential benefits of medical cannabis, but licensed pharmaceutical products take time to develop and regulations are slow to change. Strong patient demand in markets such as Germany has led to rapid growth in the prescription of unlicensed (but lawful) medical cannabis products.

In the UK, there has been a lack of specialist doctors willing and able to prescribe unlicensed medical cannabis. As a result, whilst the unlicensed medical cannabis business in the UK is perfectly legal, volumes in this sector remain relatively small for the time being. Despite this, steps are being taken to improve information on the medical cannabis industry in the UK through bodies such as The Centre for Medical Cannabis and through the opening of private expert clinics.

Will the FSA's novel food regulations affect Kanabo?

The Food Standard Agency's novel food regulations apply to CBD products designed for ingestion (eating/drinking). As such, they do not directly affect products designed for topical use such as cosmetics or products designed for inhalation. Kanabo's initial product offering is for inhaled products, which are therefore not directly affected. Kanabo operates with high level of scientific research and professionalism and they and Spinnaker welcome appropriate regulation of the sector.

Will the slow uptake in Britain for prescribing medical cannabis affect Kanabo?

In response to the COVID-19 pandemic, the UK has seen a relaxing of its laws around accessing medical cannabis. It is a shame that increased access has come from a national crisis, however, this is still a step forward. Kanabo's medical cannabis products are in the R&D phase which means there will be no immediate downside to both companies' near-term business plan upon completion of the RTO. The Company believes Kanabo's relisting is favourably positioned and timed to take advantage of the UK's expanding CBD and medical cannabis market.