



SPINNAKER CANNABIS Q&A

- What is the cannabis processing industry?
 - This is the part of the supply chain that exists between the cultivation of cannabis and the retailing of branded products, neither of which is within our scope. We will focus mainly on the chemical extraction processes and the wholesaling of derived compounds. Spinnaker has no intention to invest in the recreational cannabis business, even in those markets where it may be legalised.
- What are THC and CBD?
 - Of the over 400 compounds that comprise the cannabis plant, more than 60 of them are specific to cannabis. THC (Tetrahydrocannabinol) and CBD (cannabidiol) are two of at least 113 cannabinoids identified in cannabis. THC is the principal psychoactive constituent of cannabis and is more frequently used in medical cannabis. CBD, however, is not psychoactive and is therefore subject to a different regulation regime in most territories. CBD's main market are health and wellness including food additives, where no specific medical claims are made. It does have some approved medical applications, but this is a far less significant end-market.
- What is medical cannabis?
 - 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%.
- What restrictions are medical cannabis subject to?
 - Due to the over 0.2% concentration of the THC psychoactive compound, medical cannabis is subject to Schedule 1 drug classification in the USA and similar restrictions in other markets. Recent publicity surrounding certain individual cases has increased public debate about the potential benefits of medical cannabis, but pharmaceutical products take time to develop and regulations are slow to change. As a result, volumes in this sector, while fast growing, remain relatively small.

- Is recreational cannabis legal in the UK?
 - In contrast to recent developments in Canada, where recreational use of cannabis will be legal from October, in the UK it remains illegal. Spinnaker has no plans to get involved in this market.

- Is medical cannabis legal in the UK?
 - While medical cannabis is legal in the UK, it remains very tightly controlled through a case by case approval from the Home Office. As such, the approved and legal uses of medical cannabis are few.

- Is cannabis processing legal in the UK?
 - With the appropriate licenses, the cultivation and processing of cannabis plants is legal in the UK. Perhaps surprisingly, the UK is one of the biggest producers in the world. In general, the manufacture, sale and use of CBD products (oils etc) with concentrations of THC of less than 0.2%, is legal in the UK.

- How secure are the laws surrounding cannabis? i.e. is there any risk that the assets would be confiscated should laws change in the future?
 - Our perspective on this is that the pace of change of laws is unpredictable but that the direction they are heading (towards greater acceptance of the potential benefits of compounds extracted from the cannabis plant) is clear. By focusing firmly on businesses that are fully legal at the time of investment, we believe that risk of asset confiscation risk will be minimal and that we can thereby establish a pool of expertise which will enable the Company to evolve along with the sector.

- Why has Spinnaker chosen to get involved in the cannabis processing industry?
 - It remains our intention to undertake an RTO (Reverse Take-Over), but we have decided to focus our attention on the specific cannabis processing industry out of the full gamut of energy and industrial sectors that we could address. We feel that cannabis processing can create the most efficient return of shareholder capital, due to the lower cost of entry. Furthermore, as a relatively new industry it is set to benefit from strong growth metrics, enabling consistent value creation.

- Why is this a good investment area?
 - Various factors indicate investment attractiveness of the cannabis industry. Interest in legal cannabis businesses has been reflected in the rising share prices of cannabis producers in the past few months. Due to the concomitant growth in market capital, some Canadian-based cannabis producers have graduated from the TSX Venture Exchange to the Toronto Stock Exchange. Firstly, an acquisition in August of a cannabis producing company by a drinks producer, brought respectability to the industry, and also represented the attractiveness of cannabis companies' growth story. Secondly, recent news that Coca Cola is investing in research into drinks

containing cannabis derivatives follows news at the end of August that Diageo was rumoured to be in talks about producing cannabis-infused drinks. The entrance of food and drink companies into the market could expand demand for cannabis-derived products by developing new consumer-markets. As a relatively new industry, cannabis companies have huge scope for growth. Spinnaker hopes that entry into the legal cannabis industry would bring its shareholders exposure to a high-growth market.

- What benefits to shareholders would there be over your previously proposed RTO of an oil company?
 - We never constrained our ambitions to a sole focus on oil. the principal benefits that we seek for shareholders are participation in a higher growth segment, led by burgeoning consumer demand and lower equity dilution thanks to typically lower investment needs than for oil and gas, for example. These open the potential for higher value growth for Spinnaker shareholders.

- Thinking about the deal you are currently looking at, what does it mean for both companies going forward?
 - We can't get into the specifics of the possible deal here, but as in any RTO, it would mean that Spinnaker would acquire the business using newly issued shares as consideration. The Spinnaker shares would be divided up amongst the current owners of the target company in proportion to their holdings and they would then become shareholders of Spinnaker.

- What will the Spinnaker Board's involvement be?
 - The Board of the enlarged company would be agreed according to the needs of that business. It is not Spinnaker's policy to demand any particular level of board representation in the enlarged company, although we would normally expect to retain at least one director for continuity and liaison with investors in the cash shell stage.

- What controls are in place to ensure there is no misuse of the cannabis?
 - Any cannabis processing business that is acting lawfully will have to have full traceability and be able to account for its waste products, including THC.

- You clearly have a strong background in oil, but what experience do the directors have in the cannabis processing industry?
 - By focusing on the cannabis processing industry, we play to existing technical and commercial strengths in the team in speciality chemical businesses and in operating in highly regulated segments. Through our due diligence work we have built up another level of expertise. Furthermore, we appointed Alan Hume to our Board in September 2018. His knowledge of the legal, regulatory and financial aspects of the cannabis processing industry will be particularly helpful. Furthermore, we are

working with Peterhouse Capital who have established a leading advisory and capital raising position for cannabis-related quoted stocks in London. We will still look to enhance expertise further by the appointment of retained adviser(s) with direct sector experience.

- Are you still open to a transaction in the energy or wider industrial segments?
 - Other energy and industrial segments are not excluded, but they are not our active focus. Our current strategy is that we will be proactive in cannabis processing opportunities and reactive in other segments.

- You have been looking, presumably, at oil & gas deals for over 16 months, will this change in focus result in a further long delay to achieving a transaction?
 - We do not think so. We think that focusing on a segment where there is clear and immediate investor interest will help secure a transaction in a shorter time frame.

- Will you be looking for a transaction solely in the UK or widening the scope to Europe where there is more “cannabis” activity?
 - The principal investment opportunity at the moment is in the European market, which is underserved when compared to Canada and the US. Within Europe we do not have any particular preference for, or against, the UK.

- Do you anticipate much competition from other cash shells for the appropriate transaction?
 - We anticipate more competition from independent IPOs than from other cash shells, but we have a good cash balance, a clean history and expertise in how to navigate the sector with regulators and others. Our advisers, Peterhouse, are leaders in the sector in London, so overall, we will be an attractive prospect for an emerging business looking to move fast.