

# INVESTOR UPDATE



20 October 2022

## INVESTOR UPDATE HAPA PHARM (Eurocann)

Dear investors,

The European and in particular the German cannabis market is developing and growing at an exceptional speed. Less than 2 tons of medicinal cannabis products were imported into Germany in 2017 – 2021 it was already over 20 tons<sup>1</sup>.

With the proposed recreational cannabis legalization, Germany should quickly become the global leader and one of the biggest cannabis market in the entire world. The German cannabis market could become larger than the Canadian and Californian markets combined. On top of this, more and more countries in the European Union legalize cannabis for medicinal use. Many governments such as Portugal or the Netherlands consider a fully legalized adult-use cannabis market similar to Germany.

Since our start in 2016 our company HAPA has gathered great experience, medical cannabis market share in Germany and brand awareness in the industry. HAPA is greatly positioned to benefit from Germany's market growth as well as more legalized European countries.

We would like to take the chance to update you on the most recent developments in HAPA and our envisioned next steps for the years ahead.

## ENHANCING PRODUCTION CAPACITIES

We have built, finished and GMP-audited 10 greenhouses successfully on our land in Spanchevo, North Macedonia. We have already started adding 10 more greenhouses. With our experiences of the past years, we will be able to finish this swiftly. The 20 greenhouses will allow us to produce up to 25,000 kg per year of premium grade dried cannabis flower. With an expected demand of 200,000 – 400,000kg<sup>2</sup> cannabis in the German recreational market alone, our capacity enhancement will allow us to serve our existing & future German customers and patients consistently. Within a couple of months we can add more production capacities on our land in North Macedonia when demand increases further.

We were able to increase our majority stake in RH pharma from 55% to 100%. RH pharma is our EU-GMP certified manufacturing site in Skopje, North Macedonia, where our cannabis flower is processed and refined into finished pharmaceutical products such as sublingual cannabis oils for oral intake. The full

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<sup>1</sup> [https://www.bfarm.de/DE/Bundesopiumstelle/\\_FAQ/Cannabis/faq-liste.html?cms\\_fid=566334](https://www.bfarm.de/DE/Bundesopiumstelle/_FAQ/Cannabis/faq-liste.html?cms_fid=566334)

<sup>2</sup> <https://www.tagesspiegel.de/wirtschaft/wie-cannabis-zum-wirtschaftsfaktor-wird-5697136.html>

ownership allows us total margin, product development and manufacturing control on all our recreational upscale products as well as finished pharmaceuticals.

HAPA is amongst the very few players in the world that obtained the prime pharmaceutical standard of European Good Manufacturing Practice (EU-GMP). Physically audited by German regulatory officials for the entire value chain from field to pharmaceutical wholesale and distribution, we are proud to be the **first German company that has successfully imported and sold its own grown cannabis flower and specifically produced extracts into the German market.**

## GAINING MORE MEDICAL MARKET SHARE

HAPA has been successful in closing the first meaningful supply agreement with VAMEDA Group / Cannaport: HAPA has agreed to sell 2,000kg of dried cannabis flower + 10,000 SKUs THC extracts in 2022 and has agreed to sell 4,000kg of dried flower + 20,000 bottles of cannabis extracts in 2023.

As we wish to further grow our business, we will invest more into marketing and selling activities as well as grow our team in these departments. HAPA pharm is a pharmaceutical company that serves patients and not cannabis users. HAPA pharm is clearly pharmaceutically oriented, meaning that all our marketing activities will feed into this medical image.

We have understood that only a distinct understanding of both worlds – pharmaceutical cannabis & recreational cannabis – will define a successful strategy for us. Many competitors in Germany hope to make semi-patients on prescription brand-loyal consumers in the German adult-use market. Hence, some companies market their pharmaceutical products focusing on their recreational application.

## PLANNING FOR REC

The German government may legalize cannabis for recreational use within the next 12 to 18 months. In order for us to participate and benefit from this creation of an entirely new industry, we are finalizing our recreational market strategy for Germany at the moment. We will establish a new entity, with a new name and brand in order to grow in the recreational market. We want to use synergies from our current production, however, we will produce and market products for the recreational market distinctly and separated from our pharmaceutical business.

In order for HAPA to be successful in any recreational market, it is crucial to produce high-quality and premium cannabis products. As flower/pre-roll and vapes/concentrates will dominate the recreational

market (we expect 65-75% category sales share<sup>3</sup>), those categories will be our main priority. Also, we can make best use of our existing manufacturing infrastructure of cannabis grow & extraction.

For the pharmaceutical market we currently work with Amnesia Kush. Amnesia Kush is a hybrid strain (70% Sativa, 30% Indica) of Cannabis Sativa L. that can achieve THC levels as high as 25%. In stark contrast to pharmaceutical focuses in production like validation of processes, qualification of machinery and strict pharmacopeia quality specification limits for the final product, the recreational market demands other priorities. The THC concentration (the higher the more sales), bag appeal (bud size, pistil color, trichome glance etc) and the aroma (smell, taste, terpenes etc) are the main factors most consumers evaluate the quality of their cannabis raw flower strains.

Therefore, we obtained over 50 different genetics from well-acknowledged breeders in California, USA and in British Columbia, Canada. We got hold of many top-seller and award-winning genetics. Our team currently runs multiple tests on our premises in Macedonia in order to assess the chemovars' potentials for the adult-use market. HAPA will select only the best phenotypes for commercial production. We target to maximize THC levels as well as offer a small selection of high-quality HAPA strains: To meet many different consumer needs, we want to offer a small variety in aroma, S/I/H<sup>4</sup>, perceived "effect" as well as look & feel. Additionally, the strains must yield enough biomass as well as grow consistently and resistently on our cultivation facility. In order to grow seedlings quickly, we invest into in-vitro plant tissue culture breeding procedures well-known to intensive agriculture technology.

In upscaled products such as vape cartridges and extracts the industry standard is "live" meaning plants must be shock-frozen shortly after harvest to preserve its aroma (terpenes) and strength (cannabinoids) best. We want to be able to produce and sell live resin (solvent extracted) concentrates in vape cartridges and other consumption forms. To produce this, we can make great use of our existing state-of-the-art critical CO<sub>2</sub> extraction machines, team and know-how. Additionally, we will invest in machinery for the refinement of products (i.e. freezers, purging gear, filtration systems), rolling of pre-rolls as well as in educated personnel in order to be ready to sell premium upscale cannabis products by 2024.

The European cannabis market is just in its infancy and HAPA pioneers and leads this market since inception. The next years will be an incredibly busy and successful time for us. With your ongoing support and your interest, we are confident to increase shareholder value a lot further.

#### Proposed Liquidity Event

You should in the near term receive information relating to your shares in Eurocann as we embark on a listing on the ASX in Australia. We thank you for your patience over this journey that hasn't needlessly

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<sup>3</sup> see for example NFD 2022 Cannabis Consumer Report at <https://info.newfrontierdata.com/us-cannabis-2022>

say been assisted by 2 years' worth of delays receiving our certifications due to COVID. With this all behind our company and having imported and sold in Germany one of the largest single shipments of Medical Cannabis Flower and Oil (320 kg of flower and 5,000 bottles of oil) we feel that the time is now correct and the broader industry looking favorable, to bring HAPA to market.

In the coming months, we will have more and more information to the shareholders about this process, and I look forward to joining you as a very satisfied shareholder on our listing event.

Should you have any queries please reach out to Michael Sprenger our Head of Investor Relations at [ms@hapa-pharm.com](mailto:ms@hapa-pharm.com).

Kind Regards,

A handwritten signature in blue ink, appearing to read 'Ricardo Pendon', written over a thin horizontal line.

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