THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or the action you should take, you are recommended to seek your own financial advice immediately from an appropriately authorised stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 ("FSMA").

This document comprises a prospectus relating to Spinnaker Opportunities Plc prepared in accordance with the prospectus regulations rules of the Financial Conduct Authority (the "FCA") made under section 73(A) of FSMA (the "Prospectus Regulation Rules") and this prospectus has been approved by the FCA, as competent authority under the Prospectus Regulation. The FCA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the quality of the securities that are, or the Company which is, the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the securities. Applications will be made to the FCA for all of the Ordinary Shares, having a nominal value of £0.025 each, in the capital of the Company (issued and to be issued including the Existing Ordinary Shares, the Conversion Shares, the Consideration Shares, the Placing Shares, the Fee Shares, the Subscription Shares,the SOP Bonus Shares and Harpur Investor Shares) to be admitted to the Official List of the UK Listing Authority (the "Official List") by way of a standard listing under Chapter 14 of the listing rules published by the UK Listing Authority under section 73A of FSMA as amended from time to time (the "Listing Rules") and to the London Stock Exchange plc (the "London Stock Exchange") for such Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities ("Admission"). It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, at 8:00 a.m. on 16 February 2021.

THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ BY PROSPECTIVE INVESTORS. YOUR ATTENTION IS SPECIFICALLY DRAWN TO THE DISCUSSION OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE ORDINARY SHARES AS SET OUT IN THE SECTION ENTITLED 'RISK FACTORS' BEGINNING ON PAGE 14 OF THIS DOCUMENT.

The Company, Directors and the Proposed Directors, whose names appear on page 33 of this Document accept responsibility for the information contained in this Document. To the best of their knowledge the information contained in this Document is in accordance with the facts and the prospectus makes no omission likely to affect its import.

Certain information in relation to the Company has been incorporated by reference into this Document. You should refer to the part of this Document headed 'Relevant Documentation and Incorporation by Reference' which can be found on page 97 of Part VI of this Document.

Spinnaker Opportunities Plc

(to be renamed Kanabo Group Plc)

(*Incorporated in England and Wales with Registered No. 10485105*)

Acquisition of Kanabo Research Limited
Placing and Subscription of 92,307,693 Ordinary Shares of £0.025 each at 6.5 pence per Ordinary Share
Admission of 360,229,328 Ordinary Shares of £0.025 each to the Official List (by way of Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's Main Market for listed securities in connection with the proposed acquisition of Kanabo Research Limited

AND

Notice of general meeting and approval of waiver of Rule 9 obligations under The Takeover Code

Financial Adviser and Broker
Peterhouse Capital Limited

Peterhouse Capital Limited ("Peterhouse"), which is authorised and regulated by the FCA in the conduct of investment business, is acting exclusively for the Company and for no-one else in connection with the Proposals and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Peterhouse or for providing advice in relation to the contents of this Document, Admission, or any transaction, arrangement, or other matter referred to in this Document.

Peterhouse is not making any representation, express or implied, as to the contents of this Document, for which the Company, the Directors and the Proposed Directors are solely responsible. Without limiting the statutory rights of any person to whom this Document is issued, no liability whatsoever is accepted by Peterhouse for the accuracy of any information or opinions contained in this Document or for any omission of information, for which the Company, the Directors and the Proposed Directors are solely responsible. The information contained in this Document has been prepared solely for the purpose of the Placing, the Subscription, the Acquisition and Admission and is not intended to be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

Apart from the liabilities and responsibilities, if any, which may be imposed on Peterhouse by FSMA or the regulatory regime established thereunder, neither Peterhouse nor any persons acting on behalf of Peterhouse make any representations or

warranties, express or implied, with respect to the completeness or accuracy of this Document nor does any such person authorise the contents of this Document. No such person accepts any responsibility whatsoever for the contents of the Document or for any other statement made or purported to be made by it or on its behalf in connection with the Enlarged Group, the Ordinary Shares or Admission. Peterhouse accordingly disclaims any and all liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Document or any such statement.

Neither Peterhouse nor any persons acting on behalf of Peterhouse accept any responsibility or obligation to update, review or revise the information in this Document, or to publish or distribute any information which comes to their attention after the date of this Document, and the distribution of this Document shall not constitute a representation by Peterhouse or any such persons that this Document will be updated, reviewed or revised or that any such information will be published or distributed after the date hereof.

All Ordinary Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Share capital of the Company and the New Ordinary Shares will rank pari passu in all other respects with the Existing Ordinary Shares in issue on Admission.

An extract of the Notice convening a General Meeting of the Company to be held at the offices of Hill Dickinson LLP, The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW on 15 February 2021 at 10.00 a.m. is set out at the end of this Document. Shareholders will find enclosed with this Document a Form of Proxy for use in connection with the General Meeting. To be valid, the Form of Proxy must be signed and returned in accordance with the instructions printed thereon so as to be received by Neville Registrars Limited, at the following address: Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD, as soon as possible but in any event by not later than 10.00 a.m. on 11 February 2021.

This Document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer or invitation to buy or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States or under applicable securities laws of Australia, Canada, the Republic of South Africa, the Republic of Ireland or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold, resold, transferred or distributed directly or indirectly, within, into or in the United States or to or for the account or benefit of persons in the United States, Australia, Canada, the Republic of South Africa, the Republic of Ireland, Japan or any other jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction. This Document does not constitute an offer to sell or a solicitation of an offer to purchase or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company. The Ordinary Shares may not be taken up, offered, sold, resold, transferred or distributed, directly or indirectly within, into or in the United States except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the Securities Act. There will be no public offer in the United States.

The distribution of this Document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

None of the Ordinary Shares have been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed comment upon or endorsed the merit of the offer of the Ordinary Shares or the accuracy or the adequacy of this Document. Any representation to the contrary is a criminal offence in the United States.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Regulation Rules, the publication of this Document does not create any implication that there has been no change in the affairs of the Company since or that the information contained herein is correct at any time subsequent to the date of this Document. Notwithstanding any reference to the Company's website, the information on the website does not form part of this Document.

Notice in Connection with Israel

The Ordinary Shares may only be offered and sold to investors in Israel who are listed in the first supplement (the "First Supplement") of the Israeli Securities Law, 5728-1968, as amended (the "Israeli Securities Law"), consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters purchasing for their own account, venture capital funds, entities with shareholders' equity in excess of 50 million new Israeli shekels and high net worth individuals who meet the qualifications specified in the Israeli Securities Law, each as defined in the First Supplement (as it may be amended from time to time, collectively referred to as the "Eligible Investors"). Eligible Investors shall be required to submit a written confirmation that they fall within the scope of the First Supplement.

Application will be made for the Existing Ordinary Shares to be Admitted and the New Ordinary Shares to be admitted to a Standard Listing on the Official List. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that the FCA will not have authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

Dated: 29 January 2021

NOTICE TO INVESTORS

The distribution of this Document and the Fundraise may be restricted by law in certain jurisdictions and therefore persons into whose possession this Document comes should inform themselves about and observe any restrictions, including those set out below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this Document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Document does not constitute an offer to subscribe for any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Document has been approved by the FCA as a prospectus which may be used to offer securities to the public for the purposes of section 85 of the FSMA and of the Prospectus Regulation Rules. No arrangement has however been made with the competent authority in any other EEA State (or any other jurisdiction) for the use of this Document as an approved prospectus in such jurisdiction and accordingly no public offer is to be made in any jurisdiction. Issue or circulation of this Document may be prohibited in countries other than those in relation to which notices are given below. This Document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares in any jurisdiction in which such offer or solicitation is unlawful.

This Prospectus has been approved by the FCA, as competent authority under the Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the quality of the securities that are the subject of this Prospectus. Such approval should not be considered as an endorsement of the issuer that is the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

For the attention of European Economic Area investors

Following the conclusion of the Brexit transition period on 31 December 2020, it is no longer possible:

(a) to request and obtain a certificate of approval from the FCA to enable an approved prospectus to be passported from the UK into an overseas EEA jurisdiction; and

(b) for prospectuses approved by another EEA Member State to be passported into the UK.

For EEA Member States, an offer to the public in the relevant EEA Member State of any Ordinary Shares may only be made under the following exemptions prescribed by the Prospectus Regulation, if they have been implemented in that EEA Member State:

(a) to any legal entity which is a Qualified Investor, within the meaning of Article 2(e) of the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than Qualified Investors, within the meaning of Article 2(e) of the Prospectus Regulation) in such EEA Member State subject to obtaining prior consent of the Company for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Regulation and each person who initially acquires Ordinary Shares or to whom any offer is made will be deemed to have represented,

warranted and agreed with Peterhouse and the Company that it is a "Qualified Investor" within the meaning of Article 2(e) of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any offer of Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Regulation in that Relevant Member State, and the expression "Prospectus Regulation" includes any relevant implementing measure in each Relevant Member State.

During the period up to but excluding the date on which the Prospectus Regulation is implemented in member states of the European Economic Area, this Document may not be used for, or in connection with, and does not constitute, any offer of Ordinary Shares or an invitation to purchase or subscribe for any Ordinary Shares in any member state of the European Economic Area in which such offer or invitation would be unlawful.

The distribution of this Document in other jurisdictions may be restricted by law and therefore persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions.

For the attention of UK investors

This Document comprises a prospectus relating to the Company prepared in accordance with the Prospectus Regulation Rules and approved by the FCA under section 87A of FSMA. This Document has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

For the attention of US investors

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or jurisdiction of the United States, and may not be offered, sold, resold, transferred or distributed, directly or indirectly, within, into or in the United States, except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any state or jurisdiction of the United States.

Accordingly, the Ordinary Shares may only be sold: (i) within the United States or to US Persons as defined in Regulation S of the Securities Act ("US Persons") (wherever located) in transactions exempt from the registration requirements of the Securities Act and only to persons who are both qualified institutional buyers, as defined in Rule 144A of the Securities Act; and (ii) outside the United States to persons who are non-US Persons in offshore transactions within the meaning of, and in accordance with, Regulation S under the Securities Act.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission ("SEC"), any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed comment upon or endorsed the merit of the offer of the Ordinary Shares or the accuracy or the adequacy of this Document. Any representation to the contrary is a criminal offence in the United States.

Available information

The Company is not subject to the reporting requirements of section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the "US Exchange Act"). For so long as any Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Company will, during any period in which it is neither subject to section 13 or 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide, upon written request, to Shareholders and any owner of a beneficial interest in Ordinary Shares or any prospective purchaser designated by such holder or owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. The Company expects to be exempt from reporting pursuant to Rule 12g32(b).

Enforcement of judgments

The Company is incorporated under the laws of England and Wales. It may not be possible for investors to effect service of process within the United States upon the Company, or any Directors or Proposed Directors who are not US citizens or residents of the United States, or to enforce outside the United States judgments obtained against the Company, or any Directors or Proposed Directors who are not US citizens or residents of the United States in US courts, including, without limitation, judgements based upon the civil liability provisions of the US federal securities laws or the laws of any state or territory within the United States. Subject to Admission and completion, a majority of the Company's directly owned assets will be located in Israel, any judgment obtained in the United States, the United Kingdom or other jurisdictions outside of Israel against the Company may not be collectible within those jurisdictions. It may not be possible for investors to effect service of process in relation to the senior management and directors of Kanabo, the majority of whom are located in Israel. There is doubt as to the enforceability in the United Kingdom, in original actions or in actions for enforcement of United States court judgments, of civil liabilities predicated solely upon US federal securities laws. In addition, awards for punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom.

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention that it is "not applicable".

Section A – Introduction and Warnings
Introduction
The legal and commercial name of the issuer is Spinnaker Opportunities Plc. The Company's LEI number is 213800XPJFSNWJIYKN52 and its securities are the ordinary shares, registered with ISIN number GB00BYQCS703. The Company's registered address is 59-60 Russell Square, London WC1B 4HP and telephone number is +44 7980 878561. This Document has been approved on 29 January 2021 by the FCA, as competent authority under the Prospectus Regulation. The FCA's registered address is FCA Head Office 12 Endeavour Square London E20 1JN.
Warnings
THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS PROSPECTUS. ANY DECISION TO INVEST IN THE ORDINARY SHARES SHOULD BE BASED ON CONSIDERATION OF THE PROSPECTUS AS A WHOLE BY THE INVESTOR. Investors could lose all or part of their investment. Where a claim relating to the information included in this prospectus is brought before a court, the plaintiff investor might, under the national law, have to bear the costs of translating this Document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Document or it does not provide, when read together with other parts of this Document, key information in order to aid investors when considering whether to invest in such securities.

Section B – Key Information on the Issuer
Who is the issuer of the securities?
Issuer's Domicile, Legal Form, LEI, the Law under which it Operates and Country of Incorporation: The Company was incorporated with limited liability under the laws of England and Wales on 17 November 2016 with registered number 10485105 as a public limited company under the Companies Act 2006, as amended, and is subject to the UK City Code on Takeovers and Mergers. The Company is domiciled in the United Kingdom. Its LEI is 213800XPJFSNWJIYKN52.
Issuer's Principal Activities: The Company was established for the purpose of acquiring a target company or business or asset(s) with operations in the energy or industrial sectors. The Company was admitted to trading on the Main Market of the London Stock Exchange on 17 May 2017. The Company raised a total of £1,200,000 (before expenses) in conjunction with the IPO Admission. A further £170,000 (before expenses) was raised in a secondary placing on 3 January 2018. Since IPO Admission, the Company has used the proceeds to continue to review and assess acquisition opportunities and on 18 September 2018 the Company announced an enlarged strategic focus to include acquisition opportunities within the cannabis processing industry. On 18 December 2020, the Company announced that further to its initial announcement on 2 December 2019, it had entered into a new share purchase agreement with Kanabo and the shareholders of Kanabo, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Kanabo Research Limited. Kanabo is an Israel based R&D company which is currently selling a range of THC-Free Retail CBD Products in the Primary Markets and it is in the process of developing Medical Cannabis Products. Under the terms of the proposed Acquisition, the Kanabo shareholders will be entitled to receive up to 230,769,210 Consideration Shares; such shares will be issued and allotted at the Fundraise Price. The vendors of Kanabo shall also be entitled to deferred consideration satisfied by the issue of Ordinary Shares, subject to and conditional upon the achievement of certain milestones. The approval of the Acquisition is subject to and conditional upon Independent Shareholder approval of the transaction and the Rule 9 Waiver, further terms of which are set out in Part XI of this Document. If the Acquisition is approved by the Independent Shareholders of the Company and all other conditions are satisfied, the Company shall become the holding company of Kanabo.
Enlarged Group Strategy: The Enlarged Group's core strategy will be to increase revenues from the sale of Kanabo's existing Retail CBD Products in the Primary Markets and to grow the Kanabo brand through marketing initiatives. Kanabo will operate a Pilot for a period of at least 3 months from Admission to provide a number of important performance measures in relation to the sale of its Retail CBD Products in the Primary Markets. The outcome of the Pilot shall form the second phase of the Enlarged Group's strategy to increase revenue from the sale of its Retail CBD Products Kanabo's future long-term strategy involves continued research and development activities to develop a range of Unlicensed Medical Cannabis Oils, which it plans to sell in the Primary Markets as unlicensed medical products.

Major Shareholders: So far as the Company is aware, as at the Last Practicable Date and immediately following completion of the Fundraising and the Acquisition, on Admission, the following persons (not including any Directors or Proposed Directors), directly or indirectly, had/will have an interest in the Company's capital or Voting Rights which is notifiable under the Disclosure and Transparency Rules:

Shareholder	Number of Ordinary Shares as at the date of this Document	Percentage of Existing Share Capital as at the date of this Document	Number of Ordinary Shares on Admission	Percentage of Enlarged Issued Share Capital on Admission	Number of Warrants on Admission	Percentage of Enlarged Fully Diluted Share Capital
Altshuler Shaham Trusts Ltd*	Nil	Nil	214,130,283	59.44	0	50.41
Share Nominees Ltd	5,714,923	19.4	5,714,923	1.6	2,857,461	2.02
Jim Nominees Ltd	4,670,427	15.9	4,670,427	1.3	2,335,213	1.65
Hargreaves Lansdowne (Nominees) Ltd	1,793,332	6.1	1,793,332	0.5	896,666	0.63
Stephen Pearce	2,166,716	7.37	2,166,716	0.6	1,083,358	0.77
Thomas Grant & Company Nominees	1,495,940	5.1	1,495,940	0.4	747,970	0.53
Richard & Charlotte Edwards	1,460,239	4.97	4,644,855	1.29	730,199	1.27
Fiske Nominees Ltd	1,230,000	4.2	1,230,000	0.3	615,000	0.43
HSDL Nominees Ltd	1,011,854	3.4	1,011,854	0.3	505,927	0.36
Gerwyn Williams	1,000,000	3.4	1,000,000	0.3	500,000	0.35
Barclays Direct Investing Nominees Ltd	990,034	3.4	990,034	0.3	495,017	0.35

* Altshuler Shaham Trusts Ltd holds 214,130,283 Consideration Shares on behalf of the Israeli resident Sellers. Of those Sellers, David Sack holds 16,284,889 Ordinary Shares, representing 4.52 per cent. of the issued share capital immediately on Admission.

As at the date of this Document and following completion of the Acquisition and Fundraising, the Directors, the Proposed Directors and key management will be interested directly or indirectly in the Company's issued share capital of the Company, on Re-Admission, as follows:

Shareholder	Number of Ordinary Shares as at the date of this Document	Percentage of Existing Share Capital as at the date of this Document	Number of Ordinary Shares on Admission	Percentage of Enlarged Issued Share Capital on Admission	Number of Options on Admission	Number of RTO Warrants on Admission	Percentage of Enlarged Fully Diluted Share Capital
Andrew Morrison	4,600,080	15.65	6,427,003	1.78	900,000	2,300,040	2.27
Anthony Harpur	1,400,000	4.76	3,250,000	0.90	0	700,000	0.93
Alan Hume	400,000	1.36	1,231,538	0.34	0	200,000	0.34
David Tsur	Nil	Nil	9,061,102	2.52	2,700,000	Nil	3.12
Avihu Tamir	Nil	Nil	97,263,870	27.00%	Nil	Nil	26.72
Uzi Danino	Nil	Nil	3,683,382	1.02	1,800,000	Nil	1.44

On Admission, such Shareholders will not have special voting rights and the Ordinary Shares owned by them shall rank *pari passu* in all respects with other Ordinary Shares.

Key Managing Directors: The Company's key managing directors are (1) Andrew ("**Andy**") John Gowdy Morrison, Executive Chairman; (2) Alan Hume, non-executive director; and (3) Anthony James Harpur, non-executive director.

Statutory Auditors: The Company's statutory auditors are PKF Littlejohn LLP whose address is 15 Westferry Circus, Canary Wharf, London E14 4HD. The auditors of Kanabo Research Limited are BDO Israel whose address is located at Amot BDO House, 48 Menachem Begin Road, Tel Aviv, Israel.

What is the key financial information regarding the issuer?

Selected Key Historical Financial Information: Subject to Admission, the Acquisition will be completed, and the Company will acquire up to 100 per cent. of the issued share capital of Kanabo, but not less than 95% of the issued share capital of Kanabo. Accordingly, this Document contains historical financial information on the Company and Kanabo along with pro forma financial information for the Enlarged Group. The tables below set out summary financial information on the Company for the periods ended 31 December 2019, 2018 and 2017, reported upon by PKF Littlejohn LLP in accordance with International Financial Reporting Standards ("IFRS") and Kanabo for the years ended 31 December 2019 and 2018 and 10 months ended 31 December 2017, reported upon by PKF Littlejohn LLP as extracted from the historical financial information of the Company and Kanabo, set out in Parts VI and VII respectively. Prospective investors should review the following selected historical financial information together with the whole of this document and should not rely on the selected information itself.

Statement of Financial position of the Company	As at 30 June 2020 (£'000)	As at 31 December 2019 (£'000)	As at 31 December 2018 (£'000)	As at 31 December 2017 (£'000)
Total assets	**834**	**710**	**1,054**	**1,086**
Total Equity	**603**	**674**	**1,037**	**1,028**
Total liabilities	**231**	**36**	**17**	**58**
Total equity and liabilities	**834**	**710**	**1,054**	**1,086**

Statement of Comprehensive Income of the Company	Six months ended 30 June 2020 (£'000)	Year ended 31 December 2019 (£'000)	Year ended December 2018 (£'000)	Year ended December 2017 (£'000)
Operating Loss	**(111)**	**(365)**	**(161)**	**(191)**
Interest income	10	2	2	1
Loss before taxation	**(101)**	**(363)**	**(159)**	**(190)**
Income tax	–	–	–	–
Loss for the year/period	**(101)**	**(363)**	**(159)**	**(190)**
Total comprehensive income for the year/period attributable to the equity owners	**(101)**	**(363)**	**(159)**	**(190)**

Statement of Financial position of Kanabo	As at 30 June 2020 (£'000)	As at 31 December 2019 (£'000)	As at 31 December 2018 (£'000)	As at 31 December 2017 (£'000)
Total Assets	**529**	**417**	**401**	**220**
Total Equity	**162**	**190**	**(381)**	**(218)**
Total Liabilities	**367**	**227**	**783**	**438**
Total equity and liabilities	**529**	**417**	**401**	**220**

Statement of Comprehensive Income of Kanabo	Six months ended 30 June 2020 (£'000)	Year ended 31 December 2019 (£'000	Year ended 31 December 2018 (£'000)	For the 10 months ended 31 December 2017 (£'000)
Gross profit	**8**	**37**	**24**	**19**
Research and development expenses	(74)	(287)	(377)	(129)
Selling and marketing expenses	(75)	(206)	(161)	(39)
General and administrative expenses	(204)	(907)	(1,026)	(91)
Operating Loss	**(345)**	**(1,363)**	**(1,540)**	**(240)**
Finance incomes (expenses), net	–	(10)	(14)	19
Loss before tax	**(345)**	**(1,373)**	**(1,554)**	**(221)**
Tax (charge)/credit	–	–	–	–
Loss after tax	**(345)**	**(1,373)**	**(1,554)**	**(221)**
Other comprehensive income	21	54	–	–
Total comprehensive loss for the period	**(324)**	**(1,319)**	**(1,554)**	**(22)**

Selected Key Pro Forma Unaudited Financial Information: The pro forma financial information has been prepared to illustrate the effects of: (i) the Acquisition by the Company of Kanabo, (ii) the issue of the Fundraise Shares; and (iii) the payment of expenses in relation to Re-Admission. The pro forma financial information has been prepared for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or earnings.

Unaudited pro forma statement of net assets at 30 June 2020	The Company Net assets as at 30 June 2020 (Note 1) £'000	Kanabo Research Ltd Net assets as at 30 June 2020 (Note 2) £'000	Issue of Fundraise Shares net of costs (Notes 3) £'000	Unaudited pro forma adjusted net assets of the Enlarged Group on admission £'000
Assets				
Non-current assets				
Long term deposits	–	16	–	16
Property, plant and equipment	–	17	–	17
Total	**–**	**33**	**–**	**33**
Current assets				
Trade and other receivables	318	22	–	340
Short term deposit		5		5
Inventory	–	40	–	40
Cash and cash equivalents	516	429	5,340	**6,285**
Current assets	**834**	**496**	**5,340**	**6,670**
Total assets	**834**	**529**	**5,340**	**6,703**
Liabilities				
Non-current liabilities				
Severance pay	–	3	–	3
Current liabilities				
Trade and other payables	66	54	–	120
Convertible loan notes	165	310	–	475
Total liabilities	**231**	**367**	**–**	**598**
Total assets less total liabilities	**603**	**162**	**5,340**	**6,105**

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the Company as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information to which is set out in Part VI of this Document.
2. The net assets of Kanabo as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information included in Part VII Section B of this Document and converted to Great British Pounds at the closing rate on 30 June 2020 of NIS 4.7591 to £1.
3. An adjustment has been made to reflect the proceeds of a placing and subscription of 92,307,693 Ordinary Shares of the Company at an issue price of £0.065 per Ordinary Share net of an adjustment to reflect the payment in cash of admission costs estimated at approximately £660,000 exclusive of any sales taxes.
4. No adjustments have been made to reflect the trading or other transactions, other than described above of:
   i. the Company since 30 June 2020;
   ii. Kanabo Research Ltd since 30 June 2020;
5. The pro forma statement of net assets does not constitute financial statements.
6. Adjustments applied in the Pro Forma Information are not expected to have any continuing impact on the Company.

Unaudited pro forma income statement for the unaudited period ended 31 December 2020	The Company Income statement for six months to 30 June 2020 (Note 1) £'000	Kanabo Research Ltd Income statement for six months to 30 June 2020 (Note 2) £'000	Unaudited pro forma adjusted income statement of the Enlarged Group on Admission
Revenue	–	14	14
Cost of sales	–	(6)	(6)
Gross profit/(loss)	**–**	**8**	**8**
Administration expenses	(111)	(279)	(390)
Research and development costs	–	(74)	(74)
Interest income/(expense)	10	–	10
Loss before tax	**(101)**	**(345)**	**(446)**
Tax	–	–	–
Loss from continuing operations	**(101)**	**(345)**	**(446)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss	–	–	–
Other comprehensive income	–	21	21
Total comprehensive loss for the period	**(101)**	**(324)**	**(425)**

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The unaudited income statement of the Company as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information to which is incorporated by reference in Part VI of this document.
2. The unaudited income statement of Kanabo Research Ltd as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information which is set out in Part VII Section B of this document a and converted to Great British Pounds at an average rate of NIS 4.7973 to £1.
3. No adjustments have been made to reflect the trading or other transactions of the enlarged group since 30 June 2020.

Any Qualification in the Audit Report relating to the Historical Financial Information: No qualification on the audit report on the historical financial information.

What are the key risks that are specific to the issuer?

Key risks that are specific to the Enlarged Group and the industry in which it operates are as follows:

1. Kanabo had retained losses of approximately £3,100,000 (as at 31 December 2019), as a result of the significant costs incurred in connection with early stage research and development activities required to establish its initial range of products (Retail CBD Products). Kanabo has short trading history and is unable to demonstrate any significant revenue being generated as at 31 December 2019. Investors therefore have a very limited basis on which to evaluate potential future performance of the Enlarged Group. The Enlarged Group may continue to generate sustained losses in the event that it is unable to generate sufficient revenue from the sale of its Retail CBD Products.

2. The Enlarged Group will be impacted by COVID-19. Physical retail outlets in the Primary Markets have been subject to closure and sudden unpredictable changes in consumer habits brought about by social distancing and lock-down measures imposed at a regional and national level. This may have a material adverse impact on the Enlarged Group to promote and increase sales of its Retail CBD Products, in particular, at physical retail outlets. The Directors will seek to mitigate such risk by focusing on the sale of its Retail CBD Products through e-commerce platforms.

3. The execution of the Enlarged Group's near-term strategy will be dependent upon its ability to sell Retail CBD Products in the Primary Markets. In the event that EU states re-interpret or apply an expansive interpretation of the novel foods regime to include Retail CBD Oils consumed by inhalation, this could in the short-term prevent or delay Kanabo's ability to sell its Retail CBD Products (pending authorisation), which would have a material adverse effect on the financial condition of the Enlarged Group and the execution of its strategy.

4. Kanabo operates within a nascent sector for vaporisation devices, CBD-based products and Medical Cannabis products, and the existing laws and regulations, including the interpretation, application and enforcement of those provisions are prone to change.

5. Kanabo's supply chain lacks diversity at a number of levels. The Enlarged Group will be reliant upon a restricted number of suppliers and manufacturers during the Pilot.

6. The Enlarged Group could lose its exclusive right to distribute the VapePod Devices in the Primary Markets. A loss of exclusivity could mean that other competitors within the same sectors are able to market that product (without the "VapePod" trademark) in the Primary Markets.

7. The Enlarged Group may not commercialise its Medical Cannabis Products.

8. The Enlarged Group will be operate in a nascent sector and the development of its R&D activities will be dependent upon retaining and recruiting individuals (or, otherwise, collaborating with third parties) with the relevant technical expertise and capabilities required to undertake research in relation to the distillation and formulation of cannabinoids. As an emergent sector there is a limited pool of individuals with the necessary technical and scientific experience required to undertake the R&D activities being performed by the Enlarged Group.

9. The Enlarged Group has not identified an immediate risk from competitors within its sector, but the Directors believe that there will be new entrants in the sectors in which the Enlarged Group are operating. Large well-funded pharmaceutical companies and large northern American cannabis companies pose a serious threat to smaller start-up companies operating within the sector, which the Enlarged Group may be unable to compete against.

10. The Enlarged Group's brand may be harmed if its products are recalled due to defects or any other reason. Product recalls may lead to increased scrutiny of the Enlarged Group's operations by regulatory agencies and potential expenses being incurred. Defective products could also result in product liability claims or the imposition of penalties and fines by regulators which, if the Enlarged Group's insurance policies prove inadequate, could have a significant adverse effect on the financial condition of the Issuer.

Section C – Key Information on the Securities
What are the main features of the securities?
Type, Class and ISIN: The securities being offered in the Fundraising are ordinary shares in the capital of the Company. Applications will be made for the ordinary shares to be admitted to the Official List of the FCA with a Standard Listing and to trading on the main market of the London Stock Exchange. The ordinary shares are registered with ISIN number GB00BYQCS703, SEDOL number BYQCS70 and TIDM KNB.
Currency, Denomination, Par Value, Number of Securities Issued and Term of the Securities: The Ordinary Shares are denominated in pounds sterling as is the Fundraise Price paid, they have a par value of £0.025. As at the date of this Document there are 29,400,120 Ordinary Shares in issue all of which are fully paid. Immediately on Admission, the Enlarged Issued Share Capital of the Company will be 360,229,328 Ordinary Shares in issue, all of which will be fully paid. In the event that all options and warrants are exercised on Admission, the Enlarged Fully Diluted Share Capital will be 424,700,701 Ordinary Shares in issue, all of which will be fully paid. The securities are not subject to any term.
Rights attached to the Securities: Each Ordinary Share ranks *pari passu* for voting rights, dividends and return of capital on winding up. Shareholders have the right to receive notice of, and to attend and vote at, any meetings of Shareholders. Each Shareholder entitled to attend and being present in person, by proxy or by a duly authorised corporate representative at a meeting shall have one vote on a show of hands and, on a poll, each such Shareholder shall have one vote for every Ordinary Share of which he is the holder.
Seniority of the Securities in the Capital Structure of the Company in the event of Insolvency: Not applicable. The Company does not have any securities in issue (other than the ordinary shares) or liens over its assets and so the ordinary shares are not subordinated in the Company's capital structure as at the date of the Prospectus and will not be immediately following Admission.
Restrictions on the Free Transferability of the Securities: All the Ordinary Shares are freely transferable.
Dividend Policy: Subject to the CA 2006, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the board of Directors of the Company. The objective of the Board is the achievement of capital growth. In the short term the Board does not intend to declare a dividend on the Ordinary Shares.
Where will the securities be traded?
Application has been made for the Ordinary Shares to be admitted to a Standard Segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that unconditional dealings will commence at 8.00 a.m. on 16 February 2021.
Is there a guarantee attached to the securities?
No guarantee or otherwise is attached to the Ordinary Shares.
What are the key risks that are specific to the securities?
1. A Standard Listing affords Shareholders less regulatory protection than a Premium Listing, which may have an adverse effect on the valuation of the Ordinary Shares. 2. Any issue of Ordinary Shares in the future may dilute the interests of Shareholders and could impact upon the price of the Ordinary Shares. The Company has previously issued a number of Warrants and Options, details of which are set out in this Document. The exercise of the Warrants and or the Options would result in a dilution of Shareholders' interests if the prevailing share price per Ordinary Share exceeds the subscription price payable on the exercise of a Warrant or option at the relevant time. 3. Prior to Suspension, there was a limited market for the Ordinary Shares. The price of the Ordinary Shares after Admission may also vary due to a number of factors, including but not limited to, general economic conditions and forecasts, the Enlarged Group's general business condition and the release of its financial reports. Although the Company's current intention is that its securities should continue to trade on the London Stock Exchange, it cannot assure investors that it will always do so. In addition, an active trading market for the Ordinary Shares may not develop or, if developed, may not be maintained. Investors may be unable to sell their Ordinary Shares unless a market can be established and maintained, and if the Company subsequently obtains a listing on an exchange in addition to, or in lieu of, the London Stock Exchange, the level of liquidity of the Ordinary Shares may decline. The ability of the Enlarged Group to pay dividends is a function of its profitability and the extent to which, as a matter of law, it will have available to it sufficient distributable reserves out of which any proposed dividend may be paid. The Company can give no assurances that it will be able to pay a dividend going forward.

Section D – Key Information on the offer of Securities to the Public and/or the Admission to Trading on a Regulated Market

Under which conditions and timetable can I invest in this security?

General Terms and Conditions: The Fundraise is conditional on Admission occurring and becoming effective by 8.00 a.m. London time on, or prior to, 16 February 2021 (or such later date as may be agreed by Peterhouse and the Company, being no later than 15 March 2021). The rights attaching to the Ordinary Shares will be uniform in all respects and all the Ordinary Shares will form a single class for all purposes.

Expected Timetable of the Offer	
Publication of this Document	29 January 2021
Record Date Of The General Meeting	10.00 a.m. on 11 February 2021
General Meeting of the Company	10.00 a.m. on 15 February 2021
Completion of the Acquisition	16 February 2021
Re-Admission & commencement of dealings on the London Stock Exchange of the Enlarged Issued Share Capital	8.00 a.m. on 16 February 2021
CREST members' accounts credited in respect of New Ordinary Shares	8.00 a.m. on 16 February 2021
Ordinary Share certificates despatched	within 7 days of Admission

Details of Admission to Trading: The securities subject to Admission are a total of 360,229,328 Ordinary Shares, comprising, existing 29,400,120 Ordinary Shares, 230,769,210 Consideration Shares, 92,307,693 Placing and Subscription Shares, 615,384 Fee Shares, 3,300,000 Conversion Shares, 250,000 Harpur Investor Shares, and 3,586,921 SOP Bonus Shares issued in connection with Admission. The Company has raised gross proceeds of £6,000,000 through the Fundraise, and Net Proceeds of approximately £5,340,000.

Immediate Dilution Pursuant to the Placing: Upon Admission, the Enlarged Issued Share Capital is expected to be 360,229,328 Ordinary Shares. On this basis, the New Ordinary Shares will represent approximately 91.84% per cent of the Company's Enlarged Issued Share Capital.

Estimate of the Total Expenses of the Issue: The total expenses incurred (or to be incurred) by the Company in connection with the Placing, Acquisition and Admission are approximately £660,000 plus VAT. No expenses will be charged to any investor by the Company.

Who is the Offeror and/or the Person Asking for Admission to Trading?

No person or entity is offering to sell the Ordinary Shares.

Why is this prospectus being produced?

The management of the Company believe that although Kanabo has developed extensive research and development, it has lacked the capital to market the Kanabo brand and Retail CBD Products in the Primary Markets and generally within the CBD market. The Fundraise proceeds will provide Kanabo with further capital to enable it to drive sales of its Retail CBD Products in the Primary Markets and continue research and development activities on developing a range of Unlicensed Medical Cannabis Oils.

Use and Estimated Amount of Net Proceeds: The Net Proceeds amount to approximately £5,340,000. The activities that the Enlarged Group intends to undertake will amount to £1,740,000 over the next 12 months, as described further in the table below. The difference in funding between the £5,340,000 raised as part of the Net Proceeds and the estimated £1,740,000 to be used by Enlarged Group in the first 12 months will be approximately £3,600,000. This amount will be utilised by the Enlarged Group to continue its development in the 12 to 24 months from Admission.

1. £595,000 for Sales and Marketing
2. £385,000 for research and development (including the VapePod Medical Safety Testing and the Safety and Efficacy Study)
3. £500,000 for general capital expenditure
4. £260,000 for ongoing listing costs

Whether the Offer is Subject to an Underwriting Agreement: The Fundraise is not underwritten but each investor has provided a firm commitment to subscribe for Fundraising Shares. There are no conditions attached to such irrevocable commitments to subscribe for Fundraising Shares, other than Admission.

Material Conflicts of Interest Pertaining to the Fundraise and Admission: As at the date of this Document, there are no potential conflicts of interest between any duties to the Enlarged Group of any of the Directors, Proposed Directors or Senior Managers and their private interests and/or other duties save in respect of their interests and duties as Directors or Proposed Directors of the Company. Any potential conflict of interest that may arise in future will be considered by the non-conflicted Directors.

RISK FACTORS

Any investment in the Ordinary Shares carries a significant degree of risk, including risks in relation to the Enlarged Group's business strategy, potential conflicts of interest, risks relating to taxation and risks relating to the Ordinary Shares.

Prospective investors should note that the risks relating to the Ordinary Shares, the Enlarged Group and the sector in which it operates summarised in the section of this Document headed "Summary" are the risks that the Directors and the Proposed Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Enlarged Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Document headed "Summary" but also, among other things, the risks and uncertainties described below.

The risks referred to below are those risks the Directors and the Proposed Directors consider to be the material risks at the date of this Document. However, there may be additional risks that the Directors and the Proposed Directors do not currently consider to be material or of which the Directors and the Proposed Directors are not currently aware, that may adversely affect the Enlarged Group's business, financial condition, results of operations or prospects. Investors should review this Document carefully and, in its entirety, and consult with their professional advisers before acquiring any Ordinary Shares. If any of the risks referred to in this Document were to occur, the results of operations, financial condition and prospects of the Company could be materially adversely affected. If that were to be the case, the trading price of the Ordinary Shares and/or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly. Furthermore, investors could lose all or part of their investment.

RISKS RELATED TO THE RETAIL CBD PRODUCTS AND MEDICAL CANNABIS PRODUCTS

Impact of COVID-19

The core strategic goal of the Enlarged Group is to increase the sale of its Retail CBD Products within the Primary Markets.

The impact of COVID-19 has meant that in England and Germany, individuals and business have been requited to adhere to strict social distancing measures and lock-down measures imposed from time to time on a regional and national basis. Social distancing, lock-down and similar measures related to COVID-19 may continue for an unknown length of time.

COVID-19 has had a significant adverse impact on the retail sector as a whole in Primary Markets. In particular, there has been a steady increase in store closure in retail areas and consumer habits have adapted, preferring to purchase goods and services through online e-commerce platforms where possible. This means that during the period of the Pilot phase, the Directors of the Enlarged Group expect retail sales to be generated largely from e-commerce platforms compared with bricks and mortar retailers. The Directors believe that the operation of a Pilot phase for a period of three months from Admission will enable the business to adapt its modelling to reflect how consumer trends adapt and change over the course of the pandemic.

The Directors of the Enlarged Group are predominantly based in Israel and will from time to time be required to travel to Europe in order to attend business meetings with distribution partners and suppliers. Due to restrictions between Israel and Europe, this may mean that the board and management team of the Enlarged Group are restricted from travelling and may impact their ability to attend meetings (physically) in Europe. The Directors believe that such risks will be mitigated in part by both the appointment of local managers to act on their behalf and the use of video conferencing services.

The marketability of the Enlarged Group's Retail CBD Products in the Primary Markets and other countries within the European Union could be restricted or prohibited by Members States interpretation and enforcement of the Novel Foods Regulation

In January 2019 the European Union's Novel Foods Catalogue was updated regarding CBD, other cannabinoids and hemp-derived products in food. While the Novel Food Catalogue (as maintained centrally by the EU) is non-exhaustive and carries no direct legal power, it is frequently updated and amended with input from Member States, and is used as a reference by authorities in EU countries (i.e. the Member States) to aid enforcement of Novel Food Regulations. Novel Foods are foods that are ingested include food, supplements and ingestible nanomaterials. It is understood that the novel foods regime is inapplicable to the Retail CBD Oil s formulated by Kanabo on the basis that they are sealed in tamper-proof Pods and are only consumable through inhalation using a vaporisation device as the delivery system; they are not an edible food capable of ingestion.

On 13 February 2019, the Food Standard Agency in the UK issued a statement confirming that the industry deadline for the submission of a novel foods application of 31 March 2021 that are currently on the market. After 31 March 2021, only products which have submitted a valid application will be allowed to remain on the market. The Food Standard Agency confirms in its statement that it is only responsible for regulating CBD as a novel food. This does not include cosmetics, vapes, products making medicinal claims or products containing controlled drugs such as THC. Where CBD extracts also contain THC (or other controlled cannabinoids) then they will likely fall under the Misuse of Drugs Act 1971, and further guidance is available from the Home Office, which has provided a factsheet on Cannabis, CBD and other cannabinoids. It is therefore clear that the Food Standard Agency would not consider the Retail CBD Products currently sold by Kanabo as products, which would require a novel foods authorisation.

The main strategic object of the Enlarged Group is to increase revenues from the sale of its Retail CBD Products, including its Retail CBD Oils in the Primary Markets.

The Enlarged Group cannot provide assurances that the relevant authorities in the Primary Markets and authorities in other member states will not change or reinterpret its guidelines, rules and enforcement practices in relation to Retail CBD Products under the Novel Foods regime.

In the event that the relevant authority in the Primary Markets alters its interpretation of the Novel Foods regime to include Retail CBD Oils consumed by inhalation this would mean that the Enlarged Group may need to obtain additional authorisation and approvals to be able to continue to sell its Retail CBD Oils. If such risks were to materialise this could cause significant delay and interruption to its normal business activities and the Enlarged Group cannot provide assurances that it will be able to obtain necessary authorisations to be able to resume normal business activities. This would have a serious adverse effect on the financial condition of the Enlarged Group and would seriously affects its ability to achieve its core strategic objective.

If similar restrictions are implemented in other states in the European Union, this may perturb the Enlarged Group from expanding its business to achieve growth of sales.

The laws, regulations and guidelines application to our Retail CBD Products and Medical Products in the Primary Markets and other countries may change in ways which restrict, prohibit or otherwise impact our current and future business strategy

The emergence of a market for the commercialisation of CBD based products and Medical Cannabis products, as well as vaporisation devices, in Europe is very recent and a market for the Retail CBD Products and Medical Cannabis Products has only been in existence for a short period of time.

The Directors anticipate that the laws and regulations relating to these products, including the interpretation of such applicable laws and regulations, in the Primary Markets and Europe generally will continue to evolve over time. There is a high probability that the laws and regulations in the Primary Markets will continue to adapt and change in the near future. Such changes may result in the Enlarged Group being unable to execute part or all its proposed strategy.

There is a well-established market for CBD oil and vaporisation devices in the Primary Markets and such products are widely available from major retail stores, including large pharmaceutical chains, in addition to online retail. The Primary Markets have established a regime for the prescription of Medical

Cannabis and the Directors believe that the availability of prescription based Medical Cannabis in the Primary Markets will continue to grow over time based upon current market data.

It is noted, however, that the Medical Cannabis Products remain under development and the Directors do not believe that these products will be commercialised in the short-term. It is, therefore, possible that the laws, regulations and guidance of public authorities in the Primary Markets, which are applicable to the Unlicensed Medical Cannabis Oils will change significantly prior to those products being available for commercialisation.

The Directors cannot provide assurances that the regulatory environment and attitudes towards the Retail CBD Products and the Medical Cannabis Products will not change in unexpected ways.

It is possible that if such risks were to materialise, the ability of the Enlarged Group to sell the Retail CBD Products and Medical Cannabis Products in the Primary Markets could be prohibited or restricted from sale, which would have a material adverse effect on the financial condition of the Enlarged Group.

Public Health concerns associated with the use of E-cigarettes could have significant adverse impact on the market for vaporisation devices as a whole, include the VapePod Devices, in the Primary Markets

E-Cigarettes are nicotine replacement products generally found to contain e-liquid solutions.

On 30 August 2019, the US Food and Drug Administration (FDA) issued a statement regarding its recent investigation in connection with a reported death arising from severe pulmonary illness in an adult male linked to the use of E-Cigarette products. Health Canada issued a similar announcement stating that the Canadian Government will monitor data and other signals indicating a link between E-cigarettes and pulmonary illness.

It is particularly noted that the state of California, USA, recently imposed a ban on the sale of E-Cigarettes until the health risks of using such products can be determined.

The VapePod Devices are not E-cigarettes, as they are not capable of being used to smoke or to vape nicotine.

There is nevertheless a risk that, in light of this, legislators and or health authorities in the Primary Markets may adopt precautionary measures limiting, restricting or banning the sale of E-cigarettes and vaporisation devices without market authorisation or entirely, as a result of the perceived link between the use of E-cigarettes and pulmonary illness and other respiratory conditions. If such risks were to materialise, this could have a significant adverse effect on the business of the Enlarged Group, on its ability to generate revenues.

It is noted that health concerns linked to E-cigarettes has gained negative press attention in the national media. There is a risk that continued negative press attention could result in consumers having a poor perception of the safety and reliability of vaporisation devices, including the VapePod Devices.

The Enlarged Group will be dependent upon a consumer market for its Retail CBD Products to generate revenues in the short term

The Enlarged Group's strategy in the near-term is to generate revenues from the sale of its Retail CBD Products in the Primary Markets, which is dependent upon a consumer market for such products.

There is a nascent market for CBD based products in the Primary Markets and other countries in the European Union. Due to the short period in which a consumer market has existed for the Retail CBD Products it is difficult to discern clear consumer preferences and consumer requirements; and it is not possible to predict how the industry will adapt to meet these preferences or requirements.

If interest in Retail CBD Products should diminish or fail to grow as anticipated this could mean that the Enlarged Group is unable to generate sufficient revenues from the sale of its Retail CBD Products to be able to execute its short term and future strategy. A diminution in interest for Retail CBD Products could arise as a result of adverse press attention or the publication of critical findings in relation to the safety and health benefits associated with CBD-based products and the vaporisation of CBD oils.

The Enlarged Group's future strategy to commercialise and distribute the Medical Cannabis Products which are dependent upon compliance with certain regulatory requirements within the Primary Markets

For a product to be marketed as a medical device in the Primary Markets, the VapePod Medical (and any next generation devices) will need to comply with certain EU Regulations relating to product safety and testing. A third party has been appointed on behalf of Kanabo to assist with obtaining a CE Mark for the VapePod Medical. It is anticipated that the CE Mark will be obtained during the first half of 2021. The Enlarged Group must obtain a CE Mark for the VapePod Medical to be sold as a medical device in the Primary Markets. The Directors have not identified any reasons why the VapePod Medical would be unable to satisfy these requirements.

If Kanabo is unable to obtain a CE Mark, Kanabo's ability to market and sell the VapePod Medical in the Primary Markets as a medical device will be prohibited. If the Enlarged Group is prohibited from registering the VapePod Medical as a medical device, the Enlarged Group would be unable to execute its future strategy to pair a registered medical device with its Unlicensed Medical Cannabis Oils. The Enlarged Group may also incur significant regulatory costs if such approvals are subject to prolonged or unexpected delay. Furthermore, there can be no guarantees that the relevant authorities within the Primary Markets will support the use of the VapePod Medical as an appropriate delivery system for use with the Unlicensed Medical Cannabis Oils, as a course of treatment.

There is an established regime for the prescription of Medical Cannabis in the UK and Germany.

Kanabo intends to sell its Unlicensed Medical Cannabis Oils as unlicensed medicines in the UK and Germany. Kanabo is able to commercialise these products provided that the Unlicensed Medical Cannabis Oils are manufactured in accordance with EU-GMP requirements. The Directors note, however, that the timeline for the development of its Unlicensed Medical Cannabis Oils is not likely to be achieved in the short to medium term. To demonstrate the safety and efficacy of the VapePod Medical and Nabinnol, it is Kanabo's intention to undertake the VapePod Medical Safety Testing and the Safety Efficacy Study before selling those products in the Primary Markets. There is a risk that the requirements to sell unlicensed medical products in the Primary Markets will change in ways which the Directors are unable to predict during that time period. In the event that the commercialisation of such products entails new requirements, such as the completion of full or partial clinical trials, or if there are significant regulatory barriers to entry, the Enlarged Group is unlikely to have sufficient funds to comply with those requirements. This may mean that the Enlarged Group is unable to commercialise its Unlicensed Medical Cannabis Oils.

There has been limited study on the medical effect of cannabis and future clinical studies and research may lead to conclusions which dispute or conflict with current beliefs regarding the medicinal benefits, safety and efficacy, dosing and social acceptance of cannabis

Research on the effects of Medical Cannabis and future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis.

Research in Israel, Europe and internationally regarding the medicinal benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids (such as cannabidiol (CBD), and tetrahydrocannabinol (THC)) remains in relatively early stages.

Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies referenced in this prospectus, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to Medical Cannabis, which could adversely affect social acceptance of cannabis and the demand for our products. This could result in Medical Cannabis being prescribed in very limited circumstances and, consequently, the market for Medical Cannabis products may not grow in line with the expectations of the Directors. If this risk were to materialise, a market for Kanabo's Medical Cannabis Products may not exist in the Primary Markets.

The Enlarged Group is likely to face significant competition from new entrants in the market for Retail CBD Products and Medical Cannabis Products in the Primary Markets

The Enlarged Group has determined that there is a position in the market for its Retail CBD Products within the Primary Markets. The Enlarged Group is seeking to establish a range of Medical Cannabis Products, although, the commercialisation of such products remains a long-term strategic goal and may not come to fruition.

The Directors have particularly identified the risk of new entrants to the sectors in which it operates or intends to operate who are better funded with a more established track-record. In respect of Kanabo's Retail CBD Products it is anticipated that the Enlarged Group may face competition from well-establish cannabis companies currently based in North America seeking growth in Europe. Such companies are expected to be better funded and may have an established brand within the international cannabis market.

In relation the Unlicensed Medical Cannabis Oils, the Enlarged Group may face competition from large and well-established pharmaceutical companies. The products of such companies are likely to be supported by greater research, testing and clinical trials. In the event that a large pharmaceutical company were to obtain market authorisation (product licensing) in relation to products treating the same condition(s) as the Unlicensed Medical Cannabis Oils, this is likely to have a significant adverse effect on the likelihood of Unlicensed Medical Cannabis Oils being prescribed in the Primary Markets.

Competitors of the Enlarged Group may develop products which are more successful, or which utilise more advanced technologies, or they may otherwise respond to rapid regulatory and legislative changes in a more efficient manner than the Enlarged Group.

There can be no assurance that increased competition from other competitors in these sectors will not have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group's future strategy includes the development of Unlicensed Medical Cannabis Oils which will be sold as unlicensed medicines in the Primary Markets. Unlicensed medicines are made available to patients in the UK where there is an unmet clinical need. Medicinal products with a marketing authorisation (product license) will be prescribed in preference to unlicensed medicines. The Enlarged Group will not obtain a marketing authorisation (product license) for its Unlicensed Medical Cannabis Oil.

It is intended that the Unlicensed Medical Cannabis Oils are to be sold as unlicensed medicines in the Primary Markets.

In the UK, both licensed and unlicensed medicines are available for prescription to patients.

An unlicensed medicine in the UK is one that is manufactured without a marketing authorisation granted by the MHRA. A marketing authorisation is only granted after a medicinal product has been demonstrated to be safe and effective. To obtain a marketing authorisation, such products are required to undergo extensive clinical trials and peer-review. Clinical trials recognised by the MHRA commonly take several years to complete and requires significant capital investment.

As at the date of this Document, Nabilone, Epidyolex (cannabidiol) oral solution and Sativex (nabiximols) have each received marketing authorisation. In addition, the UK's National Institute for Health and Care Excellence ("NICE") has confirmed that these cannabis based medicinal products are each considered a cost-effective form of treatment capable of being reimbursed routinely by the National Health Service in the UK. Epidyolex is recommended as an adjunctive therapy for seizures associated with Lennox Gastaut syndrome (LGS) or Dravet syndrome, in conjunction with clobazam, for patients two years of age and older. Sativex is recommended as a form of treatment for spasticity due to multiple sclerosis.

Other than Nabilone, Epidyolex and Sativex, all cannabis-based products for medicinal use will be an unlicensed medicine. Cannabis-based products for medicinal use are listed under Schedule 2 of Misuse of Drugs Regulations 2001 and can be prescribed medicinally where there is an unmet clinical need. Clinicians will have limited data on which to prescribe an unlicensed medicine in the absence of a clinical trials. Consequently, there are a number of additional safeguards and restrictions which are applicable to the prescription of cannabis-based products for medicinal use. The MHRA recommends

that unlicensed medicines should only be used when existing licensed medicinal products (meaning a product that has obtained marketing authorisation) are unable to meet patients need and this view is supported by the General Medical Council. In particular, an unlicensed cannabis-based products for medicinal use can only be prescribed by clinicians listed on a specialist register maintained by the General Medical Council and any prescription must be made on a "named patient" basis. On 11 November 2019, the National Institute for Clinical Excellence published its guidance on Cannabis-based medicinal products, in which it provided its recommendations about the prescription of medicines (including off-label use) in (a) intractable nausea and vomiting (b) chronic pain (c) spasticity and (d) severe treatment resistant epilepsy. NICE has supported the use of Epidyolex and Sativex for the treatment of spasticity and severe treatment resistant epilepsy as a cost-effective form of treatment and should be available for being reimbursed by the NHS on prescription.

The Enlarged Group will not seek marketing authorisation (a product license) in respect of its Unlicensed Medical Cannabis Oils. The Enlarged Group will not have sufficient capital to undertake MHRA recognised clinical trials required to obtain a marketing authorisation. This means that the Unlicensed Medical Cannabis Oils will only be available for prescription in the UK where a special need for an individual patient is identified and that need cannot be met by a licensed product.

There is, therefore, a risk that the emergence of licensed medical product(s) capable of treating medical conditions for which the Unlicensed Medical Cannabis Oils are designed to treat would prohibit clinicians in the UK from issuing a prescription for one or all of the Enlarged Group's Unlicensed Medical Cannabis Oils. This could mean that no prescriptions for such products are made in the UK.

There are currently two cannabis-based products for medical use in humans which have received marketing authorisation. There are, however, a number of conditions for which cannabis based medicinal products have either been shown to or, with further study and research, could be shown to provide a therapeutic benefit in the treatment of the following medical conditions: (i) chronic pain in adults; (ii) treatment for chemotherapy induced nausea and vomiting; (iii) improving patient reported multiple sclerosis spasticity symptoms; (iv) improving short-term sleep outcomes for individuals for sleep disturbances associated with sleep apnoea syndrome, fibromyalgia, chronic pain, and multiple sclerosis (moderate); (v) increasing appetite and decreasing weight loss associated with HIV/AIDS (limited); (vi) improving clinician-measured multiple sclerosis spasticity symptoms (limited); (vii) Improving symptoms of Tourette syndrome (limited); (viii) Improving anxiety symptoms, as assessed by a public speaking test, in individuals with social anxiety disorders (limited); (ix) Improving symptoms of posttraumatic stress disorder (limited).

The Enlarged Group's strategy will therefore be to develop unlicensed cannabis based medicinal products where there is currently a clinical need which is not capable of being met by licensed medicines. The Directors also consider it unlikely that licensed medicines would be able to address the broad spectrum of medical conditions for which cannabis based medicinal products could have a therapeutic benefit.

On 8 August 2019, NHS England published a review titled "Barriers to accessing cannabis-based products for medicinal use on NHS prescription" in which it identified a number of factors currently limiting the number of NHS prescriptions to patients in the UK. If such barriers continue to persist this may limit the market for the Enlarged Group's Unlicensed Medical Cannabis Oils in the UK, if such products reach a point of commercialisation

According to a report published by Prohibition Partners in January 2019, there are approximately 80,000 Specialist Doctors capable of prescribing CBPMs. As at March 2019 fewer than 10 NHS prescriptions for CBPMs were issued in primary care since the re-scheduling of CBPMs in November 2018.

On 8 August 2019, NHS England published a review titled "Barriers to accessing cannabis-based products for medicinal use on NHS prescription" (the "**NHS England Report**"). The NHS England Report found that the prescription of CBPMs left some clinicians, and particularly those in a generalist role, feeling that they do not have specialist professional education needed to make fully informed prescribing decisions in cases where a CBPM may be appropriate. The lack of education and training has presented an initial barrier to the prescription of CBPMs. Steps have been taken to address the lack of educational resources available to doctors. NHS England and the University of Birmingham have established an e-learning platform for doctors in relation to the prescription of CBPMs and NHS

England has published on its website a set of frequently asked questions for prescribers of CBPMs. It is therefore expected that the availability and provision of educational resources for prescribers of CBPM will improve over time.

The NHS England Report also noted that the prescription of CBPM's for complex conditions would be likely to rely upon specialist clinical networks, noting that UK-wide network of specialist clinics would be more able to provide improved specialist care to children and clinical expertise in complex and difficult to manage cases. Specialist clinics will also facilitate a second opinion process in this area. On 24 July 2019, the Sapphire Medical Clinic was established in London (UK), as the first clinic in the UK offering access to medical cannabis for all conditions acknowledged to benefit from it and to do so as part of a comprehensive pathways, including other conventional pharmaceutical drugs and treatments. It is anticipated that the number of specialist clinics able to prescribe medical cannabis in the UK will increase over time.

On 11 November 2019, the National Institute for Clinical Excellence ("**NICE**") published its guidance on Cannabis-based medicinal products, in which it provided its recommendations about the prescription of medicines (including off-label use) in (a) intractable nausea and vomiting (b) chronic pain (c) spasticity and (d) severe treatment resistant epilepsy. Prescribers of CBPMs therefore have the support of the use of CBPMs as a cost-effective form of treatment in relation to a limited range of conditions.

The NHS Report identified a lack of quality evidence in respect of the safety and effectiveness of CBPM and, in particular, a lack of randomised control trials ("**RCT**"). NHS England noted that such considerations have weighted heavily on prescribing decisions in the UK. It is anticipated that it will take time to produce a consistent body of evidence from RCTs in relation to the safety and effectiveness of CBPMs.

The successful commercialisation of Unlicensed Medical Cannabis Oils in the UK relies upon prescriptions being made for CBPMs. There are a number of factors currently limiting the prescription of CBPMs in the UK including *inter alia* a lack of education and training on CBPMs generally in the medical profession, a lack of RCTs and clinical evidence and research demonstrating the safety and efficacy of CBPMs and current NICE guidelines supporting the use of CBPMs as a cost-effective treatment in only a limited range of conditions. In the event that minimal or no progress is made in areas identified in the NHS England Report then it is likely that the number of prescriptions for CBPMs will remain at low levels throughout the NHS, and to a lesser extent in private clinics, until significant progress has been made in each of these areas. This could mean that the Enlarged Group is unable to sell its Unlicensed Medical Cannabis Oils in the UK in volumes which are commercially viable.

GENERAL BUSINESS RISKS AND RISKS RELATED TO OUR FINANCIAL CONDITION AND OPERATIONS

Kanabo has to date been loss making and remains at an early stage of development, and therefore may continue to generate sustained losses

As at the date of Kanabo's account made up to 31 December 2019 ("Accounts Date"), Kanabo had not generated any revenues and had sustained retained losses of approximately £3,100,000. The Company also recorded total comprehensive losses of £101,000 (before tax) for the six month period ended 30 June 2020.

Since the Accounts Date, Kanabo has shifted from being primarily focused on R&D activities to the generation of revenue from the commercialisation and sale of its Retail CBD Products in the Primary Markets.

The ability of the Enlarged Group to generate revenues from the sale of its Retail CBD Products is dependent upon numerous factors including but not limited to, the success of business-to-business sales in relation to its Retail CBD Products, consumer demand for the Retail CBD Products in the Primary Markets, the ability of the Enlarged Group to develop products which appeal to customers, creating and maintaining a premium health and wellness brand. In the event that one of those factors previously mentioned differs to the Directors' and Proposed Directors expectations, this could have a material adverse effect on the Enlarged Group's ability to generate revenues and to become profitable.

Noting the short trading history of Kanabo and lack of demonstrated revenues, investors have limited information to determine whether the Enlarged Group would be successful in achieving its core strategic objectives.

In the event that the Enlarged Group is unable to complete its core strategic objective to increase revenue, Kanabo may continue to sustain losses. This would have a material adverse effect on the financial condition of the Enlarged Group.

The Enlarged Group's supply chain lacks diversity at multiple levels

The Enlarged Group's supply chain lacks diversity at multiple levels.

Kanabo is currently reliant upon Jupiter for the purpose of manufacturing and supplying its VapePod Devices. In the event that Jupiter is unable to fulfil orders or is unable to continue to manufacture and sell the finished products to Kanabo, the Enlarged Group could be required to source an alternative vaporisation device of comparable quality and functionality. The Directors cannot provide assurances that an alternative device can be sourced in a timely fashion, without substantial cost, delay or damage to the Enlarged Group's reputation.

During the period of the Pilot, the Enlarged Group will rely upon KAB Global, as a main wholesaler for sourcing CBD oils from suppliers. KAB Global is able to source its product from several suppliers based in the EU and Kanabo has vetted alternate suppliers who have been able to demonstrate that their CBD oils meet Kanabo's quality requirements ('alternate suppliers'). To date, KAB Global has satisfied all orders placed by Kanabo in a timely and efficient manner. The Directors, therefore expect that KAB Global will be able to meet its supplier requirements during the period of the Pilot without interruption. In the event that KAB Global is unable to fulfil an order, the Enlarged Group would be able to source supplies from alternate suppliers, but Kanabo may be unable to obtain those supplies at competitive pricing on the basis of the 'one off' nature of such supplies. If these risks were to materialise, this could have a negatively effect on the Enlarged Group's ability to maintain targeted margins from the sale of its Retail CBD Products and unexpected delays to customers could result in damage to the Enlarged Group's reputation.

The Directors also note that the sales of CBD based products in Europe are growing rapidly and, therefore, it is anticipated that CBD will become a commodity which is widely available, with multiple competing suppliers.

Kanabo may fail to obtain the exclusive rights to distribute the VapePod Devices

Jupiter owns the intellectual property in the vaporisation technology on which the VapePod Devices are based.

Kanabo and Jupiter entered into an Exclusive Distribution and Manufacture Agreement dated 28 October 2020 for an initial term of 3 years. Kanabo has the right to exclusively distribute the VapePod Devices in the Licence Areas as at the date of this Agreement. The exclusivity granted to Kanabo under this agreement will not be extended in the event that it is unable secure a CE Mark ("medical certification") for the VapePod Medical within 12 months from the date of the agreement, unless the parties agree to extend the deadline by mutual agreement. If Kanabo and Jupiter are able to secure medical certification then the exclusivity period will extend for subsequent periods of 12 months in the Licence Areas (within the term of the agreement) provided that it meets minimum order requirements. Failure to either achieve medical certification within the timeline outlined or, if otherwise, Kanabo is unable to meet the ongoing minimum purchase requirements, it will lose its right as an exclusive distributor within the Licence Areas. In such circumstances, Kanabo will be able to continue to sell and market those products on a non-exclusive basis in the Licence Areas.

The Enlarged Group expects to be able to obtain medical certification for the VapePod Medical within the timeline established by the agreement with Jupiter and it would expect to be able to meet the minimum number of purchase orders requirement over the short and medium term in respect of the Licence Areas. Furthermore, Kanabo has the benefit of a right of first refusal to extend the exclusivity arrangements with Jupiter at the end of the term of the agreement.

However, there can be no guarantee that the Enlarged Group will be able to satisfy the minimum number of purchase orders requirement or obtain medical certification in the timeframe required. If such risk

materialise, the Enlarged Group will be unable to maintain exclusivity over the VapePod Devices using the Jupiter technology. This means that competitors would be free to enter into distribution arrangements with Jupiter and sell vaporisation devices with equivalent technology to the VapePod Devices in the Territories. If this were to happen this may reduce the competitive position of the VapePod Devices.

Risk related to reliance on key personnel in particular key technical staff

The business of the Enlarged Group will be operating in a new nascent sector requiring specific technical and scientific skills required to undertake the R&D activities currently being planned by Kanabo.

Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of any key personnel, or an inability to attract other suitably qualified persons when needed, could prevent us from executing on its business plan and strategy, and it may be unable to find adequate replacements on a timely basis, or at all.

The Enlarged Group particularly relies upon its key technical staff to complete important research and development on behalf of the Enlarged Group, and the loss of such individuals could result in interruptions and delays to ongoing work.

Margin risks relating to selling the products at a premium price

Kanabo's pricing model is based upon its Retail CBD Products being sold as premium products at a premium price. If its competitors can offer competing products at a lower price, Kanabo may either be required to reduce its price accordingly in order to compete or it may be unable to maintain or increase its market share.

Kanabo's pricing model is based upon the current costs of the materials necessary in order to manufacture the products and the Directors believe that the pricing of these materials will go down, noting the increased availability and competition for raw cannabis biomass. There is however a risk that the price of the necessary materials may increase, due to increased demand as the market for Retail CBD Products grows rapidly or reduced supply due to environmental factors such as crop failure. The Directors cannot provide assurances that the cost of such materials will not rise. Any such increase in the cost to manufacture the products will erode the product margin and affect the profitability of the business.

Furthermore, there is also a risk that the rapid expansion in the market for Retail CBD Products will increase competition and cause the retail prices of other CBD oil products to be reduced. If Kanabo also reduces its price to stay competitive, this could further reduce its margin and profitability.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

RISKS RELATING TO THE COUNTRIES IN WHICH THE ENLARGED GROUP OPERATES

Conditions in Israel could have an impact upon the execution of long-term strategic objectives

Kanabo is incorporated under Israeli law, and its principal business operations have to date been conducted in Israel.

Since Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbours. Israel has experienced and may be subject to future conflict and violence with various Palestinian entities. Popular uprisings in various countries in the Middle East and North Africa are affecting the political stability of those countries. Such instability may lead to deterioration in the political and trade relationships that exist between Israel and these countries.

On 13 November 2019, the UN Envoy Nickolay Mladenov issued a statement in response to escalation in tensions between Israel and Palestine expressing his growing concern over increasing rocket fire across the border between Israel and the Gaza Strip resulting in a number of deaths and casualties. Rocket and air strikes have continued into 2020, with noteable strikes being reported in February, September and November 2020.

Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continue or increase. As at the date of this Document, there are no trading restrictions between the UK, Germany and Israel which are likely to impact the current operations of the Enlarged Group.

The commercial operations of the Enlarged Group will be undertaken in the Primary Markets. The Enlarged Group's long term future objective is to develop its Medical Cannabis Products. This involves undertaking the VapePod Medical Safety Testing and the Safety and Efficacy Study in Israel. In addition, ongoing research and development activities will be conducted at Kanabo's R&D Lab based in Israel. Accordingly, political, economic and military conditions in Israel could potentially have an impact on the operations of activities to be undertaken in Israel, which could impact the execution of the Enlarged Group's long-term strategic objectives.

Fluctuations in currency exchange rates may significantly impact the presentation of the Enlarged Group's financial results

The functional currency of the Company is Sterling, as the currency which most affects the Enlarged Group's revenue, costs and financing, however due to the geographic area of operations where the Enlarged Group is present, foreign currency transactions are present.

Kanabo trades in Shekels in relation to its Israeli operations and in connection with its operations in the European Union, the primary currency will be the Euro. The Company reports its results in pounds sterling. Consequently, the presentation of the financial statements may be materially affected by movements in foreign exchanges rates, particularly the Sterling cross rates. At the Enlarged Group's stage of development, the Company believes the cost of hedging such risks outweighs the benefits of the hedges. The Company may seek to alter this strategy in the future, but it may not be able to put such hedges in place to prevent the Enlarged Group suffering losses due to foreign exchange movements.

Instability in Germany and the Eurozone could have an adverse impact on the operations of the Enlarged Group

A number of economists and political commentators have indicated the Eurozone and Germany is at risk of entering into a recession as a result of the impact of a number of factors, including the US/China trade dispute and uncertainty arising as a result of ongoing Brexit negotiations. In particular, the strength of the German economy is largely dependent upon the export of manufactured products (particularly in the automotive industry), which has been adversely affected by tariff disputes between the US and China.

In the event that Germany or other members of the Eurozone should enter into a short-term or prolonged recession this could have a material adverse effect on the Enlarged Group's business. The Enlarged Group is seeking to market its products as a "premium" product and a weakened economy is likely to affect consumer confidence and may limit consumers' disposable income for such products.

In the event that the United Kingdom should leave the EU without a withdrawal agreement this could result in a significant disruption in trading relations between the UK and Germany. This could potentially have an adverse impact on the operational of the supply chain of the Enlarged Group, if for example, the supply of goods between the UK and Germany were delayed during the importation and exportation process or if additional taxes or levies were to be imposed on the importation and exportation of such goods.

RISKS RELATING TO THE ORDINARY SHARES

The Standard Listing of the Ordinary Shares will afford investors a lower level of regulatory protection than a Premium Listing

Application will be made for the Ordinary Shares to be admitted to a standard listing segment on the Official List.

A Standard Listing affords shareholders in the Company a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules. A Standard Listing will not permit the Company to gain a FTSE indexation, which may impact the valuation of the Ordinary Shares.

Market for the Ordinary Shares

Prior to Suspension, there was a limited market for the Ordinary Shares. The price of the Ordinary Shares after Admission may also vary due to a number of factors, including but not limited to, general economic conditions and forecasts, the Enlarged Group's general business condition and the release of its financial reports. Although the Company's current intention is that its securities should continue to trade on the London Stock Exchange, it cannot assure investors that it will always do so. In addition, an active trading market for the Ordinary Shares may not develop or, if developed, may not be maintained. Investors may be unable to sell their Ordinary Shares unless a market can be established and maintained, and if the Company subsequently obtains a listing on an exchange in addition to, or in lieu of, the London Stock Exchange, the level of liquidity of the Ordinary Shares may decline.

Future issues of Ordinary Shares could be dilutive

Any issue of Ordinary Shares in the future may dilute the interests of Shareholders and could impact upon the price of the Ordinary Shares.

The Company has previously issued a number of Warrants and Options. The exercise of the Warrants and or Options would result in a dilution of Shareholders' interests if the prevailing share price per Ordinary Share exceeds the subscription price payable on the exercise of a Warrant or Option at the relevant time.

The Company may not pay dividends

Dividend payments on the Ordinary Shares are not guaranteed and the Company does not intend to pay dividends in the foreseeable future. To the extent the Company intends to pay dividends on the Ordinary Shares, it will pay such dividends at such times (if any) and in such amounts (if any) as the Board determines appropriate and in accordance with applicable law. Payments of such dividends will be dependent on performance of the Company's business. The Company can therefore give no assurance that it will be able to pay dividends going forward or as to the amount of such dividends, if any. The Company does not expect to pay dividends in the foreseeable future.

Fluctuations and volatility in the price of Ordinary Shares

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Ordinary Shares. The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, some specific to the Company and some which affect listed companies generally, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic, political or regulatory conditions, overall market or sector sentiment, legislative changes in the Company's sector and other events and factors outside of the Company's control.

Investors may not be able to realise returns on their investment in Ordinary Shares within a period that they would consider to be reasonable

Investments in Ordinary Shares may be relatively illiquid. There may be a limited number of Shareholders and this factor may contribute both to infrequent trading in the Ordinary Shares on the London Stock Exchange and to volatile Ordinary Share price movements. Investors should not expect that they will necessarily be able to realise their investment in Ordinary Shares within a period that they would regard as reasonable. Accordingly, the Ordinary Shares may not be suitable for short-term investment. Admission should not be taken as implying that there will be an active trading market for the Ordinary Shares. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the issue price.

CONSEQUENCES OF A STANDARD LISTING

Application will be made for the enlarged issued share capital to be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. Listing Principles 1 and 2 (but not 3 to 6) as set out in Listing Rule 7.2.1 of the Listing Rules also apply to the Company, and the Company will comply at all times with such Listing Principles. Premium Listing Principles 1 to 6 as set out in Listing Rule 7.2.1 AR of the Listing Rules do not apply to the Company.

However, while the Company has a Standard Listing, it is not required to comply with the provisions of, among other things:

- Chapter 8 of the Listing Rules regarding the appointment of a sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not and does not intend to appoint such a sponsor in connection with the Acquisition, the Placing, the Subscription or Admission;
- Chapter 9 of the Listing Rules relating to continuing obligations of a listed company;
- Chapter 10 of the Listing Rules relating to significant transactions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

The Company is not currently eligible for a Premium Listing under Chapter 6 of the Listing Rules. The Company is not required to comply with the additional requirements for commercial companies with a Premium Listing under Chapter 6 of the Listing Rules.

It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply.

IMPORTANT INFORMATION

In deciding whether or not to invest in Ordinary Shares, prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors or the Proposed Directors. Without prejudice to the Company's obligations under the FSMA, the Prospectus Regulation Rules, the Listing Rules and the Disclosure and Transparency Rules, neither the delivery of this Document nor any subscription made under this Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Enlarged Group since the date of this Document or that the information contained herein is correct as at any time after its date.

Prospective investors must not treat the contents of this Document or any subsequent communications from the Company, the Directors, the Proposed Directors, or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

The section headed 'Summary' should be read as an introduction to this Document. Any decision to invest in the Ordinary Shares should be based on consideration of this Document as a whole by the investor. In particular, investors must read the section headed "What are the key risks that are specific to the issuer?" (Risks) of the Summary together with the risks set out in the section headed 'Risk Factors' beginning on page 14 of this Document.

This Document is being furnished by the Company in connection with an offering exempt from registration under the Securities Act solely to enable prospective investors to consider the purchase of the Ordinary Shares. Any reproduction or distribution of this Document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares hereby is prohibited.

This Document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or solicitation of an offer or invitation to subscribe for or buy, any Ordinary Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation. The distribution of this Document and the offering of Ordinary Shares in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom who obtain possession of this Document are required by the Company, the Directors and the Proposed Directors, to inform themselves about, and to observe any restrictions as to the offer or sale of Ordinary Shares and the distribution of this Document under the laws and regulations of any territory in connection with any applications for Ordinary Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or the Directors or the Proposed Directors that would permit a public offering of the Ordinary Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this Document other than in any jurisdiction where action for that purpose is required. Neither the Company nor the Directors nor the Proposed Directors accept any responsibility for any violation of any of these restrictions by any person.

The Ordinary Shares have not been and will not be registered under the Securities Act, or under any relevant securities laws of any state or other jurisdiction in the United States, or under the applicable securities laws of Australia, Canada, the Republic of South Africa, the Republic of Ireland or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold, resold, reoffered, pledged, transferred, distributed or delivered, directly or indirectly, within, into or in the United States, Australia, Canada, the Republic of South Africa, the Republic of Ireland or Japan or to any national, resident or citizen of Australia, Canada, the Republic of South Africa, the Republic of Ireland or Japan.

The Ordinary Shares have not been approved or disapproved by the SEC, any federal or state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or confirmed the accuracy or determined the adequacy of the

information contained in this Document. Any representation to the contrary is a criminal offence in the United States.

Investors may be required to bear the financial risk of an investment in the Ordinary Shares for an indefinite period.

Neither Peterhouse nor any person acting on their respective behalves make any representations or warranties, express or implied, with respect to the completeness or accuracy of this Document nor does any such person authorise the contents of this Document. No such person accepts any responsibility or liability whatsoever for the contents of this Document or for any other statement made or purported to be made by it or on its behalf in connection with the Enlarged Group, the Ordinary Shares, the Admission. Both Peterhouse respectively accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Document or any such statement. Neither Peterhouse nor any person acting on their respective behalves accept any responsibility or obligation to update, review or revise the information in this Document or to publish or distribute any information which comes to their attention after the date of this Document, and the distribution of this Document shall not constitute a representation by Peterhouse or any such person that this Document will be updated, reviewed, revised or that any such information will be published or distributed after the date hereof.

Data protection

The Company may delegate certain administrative functions to third parties and will require such third parties to comply with data protection and regulatory requirements of any jurisdiction in which data processing occurs. Such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) for the following purposes:

(a) verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;

(b) carrying out the business of the Enlarged Group and the administering of interests in the Enlarged Group;

(c) meeting the legal, regulatory, reporting and/or financial obligations of the Enlarged Group in the United Kingdom or elsewhere; and

(d) disclosing personal data to other functionaries of, or advisers to, the Enlarged Group to operate and/or administer the Company.

Where appropriate it may be necessary for the Company (or any third party, functionary or agent appointed by the Company) to:

(a) disclose personal data to third party service providers, agents or functionaries appointed by the Company to provide services to prospective investors; and

(b) transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the United Kingdom.

If the Company (or any third party, functionary or agent appointed by the Company) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data, it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

In providing such personal data, investors will be deemed to have agreed to the processing of such personal data in the manner described above. Prospective investors are responsible for informing any third-party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

Investment considerations

In making an investment decision, prospective investors must rely on their own examination, analysis and enquiry of the Enlarged Group, this Document and the terms of the Admission, including the merits and risks involved. The contents of this Document are not to be construed as advice relating to legal, financial, taxation, investment decisions or any other matter. Investors should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares or distributions by the Company, either on a liquidation and distribution or otherwise. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Enlarged Group's objectives will be achieved.

It should be remembered that the price of the Ordinary Shares and any income from such Ordinary Shares can go down as well as up.

This Document should be read in its entirety before making any investment in the Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Articles, which investors should review.

Forward-looking statements

This Document and any document incorporated herein by reference include statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout the Document and any document incorporated herein by reference and include statements regarding the intentions, beliefs or current expectations of the Company and the Board concerning, among other things: (i) the Company's and Enlarged Group's objectives, acquisition and financing strategies, results of operations, financial condition, capital resources, prospects, capital appreciation of the Ordinary Shares; and (ii) future deal flow and implementation of active management strategies, including with regard to the Acquisition. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performances. The Company's or the Enlarged Group's actual performance, results of operations, financial condition, distributions to Shareholders and the development of its financing strategies may differ materially from the forward-looking statements contained in this Document and any document incorporated herein by reference. In addition, even if the Enlarged Group's actual performance, results of operations, financial condition, distributions to Shareholders and the development of its strategies are consistent with the forward-looking statements contained in this Document and any document incorporated herein by reference, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to:

- the Company's ability to ascertain the merits or risks of the Acquisition;
- the availability and cost of equity or debt capital for future transactions;
- currency exchange rate fluctuations, as well as the success of the Company's hedging strategies in relation to such fluctuations (if such strategies are in fact used);
- changes in the economic environment; and
- legislative and/or regulatory changes, including changes in taxation regimes.

Prospective investors should carefully review the 'Risk Factors' section of this Document for a discussion of additional factors that could cause the Company's or the Enlarged Group's actual results to differ materially before making an investment decision. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 8.1 of Part XII.

Forward-looking statements contained in this Document and any document incorporated herein by reference apply only as at the date of this Document. Save as required under the Market Abuse Regulation and subject to any obligations under the Listing Rules, the Disclosure and Transparency Rules or the Prospectus Regulation Rules, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Third party data

This Document includes certain market, economic and industry data, which was obtained by the Company from industry publications, data and reports, compiled by professional organisations and analysts' data from other external sources conducted by or on behalf of the Company. Where information contained in this Document originates from a third-party source, it is identified where it appears in this Document together with the name of its source. The Company confirms that data sourced from third parties used to prepare the disclosures in this Document has been accurately reproduced and, so far as the Company, the Directors and the Proposed Directors are aware, and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. All third-party information is identified alongside where it is used.

Certain of the aforementioned third-party sources may state that the information they contain has been obtained from sources believed to be reliable. However, such third-party sources may also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, statistical information and economic indicators included in these third-party sources, the Company is unable to verify such information.

Currency presentation

Unless otherwise indicated, all references in this Document to "UK Sterling", "pound sterling", "sterling", "£", or "pounds" or "pence" are to the lawful currency of the UK, all references to "EUR", "€" or "euro cents" are to the lawful currency of the EU. In addition, all references to "USD", "US$", "US dollar" or "cents" are to the lawful currency of the United States.

No incorporation of website

The contents of any website of the Company or any other person do not form part of this Document.

Definitions and glossary of technical terms

A list of defined terms used in this Document is set out in Part XIII 'Definitions' and a list of technical terms and their meanings used in this Document is referred to in Part XIV 'Glossary of Technical Terms'.

Governing law

Unless otherwise stated, statements made in this Document or documents incorporated herein by reference are based on the law and practice currently in force in England and Wales and are subject to changes therein.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	29 January 2021
Record Date of the General Meeting	10.00 a.m. on 11 February 2021
General Meeting of the Company	10.00 a.m. on 15 February 2021
Completion of the Acquisition	16 February 2021
Re-Admission and commencement of dealings on the London Stock Exchange of the Enlarged Issued Share Capital	8.00 a.m. on 16 February 2021
CREST members' accounts credited in respect of New Ordinary Shares	8.00 a.m. on 16 February 2021
Ordinary Share certificates despatched	within 7 days of Admission

All references to time in this Document are to London time unless otherwise stated.

FUNDRAISING AND ADMISSION STATISTICS

Existing Ordinary Share Capital	29,400,120
Number of Fundraise Shares	92,307,693
Number of Conversion Shares	3,300,000
Number of Consideration Shares	230,769,210
Number of Fee Shares	615,384
Number of SOP Bonus Shares	3,586,921
Consideration Shares as a percentage of the Enlarged Issued Share Capital on Admission	64.1%
Harpur Investor Shares	250,000
Total number of New Options	7,458,102
Total number of Investor Warrants	1,150,000
Total number of Financial Adviser Warrants	2,701,719
Maximum number of RTO Warrants in issue on Admission based upon the Existing Ordinary Share Capital as at the Record Date of The RTO Warrants	14,700,060
Enlarged Issued Share Capital	360,229,328
Enlarged Fully Diluted Share Capital	424,700,701
Fundraise Price	6.5pence
Gross proceeds of Fundraise	£6,000,000
Transaction Costs	£660,000
Estimated Net Proceeds of the Fundraise receivable by the Company	£5,340,000
Market capitalisation of the Company at the Fundraise Price on Admission	£23,414,906

DEALING CODES

ISIN	GB00BYQCS703
SEDOL	BYQCS70
LEI	213800XPJFSNWJIYKN52
TIDM	KNB

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors:	Andrew ("Andy") John Gowdy Morrison (*Executive Chairman)* *(non-Executive Director*) Alan Hume (*Non-Executive Director*) (resigning upon Admission) Anthony James Harpur (*Non-Executive Director*) (resigning upon admission) The service address for each of the Directors is: 59-60 Russell Square, London WC1B 4HP
Proposed Directors:	Avihu Tamir (*Chief Executive Officer*) David Tsur (*Non-Executive Chairman*) Uziel Danino (*Non-Executive Director*)
Company Secretary:	David Anthony Little LLB 59-60 Russell Square London WC1B 4HP
Rule 3 Adviser, Financial Adviser, and Broker:	Peterhouse Capital Limited 3rd Floor 80 Cheapside London EC2V 6EE
Placing Agent:	SI Capital Limited 46 Bridge Street Godalming Surrey GU7 1HL
Public & Investor Relations:	Mustard PR Pinewood Studios Pinewood Road Iver Heath SL0 0NH
Public Relations Consultant:	Message Media Ltd 31, Romans Way Chelmsford Essex, CM1 3EZ
Reporting Accountants and Auditors:	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
Legal Advisers to the Company:	Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London EC2A 2EW
Legal Advisers to Kanabo Research Limited:	Herzog Fox & Neeman Asia House 4 Weizmann Street Tel Aviv 6423904 Israel
Legal Advisers to Peterhouse Capital Limited	Kingsley Napley LLP Knights Quarter 14 St John's Lane London EC1M 4AJ

Registrar:	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
Registered Address:	59-60 Russell Square London WC1B 4HP
Website:	http://www.spinnakeropportunities.uk/

PART I

INFORMATION ON THE ENLARGED GROUP

1. Introduction

The Company is an investment vehicle with a Standard Listing and the Company's shares are currently traded on the London Stock Exchange's Main Market. The Company identified Kanabo Research Limited (**Kanabo**) as a suitable acquisition target in line with its current investment strategy and subject to the completion of the Acquisition the Company shall become the holding company of Kanabo (the **Enlarged Group**).

Kanabo Research Limited is an Israel based R&D company, which is currently selling a range of THC-Free Retail CBD Products in the Primary Markets and it is in the process of developing Medical Cannabis Products.

The Enlarged Group's core strategy will be to increase revenues from the sale of its Retail CBD Products in the Primary Markets and to grow the Kanabo brand through its marketing initiatives. Kanabo is currently undertaking a pilot scheme, which is anticipated to continue for a period of up to 3 months following Admission. The purpose of the Pilot is to measure a number of key performance indicators in relation to the sale of its Retail CBD Products, including consumer preferences, demands for Retail CBD Products, effectiveness of the supply chain and compliance with quality controls. The Company thus far reported 40% customer retention rate since the inception of the Pilot. Following the completion of the Pilot, the Enlarged Group will implement the second phase of its strategy aimed at delivering growth in sales of its Retail CBD Products based upon the findings of the Pilot.

Kanabo's future strategy involves continued research and development activities to develop a range of Unlicensed Medical Cannabis Oils, which will be sold alongside its vaporisation device, the VapePod Medical. It is intended that Unlicensed Medical Cannabis Oils will be sold as unlicensed medicines in the UK and Germany. Unlicensed medicines are capable of being prescribed where an individual patient can demonstrate a special need which cannot be met by the currently available licensed medicines. Further details of the regulatory requirements related to the prescription of unlicensed cannabis based products for medical use in humans is set out in paragraph 6 of Part II "Regulatory Overview". A licensed medicinal product, by contrast, is a product which has received a marketing authorisation (a product license) from the relevant authorising body. Marketing authorisation will only be granted after extensive clinical trials and studies have been undertaken to demonstrate the safety and effectiveness of that product. At present, there are three licensed medicines, Sativex, Epidiolex and Nabilone. The National Institute of Clinical Excellence in the UK has determined that Nabilone, Sativex and Epidiolex are (in defined cases) a cost-effective form of treatment capable of being reimbursed through the UK National Health Service.

The Enlarged Group will not seek to obtain a marketing authorisation for its Unlicensed Medical Cannabis Oils, nor will it seek to undertake full clinical trials, as recognised by international standards. The MHRA and the General Medical Council in the UK does not support the prescription of unlicensed medicines when existing licensed medical products are capable of meeting clinical need.

There is currently a market for the sale of marijuana (cannabis) for recreational purposes in certain jurisdictions, including, Canada and Uruguay. The term "recreational cannabis" refers to marijuana (cannabis) which typically contains high-levels of THC which is primarily used by consumers to induce a state of intoxication. The sale of recreational cannabis is a criminal offence in the UK and Germany, and further details are contained in Paragraph 2 of Part II "Regulatory Overview". The Enlarged Group has no intention on entering into the recreational cannabis market in jurisdictions where it is currently legal to commercially sell those products.

2. History

Kanabo was founded on 1 March 2017 by Avihu Tamir, initially, with the purpose of developing Unlicensed Medical Cannabis Oils for patients and has latterly focused on the development of its THC-Free CBD-based oils for over the counter sales.

Development of VapePod Devices

Kanabo developed its vaporisation devices, the VapePod and the VapePod Medical (together with the **VapePod Devices**) in collaboration with Jupiter. Jupiter is the owner of the intellectual property in the VapePod Devices and Kanabo has the exclusive right to distribute these devices in the License Areas using Kanabo's registered trademark the "VapePod".

Development of Unlicensed Medical Oils

Kanabo has achieved some important milestones in connection with the development of its Medical Cannabis Products. In March 2018, the IMH approved the VapePod Medical as a medical device for research purposes.

In June 2018, Kanabo completed a preliminary study on animal subjects to test the safety and efficacy of its most advanced Unlicensed Medical Cannabis Oil, "Nabinnol", which targets insomnia and other sleep related disorders. The results of the preliminary study demonstrated increased sleep maintenance and duration of sleep times in animal subjects.

Development of Retail CBD Oils

Following the conclusion of Kanabo's preliminary study in relation to Nabinnol, the Directors of Kanabo saw an opportunity to utilise its scientific research to develop a range of high-quality Retail CBD Oils capable of being used in conjunction with a vaporisation device. Kanabo has since developed three Retail CBD Oils with the product names "Reload", "Relax" and "Repair". Kanabo's Retail CBD Oils are sold in the form of tamper-proof and non-refillable cartridges (the **Pods**) separately from the VapePod device.

Supply Chain

Kanabo's current supply-chain relies upon wholesalers and suppliers of raw CBD oil and production partners undertaking the combining and mixing of raw materials to produce Kanabo's proprietary formulations of Retail CBD Oils. Kanabo has formed strategic partnerships with distributors in the Primary Markets, namely, (a) Four 20 Pharma and Simply Green B.V.in Germany; and (b) Clear Medica, CiiTECH and Elite Health Care distribution Ltd. in the UK. Kanabo has recorded initial sales for its Retail CBD Products in the Primary Markets during the Pilot.

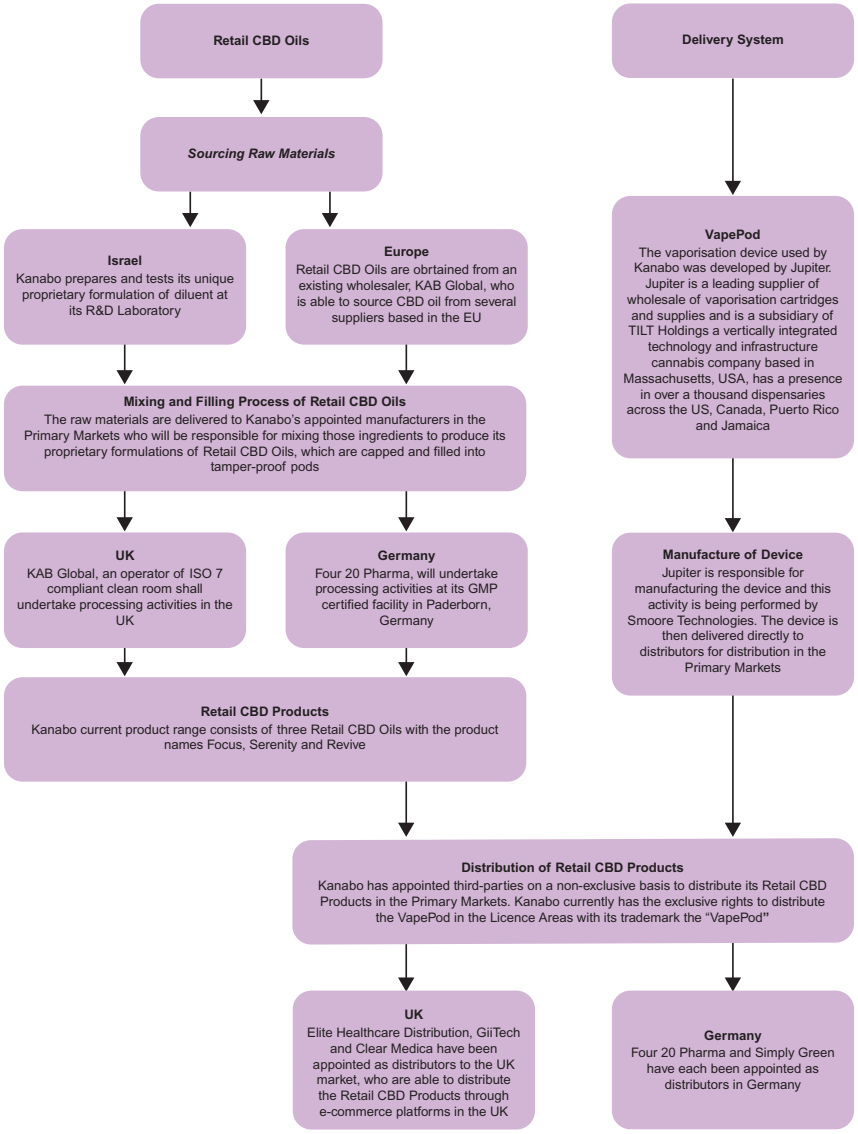
Fundraising

To date, Kanabo's activities have been primarily funded through private equity fundraising rounds and the issue of convertible loan notes, and the exercise of warrants. The convertible loan notes issued to date have been fully converted into paid-up shares in the capital of Kanabo. Kanabo has conducted three key fundraising rounds, pursuant to which the company has successfully raised a total of approximately US$2,335,000 and US$425,718 from the exercise of warrants options issued in the last round. Kanabo has applied approximately one-third of its funds towards research and development activities, with the balance of such sums being used for working capital requirements, the development of its supply chain and strategic partnerships.

Alongside equity financing, Spinnaker announced on 2 December 2019 that it had entered into the Facility Agreement, pursuant to which it had agreed to advance funds to Kanabo to provide additional working capital to assist with the execution of its current business plan. As at the date of this Document, Spinnaker has advanced in aggregate £400,000 to Kanabo under the terms of the Facility Agreement. Further details of the facility are set out in paragraph 19.1 of Part XII of this Document.

3. Current Business

Set out below is a diagram for the purpose of illustrating the business currently being operated by Kanabo in relation to its Retail CBD Products.



4. Key strengths

The Directors believe the Enlarged Group has the potential to establish a strong brand of CBD-based products and Medical Cannabis related products in fast-growing European markets. The Directors have identified the following as key strengths:

Significant Medical Cannabis Experience

Whilst centred on a core of oil formulation science and vaporisation device expertise, the Enlarged Group will benefit from Kanabo's extensive network of contacts developed by its management team over recent years of operating within the Medical Cannabis sector. The combination of Kanabo's technical expertise and operational experience within the Medical Cannabis sector will help the Enlarged Group to secure supplies of raw materials, manage quality control at all stages and to develop products and deliver devices that appeal to consumers and deliver real benefits to them. Beyond this, the depth and breadth of expertise will help the Enlarged Group to navigate changes in the regulatory environment and to make appropriate adjustments to its business model to capitalise on new opportunities, which may arise within a rapidly developing market. The extensive business network surrounding the internal expertise is also likely to give rise to opportunities such as partnerships with third parties to accelerate the growth of the business.

Market-Ready Retail CBD Products

Kanabo has established and developed a supply chain for its Retail CBD Products and is in the process of conducting a Pilot, which is producing positive results in the form of initial revenues. The oil vaporisation delivery method selected by Kanabo is one of the fastest growing market segments. Market response has been favourable with the Retail CBD Products being seen as distinctive and appealing to consumers. Kanabo has the exclusive right to use the proprietary technology of Jupiter in its vaporisation devices with its trademark the "VapePod" in the Licence Areas, a device that has delivered strong sales for Jupiter in North America. Revenues from early sales of Retail CBD Products are expected to fuel the continuing growth of the business.

Pipeline of Medical Cannabis Products

The Directors recognised that there is a growing market for prescription based medical cannabis products in European Union, particularly in the Primary Markets. As a result of Israel's supportive position on medical cannabis, Kanabo has been in the process of developing its Medical Cannabis Products since its formation and has achieved some important milestones, including the completion of a preliminary study in relation to its most advanced Unlicensed Medical Cannabis Oil "Nabinnol". The development of a line of Medical Cannabis Products will enable the Enlarged Group to position its products within two fast growing consumer markets within Europe.

R&D Capability/Facility

Israel is an internationally recognised centre of pioneering research into cannabis and cannabinoids and has operated a national medical cannabis programme for patients for many years. Kanabo has been able to draw upon scientific expertise from a strong and experienced technical team, which has enabled Kanabo to develop its own R&D capability. It has the benefit of certain R&D Licences and a dedicated R&D facility, which has enabled Kanabo to undertake scientific studies and where it can continue to undertake product development and testing. The R&D undertaken by Kanabo in respect of its products is not a legal or regulatory requirement and is not done for the purpose of clinical trials. These capabilities enable Kanabo to build its business based on sound scientific evidence and to generate both formal intellectual property and deep operational "know-how".

5. Core Objective and Strategy

Kanabo's main objective is to generate revenues from the sale of its Retail CBD Products in the Primary Markets and to develop the Kanabo brand through its marketing initiatives. Kanabo intends for its Retail CBD Products to be sold and marketed as premium brand health and wellness products.

The Enlarged Group will continue with Kanabo's Pilot for a period of up to 3 months from Admission until the Directors have determined that the Pilot has garnered sufficient data to proceed with the Second Phase. During the Second Phase, the Directors will focus on growing revenues from the sale of its Retail CBD Products. Immediately following the conclusion of the Pilot, the Enlarged Group will review various measures from the Pilot including *inter alia* consumer preference, effectiveness of supply chain and distribution channels. These measures shall then inform the Second Phase of the Enlarged Group's strategy, for example, how the Enlarged Group will deploy its sales and marketing strategy.

Kanabo's future strategy involves continued research and development activities to develop a range of Unlicensed Medical Cannabis Oils until such products reach a stage of commercialisation. The Enlarged Group intends to sell the Unlicensed Medical Cannabis Oils alongside the VapePod Medical in the Primary Markets, as unlicensed medicines.

The Company's strategy is research-led, and it intends to collaborate with partners for the manufacturing, blending, filling and distribution of its products with Kanabo having sufficient oversight to ensure high standards of quality are observed throughout the supply chain. The Enlarged Group does not currently own cultivation or production facilities and is dependent upon third-party suppliers for sourcing and processing raw materials required for its products. The Enlarged will consider and assess opportunities, as they may arise, to develop production capabilities, including by way of strategic partnerships or joint ventures.

6. Market Overview

CBD Market

Cannabidiol or CBD is a naturally occurring cannabinoid derived from either hemp or cannabis. In 2017, the World Health Organization declared that CBD does not cause psycho-activity and does not exhibit effects indicative of abuse or dependence potential. The European CBD market has grown significantly over recent years with CBD-rich products becoming increasingly popular and widely accessible to consumers from a variety of outlets, including, health stores, pharmacies, supermarkets and online retailers.

The current market size for CBD in Europe is about $534M representing 31% of the global CBD oil market share, second only to North America with a market share of 40%, according to Orian Research Group . The current leader of this market is the UK with sales value of $374M at the end of 2019 followed by Germany, Switzerland, Austria, Spain, and Greece, as published by Hemp Industry Daily. The European CBD market is expected to grow to €13.6bn by 2025 according to New Frontier Data report.

Medical Cannabis Market

THC has psychoactive and intoxicating properties and is therefore subject to stricter regulation in Europe. Scientific research and studies have found that to derive therapeutic benefits from cannabis it is often necessary for the formulation to contain THC concentrates or a combination of THC and CBD.

Medical Cannabis has been subject to increased study by the scientific and medical community in relation to their reported therapeutic benefits. In March 2018, The European Journal of Internal Medicine reported that current medical and scientific literature supported the finding that cannabis or cannabinoids are effective for the treatment of pain in adults, chemotherapy-induced nausea and vomiting and spasticity associated with multiple sclerosis and there is moderate evidence to support its effectiveness in treating secondary sleep disturbances. Further scientific research and studies are ongoing in relation to the effectiveness of Medical Cannabis at treating other conditions.

Medical Cannabis is now available in 30 countries in Europe. The European medical cannabis market today $706M and is expected to reach €2.2B by 2024 according to Technavio, of which approximately €500,000 will comprise Medical Vaporisation related products. Globally the Medical Cannabis market was valued at US$ 3,520.8 million in 2017 and is projected to exhibit a compounded annual growth rate of 24.4% during the forecast period from 2017 to 2025, as published in the *Global Medical Cannabis Market Professional Survey Report 2019*. The German market stands to be one of the largest in the world and is the clear European leader, with an estimated total number of 150,000 potential medical cannabis patients. According to a BDS Analytics report, it holds a potential total market value of $350M and is expected to grow to $1.3B by 2024.

Oil Vaporiser Market

Oil vaporisation devices have become a popular delivery system for nicotine and cannabis products. Oil vaporisers are electronic drug delivery systems that heat liquid or oil to create inhalable vapour, primarily used for nicotine and cannabis to replace traditional smoking consumption methods.

The number of adults using vaporisers has been rapidly increasing, from roughly 7 million in 2011 to 35 million in 2016, largely due to the health implications of smoking substances in the traditional way. It is estimated that the number of adults who use vaporisers will reach almost 55 million by 2021. This shift towards vaporiser products is expected to drive the vaporiser market globally, with Europe expected to account for more than 30% of the market share by 2023.

7. Kanabo Product Range

The Enlarged Group has established a range of Retail CBD Products, which it is currently selling in the Primary Markets and the Enlarged Group's future strategy is to develop a range of Medical Cannabis Products.

Existing Retail CBD Products

Retail CBD Oils

(a) *Description of Retail CBD Oils*

Kanabo's Retail CBD Oils are marketed under the Kanabo brand name. The product names of the Retail CBD Oils are "Reload", "Relax" and "Repair". The Enlarged Group, will market the Retail CBD Oils as premium brand health and wellness products on the basis that the Retail CBD Oils:

- are of higher concentration and potency compared with a number of competing products
- relies on its proprietary diluent as a carrier and avoids a number of potentially harmful chemicals commonly found in e-liquids
- Retail CBD Oils are based on significant R&D research and testing
- the Retail CBD Oils at various stages are checked at various stages of the supply chain to ensure that high standards of quality are maintained

The Retail CBD Oils are sold in tamper proof and non-re-fillable Pods. The purpose of using Pods is both an important safety-feature and to ensure that a revenue stream can be generated from the purchase of replacement Pods by consumers.

Vaporisation devices, including E-cigarettes, typically rely upon a carrier liquid (otherwise known as a diluent) in the process of dissolving flavours associated with the primary ingredient (such as CBD or nicotine) and when heated to a specific temperature will result in vapour being emitted from the device. Propylene glycol ("PG") and vegetable glycerine ("VG") are the principal carriers used in e-liquids. The use of such chemicals when inhaled at sufficient concentrations is associated with an adverse impact on human health.

As part of its research and development activities, Kanabo sought to develop a diluent derived from organic and non-synthetic materials, which would function effectively as a carrier for its Retail CBD Oils and Unlicensed Medical Cannabis Oils. Kanabo's R&D activities led to the development of its proprietary diluent formulation, which is a distinctive characteristic of its Retail CBD Oils.

The CBD formulas are made with a proprietary, patent-pending carrier solution that replaces the traditional diluents of e-cigarettes oils that dominate the market. Kanabo's proprietary neutral formulas allow for little to no irritation, high potency and consistent dosing through the lifespan of the formula cartridge.

Low potency commonly associated with some common carriers encourages consumers to use their vaporisation device frequently throughout the day, which commonly results in throat irritation. The use of Kanabo's proprietary diluent formulation improves the potency of the primary ingredient (CBD), which means that consumers can obtain the benefits of it with more limited uses. Kanabo provides a recommendation on dosage in respect of each of its Retail CBD Oils, typically limited to a few times per day.

Consumers of retail CBD products typically associate high levels of CBD concentration as more likely to provide a therapeutic benefit. CBD cannabis oils with a higher concentration of CBD are more likely to be considered a premium product by the general consumers and are therefore prepared to pay a premium for those products. CBD products on the European market typically have a concentration of 1% to 20% CBD. Kanabo's Retail CBD Oils formulations have a CBD concentration exceeding 70%. This is achieved by using its proprietary diluent.

Products currently sold on the CBD market typically fall within two categories (i) products containing pure CBD isolate and (ii) broad spectrum distillate CBD oils. CBD isolate based products contain the pure CBD molecule, but do not feature other cannabinoids or terpenes capable of extraction from the whole cannabis plant. The majority of vape products in Europe are in e-liquid form and are enriched with isolated CBD due to the high cost of CBD distillates. Kanabo Retail CBD Oils are broad spectrum distillate CBD oils and contain a mixture of terpenes and CBD in their formulation in order to deliver a more complete profile of nutrients, fatty acids

and bioactive compounds. Products marketed as broad spectrum distillate CBD oils are therefore more likely to be considered a premium product compared to products with CBD isolate.

Kanabo's Retail CBD Products are based on the lab work and testing performed by Kanabo at its R&D Lab in Israel. Kanabo's studies and experience with medical cannabis are applied towards its Retail CBD Products.

(b) *Regulatory Regime applicable to Retail CBD Oils*

The Retail CBD Oils are currently being sold in the Primary Markets.

The World Health Organisation recommends that CBD is not categorised as a controlled substance and, therefore, is not subject to criminal penalties.

In the UK, Cannabis is a Class B controlled drug under the Misuse of Drugs Act 1972 and it is unlawful to produce, possess, import or export such products except under a Home Office Licence. CBD is not regarded as a "controlled substance" in the UK provided that it is devoid of other controlled cannabinoids (which includes THC), according to recent Home Office guidance.

In Germany, products containing CBD can be sold lawfully provided that such products are cultivated using EU approved seeds and the product does not have a THC content exceeding 0.2% and that product is prepared for commercial purposes.

Kanabo's Retail CBD Oils are THC Free and are sourced from suppliers based in the EU. The Retail CBD Oils are, therefore, able to be sold commercially in the Primary Markets.

The national authorities in the Primary Markets has followed the recommendation of European Food Standards by classifying food products containing CBD as a "Novel Food". This means that edible foodstuffs containing CBD are required to undergo an approval process with the national regulator prior to being sold on the market. The German authorities have not issued an equivalent statement to confirm that the novel foods regime does not apply to the vaping of CBD oils. Kanabo's Retail CBD Oils are not foodstuffs, but are oils containing CBD which are filled in tamper-proof containers only capable of being consumed through vaporisation. It is the view of the Directors that the Retail CBD Oils sold by Kanabo fall outside the Novel Foods regime.

Further details of the regulatory regime applicable to the Retail CBD Oils is set out at Section 3 ("Regulatory Regime Applicable to Retail CBD Oils") of Part II "Regulatory Overview".

<u>VapePod</u>

(a) *Description of VapePod*

CBD based products are currently available in several forms, including, topical creams, edibles, beverages, tablets and oils. Studies have indicated that the vaporisation of CBD Oil is one of the most bio-available way of administering CBD, meaning that a high proportion of the CBD is absorbed into the body and with quicker onset than other methods of administering. Kanabo therefore sought to develop a way of combining Retail CBD Oils and the use of vaporisation devices to take advantage of the bioavailability and growth in both markets.

Kanabo currently utilises a vaporisation device called the "VapePod" developed by Jupiter Research LLC (Jupiter), a leading developer of vaporiser devices. Jupiter was recently acquired by TILT Holdings Inc., a vertically integrated technology and infrastructure company that provides products and services in the cannabis industry. The VapePod has been designed for use in conjunction with cannabis oils and it is not capable of being used as an E-cigarette to vaporise nicotine products. The technology utilised by the VapePod is also being used in North America by other medical cannabis companies, including Constance Therapeutics one of California's long-standing medical cannabis companies.

Kanabo provides its consumers with a recommended dosage in relation to use of its Retail CBD Oils. The VapePod allows for metered dosing so that consumers can ensure they are able to administer the recommended dosage of Retail CBD Oils and obtain the optimal benefit from the use of Retail CBD Oils, whilst avoiding throat irritation. The VapePod has several key design features including micro-USB charging and magnetic sure-connect snaps to ensure the

cartridges remain in place. The VapePod has a nine-sided magnesium alloy body and it is designed to fit discretely in the palm of the hand.

(b) *Commercialisation of the VapePod*

The VapePod is currently being sold in the Primary Markets. The Enlarged Group is not required to hold any specific licences, authorisations or approvals to sell the VapePod in the Primary Markets. The VapePod is subject to compliance with national requirements on product safety, manufacturing and labelling, and these requirements are strictly adhered to by Kanabo.

E-cigarettes are sold throughout the European Union for the purpose of smoking or 'vaping' tobacco. E-cigarettes do not burn tobacco, but cartridges containing a mixture of chemicals (including nicotine) are heated by an E-cigarette device to a specific temperature to produce vapour or steam which is then inhaled by the consumer. The Tobacco Products Directive (2014/14/EU) (the "**Tobacco Products Directive**") introduced specific rules for nicotine containing electronic cigarettes and refill containers. The provisions of the Tobacco Products Directive have been implemented in the Primary Markets through the following legislative provisions: (i) in the UK, the Tobacco and Related Products Regulations 2016; and (ii) in Germany, the Law on Tobacco Products and Related Products and the Tobacco Products Ordinance.

The VapePod is not governed by the provisions of the Tobacco Products Directive or equivalent provisions under national law in the Primary Markets. Kanabo's Pods do not contain nicotine and are sold in tamper-proof containers (specifically designed for the VapePod), which are not capable of being maladapted by consumers to "vape" nicotine or tobacco products.

As from the 28 October 2020 implentation of the Tobacco Products Act in Germany it is possible that the VapePod would be categorised as a non-nicotine containing e-cigarette and there will be a transition period for ensuring compliance; Kanabo has appointed a regulator consultant to review this issue with Kanabo and to ensure that it complies with relevant legal requirements in Germany.

Kanabo ensures that all products are tested to standards above market requirements to ensure consumer safety and to enable themselves to respond swiftly to regulatory changes in the market.

Further details of the regulation applicable to the product and vaporisation products generally is summarised in Section 4 ("Regulatory Regime Applicable to the VapePod") of Part II "Regulatory Overview".

Future Product Range

The future strategy of the Enlarged Group is to develop Medical Cannabis Products capable of being sold in the Primary Markets. A summary of the key features and the stage of development for each Medical Cannabis Product is set out in this section. The Directors have identified the following steps that the Enlarged Group intend to undertake prior to seeking to commercialise the Medical Cannabis Products in the Primary Markets.

The Enlarged Group will be required to obtain a CE Mark to legally market the VapePod Medical as a medical device in the Primary Markets. Kanabo is not required to undertake the VapePod Medical Safety Testing or the Safety and Efficacy Study (as outlined, below) to satisfy any legal or regulatory requirements in the Primary Markets, but the Enlarged Group intends to undertake these steps in order to demonstrate the safety and efficacy of its Medical Cannabis Products prior to distributing them in the Primary Markets. This will also enable Kanabo to distinguish its Medical Cannabis Products from other products which are subject to more limited testing.

VapePod Medical CE Mark Registration

VapePod Medical will need to be registered as a medical device before it can be sold in the Primary Markets. A CE Mark will confirm that the VapePod Medical complies with the requirements for medical devices under existing EU Directives. A third party has been appointed on behalf of Kanabo to assist with obtaining a CE Mark for the VapePod Medical. It is

	anticipated that CE Mark will be obtained during the first half of 2021.
VapePod Medical Safety Testing	The Enlarged Group plans to undertake testing of its VapePod Medical on human test subjects to demonstrate: (a) the safety of the device; (b) bioavailability; (c) Pharmacokinetics and Pharmacodynamics; and (d) the reliability of the metered dosing systems. To undertake this testing, the Enlarged Group is required to obtain the approvals and permissions required for an in-human trial in Israel. It is anticipated that all approvals will be received to undertake the study by Q3 2021 and the study will be completed by the 2022.
Safety and Efficacy Study of the Unlicensed Medical Cannabis Oils in relation to Nabinnol	Enlarged Group plans to undertake testing of its most advanced Unlicensed Medical Cannabis Oil, Nabinnol, using the VapePod Medical as the delivery system. This study will be undertaken on human test subjects with the purpose of demonstrating: (a) safety; (b) bioavailability; (c) Pharmacokinetics and Pharmacodynamics; and (d) efficacy in relation to treatment of sleeping conditions. It is anticipated that all permissions required to undertake the study will be received by H1 2022 and the study will be concluded by before the end of 2023.

The Directors believe that the Net Proceeds will be sufficient to undertake each of the steps outlined, above.

Unlicensed Medical Cannabis Oils

It is intended that the Unlicensed Medical Cannabis Oils shall be sold as unlicensed cannabis-based medicines in the UK and Germany. The requirements for prescribing these products is narrowly defined, on the basis that a licenced medicinal product should be prescribed in preference to an unlicensed medical product. A summary of the regulatory requirements in respect of unlicensed cannabis-based medicines in the UK and Germany are set out below and a detailed summary is set out in Part II "Regulatory Overview".

In relation to the treatment of a recognised medical condition a medical product which has received a "marketing authorisation" (product license) should be prescribed to patients as a "first line" course of treatment. This means that unlicensed cannabis-based products for medical use in humans can be prescribed to patients where there is unmet clinical need and where a product with a "marketing authorisation" (a product license) is unsuitable. The authority to prescribe such products is limited to clinicians registered on the Special Register of the General Medical Council and such prescriptions are made on a named patient basis.

Kanabo currently has under development three Unlicensed Medical Cannabis Oils, of which Nabinnol is its most developed: (a) Nabinnol which is aimed at treating sleep-related disorders, such as insomnia; (b) a formulation targeting pain-related conditions; and (c) a formulation targeting post-traumatic stress disorder (PTSD).

(a) *Development of Nabinnol*

Nabinnol was formulated for the purpose of addressing sleep-related disorders, such as insomnia.

In June 2018, Kanabo completed a preliminary study in relation to Nabinnol with the VapePod Medical being used as the delivery system. The primary purpose of this preliminary study was to undertake the following tests on animal test subjects: (a) safety testing; (b) determine the correct dosage of the product; (c) to define necessary safety measures for future studies and testing; and (d) measure efficacy in animal test subjects. The results of the preliminary study indicated some effectiveness when tested on mice of an increase in sleep maintenance and duration of sleep.

The Enlarged Group intends to undertake a Safety and Efficacy Study in relation to Nabinnol prior to seeking to market the product as an unlicensed medicinal product in the Primary Markets. Testing will be undertaken in relation to the Nabinnol and is intended to demonstrate: (a) safety; (b) bioavailability; (c) Pharmacokinetics and Pharmacodynamics; and (d) signs of efficacy in relation to the treatment of sleeping disorders. The Safety and Efficacy Study will be undertaken in a clinical setting in Israel and, as such, studies in human-subjects are required to comply with the requirements applicable to in-human medical trials or studies in Israel. These are outlined below in this Part in relation to the development of the VapePod Medical (below). It is intended that the Safety and Efficacy Study will be undertaken following the results of VapePod Medical Safety Testing.

To conduct the Safety and Efficacy Study, the Enlarged Group will need to obtain a specific R&D license from the MCU. Further details of the requirements for obtaining a new R&D license are set out at paragraph 8 of Part II ("Regulatory Overview").

(b) *Development of other Unlicensed Medical Cannabis Oils*

Kanabo's formulations of Unlicensed Medical Cannabis Oils for pain and PTSD remain an embryonic stage of development. Kanabo has conducted testing within its R&D Lab and a literature review for the purpose of informing further testing and potential studies that it may undertake in the future. A small proportion of the Net Proceeds will be applied towards further testing. The Directors do not believe that the Net Proceeds would be sufficient to develop these products through to commercialisation or to undertake a formal study or trial. The Directors may consider deploying revenue from the business to fund further R&D activities.

The Unlicensed Medical Cannabis Oils are unlicensed medicines. An unlicensed medicine is a medicine without a European or UK medicinal licence and in respect of which no clinical trials have been carried out. A summary of the regulatory regime applicable to the Unlicensed Medical Cannabis Oils in the UK and Germany are set out at Part II "Regulatory Overview". Regulation 167 of the Human Medicines Regulations 2012 provides, in certain circumstances, an exemption from the prohibition on the sale or supply of medicinal products without marketing authorisation

(c) *Prescription of Unlicensed Medical Cannabis Oils*

UK

Kanabo will be able to sell the Unlicensed Medical Cannabis Oils in the UK provided that the parties undertaking the manufacture, importation and production of those Unlicensed Medical Cannabis Oils hold all relevant authorisations and consents, as outlined below. In particular, the Unlicensed Medical Cannabis Oils must be manufactured in accordance with EU-GMP standards. The Unlicensed Medical Cannabis Oils will be sold as cannabis-based products for medicinal use in humans (**CBPMS**).

In the UK, an unlicensed CBPM can only be prescribed to meet the "special needs" of an individual patient. As a result, an unlicensed CBPM should not be prescribed in circumstances where a licenced medical product is capable of meeting the needs of the patient.

The prescription of an unlicensed CBPM can only be issued by a specialist doctor registered on the General Medical Council Specialist Register (**Specialist Doctor**). According to a report published by Prohibition Partners in January 2019, there are more than 80,000 doctors noted on the specialist doctors register maintained by the General Medical Council who are capable of prescribing medical cannabis. Theoretically, there are a significant number of specialist doctors capable of prescribing CBPM, although there a number of practical barriers to the prescription of CBPM. NHS England and NHS Improvement published a report titled "Barriers to Accessing Cannabis-based Products for Medical Use on NHS Prescription" (the "**NHS England Report**"). The NHS England Report found that the decision to legalise the prescription of CBPM left some clinicians, and particularly those with a generalist role, feeling that they do not have specialist professional education needed to make fully informed prescribing decisions in cases where a CBPM may be appropriate. Improvements have been made in the education, training and guidance available to clinicians in the prescription of CBPM's since the publication of the NHS England Report. NHS England has commissioned and developed an e-learning training with

Health Education England and the University of Birmingham, on cannabis and cannabis based products for medicinal use, which all healthcare professionals can access. There are also private providers of e-learning resources to doctors, such as the Academy of Medical Cannabis. NICE have now published and revised their clinical guidelines on the prescription of cannabis-based products for medicinal use in humans and NHS England have provided important resources to clinicians in relation to the prescription of CBPM. Furthermore, important clinical research is being undertaken to provide important data for clinicians faced with prescription decisions. On 7 November 2019, it was announced that Project Twenty21, led by drug specialist and campaigner Professor David Nutt, would launch Europe's first and largest national medical cannabis registry study. Project Twenty21 aims to enrol 20,000 patients by the end of 2021, creating the largest body of evidence for the effectiveness and tolerability of medical cannabis with an aim to demonstrate to policymakers that medical cannabis should be as widely available, and affordable, as other approved medicines for patients who would benefit from them.

The manufacturers of CBPMs must hold a Manufacturer's (Specials) Licence and shall be granted following an inspection to confirm that the manufacturer is operating compliance with EU-GMP standards. The importer of an unlicensed CBPM into the UK must, either, hold: (i) a wholesaler dealers licence in respect of the importation of products from another EEA member states; or (ii) a Manufacturers (Specials) Licence if the products is imported from outside the EEA.

Germany

Under section 21(1) of the Medical Products Act (Arzneimittelgesetz) (AMG), a finished medicinal product can only be placed on the market after a marketing authorisation has been issued by the competent German higher federal authority or the European Commission. Finished medicinal products as defined in section 4(1) of the AMG are medicinal products that are manufactured in advance and placed on the market in packaging intended for distribution to the consumer. Finished medicinal products are not intermediate products intended for further processing by a manufacturer.

Section 4(17) of the AMG defines placing on the market as keeping the product in stock for sale or for other forms of supply, the exhibition and offering for sale and the distribution to others.

Two types of medicinal products described in section 21(2) of the AMG can be placed on the market without a marketing authorisation:

(a) Medicinal products for which the essential manufacturing stages are carried out in a pharmacy and no more than 100 packages in one day are produced and are permitted by the pharmacy operating licence.

(b) Medicinal products that are intended for use in clinical trials on human beings.

Kanabo's Unlicensed Medical Cannabis Oil falls under category (a) and, consequently, the final stages of production will be carried out in the pharmacy.

Section 21(2) No. 6 of the AMG permits the provision of medicinal products to patients for a compassionate use (that is, if patients have a seriously debilitating disease or whose disease is life-threatening, and who cannot be treated satisfactorily with an authorised medicinal product) to be made available free of charge. The Federal Ministry of Health (Bundesgesundheitsministerium) issued the Ordinance for Compassionate Use (Arzneimittel-Härtefall-Verordnung) in 2010, which sets out the legal requirements for placing unlicensed medicinal products on the market in Germany before a marketing authorisation has been obtained by the pharmaceutical company.

Any product placed on the market in Germany and that is the subject of a marketing authorisation, whether from the German authorities or the European Medicines Agency (EMA), must have reports on all the results of confirmatory clinical trials substantiating the efficacy and safety of the medicinal product at the disposal of the competent higher federal authority. These reports must be made available within six months following the granting of the marketing authorisation/centralised marketing authorisation. This obligation applies regardless of whether any of the trial sites used were located in Germany.

VapePod Medical

(a) *Description of VapePod Medical*

Studies have shown that vaping is one of the most bioavailable ways of administering cannabinoids, particularly when compared with topical creams and foodstuffs. For this reason, Kanabo has focused on developing a vaporisation system to administer its Unlicensed Medical Cannabis Oils.

In May 2017, Kanabo collaborated with Jupiter to develop the VapePod Medical. Kanabo worked closely with Jupiter to develop a number of important adaptations to create the VapePod Medical. One of the key features of the VapePod Medical is its metered dosing system. It is not possible to provide a clear measurable dosage of Medical Cannabis by smoking cannabis or by using a standard vaporisation device. This means that patients using the VapePod Medical will be able to administer a measured dose, as directed by a medical professional. Kanabo has to date, completed a preliminary study on animal subjects using the VapePod Medical. This preliminary study demonstrated that the VapePod Medical is able to deliver a consistent dose that does not decrease throughout the life of the cartridge and the device.

(b) *Development of the VapePod Medical*

The key steps in relation to the development of the VapePod Medical will be obtaining a CE Mark, so that it can be registered as a medical device in the Primary Markets and undertaking the VapePod Medical Safety Test to demonstrate its safety and reliability of its metered-dosing system.

CE Mark

The purpose of the CE Mark is to confirm that the VapePod Medical complies with EU Directive and UK legislation applicable to the sale of medical devices in the European Union. If the VapePod Medical obtains a CE Mark that device can be lawfully sold in the Primary Markets as a medical device. Kanabo is currently in the process of obtaining a CE Mark for the VapePod Medical. It has appointed an agent to assist with the application process and testing required to be undertaken in relation to the VapePod Medical to obtain a CE Mark. The device recently achieved an electrical CE Mark, confirming its compliance to electrical safety regulations in the EU and the General Product Safety Directive. Kanabo in partnership with Jupiter Research have signed an agreement with a German Notified Body for the Audit review of the device as a medical device and it is anticipated that approval would be received in the first half of 2021. Further details of the requirements relating to the registration of the VapePod Medical as a medical device are summarised at Section 7 ("Regulatory Regime applicable to the VapePod Medical") of Part II "Regulatory Overview".

VapePod Medical Safety Testing

Testing will be undertaken in relation to the VapePod Medical to demonstrate: (a) the safety of the device; (b) bioavailability; and (c) the reliability of the metered dosage. The VapePod Medical Safety Testing will be undertaken in a clinical setting as the study will be conducted on human subjects. Kanabo will be required to obtain the same authorisation and permissions required for in-human medical trials in Israel (as outlined, below).

The Tel HaShomer Hospital has agreed to serve as the institution for the purpose of conducting the VapePod Medical Safety Testing. Tel Hashomer Hospital is the largest government hospital in Israel and serves over 100,000 patients per year.

Kanabo is preparing an application to the Medical Cannabis Unit (MCU) for preliminary approval for the VapePod Medical Safety Testing. The purpose of the application is to provide the MCU with a synopsis of the proposed study, including details of steps taken to ensure public safety. A decision to grant a preliminary approval will be made by the research and development committee of the MCU (the **R&D Committee**) (**preliminary approval**).

If Kanabo receives preliminary approval, a more detailed application to conduct the test will need to be submitted to the clinical trials division of the Ministry of Health and the MCU. This application shall include a full protocol of the VapePod Medical Safety Testing, setting out

parameters for the study to ensure patient safety, the rationale for the study, and details of the cannabis (including its THC and CBD concentrations) to be used in connection with the trial (in addition to any other medicines) and patient consent forms.

Following approval from the MCU and the Ministry of Health an application for final approval of the study will be made to the ethics committee of Tel Hashomer Hospital (the **Ethics Committee**). The Ethics Committee is responsible for ensuring that any in-human medical trials or studies are undertaken in accordance with Israel Published Health Regulations (Clinical Trials in Human Subjects), 1980 (as amended) and ICH GCP. The Ethics Committee will make the final decision whether to approve the VapePod Medical Safety Testing, following the initial decision of the MCU (**final approval**).

Upon receipt of the final approval, an application must be made by Kanabo to the MCU to receive personal licenses for the use of medical cannabis for all participants in the test. It is anticipated that all approvals required to commence the study will be obtained during Q3 2021 and the study will be completed by the end of 2022.

To conduct the VapePod Medical Safety Testing, the Enlarged Group will need to obtain a specific R&D license from the MCU. Further details of the requirements for obtaining an R&D license are out at paragraph 8 of Part II ("Regulatory Overview").

Future Development

8. Intellectual Property and Exclusivity Arrangements

Intellectual Property Protection and Trademarks

Kanabo takes a proactive approach to the protection of its intellectual property. Kanabo's key trademark is the "VapePod" which it intends to use with all of its VapePod Devices. Kanabo will seek to protect its proprietary rights over its unique formulations in respect of its Retail CBD Oils. When interacting with suppliers and distributors, it will ensure that appropriate agreements are in place to govern those relationships and which protect those rights, including, confidentiality and licence agreements. On a practical-level, Kanabo will ensure that the full-protocols required to produce its unique formulations are kept confidential and are not made available to any supplier or distributor.

9. Kanabo Infrastructure

Kanabo has established a supply chain for the preparation and distribution of its Retail CBD Products into the Primary Markets. Kanabo oversees the entire process from the sourcing of materials through to the final testing of its product prior to shipment by its distributors.

Kanabo's supply chain currently depends upon the following third parties: (a) Jupiter who are responsible for developing the VapePod, including the empty-Pods; (b) Smoore Technologies who are responsible for manufacturing the VapePod via an agreement with Jupiter; (c) wholesalers and suppliers required to source CBD-oils; (d) manufacturers engaged in the 'mixing and blending' of the raw ingredients required to produce Kanabo's proprietary formulations of Retail CBD Oils; and (e) distributors involved in the sale of its products to target businesses.

Suppliers

Kanabo sources raw CBD oil required to produce its Retail CBD Oils from a KAB Global a wholesaler of products to the CBD and medical cannabis industry. KAB Global are able to source their supply of raw CBD oil from several sources throughout the EU. In the event that KAB Global is unable to fulfil an order, Kanabo can obtain its CBD oil directly from several suppliers with whom Kanabo has vetted to ensure that their product meets with Kanabo's standards on quality. Kanabo will undertake testing of the hemp from which its wholesaler derives the CBD-oils to ensure compliance with qualitative limits, in addition to ensuring that there is no contamination by pesticides or heavy metals.

Kanabo at its R&D Lab in Israel prepares the unique diluent formulation required for its Retail CBD Products. The diluent is prepared using commercially available non-active substances, such as, terpenes. The diluent is tested at Kanabo's R&D Lab before being distributed to manufacturing partners who will blend this with other ingredients; the diluent is an organic formulation and is not a controlled substance requiring any permissions or authorisations to export into the European Union.

Assemblage of Retail CBD Oils

The next stage of Kanabo's production process is the mixing of the diluent, sourced CBD-oils and terpenes to create the Retail CBD Oils. This process is undertaken strictly in compliance with Kanabo's production protocols by third parties to produce the finished products. Kanabo has appointed Four 20 Pharma, the operator of an EU GMP certified production facility in Germany and KAB Global Distribution, the operator of an ISO 7 compliant cleanroom in the UK, to undertake mixing and blending process. Batches of the final finished products are thoroughly tested prior to distribution.

Distributions Channels

Kanabo has strategically selected its distributors to ensure that there is clear channel towards target markets for its Retail CBD Products in each of the Primary Markets. Kanabo intends to market its Retail CBD Products as premium health and wellness products through e-commerce platforms and physical locations, such as, pharmacies, health-food stores and care-homes.

Germany

In Germany, Kanabo has appointed two distribution partners, Four 20 Pharma and Simply Green B.V. who have an exclusive arrangement to distribute Kanabo's products through different distribution channels.

Four 20 Pharma is a fully licenced, independent importer and pharmaceutical wholesaler for medical cannabis and medical devices which works in strict compliance with EU GMP and GDP Principles. Four 20 Pharma currently distributes products into approximately 3,000 pharmacies across Germany, in addition to other sales channels. Four 20 Pharma has been granted exclusivity by Kanabo to distribute its product into pharmacies across Germany.

Simply Green B.V. are one of the largest distributors of wellness products in the European B2B marketplace and operates an e-commerce platform for the sale of those products. Simply Green B.V. has been granted exclusivity by Kanabo to distribute its products through wellness and health stores in Germany (excluding, for the avoidance of doubt, pharmacies).

UK

In the UK, Kanabo has appointed three distributors Clear Medica, Elite Health Care Distribution and CiiTECH on a non-exclusive basis to distribute Kanabo's Retail CBD Products through e-commerce platforms.

Elite Healthcare Distribution is focused on hemp and CBD brand development, sales, and marketing across wellness and retail. The company is debuting CBD products to several UK retailers and multiple health store chains and is experienced in building long term retailer relationships. The executive team has experience and knowledge of regulatory requirements for the import of products to EU markets, and on-boarding CBD products to largest UK retailers.

CiiTECH is a cannabis biotech company which focuses on commercialising cannabis products for the wellness market. Similar to Kanabo, CiiTECH's products are based upon extensive cannabinoid research and testing undertaken in Israel and its products are currently being distributed in the UK market through its e-commerce site under the brand name "Provacan". Provocan's CBD oils were recently featured in an Evening Standard article highlighting the best CBD oils currently available on the market in the UK. Kanabo Retail CBD Oils will be sold through the Provacan's e-commerce platform as co-branded products with Provocan.

Clear Medica is a UK based online retailer and distributor of cannabis products in England. Kanabo selected Clear Medica as a distributor based upon the significant experience of its management team in pharmaceutical and nutraceutical sales experience. Kanabo's Retail CBD Products will be sold through Clear Medica's e-commerce distribution channels.

10. Business Plan

Near term strategy

The main objective of the Enlarged Group is to generate revenue from the sale of its Retail CBD Products in the Primary Markets and to develop the Kanabo brand through marketing initiatives. The strategy of the Enlarged Group will be to continue Pilot sales for a period of up to 3 months from Admission for the purpose of assessing the effectiveness of its current operations based upon various measures described, below. Following the conclusion of the Pilot, the Enlarged Group shall proceed with second phase of its strategy (the **Second Phase**) the purpose of which is to develop the growth in the sale of its Retail CBD Products.

Current Operations

The Enlarged Group has established a supply chain for the production and distribution of its Retail CBD Products. A more detailed description of Kanabo's supply chain is set out at paragraph 9 ("Kanabo Infrastructure") of this Part.

Suppliers

At present, KAB Global is responsible for sourcing the CBD Oil required to produce the Retail CBD Oils. Kanabo is seeking to grow its relationship with KAB Global, as a wholesaler based in the UK, with access to multiple suppliers across the EU. Kanabo has vetted several alternate suppliers to ensure that their product meet Kanabo's requirements on quality. These secondary suppliers would be in a position to fulfil orders for CBD Oil, as and when such as need arises. The Directors do not expect to rely upon any supplier or wholesaler (other than KAB Global) during the period of the Pilot. Due to the increase in the sale of CBD based products across the European Union, it is anticipated that the supply of raw materials and the number of suppliers in the market will increase accordingly.

UK

In the UK, KAB Global undertakes the preparation of the Retail CBD Oils and the resulting product is then capped and filled into tamper-proof Pods and delivered directly to Kanabo's UK distributors. As at the date of this Document, the Enlarged Group has appointed Elite Healthcare, Clear Medica and CiiTECH on a non-exclusive basis as distributors to the UK market. Each of these chosen UK distributors have established e-commerce platforms in the health and wellness markets. Each of these distributors will help to market and sell the Retail CBD Products through their e-commerce platforms. Kanabo has made initial sales of its products to these distributors and it is anticipated that these will continue to increase during the period of the Pilot.

Germany

In Germany, Four 20 Pharma and Simply Green B.V. will be responsible for the distribution of the Retail CBD Products in Germany. Kanabo's strategy is to strengthen its relationship with Four 20 Pharma Simply Green B.V., as large and well-established distributors enabling it to penetrate a number of sales channels throughout Germany, including, pharmacies and care homes. The Retail CBD Products are expected to be sold predominantly in physical locations. As a result of the COVID-19 pandemic, the Directors of the Enlarged Group anticipate that if lock-down and social distancing measures are put in place in Germany then its Retail CBD Products will be sold in higher volumes through e-commerce platforms.

Pilot Phase

Kanabo is currently in the process of undertaking pilot sales of its Retail CBD Products in the Primary Markets, although, sales are currently being made in small volumes, Kanabo has not undertaken any significant marketing initiatives and its supply chain has not dealt with a large volume of orders.

The objective of the Pilot is, therefore, to closely monitor the following factors to inform key decisions required to be made by management in relation to the implementation of the Second Phase of its near-term strategy. The Directors intend to accomplish the Pilot within a period of 3 months from Admission, although the Directors may consider it prudent to extend the Pilot by a short period until they are satisfied that the objectives of the Pilot have been achieved.

Performance Measure	*Potential Adjustments to Strategy*
consumer preferences	The Directors will take account of consumer preferences to ensure that its Retail CBD Products are attractive to consumers. The Directors may consider adjusting sales initiatives, the preparation of promotional literature, branding and labelling of Retail CBD Products.
Sales and Distribution Channels	The Directors will measure demand for its Retail CBD Products in the Primary Markets. Market response could result in the Enlarged Group increasing or reducing its focus in certain regions of the Primary Markets. The Directors may consider putting stronger emphasis upon certain sale channels, e.g. e-commerce rather than physical locations. During the Pilot, Kanabo will test the market response to the sale of its products through e-commerce platforms in the UK, whereas, Kanabo's strategy for Germany is more focused on physical locations, such as care homes. As a result of the COVID-19 pandemic, the Directors of the Enlarged Group anticipate that if lock-down and social distancing measures are put in place (either on a regional or national basis) in Germany then its Retail CBD Products will be sold in higher volumes through e-commerce platforms.
Distributors	The Enlarged Group's ability to increase revenues is mainly dependent upon achieving growth through the appointment of additional distribution partners in the Primary Markets. The Directors may adjust the proposed criteria for the selection of new distributors.
Supply Chain	The Directors will assess the ability of existing suppliers to deal with volume of sales, as they increase over time. The Directors will also monitor and determine reliable timescales for the delivery of finished products. This measure will help the directors to determine the stage at which it will need to appoint further suppliers and manufacturers to support the incremental growth of sales of its Retail CBD Products.
Quality control and compliance with protocols	Kanabo will undertake regular testing to ensure that quality controls are being maintained and that all products are produced in compliance with Kanabo's strict protocols. Kanabo has appointed independent third parties in the UK and Germany to test products during the Pilot. The maintenance of quality controls is fundamental for establishing a reputation as a premium health and wellness brand. This could result in the removal and/or appointment of additional suppliers.

Second Phase

Based upon the results of the Pilot, the Enlarged Group will seek to implement the second phase of its near-term strategy to grow the sales of its Retail CBD Products. To achieve this, the Enlarged Group plans to:

- nurture and grow relationships with existing and future distributors
- appoint further distributors
- appoint regional representation
- develop business-to-business sales
- enhance brand awareness
- develop its premium health and wellness brand
- increase capacity in its supply chain

Distributors

For the Enlarged Group, the appointment of additional distributors in the Primary Markets is an important way of achieving scale and growth without significant investment.

The Enlarged Group will target the appointment of two Distributions in each six-month period following the conclusion of the Pilot over a period of two years. The Directors will be particularly focused on selecting distributors who provide access to different segments of the consumer market not already covered by existing distributors. Kanabo is currently in discussion with potential distribution partners.

The Enlarged Group will seek to appoint Distributors in the Primary Markets with sufficient knowledge, expertise and contacts working within the health and wellness industry. The Pilot will be used to define clear criteria for the appointment of new distributors.

Part of the Enlarged Group's strategy in Germany will be to strengthen its relationship with Four 20 Pharma, as a large German distributor, who currently supplies products to over 3,000 pharmacies across Germany. In addition, Simply Green B.V. are one of the largest distributors of wellness products in the European B2B marketplace and operates an e-commerce platform for the sale of those products. By continuing to strengthen its relationship with its existing distribution partners, Kanabo will continue to work and add additional large established German distributors, which the directors believe that this will provide the Enlarged Group with a significant opportunity to increase the sale of its Retail CBD Products across the German market.

Regional Representatives

The Enlarged Group intends to use part of the proceeds to develop a team of regional representatives in the Primary Markets. The account managers will be responsible for the growth of existing distributors and will work directly with them in order to ensure their success and the sales team will be responsible to recruit new distributors. The Net Proceeds will enable the Enlarged Group to make at least two appointments in Germany and the UK to support its objectives. The role of regional representatives is two-fold. Part of their role will be to work with and to support distributors in their initiative to promote and sell the Retail CBD Products to potential business customers and supplying distributor with the information that they require in relation to the Retail CBD Products. The second part of their role will be to support Kanabo in growing its brand and meeting with potential distribution partners and business at tradeshows. They will generally support Kanabo's marketing and branding initiatives in the Primary Markets. The role of account managers will be to set their accounts for success including, going to tradeshows with them, representing them in their stores, guidance and methodology teaching.

B2B Relationships

The Enlarged Group will also use part of the marketing proceeds to implement a marketing plan that will be predominantly focussed on developing business-to-business sales and partnerships.

The Enlarged Group will particularly seek to grow business-to-business relationships by working closely with distributors to establish relationship directly with business partners. By way of illustration, the Enlarged Group would expect to meet with potential pharmacies in combination with distributors, such as Four 20 Pharma and Simply Green B.V., in order to educate businesses on the Kanabo brand and range of Retail CBD Products. Kanabo will also ensure that it is represented at key trade conferences and speaking events within the CBD cannabis and medical cannabis sectors to ensure that its products are visible for key distributors and are positioned near to other premium health and wellness products. At the same time, Kanabo will run advertising campaigns in healthcare trade journals, google ads and social media campaigns targeting healthcare buyers.

Brand Awareness

Kanabo will start running initial general branding awareness campaigns to support sales in retail locations. These campaigns would be run on cost-effective marketing channels including targeted sponsorships, social media campaigns and in store activations. The new website that Kanabo intends to launch will offer educational blog articles, case-studies and supportive marketing materials for distributors. The Enlarged Group intends to support its designated distribution partners with brand management and marketing efforts for both the Kanabo brand and Retail CBD Products in the Primary Markets and generally within the CBD market.

Development of premium health and wellness brand

The Enlarged Group is aiming to position itself as a premium health and wellness brand. This is expected to enable Kanabo to demand a higher price for its products and to achieve higher margins on sales.

The Directors believe that its products are capable of being distinguished from competing brands, based on the following factors:

- Kanabo's Retail CBD Oils have been developed on the basis of scientific development and research
- Its proprietary diluent, which serves as a carrier liquid, avoids the use of synthetic chemicals commonly found in e-liquids
- Retail CBD Oils are of a higher concentration and potency compared with similar products currently on the market
- the utilisation of advanced vaporisation technology in the VapePod allows for metered dosing

In Germany, the Enlarged Group expects to increase sales of the Retail CBD Products through pharmacies and care homes, initially. In this market, the Directors believe that the availability of metered dosing offered by the VapePod will be a key points of sale.

In the UK, where the Retail CBD Products are currently being sold predominantly through e-commerce sites, a key point of sale will be the high-potency and concentration of its Retail CBD Oils when compared with a number of competing products currently on the market.

Supply chain capacity

The Directors anticipate that as demand increases for its Retail CBD Products, the Enlarged Group will add greater capacity into its supply chain. The Directors have not identified an immediate need to appoint further suppliers and manufacturers during the period of the Pilot. The Pilot shall be used to measure how quickly products are capable of being delivered as finished products and the ability of current suppliers to deal with increasing demand. The Directors will monitor this closely so that an effective strategy can be implemented in relation to new appointments. The Directors expect that as the volume and frequency of sales of its Retail CBD Products increase, it will be able to access supplies at a more competitive rate with potential suppliers. As a company seeking to establish itself in the market as a premium health and wellness brand, the Enlarged Group will closely monitor and test products received from suppliers to ensure that appropriate standards of quality are maintained and protocols are strictly adhered to.

Future Strategy

The Enlarged Group's future strategy is to develop a range of Medical Cannabis Products. The Enlarged Group will use approximately £1,000,000 of the Net Proceeds from Admission to continue with its research and development activities in relation to the development of its Medical Cannabis Products. Furthermore, the Directors intend to redeploy a proportion of revenues generated from the sales of Kanabo's Retail CBD Products to fund research and development activities.

The Enlarged Group does not currently own cultivation or production facilities and is dependent upon third-party suppliers for sourcing and processing raw materials required for its products. The Enlarged Group will consider and assess opportunities, as they may arise, to develop production capabilities, including by way of strategic partnerships or joint ventures.

<u>Medical Products</u>

Kanabo is aiming to develop a range of Unlicensed Medical Cannabis Oils which specifically target central nervous system conditions, such as, Insomnia, chronic pain and post-traumatic stress. The Enlarged Group will aim to sell and market VapePod Medical (as a medical device), alongside its Unlicensed Medical Cannabis Oils. The Directors have identified the following steps as being significant for the development and commercialisation of Kanabo's most advanced Unlicensed Medical Cannabis

Oil, Nabinnol, and the VapePod Medical(, as more particularly described in section 7 ("Kanabo Product Range") of this Part):

- the registration of the CE Mark in respect of the VapePod Medical, so that it can be sold as a medical device in the Primary Markets (this exercise is anticipated to be completed by the first half of 2021);
- the completion of the VapePod Medical Safety Testing (this exercise is anticipated to be completed before the end of 2022);
- the completion of the Safety and Efficacy Study in relation to Nabinnol (this exercise is anticipated to be completed before the end of 2023).

The second and third steps outlined above are not required to satisfy any regulatory requirements necessary for the Unlicensed Medical Cannabis Oils to be prescribed in the Primary Markets as unlicensed medicinal products. The Directors believe that the completion of these studies is nevertheless, important for validating the efficacy and safety of the Medical Cannabis Products. The data generated from the VapePod Medical Safety Testing and the Safety and Efficacy Study will help to assist persons responsible for prescribing unlicensed medicinal products in reaching an informed decision before prescribing the Unlicensed Medical Cannabis Oils for use with the VapePod Medical, as a delivery system.

The Directors estimate that the Medical Products customer lifetime value will be approximately £1,248, for medical patients over two years. This estimated calculation is based on a 1g prescription a month (which is the minimum product requirement), as well as the estimated frequency of customers changing suppliers.

The Directors are aware that there are a number of risks, which could potentially restrict or prevent the commercialisation of the Medicinal Cannabis Products.

The UK and Germany have each established a regime for the prescription of Medical Cannabis and specifically for unlicensed medical cannabis products. The law, regulation and interpretation of these regulations by local legislators and governing bodies, including public attitudes to Medical Cannabis, may change and it is, therefore, difficult to forecast how this will impact the commercialisation of Nabinnol, which is unlikely to occur before Q3 2022.

There is also a risk that authorities in the Primary Markets will not support the use of vaporisation devices as a means of administering medicinal cannabis products in favour of other more traditional methods.

The Directors believe that the Net Proceeds will be sufficient to undertake each of the steps outlined above in relation to the development of Nabinnol and the VapePod Medical. Furthermore, part of the Net Proceeds will be used to temporarily maintain its existing R&D Lab and its new R&D laboratory and support general R&D costs, in addition to funding the development of the Unlicensed Medical Cannabis Oils in relation to PTSD and pain-relief and next generation vaporisation devices. These specific Unlicensed Medical Cannabis Oils remain at an embryonic stage of development. Activities are intended to be limited to academic research and further testing in its R&D Lab before conducting any studies relating to the effects of those Unlicensed Medical Cannabis Oils in relation to animal or, latterly, human test subjects; the Directors will consider carefully how to deploy the Net Proceeds to develop these Unlicensed Medical Cannabis Oils based upon further testing, as the Net Proceeds is likely to be insufficient to support detailed testing in animal or human subjects.

11. Sensitivity Analysis in respect of Key Assumptions

As further described in Section 10 ("Business Plan) of this Part the near-term strategy and objective strategy of the enlarged Group is to sell its Retail CBD Products and in future, to establish a product range of Medical Cannabis Products. As an early stage business, the successful execution of this plan is reliant on several key factors, in particular the Directors have identified the following important assumptions in the successful execution of its business plan:

Regulatory Regime Applicable to Retail CBD Products

The Enlarged Group's strategy assumes that Kanabo will be able to sell and market its Retail CBD Products in the Primary Markets without restriction and without requiring any additional consents, authorisations or approvals. In the event of a change in regulation, this could affect the timeline for the commercialisation and marketing of its products. Any adverse change in this regard could impact the Enlarged Group's ability to sell and market its products in the Primary Markets.

There is a well-established market for CBD based oils in the Primary Markets. Products of the same category as the Retail CBD Products are currently widely available in the Primary Markets from online and retail stores, including large pharmaceutical chains. The Directors cannot, however, provide any assurances that there will not be a change in the regulation, which restricts or inhibit the Enlarged Group's its ability to sell its Retail CBD Products in the Primary Markets.

Market for Retail CBD Products

The Enlarged Group's strategy assumes that the current favourable market for CBD based products will be maintained, however, the Directors cannot provide assurances that a market will be maintained or that consumers will retain an interest in such products.

Distribution Network and Sales

The Enlarged Group intends to achieve revenues by partnering with distributors into target markets, who will be responsible as an agent for the company to secure sales with the Enlarged Group's target customer base. The Enlarged Group's revenue and sales growth assumes such distributors are successful in securing sales in their respective markets. The Enlarged Group has partnered with its distributors and intends to appoint future distributors on a non-exclusive basis; this will provide the Enlarged Group with the flexibility to source alternative distributors if any distributor(s) are unsuccessful.

The Enlarged Group intends to develop growth in target markets by appointing additional distributors. This roll out plan is dependent upon the success of these distributors.

Reliance on Management

The Company is reliant on the skills and experience of its founder and CEO, Avihu Tamir to ensure that the Company can successfully implement its business plan. Avihu Tamir has extensive experience of the cannabis industry and has helped to grow the Company's brand in a number of key markets, in particular by speaking at conferences and similar events.

Infrastructure

The strategy of the Enlarged Group assumes that its supply chain will be able to cope with the anticipated demand for the Retail CBD Products and that there are no unexpected delays or interruptions within its supply chain. A break within the supply chain could have an adverse effect on achieving revenues in that period.

Staffing

The business plan of the Enlarged Group assumes that Kanabo will be able to recruit, train and retain enough sales and brand management staff to build its network and oversee its distributors in its Primary Markets. If this proves more difficult than expected, it could have a negative impact on the growth of revenues.

Pricing and Costs, and Environmental factors

Kanabo's pricing model is based upon its Retail CBD Products being sold as a premium health and wellness product. If its competitors can offer competing products at a lower price this could impose pressure on the Enlarged Group to reduce the price of its Retail CBD Products, which would result in a reduction in unit margins.

Kanabo's model is based upon current pricing of products required to produce its Retail CBD Oils offered by wholesalers and suppliers. The Directors have assumed that the pricing of wholesale biomass and raw material Retail CBD Oils is likely to reduce over time noting that the increased availability and competition within the market for raw biomass and other Retail CBD Oil materials.

This trend could, however, be reversed and the directors cannot provide assurances that the costs of such materials will not rise, resulting in possible reduced profits. This could be exacerbated by environmental and agricultural factors, such as a widespread crop failure. Such conditions could result in the cost of purchasing product(s) required to produce Retail CBD Products increasing materially.

12. Terms of Conditional Acquisition of Kanabo

Key Terms of the Acquisition

On 2 December 2019, the Company announced that it had entered into a share purchase agreement to conditionally acquire up to 100 per cent. (but not less than 95 per cent. (the **Minimum Threshold**)) ("**Exchange**") of the issued share capital of Kanabo in consideration for the allotment of Consideration Shares in the issued share capital of the Company at the Fundraising Price. The long stop date under the original share purchase agreement recently elapsed and the parties entered into a new share purchase agreement (on substantially the same terms) on 17 December 2020. Details of which were announced to the market on 18 December 2020. A Summary of the terms of the Share Purchase Agreement are set out at paragraph 18.1 of Part XII ("Additional Information").

The Share Purchase Agreement contemplates a gap between Exchange and completion.

As at Exchange, Kanabo shareholders representing over 70% of the issued share capital entered into the share purchase agreement and Kanabo had provided an undertaking to use their reasonable endeavours to procure that all Sellers of Kanabo who did not sign the SPA as at Exchange ("**Non-Executing Sellers**") are made a party to the Agreement.

The Company will acquire 100% of Kanabo on Admission, provided that this occurs no later than the Long Stop Date (the **Admission Condition**).

Completion of the Acquisition (in addition to the Admission Condition) is conditional upon the approval of all resolutions to be tabled at the General Meeting of the Company. The resolutions to be tabled at the General Meeting include the Rule 9 Waiver to be approved by Independent Shareholders voting on a poll.

The Company is subject to the provisions of the Takeover Code and, as a result, the Shareholders are entitled to the benefit of takeover protection under the Takeover Code, further details of which are set out in paragraph 17 of Part XII "Additional Information" of this Document. Following Admission, certain Shareholders shall be presumed to be acting in concert under the Takeover Code (the **Concert Party**). Details of the Concert Party are summarised in Part XI "Takeover Code Disclosures" of this Document. Without the waiver of the obligation under Rule 9 of the Takeover Code, the issue of the Consideration Shares, the Deferred Consideration Shares, and the exercise of the Concert Party Options would require the members of the Concert Party to make a general offer for the entire issued and to be issued share capital of the Company, not already held by them (a **Mandatory Offer**). The Panel has agreed with the Company to grant such a waiver subject to and conditional upon the passing of the Whitewash Resolution at the General Meeting of the Company's Independent Shareholders to be held on 15 February 2021.

Deferred Consideration

The Sellers (who have been made a party to the Share Purchase Agreement), shall be entitled to receive additional consideration through the allotment of up to 38,461,492 new Ordinary Shares, such shares being issued at the Fundraise Price (the **Deferred Consideration**), subject to the satisfaction of certain development milestones relating to the progression of its Medical Cannabis Products measured over a period of twelve months from Admission.

The Deferred Consideration will be satisfied by the issue and allotment of (a) up to 19,230,746 new Ordinary Shares in the event that one milestone is achieved; and (b) up to 38,461,492 new Ordinary Shares in the event that two or more milestones are satisfied. Further details of the milestones are summarised in paragraph 18.1 of Part XII "Additional Information". In the event that a Seller transfers his Ordinary Shares before the Board of the Enlarged Group determines that a milestone under the Share Purchase Agreement has been achieved (a "Defaulting Seller"), the enlarged Board of the Company may in its absolute discretion determine that a Defaulting Seller is not entitled to receive some

or all of their Deferred Consideration and it may allocate the Deferred Consideration due to that defaulting shareholder to other Sellers on a pro-rata basis.

13. Use of Proceeds

The Net Proceeds amount to approximately £5,340,000. The activities that the Enlarged Group intends to undertake will amount to £1,740,000, as described further in the table below. The difference in funding between the £5,340,000 raised as part of the Net Proceeds and the estimated £1,740,000 to be used by Enlarged Group in the first 12 months will be approximately £3,600,000. This amount will be utilised by the Enlarged Group to continue its development in the 12 to 24 months from Admission.

Following Admission the funds in the Enlarged Group will be used principally to execute upon its core strategic objective, which is to generate sales within the Primary Markets of its Retail CBD Products and to improve the recognition of its brand. The Directors also intend to deploy funds to assist with the growth of sales, including the recruitment and appointment of sales staff and account managers to increase the number of distributors, increase sales and intensify its marketing efforts.

Additionally, funds will be used to continue Kanabo's R&D activities in order to develop a portfolio of Medical Cannabis Products. The Directors have estimated that it will have sufficient funds for testing of its Unlicensed Medical Cannabis Oil, Nabinnol, to reach a point of commercialisation. The Directors also believe that the sums outlined below will be sufficient to register the VapePod Medical as a medical device and to undertake the VapePod Medical Safety Testing and the Safety and Efficacy Study. In addition to meeting general research and development costs, remaining R&D funds will be deployed to continue with preliminary studies and literature reviews in respect of a pipeline of Unlicensed Medical Cannabis Oils.

Expense	Estimated Amount for 12 months (£)
Sales and Marketing:	595,000
• Sales Operational Costs in the Primary Markets (including, inter alia, sums required to appoint at least two regional representatives in each of the Primary Markets)	290,000
• Marketing Costs including the costs of running various marketing initiatives Primary Markets (including, inter alia, the appointment of PR consultants)	305,000
Research and development	385,000
• Testing and validation of the medical device and Nabinnol (including, inter alia,the estimated cost(s) of VapePod Medical Safety Testing; and Safety and Efficacy Study	88,000
• Development of VapePod Medical (namely, regulatory costs associated with the registration of CE Mark)	40,000
• Costs of undertaking development Registration and regulation of pipeline Unlicensed Medical Cannabis Oils (excluding Nabinnol)	92,000
• General R&D costs (including, inter alia, general research costs, maintaining R&D Lab)	165,000
General capital expenditure	500,000
Ongoing listing costs	260,000
Total use of proceeds (Approximate)	**1,740,000**

Research and Development

Avihu Tamir, as CEO, together with Kanabo's management team provide the strategic direction for all R&D activities undertaken by its team of scientists and researchers and external advisers. Kanabo's R&D activities are focused on three core areas:

- The formulation of Unlicensed Medical Cannabis Oils and Retail CBD Oils (**Formulation**);
- hardware development in respect of its vaporisation devices (**Hardware**); and
- medical validation in respect of its Medical Cannabis Products (**Medical Validation**).

Formulation

Kanabo's Senior Scientist Michael Adda leads formulation development at Kanabo along with advisor Doron Friedman at Kanabo's R&D Lab. Trusticert provides Toxicology advice and formulation analytical support to Kanabo. Their activities include (i) conducting laboratory testing and experiments on formulations under development; (ii) how the formulations perform with Kanabo's hardware in order to prepare for further medical validation activities.

Hardware

Kanabo's Production and Regulation Director, Miriam O'Reilly, leads hardware development at Kanabo along with advisor Yossi Aldar. Kanabo collaborate with external advisers, Jacob Rand in relation to device engineering and BioMedical Strategy team led by Orna Oz and with a Medical Device Regulation team led by Geoff Fatzinger of Calcog Pharma (via Jupiter) regarding medical device regulations.

Their activities include conducting lab testing on both device prototypes and formulations under development in order to optimise the mechanic and electronic performance of the hardware to work in synergy with Kanabo's formulations. This team interfaced and worked closely with the manufacturer of Jupiter Research's hardware to develop and manufacture the VapePod Devices.

Medical Validation

Miriam O'Reily leads medical validation at Kanabo along with advisor Nachshon Knoller. Kanabo collaborate with external advisers, Hagit Mar-Chaim regarding product development, regulations, and PharmaSeed as the Clinical Research Organization (CRO) and regarding preliminary studies.

Key Technical Team

Kanabo's key technical employees are Michael Adda (Senior Scientist) and Miriam O'Reilly (Production and Regulation Director). Their main area of focus is research and development activities related to extraction, distillation and formulation and device development. Their work is supported by team of research advisors who are engaged by Kanabo on a part-time basis. Biographies of key technical staff are set out at Part III of this Document.

Collaborative R&D Activities

The Company has not entered into and is not otherwise engaged in any material collaborative research and development agreements. The Company does however have the following less formal arrangements relating to research and development, which contribute to ensuring that its research is always of high quality. Based on these arrangements and the expertise of its staff, the Directors believe that the absence of such formal collaborative agreements with organisations of high standing and repute in the industry will not have a material impact on the standing or quality of the research.

PharmaSeed in relation to the conduct of its preliminary studies undertaking in relation to its Unlicensed Medical Cannabis Oils and Trusticert provide Toxicology advice and formulation analytical support to Kanabo. Sheba Medical Centre has agreed that it will collaborate with Kanabo in relation to testing of its Unlicensed Medical Cannabis Oil, Nabinnol.

PharmaSeed

PharmaSeed is a GLP-certified CRO providing pre-clinical and consulting services for medical device, biotechnology and pharmaceutical companies. They are the largest GLP-certified preclinical contract research organisation in Israel. Their expertise in preclinical studies is mainly in the following areas: stem cell and cellular therapeutics, angiogenesis, cancer, inflammation, pain, metabolic disorders, toxicology and medical devices. The founder and CEO of PharmaSeed Ltd, Itschak Lamensdorf, holds several postdoctoral positions including at the National Institute of Neurological Disorders and Stroke of the National Institute of Health (NIH), Bethesda, Maryland and at the Molecular Genetics Department of Israel's Weizmann Institute of Science. The Study Director, Illan Kallai, has an academic background in skeletal tissue engineering and is experienced in medical device scientific research management.

TRUSTiCERT SRL

Trusticert provides expert advice in the areas of EU directive compliance in the areas of CLP directive and toxicology, validation of formulation and dose consistency. The company's core business is the assessment of the toxicological impact of new products (food, cosmetics, medical devices, tobacco). TRUSTiCERT is a national leader in its field and has established a reputation across Europe and North America.

Calcog Pharma

Founded in 1919 as a retail pharmacy in New York, today they operate in the US and Europe, their services include clinical trial design, clinical packaging and labelling, IMP management and global distribution, commercial and ancillary product procurement, Clinical Supply Management, Early Access to Medicines services, strategic Regulatory consulting, commercialized product distribution, and asset acquisition planning. Geof Fatzinger provides advice to Kanabo on medical device regulations and Calcog Pharma provides his services. Mr. Fatzinger has over 20 years' experience providing advice and support to businesses on regulatory matters. He has a demonstrated record of regulatory and business accomplishments covering the United States, Europe, Asia Pacific (with in depth experience in Japan, China, and Korea), and Middle East having lived and worked in many countries championing regulatory affairs.

Sheba Medical Center

Kanabo has agreed to collaborate with Sheba Medical Center in relation to a proposed VapePod Medical Safety Test, subject to obtaining relevant approvals from the MCU. It is also intended that the Sheba Medical Center Hospital would collaborate with Kanabo in relation to the proposed Safety and Efficacy Study. Sheba Medical Center is Israel's largest hospital with 159 medical departments and clinics has been rated one of the 10 hospitals in the world for the last two consecutive years The Principal Investigator of the VapePod Medical Safety Test will be Dr. Ronen Loebstein. Dr. Ronen Loebstein is the director of the Institute of Clinical Pharmacology and Toxicology, Sheba Medical Center. He is a Clinical Pharmacology Specialist with focused research on database evaluation of drug safety and efficacy as well as pharmacogenetics specially genetic determinants of interindividual variability in drug response and adverse events.

R&D Lab

Kanabo currently undertakes its research and development activities at its laboratory located at its R&D Lab in Israel. The R&D Lab is used for the purpose of performing research and development activities in relation to its proprietary formulations of Unlicensed Medical Cannabis Oils and Retail CBD Oils. This laboratory functions as Kanabo's primary centre for its research and development activities.

Kanabo occupies the R&D Lab under the terms of a lease arrangement with Daren Labs for a term of 14 months commencing on 1 September 2019, with an option to extend for an additional 12 months thereafter. It is therefore intended that the New R&D Lab shall become the primary location for all future R&D activities to be undertaken by the Enlarged Group.

Research and Development Licences

To be able to undertake certain R&D activities in Israel, it is necessary to hold an appropriate licence granted by the MCU. Kanabo holds two licences which enables it to prepare and test formulations of cannabis oils and to undertake safety testing in respect of its vaporisation devices (the **Testing R&D Licence**). Kanabo's ongoing R&D activities in relation to its new formulations of Unlicensed Medical Cannabis Oils it will be required to maintain a Testing R&D Licence. Further details of the R&D Licences are set out in section 20 of Part XII "Additional Information".

The R&D Licences will expire on 19 January 2022, if they are not renewed. Such licences are renewed on an annual basis and the Directors of Kanabo will arrange for the R&D Licences to be renewed. In the event that the R&D Licences should expire or terminate, the Enlarged Group would apply for new R&D Licences, the renewal of such licence(s) or it would, otherwise, be required to contract with a third party research company with the benefit of such licences to undertake certain R&D activities.

In relation to each of the VapePod Medical Safety Testing and the Safety and Efficacy Study, the Enlarged Group will need to obtain a separate R&D license to be able to undertake each study and it

will need to apply to the MCU for a license. Further details of the procedure and requirement for obtaining an R&D license are set out at paragraph 8 of Part II ("Regulatory Overview").

Patents

The Enlarged Group is not dependent upon receiving any patents to market its products in the Primary Markets. It is taking steps to obtain patent protection in respect of its Medical Cannabis Oil, Nabinnol, and its diluent formulation. As at the date of this document, Kanabo has no registered patents.

Kanabo submitted a PCT patent application in respect of the unique composition of its Unlicensed Medical Cannabis Oils, Nabinnol. A patent through the PCT process can be obtained by submitting a patent application in countries where Kanabo considers it prudent to obtain patent protection (the **National Phase**). Kanabo has a period of 30 months from the priority date of its PCT (being, 20 March 2017), to submit applications for a patent in relevant jurisdictions as part of the National Phase. To date, Kanabo has made the National Phase patent applications set out in the below table:

Patent Application Jurisdiction	Description of application	Application Number	Application Date
ISRAEL	Vaporizable compositions comprising cannabinol	269418	18 September 2019
USA	Vaporizable compositions comprising cannabinol	16/495,468	19 September
EUROPE	Vaporizable compositions comprising cannabinol	18771017.3	2 October 2019

Kanabo applied to the State of Israel Patent Office for a priority provisional worldwide patent. The patent is relating to diluents for Compositions of Cannabinoids. This patent application relates to the uniquely formulated diluent used in its Retail CBD Oils and Medical Oils. This diluent is important for ensuring throat irritation, improved flavour and texture in relation to its vaporisation formulas and is made only from naturally accruing ingredients in cannabis.

Patent Application Jurisdiction	Description of application	Application Number	Application Date
International PCT Patent Application	Diluents for compositions of cannabinoids	PCT/IL2020/050416	April 6, 2020

Competitor Analysis

There are many vaporiser companies in the global market, due to the increasing popularity of vaporisation however, there are only a few companies that have a complimentary specialism in the formulation of cannabis oils, although this number is expected to grow as vaporisation becomes a standard and mainstream delivery method.

In the short to medium term, Kanabo views its competition as mainly coming from sellers of CBD vape products. Currently, within the UK and EU there are very few competitors that are presently selling products that compete directly with Kanabo's VapePod offering, as the current products consist of low amounts of CBD isolate, synthetic diluents and flavourings. Kanabo's products offer broad spectrum oil, have no synthetic additives, contain high CBD content and use the delivery system which is medical grade and offers controlled dosing.

Very few vaporisation products claim to be broad spectrum. In most products found on the market, MCT, PG and VG are used as a diluent. The main disadvantage of using these diluents consumed via vaporisation is their low burning point which, if burned at a higher temperature, may release harmful chemicals. CBD has a higher burning point, which renders the common diluents as a risk factor. Most, if not all products currently offered by competitors, have used standard vaping devices, including one-time-use disposable vapes, that do not offer precise dosage. These products are often marketed and sold online.

Kanabo therefore views its direct competitors as sellers offering high grade full or broad spectrum oils with no synthetic additives to be consumed via a vaporisation device. Alternatively, competitors are viewed as vaporiser companies focusing on using medical research as a brand differentiator.

Set out below are details of companies which Kanabo has identified as potential competitors.

Highkind A family run business based in the UK which was set up with the aim of offering high quality, cost effective and 100% natural CBD oil infused food supplements, aromatherapy essential oils. The company utilises terpenes from other parts of nature and infused them into the supplements to work together with the CBD, vitamins, minerals, flavonoids and naturally occurring terpenes, found within the full spectrum hemp extract. Their CBD oils offered can be vaporised using the company's vape device sold separately. The cartridges are refillable. No MCT, PG, or VG are used as diluents.

CalyFX

A Premium CBD seller focusing on CBD oil for vaporisation. The range comprises six custom blends, 100% natural, and free from additional ingredients. The oils are full-spectrum CBD oil with No MCT, PG, or VG are used as diluents. Their CBD oils offered can be vaporised using the company's vape device sold separately.

MediPen

A company based in the UK which sells vaporisation pen under the brand name MediPen and associated cartridges. According to the company's website, concentrated cannabinoid extracts which are refined from a proprietary cannabis strains grown in the US & EU are combined with pharmaceutical grade Coconut Oil (MCT). The products are available in 21 flavours. It appears that MediPen is selling its products online.

CBD Vape (E-liquid)

At present the CBD vape industry is dominated by e-liquids with recreational focused brands. The CBD e-liquid is sold in two forms – cartridges that fit a standard 5/10 thread battery and dispensing bottles designed to fill vaporizer mods. The e-liquids are made of CBD isolate that are diluted with PG/VG or MCT oil plus flavouring. These products are sold online, traditional vape shops and tobacco shops.

Oral consumption

While not a direct competitor, presently oral consumption is the most common form of CBD consumption and accounts for most of today's CBD sales. CBD tinctures are the most popular form of oral consumption with other edibles also growing at a rapid rate. Edibles are now available in many different forms – from biscuits to CBD infused water. These products are sold online and in retail outlets that include pharmacies. The marketing of these products is either medically or recreationally focused.

PART II

REGULATORY OVERVIEW

This Part II provides an overview of the regulations in relation to CBD, Medical Cannabis and vaporisation devices as it applies to the Enlarged Group in the Primary Markets and main regulatory challenges expected to be faced by the Enlarged Group in respect of the execution of its business strategy.

This overview is not exhaustive and is not a full explanation of the regulations in the area. If you are in any doubt about the contents of this Part II the Board recommends that you seek your own independent professional advice.

1. Overview

Short to medium term strategy

Kanabo's short-term business strategy is to produce revenues from the sale and distribution of its Retail CBD Oils and the VapePod in the Primary Markets and to grow the Kanabo brand through marketing initiatives. As at Admission, the Enlarged Group will distribute and/or sell the Retail CBD Oils and the VapePod in the Primary Markets.

Further details of the Enlarged Group's short to medium term strategy is set out at Part I of this Document.

The regulatory regime which applies to these products and the authorisations and approvals which the Enlarged Group has obtained as at the date of this Document are set out at sections 3 to 4 of this Part II. As at Admission, the Retail CBD Oils and the VapePod are capable of being sold in the Primary Markets without obtaining any additional authorisations, licences or approvals from the applicable regulators in the Primary Markets.

Future strategy

The Enlarged Group's future strategy is to develop and sell the Unlicensed Medical Cannabis Oils in the Primary Markets and to distribute and sell the VapePod Medical in the Primary Markets.

It is intended that Unlicensed Medical Cannabis Oils will be sold as unlicensed medicines in the Primary Markets. The Unlicensed Medical Cannabis Oils, such as Nabinnol, will contain THC which is a controlled substance, such products are capable of being prescribed as CBPM, which is described in detail at paragraph 6 of this Part, below.

A summary of the distinction between licensed and unlicensed medicines is set out below:

Licensed Medicines

A licensed medicine refers to a medicinal product which has received marketing authorisation from the appropriate authorising bodies in the Primary Markets. Licensed medicines are to be used as a "first line" of treatment a recognised medical condition and unlicensed medicines (described below) should only be prescribed in circumstances where there is a special clinical need which is not met by licensed medicines.

The process for obtaining marketing authorisation involves the completion of clinical trials to establish how well the medicine works and to demonstrate its safety. The results of clinical trials and detailed submission made by the applicant will be scrutinised by a team of relevant practice specialists, often with advanced training within their field, before reaching a decision to grant marketing authorisation. Clinical trials are an important way of establishing the effectiveness and safety of a medicine. Laboratory studies are only capable of providing limited information to prescribers and dispensing pharmacists, as to the safety and effectiveness. The phased process for clinical trials as recognised by the MHRA, includes: (i) Phase 1: initial trials in healthy volunteers (usually less than 100 people) to determine how the medicine works in the body and the detection of side-effects; (ii) Phase 2: involves trials in patients with the medical condition which the medicine is designed to treat in order to measure its effectiveness and to identify short-term side-effects (often, this phase will involve testing in large numbers of patients, typically several hundred); and (iii) Phase 3: clinical trials at this stage are used to

gather further information on how well the product works and how safe it is in the general population. Clinical trials can take several years to complete.

The Enlarged Group does not intend to obtain market authorisation in respect of any of its Unlicensed Medical Cannabis Oils now or in the future. Undertaking full clinical trials requires a significant capital investment and can take several years to come to fruition, and the outcomes of clinical trials are difficult to predict. The strategy of the Enlarged Group is primarily focused in the short term on the development of its Retail CBD Products and the Enlarged Group shall not have the capital resources or management time to undertake full clinical trials and an approval process to obtain full marketing authorisation for its Unlicensed Medical Cannabis Oils.

Unlicensed Medicines:

An unlicensed medicine is one that is manufactured without a marketing authorisation from the MHRA. A marketing authorisation is only issued once a medicine is deemed to be safe and effective by the MHRA. The MHRA and the General Medical Council recommend that unlicensed medicines should only be used when existing licensed medicinal products are not appropriate to meet patient's needs. Without marketing authorisation, unlicensed products do not benefit from the data generated as part of the licensing application process as described, above. The absence of clinical trial data means that it is more difficult to demonstrate the safety and efficacy of a medical formulation. As result of this, additional professional responsibility is imposed upon the prescriber and any dispensing pharmacist.

As from 1 November 2018 in the UK, a whole class of cannabis-based products for medical use in humans were listed under Schedule 2 to the Misuse of Drugs Regulations 2001. This means that cannabis-based products for medical use in humans can be prescribed to patients where there is unmet clinical need. The authority to prescribe such products is limited to clinicians registered on the Special Register of the General Medical Council.

Professor Dame Sally Davies, Chief Medical Officer for England and Chief Medical Advisor to the UK Government, published the results of a review in June 2018 which examined the evidence of the medicinal benefit of cannabis based products to advise on the appropriateness of their place within Schedule 1 of the Misuse of Drugs Regulations 2001 and subject to designation under s7(4) of the Misuse of Drugs Act 1971. The report determined that there was conclusive evidence of the therapeutic benefit of cannabis based medicinal products for certain medical conditions and reasonable evidence of therapeutic benefit in several other medical conditions. The report found that there was conclusive evidence or substantial evidence showing the effectiveness of types of cannabis in treating recognised medical conditions, namely: (i) chronic pain in adults; (ii) treatment for chemotherapy induced nausea and vomiting; and (iii) improving patient reported multiple sclerosis spasticity symptoms. There was moderate to limited evidence showing the effectiveness of certain types of cannabis in treating the following medical conditions: (i) improving short-term sleep outcomes for individuals for sleep disturbances associated with sleep apnoea syndrome, fibromyalgia, chronic pain, and multiple sclerosis (moderate); (ii) increasing appetite and decreasing weight loss associated with HIV/AIDS (limited); (iii) improving clinician-measured multiple sclerosis spasticity symptoms (limited); (iv) Improving symptoms of Tourette syndrome (limited); (v) Improving anxiety symptoms, as assessed by a public speaking test, in individuals with social anxiety disorders (limited); (vi) Improving symptoms of posttraumatic stress disorder (limited). This assessment confirms that there are a number of recognised medical conditions for which there is evidence the use of cannabis-based products for medical use in humans can or could be used as an effective form of treatment. Research into cannabis remains at an early stage and it is therefore the expectation of Directors that further scientific research and study will demonstrate the efficacy of CBPMs as an appropriate form of treatment in a wide range of conditions.

As at the date of this Document, medicinal products which have obtained a marketing authorisation are Nabilone (a synthetic cannabinoid), Epidyolex (cannabidiol) oral solution and Sativex (nabiximols). In addition, the UK's National Institute for Health and Care Excellence ("NICE") has confirmed that these cannabis based medicinal products are each considered a cost-effective form of treatment capable of being reimbursed routinely by the National Health Service in the UK. Epidyolex is recommended as an adjunctive therapy for seizures associated with Lennox Gastaut syndrome (LGS) or Dravet syndrome, in conjunction with clobazam, for patients two years of age and older. Sativex is recommended as a form of treatment for spasticity due to multiple sclerosis. Nabilone is licensed for use with some patients for chemotherapy-induced nausea.

Other than Nabilone, Epidyolex and Sativex, all cannabis-based products for medicinal use will be an unlicensed medicine. There is a growing body of scientific research and study to suggest that CBPMs could be used as a suitable form of treatment in a number of recognised medical conditions where there is special clinical need and where there are no licensed medicines. Noting that it often takes several years for a product to receive market authorisation, it is reasonable expected that unlicensed cannabis-based products for medical use in humans will be prescribed for a range of conditions.

The Enlarged Group intends to market the Unlicensed Medical Cannabis Oils as unlicensed medicines in the Primary Markets and it does not intend to seek market authorisation for any of its products. The Unlicensed Medical Cannabis Oils will not be supported by the comprehensive data which would be harvested from a full clinical trial to validate the effectiveness of the Unlicensed Medical Cannabis Oils in the treatment of a specific condition and to demonstrate the safety of the product. The purpose of clinical trials is also importantly used to identify potential side-effects, which will be important information for clinicians considering the prescription of an unlicensed CBPM to treat a condition where there is a special need. For the purpose of differentiating its Unlicensed Medical Cannabis Oils from other unlicensed medicines and to provide useful data to support the safety and efficacy of its products, the Enlarged Group intends to use part of the Net Proceeds to undertake the following testing within a clinical environment:

VapePod Medical Safety Testing	The Enlarged Group plans to undertake testing of its VapePod Medical on human test subjects to demonstrate: (a) the safety of the device; (b) bioavailability; (c) Pharmacokinetics and Pharmacodynamics; and (d) the reliability of the metered dosing systems. To undertake this testing, the Enlarged Group is required to obtain the approvals and permissions required for an in-human trial in Israel. It is anticipated that all approvals will be received to undertake the study by Q3 2021 and the study will be completed by 2022.
Safety and Efficacy Study of the Unlicensed Medical Cannabis Oils in relation to Nabinnol	Enlarged Group plans to undertake testing of its most advanced Unlicensed Medical Cannabis Oil, Nabinnol, using the VapePod Medical as the delivery system. This study will be undertaken on human test subjects with the purpose of demonstrating: (a) safety; (b) bioavailability; (c) Pharmacokinetics and Pharmacodynamics; and (d) efficacy in relation to treatment of sleeping conditions. It is anticipated that all permissions required to undertake the study will be received by H1 2022 and the study will be concluded by before the end of 2023.

Further details of the Enlarged Group's future strategy are set out at Part I of this Document.

The regulatory regime which applies to these products and the authorisations, approvals and licences which the Enlarged Group has obtained and/or still require are set out at paragraphs 5 to 8 of this Part II.

2. Application of POCA to Enlarged Group's Strategy

The Proceeds of Crime Act 2002 makes it a criminal offence to handle proceeds arising from criminal conduct. The term "criminal conduct" is widely understood to cover activities undertaken lawfully overseas, but which would constitute an offence if it occurred in the United Kingdom. It is also an offence under anti-money laundering legislation to acquire any property as a result of the commission of a crime in the UK. Therefore, in the event that the Enlarged Group were to, either, engage in unlawful activities in the United Kingdom or engage in lawful activities in a foreign jurisdiction, which are unlawful in the United Kingdom, the payment of dividends to shareholders could be considered the proceeds of criminal conduct, potentially amounting to an offence under POCA and anti-money laundering legislation.

Application of POCA to Current Business

From Admission, the Enlarged Group will undertake the sale of Retail CBD Oils (containing CBD) in the Primary Markets.

Cannabis is a Class B "controlled drug" under Part II, Schedule 2 of Misuse of Drugs Act 1972 ("**MDA**") and it is, therefore unlawful to possess, supply produce, import or export it, or to cultivate any plant of the genus cannabis without a Home Office licence. The Misuse of Drugs Regulations 2001 ("**MDR 2001**"), which were created pursuant to section 7(1) of MDA 1971, regulates the availability of controlled substances and such substances are contained in Schedule 1 of MDR 2001 ("**Schedule 1**"). The presence of a Schedule 1 "controlled substance" determines whether a product can be made available to the public.

Pure CBD is not a "controlled substance" (i.e. it is not a controlled cannabinoid, such as THC, which is known for its intoxications side-effects) and can be lawfully sold in the UK. Although, it is important to note that a CBD-product containing a controlled substance or a controlled cannabinoid under Schedule 1 will be "controlled" and, consequently, it would be unlawful to sell that product to the public, unless it is licensed or is sold in compliance with certain recognised exemptions. The Retail CBD Oils comply with equivalent national requirements under German narcotics laws.

It is also important to note that CBD-based products (such as CBD oils) are currently being sold throughout the United Kingdom in major pharmacies and health-food stores, such as, Holland & Barrett.

Kanabo's Retail CBD Oils do not contain any controlled substance or controlled cannabinoids. It is clear that no criminal offence has been committed or is at risk of being committed through the sale of the Retail CBD Oils in the Primary Markets. Consequently, there is no "criminal activity" under POCA in either the UK or Germany.

Application of POCA to Future Strategy

Unlicensed Medical Cannabis Oils

Under section 7 of the Misuse of Drugs Act 1971, the Secretary of State is permitted to make regulations for licencing controlled drugs. Prior to November 2018, cannabis was categorised under Schedule 1 of the Misuse of Drugs Regulations 2001. Since November 2018, the UK has rescheduled cannabis-based products for medical use in humans (CBPM) under schedule 2 of Misuse of Drugs Regulations 2001 so that they are capable of being prescribed to patients where there is an unmet clinical need. Similar legislations has been passed in Germany, permitting the prescription of medical cannabis based products to patients.

The MDA and implementing provisions are based upon UN Drug Conventions. These conventions encourage contracting member states to establish a licensing regime for certain controlled drugs (such as cannabis) and provides each contracting member states with the power to determine its own policy for the purposes of implementing those provisions. It does not encourage contracting member states to outlaw cannabis.

The future objective of the Enlarged Group will be to develop a range of Medical Cannabis Products, which shall include the sale of Unlicensed Medical Cannabis Oils. **It is noted that the Primary Markets permit the sale of Unlicensed Medical Cannabis, subject to the requirements more particularly outlined in paragraph 6, below. The Unlicensed Medical Cannabis Oils are not currently being sold in the Primary Markets. The Directors of the Enlarged Group shall ensure full compliance with all national requirements in respect of the sale of such products in the Primary Markets. This shall mean that no offence will be committed under the national law of the Primary Markets and no offence under POCA is capable of being made out. It is noted that the laws and regulations applicable such products could alter materially between the date of this Document and the point at which the Enlarged Group are intended to be sold in the Primary Markets.**

Research Activities in Israel

Under section 7 of the Misuse of Drugs Act 1971, the Secretary of State is permitted to make regulations for licencing controlled drugs. Prior to November 2018, cannabis was categorised under Schedule 1 of the Misuse of Drugs Regulations 2001, meaning that such products were not available to researchers without a home office licence. Since November 2018, the UK has rescheduled

cannabis-based products for medical use in humans (CBPM) under schedule 2 of Misuse of Drugs Regulations 2001 making CBPM products more easily available for researchers.

Israel has been pioneering in the field of medical cannabis research. Since 2007, Israel has conducted its own medical cannabis programme and has a formal licensing procedure for research into medical cannabis, which is overseen by the MCU, a specialist unit of the Ministry of Health. The Proceeds of Crime Act 2002 was not intended to convert lawful, licenced activities, such as research of cannabis for medical purposes abroad, into criminal conduct on the basis of a differentiation of policies or practices. It is noted that numerous UK pharmaceutical companies may lawfully take part in research of CBPM's. T**he conduct of R&D activities in Israel, in accordance with the requirements of the local licensing regime, therefore cannot amount to criminal conduct under POCA.**

Restricted Activities and Recreational Cannabis

There is currently a market for the sale of marijuana (cannabis) for recreational purposes in certain jurisdictions, including, Canada and Uruguay. The term "recreational cannabis" refers to marijuana (cannabis) which typically contains high-levels of THC which is primarily used by consumers to induce a state of intoxication. Cannabis is a Class B "controlled drug" under Part II, Schedule 2 of Misuse of Drugs Act 1972 ("MDA") and it is, therefore unlawful to possess, supply produce, import or export it, or to cultivate any plant of the genus cannabis without a Home Office licence. Cannabis sold for recreational purposes remains a criminal offence in the UK.

THE ENLARGED GROUP WILL THEREFORE REFRAIN FROM UNDERTAKING ANY ACTIVITIES IN CONNECTION WITH RECREATIONAL CANNABIS IN COUNTRIES, SUCH AS CANADA AND URUGUAY OR WITHIN CERTAIN STATES OF THE USA, WHERE IT IS LEGAL TO DO SO.

3. Regulatory regime applicable to the Retail CBD Oils

Kanabo has all the necessary authorisations and approvals in the Primary Markets in relation to its Retail CBD Oils. Kanabo's Retail CBD Oils are currently capable of being sold and marketed in the Primary Markets without obtaining any additional authorisations, approvals or consents. Further details of the regulatory regime applicable to the Retail CBD Oils is set out below.

Background

The sale of CBD-based products, including CBD oil, is widespread in the EU and such products are predominantly available for sale in pharmacies and specialist health and food shops. CBD based products are thought to provide therapeutic benefits and CBD is not associated with the intoxicating side-effects commonly associated with other cannabinoids such as THC.

The legislative framework in most countries in the EU has developed in line with certain UN conventions, which outline a general policy restricting the sale of certain narcotics and encourage the implementation of a range of criminal penalties for contraventions of national narcotics legislation.

In 1973, a protocol amended the Single Convention on Narcotic Drugs 1961 (**Protocol**), pursuant to which it was recommended that industrial hemp (non-drug cannabis) should be not be classified as a narcotic substance. Consequently, EU agricultural policy has permitted the cultivation of certain varieties of hemp with a THC content not exceeding 0.2%. CBD oil is capable of being extracted from the hemp plant and has been viewed as a legal cannabinoid with a number of lawful applications.

United Kingdom

In the UK, cannabis is a class B controlled drug under the Misuse of Drugs Act 1971. It is therefore unlawful to possess, supply, produce, import, export or to cultivate any plant of the genus of cannabis without obtaining a licence from the Home Office. Cannabis is a 'controlled substance' in the UK and the presence of a controlled substance shall ultimately determine whether a product is capable of being sold lawfully in the UK, subject to certain exemptions. Pure CBD is not a controlled substance under the MDR 1971 and the MDR 2001, whereas, THC is regarded as a controlled substance. As such, any product placed on the UK market containing a controlled cannabinoid, must comply with the exempted product definition under MDR 2001.

In the UK, a CBD product imported into the UK will be regarded as THC Free if the product has been prepared in accordance with GMP standards and has been tested and certified as pure by a third-party GMP laboratory.

Kanabo's Retail CBD Oils are THC free which means it complies with the exempted product definition under the MDR 2000. As a result, Kanabo's Retail CBD Oils are capable of being distributed and/or sold commercially in the UK without obtaining a licence, approval or authorisation from any regulator.

Germany

In Germany products which are derived from cannabis sativa L. are not subject to German narcotics law provided that: (a) it is cultivated within the EU using certified seeds; (b) the THC content does not exceed 0.2%; and (c) such products are sold exclusively for commercial or scientific purposes. In addition, the product cannot be capable of being used as an intoxicant and will be required to observe such additional rules applicable to any particular product category (for instance, if it is a cosmetic product or a food product). Retail CBD Products can therefore be sold lawfully within Germany provided that there is compliance with these requirements. For the purposes of this analysis, the Directors do not believe that the Retail CBD Oils would be categorised as a medical product on the basis that its Retail CBD Products do not have any pharmacological effect on the user and no medical claims are made in relation to its products.

Kanabo's Retail CBD Oils are: (i) cultivated within the EU using certified seeds; (ii) the THC content does not exceed the Germany requirement of 0.2% (Kanabo's products are THC free, meaning that they do not contain detectable levels of the active ingredient of THC) and (iii) will be sold exclusively for commercial or scientific purposes (will be distributed to wholesalers in Germany). As a result, Kanabo's Retail CBD Oils are capable of being distributed and/or sold commercially in Germany without obtaining any further regulatory authorisations and/or approvals. The Retail CBD Oils are to be sold as a CBD oil to be used in conjunction with a vapourisation device, and not as a food product nor are these products being sold as a medical product. The Company will be required to ensure that its Retail CBD Oils comply with German and European chemical laws.

Israel

The sale of CBD based products for over the counter is prohibited in Israel. The Ministry of Health's legal interpretation of the Dangerous Drugs Ordinance is that CBD is considered banned on the basis that it does not appear under the Ordinance. The Enlarged Group will ensure that it observes these requirements.

The sale of Retail CBD Products is prohibited in Israel and, therefore, no Retail CBD Oils will be sold and marketed in Israel until there is a change in the laws of Israel permitting the sale of CBD over the counter.

Novel Foods regime applicable to Kanabo's products

In 2015, the European Parliament and the European Council implemented Regulation (EU) 2015/2283 on Novel Foods, which defines a 'novel food' as any substance or product ingested by humans that was not used for human consumption to a significant degree within the European Union before 15 May 1997. It must also fall within one of the specified categories to amount to a 'novel food', including (but not limited to) a food with a new or intentionally modified molecular structure or a food consisting of or produced from plants or their parts.

Only novel foods authorised and included in the "Union List" may be placed on the market or used in foods. Regulation (EU) 2015/2283 provides for a centralised assessment and authorisation procedure in the UK for registering new novel foods. Since the regulations went into effect in January 2018, the streamlined authorisation process includes a risk assessment on the product safety by the European Food Safety Authority (EFSA), which assesses the compositional, nutritional, toxicological, and allergenic properties as well as information on respective production processes and the proposed uses and use levels.

The EU maintains a novel food "catalogue", a non-legally binding database which lists foods whose novel food status is based on information provided by EU member states. The catalogue contains an entry for specific cannabinoids. The catalogue therefore considers cannabinoids, including CBD, as a novel food.

In the EU, foods containing hemp (CBD) products are allowed in several countries including the UK, Germany, France, the Netherlands, Austria, Finland and Italy, but the tetrahydrocannabidiol ("THC") limit varies from country to country.

The Novel Foods Regulation is applicable to a "food" product, which is any substance or product, whether processed, partially processed or unprocessed, intended to be or reasonably expected to be ingested by humans; this typically is understood as meaning anything which can be ingested orally and specific examples includes, drinks and chewing gum. Specific products are excluded from the regime of novel foods, which includes, *inter alia*, tobacco and tobacco-based products, which are subject to separate EU law.

On 13 February 2020, the Food Standards Agency (FSA) issued guidance as to the safe use of CBD products. The industry now has until 31 March 2021 to submit valid applications for currently unauthorised novel foods. Failure to comply by 31 March 2021 means that non-compliant products must be removed from the market. The FSA Guidance makes it clear that the FSA does not consider non-ingestible CBD products, such as cosmetics and vapes, as falling within the scope of the Novel Foods Regulations. This make it clear that the Retail CBD Oils do not require a novel foods authorisation in order to be sold in conjunction with its vaporisation device.

In Germany, it is presumed that the Retail CBD Oils would not be regarded as a food requiring a novel foods authorisation for the aforementioned reasons. However, the market supervising market authorities in Germany have not issued a definitive statement equivalent to that of the Food Standards Agency in the UK concerning the application of the novel foods regime to non-ingestible products that are similar to the Retail CBD Oils.

It is the view of the Directors of the Enlarged Group that the inhalation of Retail CBD Oils through vaporisation is not considered an activity of ingestion and its products should not require a novel foods authorisation.

Kanabo's Retail CBD Oils are not foodstuffs, but are oils containing CBD which are contained in tamper proof containers only capable of being consumed through vaporisation. The Directors of the Enlarged Group therefore believe that the Retail CBD Oils are beyond the scope of the Novel Foods regime and consequently, it is not required to seek a novel foods authorisation in respect of its Retail CBD Oils. The FSA announcement of 13 February 2020 makes it clear that CBD products in the UK which are 'vaped' do not require a novel foods authorisation. The Directors note that a definitive statement to the same effect, has not been issued in Germany and this creates a possibility of the German supervising authorities adopting a narrower interpretation than the United Kingdom. Kanabo has adopted certain protocols in connection with its products as a means of ensuring that it would be able to satisfy the protocols required for a novel foods authorisation should the position change.

4. Regulatory regime applicable to the VapePod

The VapePod is not subject to any additional authorisation, licence or consent requirements prior to its sales and distribution in the Primary Market. The VapePod will be sold as a vaporisation device in the United Kingdom and as a utensil in Germany (in the short-term), but the product could be reclassified as a non-nicotine containing e-cigarette under the Tobacco Products Act.

Further details of the regulatory regime applicable to the VapePod is set out below.

Treatment in the UK

In the UK where a vaporisation device is not considered a medical device and is not classified as an E-cigarette then it may be marketed and sold without having to comply with E-cigarette or medical device requirements. For vaporisation devices which are not considered medical devices or E-cigarettes general requirements in the UK are imposed by the General Product Safety Regulations 2005, which

require producers to ensure these products are safe for use by the public. These general requirements will not apply to the extent that there is a specific provision in EU law which is designed to have the same effect. Depending on the specification of VapePod, it may be that specific rules relating to, for example, electrical products or products containing chemicals will also have to be observed.

Treatment in Germany

In Germany where a vaporisation device is not considered a medical device, and is not classified as an E-cigarette, then it is considered a utensil in accordance with Sec. 2 para. 6 no. 3 of the German Food and Feed Code, since parts of the device come into contact with the mucous membranes of the mouth. In this case, health protection prohibitions and the other requirements of Sections 30, 31, 32 and 33 the German Food and Feed Code must be observed in manufacturing. In addition, the manufacturer, its agents and the importer of the product must each also observe the regulations of the German Product Safety Act.

The Directors do not believe that the VapePod is to be regarded as an E-cigarette on the basis it is not designed to be used in conjunction with nicotine products nor do the Pods contain any nicotine. The VapePod is a closed system and the Pods are tamper-proof and non-refillable. Furthermore, the VapePod is a retail product, which is sold without any medical claims and should not be categorised as a medical device.

The Bundestag (Federal German Parliament) has adopted the Second Act Amending the Tabakerzeugnisgesetz (the **Tobacco Products Act**) which goes beyond the scope of the EU Tobacco Directive. The Tobacco Products Act provides that e-cigarettes which do not contain nicotine will be governed by this act. We understand that the purposes of this legislative change is in order to regulate the consumption of certain chemicals that are identified as being a risk to public health, including, carbonyl compounds, formaldehyde, acrolein and acetaldehyde. As far as the Directors are aware, no clear statement has been made as at the date of this document to confirm if this would apply to a product similar to the VapePod intended to be used in conjunction with CBD oils (for vaping), but it cannot be ruled out in the absence of an authoritative statement from the supervising market authorities.

The Tobacco Products Act prescribes that products manufactured or marketed before 1 January 2020 will be permitted to remain on the market until 31 March 2021. If it is assumed that the VapePod would be treated as an e-cigarette which does not contain nicotine in Germany, the manufacturers of the VapePod shall be required to give notice to the relevant authorities of its intention to continue to market and distribute that product.

The VapePod is not an E-cigarette on the basis it is not designed to be used in conjunction with nicotine products nor do the Pods contain any nicotine. The VapePod is a closed system and the Pods are tamper-proof and non-refillable. It is the view of the Directors that the VapePod is not an e-cigarette but with effect from the implementation date of the Tobacco Products Act the VapePod could be classified as an e-cigarette that does not contain nicotine. Due to the lack of clarity concerning the regulatory framework in Germany at this time, Kanabo has appointed a compliance specialist in Germany to ensure that Kanabo's Retail CBD Products are capable of being adapted to comply with local legal requirements.

As at the date of this Document the VapePod has satisfied all requirements in the UK and Germany in respect of safety, manufacturing and labelling and is therefore capable of being sold and distributed in those jurisdictions without obtaining any further authorisations, approvals or licences.

5. Regulatory regime applicable to Kanabo's future strategy and operations

Kanabo's future long-term strategy is to develop its Unlicensed Medical Cannabis Oils. Kanabo has also developed the VapePod Medical which subject to being registered as a medical device and meeting certain requirements will be sold in conjunction with the Unlicensed Medical Cannabis Oils.

The Enlarged Group will ensure that applications to obtain all necessary approvals are submitted in order to achieve the above aims.

6. Regulatory regime applicable to the commercialisation of the Unlicensed Medical Cannabis Oils

The Unlicensed Medical Cannabis Oils are unlicensed medicines. An unlicensed medicine is a medicine without a European or UK licence and in respect of which no clinical trials have been carried out or are required. A summary of the regulatory regime applicable to the Unlicensed Medical Cannabis Oils in the UK and Germany is set out below. The Company will not seek to sell the Unlicensed Medical Cannabis Oils in Israel.

Regulatory regime applicable to the Unlicensed Medical Cannabis Oils in the UK

Set out below is a summary of the legal regime applicable to the prescription of cannabis based unlicensed medicines in the UK. Licensed medicinal products are required to undergo extensive clinical trials and testing prior to receiving marketing authorisation from the MHRA. Kanabo's Unlicensed Medical Cannabis Oils have not undergone clinical trials, nor is there currently an intention to undergo clinical trials in future nor is it required to carry out any clinical trials.

If Kanabo's Unlicensed Medical Cannabis Oils reach the stage of commercialisation those products will be sold as unlicensed cannabis-based medicines in the UK and Germany. The requirements for prescribing these products is narrowly defined, on the basis that a licenced medical product should be prescribed in preference to an unlicensed medical product.

Kanabo will be able to sell the Unlicensed Medical Cannabis Oils in the UK provided that the parties undertaking the manufacture, importation and production of those Unlicensed Medical Cannabis Oils hold all relevant authorisations and consents. In particular, the Unlicensed Medical Cannabis Oils must be manufactured in accordance with EU-GMP standards.

Licenced Medicines

The regulation of medicines in the UK is undertaken by the MHRA in accordance with the Human Medicines Regulations 2012.

A medicinal product placed on the market in the UK must be subject to marketing authorisation (product licencing). Marketing authorisation means that the product is a licenced medicine, as approved by the MHRA. A product will only achieve marketing authorisation after undergoing stringent pre-clinical research and clinical trials to ensure that such products satisfy criteria for safety, quality and efficacy.

The regulatory regime applicable to licenced medicines in the UK does not apply to the Unlicensed Medical Cannabis Oils.

Unlicensed Medicines

Regulation 167 of the Human Medicines Regulations 2012 ("**HMR**") provides an exemption from the prohibition on the sale or supply of medicinal products without marketing authorisation. Exempt products are required to meet the following specific conditions:

- the medical product is supplied in response to an unsolicited order;
- the medical product is manufactured and assembled in accordance with the specification of a person who is a doctor, dentist, nurse independent prescriber, pharmacist independent prescriber or supplementary prescriber; and
- the medical product is intended for the use by a patient whose treatment that person is directly responsible in order to fulfil that special need of that patient; and meets the conditions specified in Regulation 167(2) to (8).

Cannabis-based product for medicinal use in humans ("CBPMS")

Cannabis remains a controlled drug and, therefore, a Home Office licence is required to possess, supply, produce or to manufacture a controlled drug, unless a specific exemption applies. A Home Office licence is also required to import or export controlled drugs to and from the UK. Regulation 2 (Interpretation) of the MDR 2001 provides that some products may, in limited circumstances, be considered 'exempt' from control notwithstanding their controlled drug content. The wording of the

exemption under the MDR 2001 is set out below. All three limbs of the exemption would need to be satisfied in order to comply with the exemption.

An "exempt product" means a preparation or other product consisting of one or more component parts, any of which contains a controlled drug, where

(a) *the preparation or other product is not designed for administration of the controlled drug to a human being or anima*l;

(b) *the controlled drug in any component part is packaged in such a form, or in combination with other active or inert substances in such a manner, that it cannot be recovered by readily applicable means or in a yield which constitutes a risk to health; and*

(c) *no one component part of the product or preparation contains more than one milligram of the controlled drug or one microgram in the case of lysergide or any other N-alkyl derivative of lysergamide.*

The Unlicensed Medical Cannabis Oils, in particular, Nabinnol remains under development. In relation to Nabinnol, the Directors believe that the formulated product when fitted into a cartridge to be used in conjunction with the VapePod Medical would contain between 200 to 300mg and the use of the device would contain between 0.8 to 1mg in each inhalation. The Unlicensed Medical Cannabis Oils will therefore contain THC, which is a controlled substance.

The Misuse of Drugs Regulations 2001 (**MDR 2001**) provides a legal framework for access to controlled drugs for legitimate purposes. Since 1 November 2018, CBPMs are listed under Schedule 2 to the MDR 2001. This means that cannabis-based products can be prescribed in circumstances where there is an unmet clinical need.

Under the MDR 2001 (as amended by the Misuse of Drugs (Amendments) (Cannabis and Licence Fees) (England, Wales and Scotland) Regulations 2018) (MDR 2018) the term "cannabis-based product for medicinal use in humans" means a preparation or other product, other than one to which paragraph 5 of part 1 of Schedule 4 applies, which:

(a) is or contains cannabis, cannabis resin, cannabinol or a cannabinol derivative (not being dronabinol or its stereoisomers);

(b) is produced for medicinal use in humans; and

(c) is

  (i) a medicinal product, or

  (ii) a substance or preparation for use as an ingredient of, or in the production of an ingredient of, a medicinal product.

All unlicensed medicines are required to be clearly packaged and labelled to confirm that such products are unlicensed and no marketing authorisation has been granted.

The Unlicensed Medical Cannabis Oils would meet the definition of a ''cannabis-based product for medicinal use in humans'', as outlined above, and would need to be prescribed in accordance with the requirements as set out under the following heading ''Prescription for Unlicensed CBPMs''.

Prescriptions for unlicensed CBPMs

In the UK, an unlicensed CBPM can only be prescribed to meet the "special needs" of an individual patient. As a result, an unlicensed CBPM should not be prescribed in circumstances where a licenced medical product is capable of meeting the needs of the patient.

The prescription of an unlicensed CBPM can only be lawfully prescribed by a specialist doctor under regulation 16A of Misuse of Drugs Regulations 2001. A "specialist doctor" means a doctor included in the register of specialist doctors maintained by the General Medical Council Specialist Register in accordance with section 34D Medical Act 1983. The General Medical Council guidance states that a specialist doctor should only make a decision to prescribe within their own area of practice and training and the decision to prescribe should be taken by a multidisciplinary team.

According to a report published by Prohibition Partners in January 2019, that there are more than 80,000 doctors noted on specialist doctors register maintained by the General Medical Council who are capable of prescribing medical cannabis. Theoretically, there are a significant number of specialist doctors capable of prescribing CBPM, although there a number of practical barriers to the prescription of CBPM.

On 9 August 3029, NHS England and NHS Improvement published the findings and recommendations of a review of the barriers to accessing cannabis-based products for medical use on NHS prescription (the "**NHS England Report**"). The NHS England Report found that the decision to legalise the prescription of CBPM left some clinicians, and particularly those with a generalist role, feeling that they do not have specialist professional education needed to make fully informed prescribing decisions in cases where a CBPM may be appropriate. It was also noted that clinicians are required to manage the expectations of patients in an environment where there is a high expectation of access to CBPMs. One of the solutions identified for dealing with the prescription of CBPM's for complex conditions would be to rely upon specialist clinical networks, noting that UK-wide network of specialist clinics would provide improved specialist care to children and provide the basis on which to provide clinical expertise into complex and difficult to manage cases.

Improvements have been made in the education, training and guidance available to clinicians in the prescription of CBPM's since the publication of the NHS England Report. NHS England has commissioned and developed an e-learning training with Health Education England and the University of Birmingham, on cannabis and cannabis based products for medicinal use, which all healthcare professionals can access. There are also private providers of e-learning resources to doctors, such as the Academy of Medical Cannabis. NICE have now published and revised their clinical guidelines on the prescription of cannabis-based products for medicinal use in humans.

Significant work is being undertaken in the field of clinical research, which will provide increased data for clinicians to assist with the prescription of CBPMs. On 7 November 2019, it was announced that Project Twenty21, led by drug specialist and campaigner Professor David Nutt, will conduct a study on up to 20,000 patients to test the impact of medical cannabis on a range of conditions, including, chronic pain, multiple sclerosis, epilepsy, post-traumatic stress disorder, Tourette's, anxiety and drug addictions.

Furthermore, the prescribed product must: (a) be manufactured and assembled in accordance with the specifications of the Specialist Doctor; and (b) be prepared for the exclusively personal use of a specific patient.

Preparation and Distribution of unlicensed CBPMs

The manufacturers of CBPMs must hold a Manufacturer's (Specials) Licence and shall be granted following an inspection to confirm that the manufacturer is operating compliance with EU-GMP standards.

The importer of an unlicensed CBPM into the UK must, either, hold: (i) a wholesaler dealers licence in respect of the importation of products from another EEA member states; or (ii) a Manufacturers (Specials) Licence if the products is imported from outside the EEA.

The supplier of the product is required to provide a certificate of analysis to provide assurances of the products quality.

These parties will only require a Home Office Licence in respect of the activities which they will undertake in relation to the controlled substances, typically, to possess, supply and to undertake production.

Kanabo's Unlicensed Medical Cannabis Oils is an unlicensed medicine because it does not have a European or UK licence and no clinical trials have been or will be carried out. It meets one of the exemptions under Regulation 167 of HMR and will only be available on prescription. Kanabo does not require any additional licences, approvals or authorisations to sell the Unlicensed Medical Cannabis Oils in the UK. At the point of commercialisation the Directors will partner with third parties to ensure that their products are manufactured in accordance with EU-GMP standards.

Regulatory regime applicable to the Unlicensed Medical Cannabis Oils in Germany

Under section 21(1) of the Medical Products Act (Arzneimittelgesetz) (**AMG**), a finished medicinal product can only be placed on the market after a marketing authorisation has been issued by the competent German higher federal authority or the European Commission. Finished medicinal products as defined in section 4(1) of the AMG are medicinal products that are manufactured in advance and placed on the market in packaging intended for distribution to the consumer. Finished medicinal products are not intermediate products intended for further processing by a manufacturer.

Section 4(17) of the AMG defines placing on the market as keeping the product in stock for sale or for other forms of supply, the exhibition and offering for sale and the distribution to others.

Two types of medicinal products described in section 21(2) of the AMG can be placed on the market without a marketing authorisation:

(a) Medicinal products for which the essential manufacturing stages are carried out in a pharmacy and no more than 100 packages in one day are produced and are permitted by the pharmacy operating licence.

(b) Medicinal products that are intended for use in clinical trials on human beings.

Section 21(2) No. 6 of the AMG permits the provision of medicinal products to patients for a compassionate use (that is, if patients have a seriously debilitating disease or whose disease is life-threatening, and who cannot be treated satisfactorily with an authorised medicinal product) to be made available free of charge. The Federal Ministry of Health (Bundesgesundheitsministerium) issued the Ordinance for Compassionate Use (Arzneimittel-Härtefall-Verordnung) in 2010, which sets out the legal requirements for placing unlicensed medicinal products on the market in Germany before a marketing authorisation has been obtained by the pharmaceutical company.

Any product placed on the market in Germany and that is the subject of a marketing authorisation, whether from the German authorities or the European Medicines Agency (**EMA**), must have reports on all the results of confirmatory clinical trials substantiating the efficacy and safety of the medicinal product at the disposal of the competent higher federal authority. These reports must be made available within six months following the granting of the marketing authorisation/centralised marketing authorisation. This obligation applies regardless of whether any of the trial sites used were located in Germany.

Kanabo's Unlicensed Medical Cannabis Oils qualifies as an unlicensed medicine in Germany. Kanabo's Unlicensed Medical Cannabis Oils will only be available in pharmacies in Germany, the essential manufacturing stages with respect to the Unlicensed Medical Cannabis Oils will only be carried out in a pharmacy and no more than 100 packages will be sold in one day and it will be permitted by a pharmacy operating licence. Kanabo does not require any additional licences, approvals or authorisations to sell the Unlicensed Medical Cannabis Oils in Germany.

7. Regulatory regime applicable to the VapePod Medical

Development and Milestones

In March 2018, the VapePod Medical was successfully certified by the Israeli Ministry of Health as a medical device for use in research and clinical trials. The VapePod Medical was the first vaporisation platform approved by the Israeli Ministry of Health for the use of medical cannabis extracts and formulations. Kanabo has undertaken initial medical validation studies, which demonstrated that the product is able to deliver a consistent dose that does not decrease throughout the life of the cartridge and device.

Kanabo will be seeking CE mark approval in order to register the VapePod Medical as a medical device in Europe. Once approval has been obtained (which is expected to be during the first half of 2021), Kanabo will appoint local representatives in the Primary Markets to register the product.

Further details of the requirements relating to the registration of the VapePod Medical as a medical device and the related regulatory requirements are set out below.

Registration Requirements – Medical Device in Israel

In Israel, medical devices, including vaporisers for medical cannabis use, are regulated by the Unit of Medical Device and Accessories under the Ministry of Health, also known as the "AMAR" unit, under the Israeli Medical Equipment Law, 5772-2012. The AMAR unit is responsible for registering and supervising medical equipment and monitoring the marketing of medical devices in Israel. All medical products, whether they are manufactured in Israel or imported, must be registered with the AMAR unit. In order to be registered with the AMAR unit, the medical device needs to comply with either of the following two requirements: (i) the AMAR unit must have examined and approved effectiveness and quality of the medical product or device, or (ii) the medical product or device must comply with the standards of, and be marketed in, a recognised western country. Manufacturers that have already obtained approval for their devices in those markets can rely on those registrations to satisfy most of the domestic medical device regulatory approval requirements. Certain medical devices also require validation and certification by the Standards Institution of Israel in order to ensure product quality and safety. Where such medical product or device is a cannabis or cannabis-related device, the approval of the MCU will also be required, such approval to be obtained in a similar manner as set out above in respect of clinical trials.

Kanabo has obtained approval for the VapePod Medical as a medical device in Israel for research and development purposes. The VapePod Medical will only be capable of being commercialised as a medical device in Israel if it can demonstrate that it is capable of delivering a reliable metered dosage. It is anticipated that these requirements will be satisfied by the use of the VapePod Medical in the Phase I Trial undertaken in relation to Nabinnol.

Registration Requirements – Medical Device in the Primary Markets

United Kingdom

In the United Kingdom a product which is classed as a "medical device" will be subject to specific provisions governing the safety of these devices. A medical device is defined as any instrument, apparatus, appliance, software, material or other article, whether used alone or in combination, together with any accessories, including the software intended by its manufacturer to be used specifically for diagnosis or therapeutic purposes or both and necessary for its proper application, which is intended by the manufacturer to be used for human beings for the purpose of: (i) diagnosis, prevention, monitoring, treatment or alleviation of disease; (ii) diagnosis, monitoring, treatment, alleviation of or compensation for an injury or handicap; (iii) investigation, replacement or modification of the anatomy or of a physiological process; or (iv) control of conception; and (b) does not achieve its principal intended action in or on the human body by pharmacological, immunological or metabolic means, even if it is assisted in its function by such means, and includes devices intended to administer a medicinal product or which incorporate as an integral part a substance which, if used separately, would be a medicinal product and which is liable to act upon the body with action ancillary to that of the device.

Different requirements apply to different medical devices, which for regulatory purposes are grouped into three main types: active implantable devices; in vitro devices; and general devices. It is understood that a "vape device" will fall into the category of general device, and so the EU Medical Devices Directive ("MDD"), implemented in the UK by the Medical Device Regulations 2002 ("MDR 2002"), will apply.

The MDR 2002 prevent any person from placing on the market, entering into service or supplying a general medical device unless it meets the essential requirements set out in Annex I of the MDD, and bears a CE (conformité Européene) marking which meets the requirements of Annex XII of the MDD.

Assuming a device has been determined to be a general medical device, the next step is to determine which class it falls under, assessed against the classification criteria are contained in Annex IX of the MDD. General medical devices are classified according to the degree of risk posed:

Class I – generally regarded as low risk

Class IIa – generally regarded as medium risk

Class IIb – generally regarded as medium risk

Class III – generally regarded as high risk

The class in which a product has been placed will determine the "conformity assessment" route that will need to be followed, so that a CE mark can be applied. Products in classes IIa, IIb and III, together with class I products that are sterile or have a measurement function, must undergo a conformity assessment undertaken by notified body (a body designated by the UK regulator, the Medicines and Healthcare Products Regulatory Agency ("MHRA")). Other class I products not mentioned above do not need to have a conformity assessment, but all class I products must be registered with the MHRA.

Devices bearing a CE mark can be placed on the market anywhere within the EU. If a medical device has been placed in the UK market, the manufacturer is responsible for monitoring the product and reporting serious adverse incidents to the MHRA.

The Company requires a number of approvals and/or authorisations before it is able to place the VapePod Medical on the market in the UK. The VapePod Medical will need to be assessed to determine in which class it falls under the MDD following which a conformity assessment will be carried out. Only once these tests have been carried out can the process be started to apply a CE Mark. The Company has appointed an agent to assist with obtaining a CE Mark. It is expected that a CE Mark will have been obtained in the UK by first half of 2021.

Germany

For a product to be marketed as a medical device in Germany, it must be demonstrated that the product has complied with the Medical Device Directive, the Medical Device Ordinance and the Medical Devices Act and the Medical Devices Safety Plan Regulation. The product must comply with the basic requirements of the legislation, a CE Mark, as well as undergoing testing in a clinical environment.

The Company requires a number of approvals and/or authorisations before it is able to place the VapePod Medical on the market in Germany. The VapePod Medical must comply with the requirements under the Medical Device Directive, the Medical Device Ordinance, the Medical Device Act and the Medical Device Safety Plan Regulations. In addition to meeting these requirements the Company will also need to apply for a CE Mark. The Company has appointed an agent to assist with obtaining a CE Mark. It is expected that a CE Mark will be obtained during H1 2021.

8. Ongoing Restrictions in Israel including Restrictions on Share Ownership

The laws of Israel impose certain requirements on the holders of licences authorising cannabis-related activities which are intended to protect the integrity of the medical cannabis industry in Israel.

Each license holder is obligated to have valid approval and certification regarding the safety and quality standards as set forth in the Israeli Medical Cannabis – Good Practice standards. A license holder is obligated to notify the MCU of any change in its address, contact personnel etc., and receive prior written approval for any change in ownership over the license holder, or in the identity of the Interested Parties in the license holder, the managers or signatories.

Any changes in the ownership of the license holder, or the identity of an Interested Party, officers or signatories without receiving the approval of the MCU in advance and in writing will cause the revocation of the license. These requirements prohibit certain holders of shares (as defined under the Israeli Companies Law) from directly or indirectly acquiring, holding or maintaining control or direction over 5% or more of the issued share capital (which we understand to include both voting and equity interests) of a license holder (or a beneficial holder thereof) (the "Approval Requirement") without first obtaining the prior approval of the MCU ("MCU Approval").

The grant of a license by the MCU is subject to receipt of a recommendation by the Israeli Police; a license will not be granted until such recommendation is provided, or the MCU is notified within 30 days as of the notice or request was made to the Israeli Police that the circumstances do not require a recommendation. The Israeli Police may consider in its recommendation reasons of public safety, criminal records or other reasons relating the reliability of the applicant and if the applicant is a corporate entity, after examination of the Interested Parties in the corporate entity.

In addition, once a license is granted, the MCU will have the right to revoke a license if the Israeli Police determines that the security requirements for holding and maintaining the license are breached and such breach may endanger public safety.

The R&D Licences held by Kanabo will expire in the event of a breach of the ownership Approval Requirement without MCU Approval. On Admission, the R&D licences will be held by the Company's sole subsidiary, Kanabo and the Approval Requirement shall apply to the holders of the Company's Ordinary Shares because a shareholder of the Company is considered under the laws of Israel to be an indirect shareholder of the Company's subsidiary.

Kanabo obtained the approval of the MCU in relation to the Acquisition and, therefore, the R&D Licences will not terminate as a result of the Acquisition.

The future strategy of the Enlarged Group is to conduct testing in relation to the VapePod Medical and Nabinnol by completing the VapePod Medical Safety Testing and the Safety and Efficacy Study. Kanabo will also be required to maintain the Testing R&D Licence to be able to continue with testing and developing early stage Unlicensed Medical Cannabis Oils (which excludes Nabinnol). **Whilst there is a risk that these licences could be lost if there is a transfer in its shares constituting more than 5% of its total share capital or a change in the Enlarged Group's managers or authorised signatories, the Directors shall so far as reasonable practicable ensure that the MCU's approval is obtained prior to any change of control or arrangements are put in place with third parties who holds similar R&D licences to carry out the trials on behalf of Kanabo. The commercialisation and timing of the testing in relation to the Unlicensed Medical Cannabis Oils is uncertain and forms part of the Enlarged Group's long-term future strategy.**

9. Israel: Research and Development Licences

The future objective of the Enlarged Group is to develop the Unlicensed Medical Cannabis Oils. The Enlarged Group intends to sell these products if they reach a stage of commercialisation as unlicensed medicines in the Primary Markets. Kanabo has a range of Unlicensed Medical Cannabis Oils under development, further details of which are set out in Paragraph 7 of Part I of this Document.

Kanabo holds the Testing R&D Licenses and these will expire on 19 January 2022, if they are not renewed. The Testing R&D Licenses enable the Enlarged Group to undertake the development of Unlicensed Medical Cannabis Oil formulations and to undertake testing of the VapePod at its R&D Lab; in particular, this allows Kanabo to test the VapePod for safety and accuracy. Further details of the activities which Kanabo is able to undertake under the terms of the Testing R&D Licenses are set out at Paragraph 20 of Part XII ("Additional Information").

The most advanced of Kanabo's Unlicensed Medical Cannabis Oil is Nabinnol. Prior to commercialising Nabinnol, the Enlarged Group intends on undertaking two studies, the VapePod Safety Testing and thereafter the Safety and Efficacy Testing (together the "Studies" and each a "Study"). The Studies are not required to satisfy any regulatory requirement in the Primary Markets and the Unlicensed Medical Cannabis Oils can be sold as unlicensed medicines. A new R&D license will be required for each Study.

Obtaining a Further Research License in Israel

The MCU is responsible for regulating all research and development activities in Israel in relation to medical cannabis. The principal legislation regulating the research, use and production of medical cannabis is Government Regulation N. 1587 CMPR, which underpins the various guidelines and directives issued by the MCU in relation to the medicalisation of cannabis in Israel.

Undertaking research and development involving medical cannabis requires a license both for possession of the cannabis products used and for the performance of research and development in relation to it. The research and development activities will also need to be performed in a laboratory, which has a license from the MCU to carry out research and development.

In order to obtain a license to carry out research and development, a research application needs to be made to a special committee within the MCU ("**R&D Committee**"), containing an outline of the research and the research protocol. The R&D Committee will either make a recommendation to the MCU regarding whether the application should be approved or request further information. The MCU shall have sole discretion over whether preliminary approval of the research proposal is granted. If granted, such preliminary approval does not constitute an approval to possess or carry out research in relation to the medical cannabis.

The applicant then needs to submit a further application to the MCU which will be reviewed by the Israeli Police. The Israeli Police will provide a recommendation regarding whether the application should be approved, after having investigated the individuals involved in the research and subject to it being satisfied that the research facility is compliant with Good Security Practices standards as published by the MCU.

Subject to the above approvals being received, the applicant then needs to submit a final application to the MCU to receive the license. Licenses granted for research purposes are usually valid for one year, subject to any renewal which may be granted.

In relation to the VapePod Safety Testing, the Enlarged Group intends to submit an application to the MCU by the end of H1 2021. It is anticipated that the Enlarged Group's application for this license will be approved before the end of 2021.

The Enlarged Group does not intend on undertaking the Safety and Efficacy Testing until it has considered and reviewed the results of the VapePod Safety Testing. The Enlarged Group does not anticipate undertaking and completing the Safety and Efficacy Testing until 2022 and, therefore, the Directors do not intend to be granted approval to undertake Safety and Efficacy Testing until H1 2022.

PART III

EXISTING DIRECTORS AND PROPOSED DIRECTORS, SCIENTIFIC, RESEARCH AND ADVISORY TEAM, AND CORPORATE GOVERNANCE

1. Existing Directors and the Proposed Directors

Andrew ("Andy") John Gowdy Morrison, Chairman (date of birth: 28 October 1960) – continuing as **Non-Executive Director**

Mr. Morrison has a background in strategic business development, which combined with technical literacy and an entrepreneurial mind-set has led to a record of commercial delivery across energy and other industries. For the first 17 years of his career, Mr. Morrison worked for Shell in a variety of positions of increasing seniority in oil products trading, shipping, marketing, and business development. His work in marketing and business development was principally in the industrial sectors of lubricants and speciality chemicals and included new market entries in South America and China. In 1999, Mr. Morrison joined BG Group Plc as a New Ventures Director where he led the creation of a corporate venture to exploit BG's UK land estate to create an infrastructure business targeting the mobile telecoms sector. After a period as head of corporate strategy at BG he continued his career in corporate venturing, first as an independent business development adviser and then as Group Director of New Business Development for the industrial gases group BOC Group Plc until its acquisition in 2007. During his time in corporate venturing, Mr. Morrison was also involved in projects with major firms operating in aggregates, agricultural industry, and water technology as well as in the energy sector.

Since 2007, Mr. Morrison has devoted his time to managing and developing junior public companies. The first of these was Xtract Energy Plc, at the time a quoted venture capital vehicle operating in the energy sector with interests including upstream oil and gas. Subsequent to Xtract Energy Plc, Mr. Morrison has also held chief executive positions with Silvermere Energy Plc and Zeta Petroleum Plc, an ASX quoted firm with operations in Romania. He has also advised Highlands Natural Resources Plc and Shefa Gems Ltd, both of which are listed on the Standard List.

He has a BSc (1st Class) in Chemical Engineering and Fuel Technology from the University of Sheffield, a Diploma in Company Direction from the Institute of Directors and has published several articles in the fields of innovation, venturing, and strategic business development.

Avihu Tamir, Chief Executive Officer (date of birth: 7 February 1981) (Proposed Director, will be appointed on Admission)

Mr. Tamir is a cannabis entrepreneur with over five years of hands-on experience in multiple cannabis ventures and vast experience in consulting for international cannabis projects. Mr. Tamir began his career and built his reputation as a senior strategy consultant at Accenture. He is also the founder of Teva Nature, the leading vaporiser company in Israel.

Mr. Tamir founded Kanabo Research in 2017 and since then has served as CEO of the company. His expertise includes biotechnology, new agriculture and agro-tech, and other breakthrough technologies in the dynamic field of medical cannabis.

Mr. Tamir holds a B.A. in Finance and Risk Management (Magna Cum Laude), and a M.A. in Political Science (Magna Cum Laude) from the IDC Herzliya.

David Tsur, Non-Executive Chairman (date of birth: 27 March 1950) (Proposed Director, will be appointed on Admission)

Mr. Tsur is the co-founder of Kamada Ltd, a public company listed on both the NASDAQ and Tel-Aviv Stock Exchange. He served as its Chief Executive Officer and on its board of directors from the company's inception in 1990 until July 2015. Currently he serves as Kamada's Active Deputy Chairman of the Board.

Prior to co-founding Kamada, Mr. Tsur was the Chief Executive Officer of Arad Systems and RAD Chemicals Inc. He has also held various positions in the Israeli Ministry of Economy (formerly named

the Ministry of Industry and Trade), including Chief Economist and Commercial Attaché in Argentina and Iran.

Mr. Tsur holds a BA degree in Economics and International Relations and an MBA in Business Management from the Hebrew University of Jerusalem.

Uziel Danino, Non-Executive Director (date of birth: 12 December 1957) (Proposed Director, will be appointed on Admission)

Mr. Danino has over 35 years of experience in the financial sector, including capital markets. Mr. Danino began his career at Bank Mizrahi in 1981 and worked in all of the bank's business units filling a variety of managerial positions. In his last position with the bank, Mr. Danino served as the manager of the customer asset division, which includes the bank's investment management company.

In 2012, Mr. Danino was appointed to head the Excellence Investment House that had NIS80 billion (approximately GBP 17 billion) in customer assets under management at the time. In the framework of his position, he also serves as a chairperson of provident funds, trust funds, a Stock Exchange Member Brokerage, and serves as a member of the Israeli Federation of Investment Houses.

Today, Mr. Danino is a member and director of Rosario Capital, an underwriting company. In addition, Mr. Danino is a director in two public companies, UMI and Spacecom, and serves a member of the University of Ariel Finance Committee.

Alan Hume (Non-Executive Director) (resigning upon admission) (date of birth: 13 January 1959)

Alan is a dynamic and highly developed CFO with significant experience in the oil and gas exploration and production sector as well as the broader energy market. Alan has also held senior finance, commercial and operational roles in the oilfield services, engineering, construction and energy production sectors.

Alan's career has seen him hold many domestic, as well as international financial responsibilities. He has experience in bringing companies to market as well as leading acquisition and disposal activities. His expertise encompasses blue chip American organisations, AIM listed companies, TSX V listed companies and start up ventures.

Alan is a Fellow of the Chartered Institute of Management Accountants.

Anthony James Harpur (Non-Executive Director) (resigning upon admission) (date of birth: 8 March 1955)

Mr Harpur joined Shell in 1978 on their graduate scheme. After three years in its Retail Division he became an oil products trader. Shell then sent Mr Harpur on a full time Arabic language course with the FCO in 1984-5 and after that he was appointed General Manager of Shell Jordan, focusing on sales of lubricants and greases. In 1987 he moved to Dubai as Supply and Trading Manager for the Middle East. He remained in that post for five years until he returned to London to be a Crude Oil Trader in the Middle East section. In 1994 Mr Harpur was posted to Japan as Crude Oil Liaison manager for Shell Japan and in 1997 he returned to London to head up the Middle East crude oil acquisitions section.

After 23 years with Shell, Mr Harpur joined BP in 2000 to take over its Middle East crude oil desk and in 2003 he moved back to Dubai to be BP's Vice-president for Integrated Supply and Trading for the Middle East and India.

In 2006 the Oman Government and Vitol set up a new joint-venture energy trading company named Oman Trading International ("OTI") and Vitol recruited Mr Harpur to be the first CEO of the company. After two years the annual turnover of OTI had grown to over USD 25 billion. Mr Harpur handed over his role to his former deputy but remained on the Board of OTI. In his remaining years in Dubai Mr Harpur combined his responsibilities for OTI with a business development role for Vitol which included board membership of other Vitol joint ventures, and the management of a number of projects in the Middle East, India and Pakistan. Mr Harpur retired from Vitol and OTI in 2011 and he moved back to London. Since then he has held a part time consultancy role with Argus, the price reporting agency. Mr Harpur has an MA in Jurisprudence from Exeter College, Oxford.

2. Research, Scientific and Advisory Team

In terms of the team and experience of key technical staff please see the biographies set out below in this section. The technical and scientific direction of the company is divided into three focus areas, which are managed as follows:

Michael Adda – Senior Scientist
Research; Chemical Engineering; Biotechnology; Process Development

Michael holds an M.Sc in Chemical Engineering from the Ben Gurion University and is the author of ten patents with over 30 years of experience in Process Development and Technology Transfer in the Chemical and Biotechnological Industries. He is also an experienced project manager, technologist, and process development specialist for chemical, biological, and natural products companies. Michael is currently leading Kanabo's activities regarding Phytochemistry, Formulation, and Process Development.

Miriam O'Reilly – Production and Regulation Director
Project Management, Production, Supply Chain, Quality.

Miriam holds a B.Eng in Mechanical Engineering specializing in Biomedical Engineering from the University of Limerick in Ireland and a Masters's degree in Industrial Engineering Management from the University College Dublin. Miriam has over two decades of international experience in a wide range of industries, from product development, high-tech manufacturing to industrial construction.

Miriam is currently responsible for all aspects of supply, production, logistics, and regulation at Kanabo, working to ensure the production of top quality products that meet customers' needs.

Yossi Aldar – Medical Device Advisor
Executive Management; Medical Devices

Yossi is an experienced executive manager specialising in biomedical and medical device companies. His diverse experience includes acting as CEO of Syqe Medical. He was also one of the creators of the first medical grade cannabis inhaler, has served as Co-Founder and CEO of SteadyMed Therapeutics, Inc. (NASDAQ: STDY), Managing Director of VersaMed (acquired by GE Healthcare), and was Founder and CEO of Flight Medical (TASE: FLGM).

Nachshon Knoller, M.D. – Clinical & Medical Advisor
Medicine, Clinical Trials, Pharmaceutical Research

Nachshon is a leading spinal neurosurgeon of Israel. He is currently Director of the Department of Neurosurgery at Sheba Medical Center in Tel-Hashomer, Israel and serves as Member of the Scientific Advisory Board of Proneuron Biotechnologies, Inc. In the past, he has served as an Advisory Board Member of Mazor Surgical Robotics Ltd. Nachshon's research includes emerging medication treatments and cell therapy (macrophages) for traumatic brain and spinal injuries.

Doron Friedman, Ph.D. – IP and Formulation Advisor
Executive Management; Formulations; Patents & IP

Doron is a specialist in pharmaceutical R&D with over 25 years' experience as a biomedical entrepreneur and executive who holds over 80 patents, making him the most prolific inventory in Israel. He invented Bausch and Lomb's *Lotemax* eye drops and has previously served as Director of Pharmaceutical Development at Pharmos Corp, Chief Technology officer of Foamix Ltd and as a pharmaceutical development consultant.

Jacob Rand – Industrial Engineer – Advisor
Engineering; Mechanics

Jacob is an experienced industrial engineer with over 18 years of hands on experience in engineering innovative solutions. He was a member of the Israeli Defence Forces Elite Technology Unit and has previously served as mechanical team leader at Essence Security and Explay.

Hagit Mar-Chaim, Ph.D. – Product Development Advisor
Biotechnology; Regulatory Affairs; Drug Development; Executive Management

Hagit has 16 years of experience in the Biotech industry focused on R&D and pre-clinical development as well as 12 years in Regulatory Affairs positions. His work experience includes regulatory affairs, RA product management, pre-clinical development, and executive management. Hagit currently serves as an independent consultant providing regulatory consultation services addressing matters such as regulatory strategy, GAP analysis, regulatory submissions, preparation and management of meetings with Health Authorities, quality agreements, non-clinical studies, inputs on GMP manufacturing process for biologics, data and marketing exclusivity and stability studies.

3. Corporate Governance

As a company being admitted to the Standard Segment of the Official List, the Enlarged Group is not required to comply with the provisions of the UK Corporate Governance Code. Nevertheless, the Directors acknowledge their responsibility, and are committed to good corporate governance and, so far as appropriate given the Enlarged Group's size and the constitution of the Board, intends to comply with the QCA Guidelines on Corporate Governance ("**QCA Guidelines**").

The Board holds regular scheduled and other timely board meetings as issues arise which require the attention of the Directors. From Admission, the Board will be responsible for the management of the business of the Enlarged Group, setting the strategic direction of the Enlarged Group and establishing the policies of the Enlarged Group. It will be the Board's responsibility to oversee the financial position of the Enlarged Group and monitor the business and affairs of the Enlarged Group, on behalf of the Shareholders to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board will also address issues relating to internal control and the Enlarged Group's approach to risk management and has formally adopted an anti-corruption and bribery policy.

Andrew Morrison will be considered by the Board to be an Independent Non-Executive Director on Admission.

The Board has established an audit committee, a remuneration committee and a nomination committee with formally delegated duties and responsibilities.

Audit and Risk Committee

The audit and risk committee, which, on Admission, will comprise of Uziel Danino (Chair) and Andrew Morrison, has the primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Enlarged Group is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Enlarged Group's accounting and internal controls. The committee is also responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Enlarged Group is properly monitored and reported. The audit and risk committee will meet not less than three times a year.

Remuneration Committee

The remuneration committee, which, on Admission, will comprise Andrew Morrison (Chair) and Uziel Danino, is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Enlarged Group.

Nomination Committee

The nomination committee, which, on Admission, will comprise David Tsur (Chair), Avihu Tamir and Andrew Morrison, is responsible for matters of nomination and succession of board directors and senior management.

Share dealing code

The Company has adopted a share dealing code for PDMRs and their Closely Associated Persons, which complies with the MAR and the Company will take all reasonable steps to ensure compliance by PDMRs and their Closely Associated Persons.

Bribery Act 2010

The Bribery Act 2010 ("Bribery Act") which came into force in the UK on 1 July 2011 prescribes criminal offences for individuals and businesses relating to the payment of bribes and, in certain cases, a failure to prevent the payment of bribes. The Company has therefore established procedures and adopted an antibribery and corruption policy designed to ensure that no member of the Group engages in conduct for which a prosecution under the Bribery Act may result.

4. Conflicts of interest

As at the date of this Document, there are no potential conflicts of interest between any duties to the Enlarged Group of any of the Directors, Proposed Directors or Senior Managers and their private interests and/or other duties save in respect of their interests and duties as Directors or Proposed Directors of the Company. Any potential conflict of interest that may arise in future will be considered by the non-conflicted Directors.

5. Lock-in agreements

Details of the lock-in and orderly market arrangements entered into in connection with Admission are summarised in paragraph 18.4 of Part XII of this Document ("Additional Information").The key terms of the lock-in restrictions are as follows:

- all Locked-in Directors shall undertake not to dispose of or agree to dispose of any interest held by them in Ordinary Shares for a period of 12 months from Admission, except pursuant to certain customary exceptions, and, thereafter, the Locked-in Directors shall not dispose of or agree to dispose of their interest in Ordinary Shares without the consent of the Company (such consent not to be unreasonably withheld), for a further period of 6 months;

- any person holding more than 2.0% but less than 5.0% of the enlarged issued share capital of the Company on Admission shall undertake (i) not to dispose of or agree to dispose of any interest held by them in Ordinary Shares for a period of 6 months from Admission, except pursuant to certain customary exceptions, and, (ii) for subsequent period of 6 months, such shareholders will agree not to dispose or agree to dispose of any interest representing 50% of their Ordinary Shares during that period (subject to certain customary exceptions) and such shareholders will be able to dispose of the balance of 50% of their Ordinary Shares subject to the consent of the Company, such consent not to be unreasonably withheld.

- any person holding more than 5.0% of the enlarged issued share capital of the Company on Admission shall undertake (i) not to dispose of or agree to dispose of any interest held by them in Ordinary Shares for a period of 12 months from Admission, except pursuant to certain customary exceptions, and (ii) for subsequent period of 6 months, such shareholders will agree not to dispose of or agree to dispose of their interest in Ordinary Shares without the consent of the Company, such consent not to be unreasonably withheld.

- any Kanabo shareholder (being entitled to receive Consideration Shares) holding less than 2.0% of the issued share capital of the Company on Admission and being defined as not an EEA Shareholder under with the terms of the Share Purchase Agreement (**Non-EEA Minority Shareholder**) shall undertake not to dispose of or agree to dispose of any interest held by them in Ordinary Shares for a period of 6 months from Admission, except pursuant to certain customary exceptions, and, thereafter, the Non-EEA Minority Shareholder shall not dispose of or agree to dispose of their interest in Ordinary Shares without the consent of the Company (such consent not to be unreasonably withheld), for a further period of 6 months;

- any Kanabo shareholder holding less than 2.0% of the issued share capital of the Company on Admission and who is defined as an EEA resident under the terms of the Share Purchase Agreement, shall not be subject to the same restrictions as Non-EEA Minority Shareholders.

PART IV(A)

OPERATING AND FINANCIAL REVIEW OF THE COMPANY

(A) OPERATING AND FINANCIAL REVIEW OF THE COMPANY

The following operating and financial review contains financial information that has been extracted or derived without material adjustment from the Company's audited financial information for the period from incorporation on 17 November 2016 to 31 December 2019 and from the audited financial statements for the year ended 31 December 2019, and the unaudited financial statements for the six months ended 30 June 2020, which are the only relevant periods, included in Part VII – Historical Financial Information" prepared in accordance with IFRS.

The following discussion should be read in conjunction with the other information in this Document, in particular with the entire "Part VII – Selected Financial Information on Kanabo" and "Part IX – Unaudited Pro Forma Financial Information". This discussion contains forward-looking statements, which, although based on assumptions that the Directors consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. Investors should read the notice in relation to forward-looking statements contained on page 29.

The key risks and uncertainties include but are not limited to those described in the section of this Document entitled "Risk Factors" on pages 14 to 25.

Overview

The Company was incorporated on the 17th September 2016 and was formed to undertake an acquisition of a target company or business in the industrial or energy sectors. Since its original admission in May 2017, the Company's approach has been to conserve as much as possible of its initial capital pending completion of an acquisition. The operating costs of running the business prior to an acquisition are being kept to the minimum required commensurate with full compliance and good governance. To minimise cash costs, the Directors have agreed that no fees will be payable to them for their ordinary duties prior to an acquisition.

The opportunity review and initial due diligence operations of the Company are undertaken by a team comprising the Directors and retained advisers. Retained advisers provide the benefit of their experience on issues such as target quality, potential capital expenditure requirements, commodity market dynamics and business development to assist the Directors in formulating an investment decision. The role of the retained adviser is to advise the Board on a discretionary, part-time consultancy basis as the Board assesses potential acquisitions. In common with the Directors, retained advisers do not receive any fees for their ordinary duties prior to the completion of an acquisition transaction.

On listing the Company raised gross proceeds of £1.2m. On 3rd January 2018 the Company completed a placing and subscription to raise gross proceeds of £170,000. The placing and subscription were undertaken with clients of the Company's joint brokers SI Capital and took the form of the issue of 3,400,000 units at a price of 5 pence per unit. Each unit consisted of one ordinary share plus one half warrant exercisable at a price of 7.5 pence per share. The placing and subscription were conducted at a 48 per cent premium to the closing price of the Company's shares of 3.375p on 18 December 2017, demonstrating investor confidence in the Company's planned strategy and helping to underpin the Company's share price throughout the financial year. During the first half of 2020 the Company raised a further £165,000 through a Convertible Loan Note.

In the periods ending 31st December 2017,31st December 2018 and 31st December 2019 the Company made losses as set out in the attached table. Costs incurred have been predominantly legal fees, audit fees and listing expenses.

In the early months of 2018, two potential target businesses in the oil and gas sector were high graded for more detailed due diligence. Although they were both in OECD jurisdictions and benefitted at the time from an increasing oil commodity price environment, they did not in the end meet the Company's due diligence criteria and had to be dropped. In the opinion of the Directors, the fundable work

programme in the first opportunity presented too binary a risk profile, and in the second opportunity the expected licence extension required for the project did not materialise.

By the middle of 2018 a total of four energy-related businesses had been discarded during due diligence. Against this back-drop and following a period of intensive discussions with key stakeholders, regulators and other interested parties, the Board of Directors resolved to enlarge the investment focus of the Company to include, in addition to the energy and industrial sectors, an analysis of investment opportunities in the cannabis processing industry. The Directors felt confident that there were numerous attractive, near term investment opportunities within both private and public businesses that undertake legal cannabis processing in jurisdictions that were internationally recognised as having well-developed and reputable laws and regulations to govern the emerging industry.

In connection with the change of strategic focus, Alan Hume stepped up from his previous advisory role to join the board on 18 September 2018 and then took on responsibility for preparation of the Company's accounts following the later resignation of Jonathan Bradley-Hoare on 6 December 2018. In recognition of their expertise in the emerging cannabis-related market segment, Peterhouse Capital Ltd were appointed as strategic consultant to the Company on 18 September and then as Financial Adviser and Joint Broker from 15 October 2018. Zahid Latif joined the team as a retained adviser on 6 December 2018, adding to the Company's expertise in the evaluation of opportunities in the industry. Richard Liddell resigned as a director on 15 October 2018.

On 17 December 2018, PKF Littlejohn LLP were appointed as the Company's auditors.

After evaluating a number of alternatives within the cannabis processing industry, The Company conducted negotiations and due diligence and then requested suspension of trading of its shares with effect from 27th February 2019, in connection with the signing of a non-binding Heads of Terms to acquire the entire issued share capital of Kanabo Research Ltd.

Since 27th February 2019 until 30 June 2020 and to date, the Company's activity has been dominated by the significant work with the transaction advisory team involved in turning the Heads of Terms into a suite of definitive documents and preparing the enlarged group for re-admission to trading. In order to help fund the operations of Kanabo while awaiting regulatory approval to complete this transaction, a further £165,000 was raised in Convertible Loan Notes in March 2020 and a total of £300,000 was lent to Kanabo, secured against the intellectual property of the business. As can be seen in the statements below, there has been no significant trading in the period since the last audited accounts. There have been no board or advisor changes, no further capital raises and no material contracts entered into. The Companies shares remain suspended awaiting completion of the transaction as set out in this prospectus document.

Statement of Financial Position

	As at 30 June 2020 unaudited £'000	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Assets			
Non Current assets			
Other receivables		100	
Current assets			
Trade and other receivables	318	13	13
Cash and cash equivalents	516	597	1,041
Total current assets	**834**	**610**	**1,054**
Total assets	**834**	**710**	**1,054**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	735	735	735
Share premium	589	592	592
Share based payments reserve	92	59	59
Retained deficit	(813)	(712)	(349)
Total equity	**603**	**674**	**1,037**
Liabilities			
Current liabilities			
Trade and other payables	66	36	17
Convertible loan	165		
Total liabilities	**231**	**36**	**17**
Total equity and liabilities	**834**	**710**	**1,054**

The notes to the financial statements form an integral part of these financial statements.

Statement of Comprehensive Income

	Six Months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Continuing operations			
Operating expenses	(111)	(365)	(161)
Operating loss	**(111)**	**(365)**	**(161)**
Interest income	10	2	2
Loss before taxation	(101)	(363)	(159)
Income tax		–	–
Loss for the year/period	**(101)**	**(363)**	**(159)**
Other comprehensive income for the year/period		–	–
Total comprehensive income for the year/period attributable to the equity owners	**(101)**	**(363)**	**(159)**
Earnings per share from continuing operations attributable to the equity owners			
Basic and diluted earnings per share (pence per share)	**(0.35p)**	**(1.2p)**	**(0.5p)**

The notes to the financial statements form an integral part of these financial statements.

Statement of Cash Flows

	Six Months ended 30 June 2019 unaudited £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Cash flow from operating activities			
Loss before taxation	(101)	(363)	(159)
Adjustments for:			
Share-based payment	33	–	–
Interest received	(2)	(2)	(2)
Net cash used in operating activities	**(70)**	**(365)**	**(161)**
Changes in working capital			
(Increase) in trade and other receivables	(205)	–	(9)
(Decrease)/increase in trade and other payables	30	19	(41)
Net cash (used) in/generated from operating activities	**(245)**	**(344)**	**(211)**
Cash flows from investing activities			
Loan advanced	–	(100)	–
Net cash used in investing activities	–	(100)	–
Cash flows from financing activities			
Issue of shares	–	–	170
Share issue costs	–	–	(2)
Convertible Loan Notes (net of costs)	162	–	–
Net cash used in financing activities	**162**	**–**	**168**
Cash flows from investing activities			
Interest received	2	2	2
Net cash generated from investing activities	**2**	**2**	**2**
(Decrease)/increase in cash and cash equivalents	**(81)**	**(444)**	**(41)**
Cash and cash equivalents at beginning of period	**597**	**1,041**	**1,082**
Cash and cash equivalents at end of period	**516**	**597**	**1,041**

The notes to the financial statements form an integral part of these financial statements.

PART IV(B)

OPERATING AND FINANCIAL REVIEW OF KANABO

The following operating and financial review contains financial information that has been extracted or derived and translated to English and adjusted to GBP from the operating currency New Israeli Shekel (NIS), without material adjustment from Kanabo's audited financial information from the audited financial statements for the years ended 31 December 2018 and 2019, which are the only relevant periods, included in "Part VII (B)) – Historical Financial Information on Kanabo" prepared in accordance with IFRS.

The following discussion should be read in conjunction with the other information in this Document, in particular with the entire "Part VII – Selected Financial Information on the Company" and "Part IX – Unaudited Pro Forma Financial Information". This discussion contains forward-looking statements, which, although based on assumptions that the Directors consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. Investors should read the notice in relation to forward-looking statements contained on page 29.

The key risks and uncertainties include but are not limited to those described in the section of this Document entitled "Risk Factors" on pages 14 to 25.

Overview

Kanabo Research Ltd was founded as a vehicle for developing a new and safe cannabis delivery method and formulations. The company's main operations in the first phase revolved around research and development activities. This was in the field of vaporisation and inhalation, including new medically based formulations in conjunction with a superior delivery method in the form of vaporization of pure cannabis oils, with or without THC.

In 2017, Kanabo partnered with Jupiter Research LLC to exclusively license its superior proprietary technology and develop Kanabo's first vaporiser device, the VapePod. The VapePod has been adapted to provide for metered dosing, enabling patients to obtain a measured and consistent safer dosage of cannabis oils. The cost of the partnership and the development was approximately £65,000. During this period, the company sold £38,228 (NIS 176,692) worth of VapePod units and empty pods in Europe as demonstration of value and to cement the VapePod supply chain.

The company additionally built its initial branding and web presence as part of the marketing effort, investing approximately £50,000. The company invested £30,000 in building the relationship and initiating the aforementioned pilot. In parallel, the company's researchers begun the work on the medical formulations and started in-vitro testing. By the end of the year the company had its lead medical formulations and started planning its in-vivo pre-clinical trials. In 2017 the company spent approximately £105,000 on the R&D efforts. At the beginning of 2018 the company obtained its license for its first medical cannabis formulation in-vivo pre-clinical trials for insomnia sleep disorder. The company commenced the trial in the end of Q1 2018 in accordance with its approved trial protocol. The trial was completed by the end of the year. In parallel, the company continued its research in the lab for additional medical formulations for additional conditions and improvements for the formulations for insomnia sleep disorder and started the research for non-THC formulations. The company's research and development efforts are considered to have cost the company approximately £200,000. In the second half of 2018, Kanabo furthered its marketing efforts investing approximately £195,000.

The majority of Kanabo's revenue came from its continuous pilot with one distributor, supplying recurring orders. As a part of the company's positive feedback from the pilot, it decided to extend and enlarge the pilot in the six months ended 30 June 2019. Due to the extension of the pilot, the revenues increased in the six months ended 30 June 2019 to £58,024 (NIS 271,730) from additional partners. As a result of the successful pilot with the new distributors, the company is planning to extend the pilot further and start preparations for the next phase of market penetration and scale.

In 2018, as a result of options granted, there was an increase in Research & Development (2018: £500,306), Sales & Marketing (2018: £161,239) and General & Administrative (2018: £1,025,615) expenditure. During the period, the company has shifted from focusing only on

research to including development, and pre-clinical trials were conducted with leading Contract Research Organizations. The company additionally hired a Vice President of Sales and started to build its brand within Europe. In 2018, the company has pursued growing opportunities and partnerships, which have increased General & Administrative expenses. As a result, the Company had a joint venture which was in the process of acquiring a license to cultivate in Israel and is in advanced negotiations across Europe. This joint venture no longer exists.

In 2019 the company has invested in the new non-THC formulations line and developed the first 3 formulations. In addition, the company's focus on development of its medical products, planning the safety and bioavailability tests with its partner Sheba Medical center. On the medical device side, the company progressed with the process of certification of the CE mark for the VapePod with R&D efforts costing approximately £287K. The Sales and marketing expenses were £206K, approximately a 30% increase from last year (£161)). This related to the increase in salaries and employee expenses as a result of hiring a new VP of sales. The new hires primary roles was to begin building the market presence for market penetration, growth and a rebranding process as preparations for the listing. During the period, the company started to look for partnerships with European distributors for future sales and has reached agreements with the first distributors in Germany and the UK.

In the six months ended 30 June 2020 due to the COVID-19 epidemic and with the core of the company's operation based in Europe and Israel, the company put great thought into the next steps whilst diligently monitoring the situation. The R&D expenses were £74K approximately a 60% decrease from the six months ended 30 June 2019 (£126K) this related to a decrease in salaries and employee expenses as a result of employees were on unpaid vacation. Due to COVID-19, the company decided to focus on maintaining and continuing existing development and not start new ones. The S&M costing was decreased by approximately 44% from the six months ended 30 June 2019. This related to the decrease in salaries and employee expenses as a result of the unpaid vacation of employees due to COVID-19, cancelation of all marketing events, conferences, and travel due to the epidemic. The G&A expenses were £205K approximately a 70% decrease from the six months ended 30 June 2019 (£644K) this related to a decrease in salaries and employee expenses as a result of a decrease in share-based compensation, legal expenses, and cancelation of travel due to COVID-19 restrictions.

To develop an end-to-end solution, Kanabo has sought to develop proprietary Retail CBD Oils and Unlicensed Medical Cannabis Oils capable of being used in conjunction with the VapePod and/or VapePod Medical as a safe, secure and reliable delivery system. Between February and June 2018, Kanabo conducted its first pre-clinical trial in relation to its first Medical Cannabis Oil, called Nabinnol, which has been formulated specifically for sleeping disorders. Based upon the positive outcome of those pre-clinical studies, Kanabo intends to undertake a clinical study to test the efficacy and safety of its product, subject to obtaining additional authorisations. The VapePod Medical device will be the delivery system used in testing and, as such, the test will be used to validate the reliability of the VapePod Medical as a delivery system for the Unlicensed Medical Cannabis Oils.

To date, Kanabo's activities have been funded through private equity fundraising rounds and the issue of convertible loan notes. In April 2017, Kanabo completed its first significant private fundraising round in which it raised US$530,000 by way of a subscription for convertible loan notes. By the end of 2017 Kanabo had £192,651 (NIS 904,749) cash left in its bank. On March 1, 2018 the convertible loans were converted into 37,566 ordinary shares of NIS 0.01 equal totalling £385,019 (NIS 1,847,050). A further issue of convertible loan notes valued at US$500,000 was completed in 2018. In 2019, Kanabo raised a further US$1,305,000 by way of direct subscription based upon a pre-money valuation of US$10 million.

During 2018 the company received a total of US$895,000, US$ 500,000 as a convertible note from the beginning of 2018 and the rest as part of the investment round in the end of the period. In the 2018 financial reports, the loans are presented as short-term liabilities and they were converted in end of January 2019 as planned. As a part of the closing of the funding round in January, the loans were converted into ordinary shares in accordance to their agreements. As a result of the conversion and the fund raising, 36,684 ordinary shares of NIS 0.01 equal totaling £1,372,976 (NIS 6,573,810) were issued. As part of the spring 2019 fundraise and the subscription for the convertible loan notes, Kanabo issued warrants to its investors. During the year ended 2019 and the six months ended June 2020, the number of warrants exercised were 1,543 and 5,956 respectively.

The tables below set out a summary financial information of Kanabo as derived from the audited financial information of the company as of 31 December 2018 and 31 December 2019 and the unaudited interim financial information as of 30 June 2020. The company's audited financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) in local currency New Israeli Shekel. The financial information has been converted to Great British Pounds for the purpose of the Document.

There have been no other significant changes to the company's financial condition and operating results during or subsequent to the period covered by the historic information provided other for that noted within this Document.

Statement of Financial Position

	As at 30 June 2020 (Unaudited) £	as at 31 December 2019 £	2018 £
Assets			
Current assets			
Cash and cash equivalents	429,128	333,891	355,262
Short term deposit	4,675	–	–
Inventory	40,182	35,624	–
Trade and other receivables	22,368	16,156	16,978
Total current assets	**496,353**	**385,671**	**372,240**
Non-current assets			
Long term deposits	16,222	13,475	12,517
Fixed assets	16,845	18,204	16,509
Total non-current assets	**33,067**	**31,679**	**29,026**
Total Assets	**529,420**	**417,350**	**401,266**
Liabilities and equity			
Current liabilities			
Bank credit line	–	–	–
Trade payables	5,097	22,092	19,389
Accrued pension liability	–	–	–
Other accounts payable	49,360	101,980	63,553
Other financial liabilities	310,431	100,500	699,809
Total current liabilities	**364,888**	**224,572**	**782,751**
Equity			
Share capital	474	457	354
Premium on shares	2,714,585	2,424,881	527,892
Receipts on account of warrants	806,683	800,006	854,111
Foreign exchange reserve	85,884	64,832	11,175
Retained losses	(3,445,618)	(3,100,436)	(1,775,017)
Total equity	**162,008**	**189,740**	**(381,485)**
Total equity and liabilities	**529,420**	**417,350**	**401,266**

Statement of Comprehensive Income for the period ended December 31

	For the six months ended (unaudited) 30.6.2020 £	For the year ended 31.12.2019 £	31.12.2018 £
Revenues from sales and services	14,389	82,124	53,983
Cost of sales and services	(6,178)	(45,445)	(29,770)
Gross profit	**8,211**	**36,679**	**24,213**
Research and development expenses	(74,105)	(287,328)	(376,935)
Selling and marketing expenses	(74,668)	(206,092)	(161,239)
General and administrative expenses	(204,643)	(906,569)	(1,025,615)
Operating loss	**(345,205)**	**(1,363,310)**	**(1,539,576)**
Finance incomes (expenses), net	23	(9,825)	(13,964)
Loss before tax	**(345,182)**	**(1,373,135)**	**(1,553,540)**
Tax (charge)/credit	–	–	–
Loss after tax	**(345,182)**	**(1,373,135)**	**(1,553,540)**
Other comprehensive income	21,052	53,657	8,350
Total comprehensive loss for the period	**(324,130)**	**(1,319,478)**	**(1,545,190)**

Statement of Cash Flows for the period ended

	For the six months ended (unaudited) 30.6.2020 £	For the year ended 31.12.2019 £	31.12.2018 £
Cash flows from operating activities			
Loss for the period	(345,182)	(1,373,135)	(1,553,540)
Adjustments Required for Presenting Cash flows and cash equivalents from Operating Activities (Note 17):	(5,448)	494,432	1,034,467
Net cash used in operating activities	**(350,650)**	**(878,703)**	**(519,073)**
Cash flows from investing activities			
Investment in long term deposits	(6,199)	–	–
Purchase of fixed assets	–	(6,475)	(15,781)
Net cash used in investing activities	**(6,199)**	**(6,475)**	**(15,781)**
Cash flows from financing activities			
Receipts on convertible loans	–	634,868	316,209
Conversion of convertible loan	–	–	385,018
Receipts on account of warrants	228,048	81,292	–
Exercise of options	4	23	8
Receipts on short term loan	188,418	99,908	–
Net cash generated from financing activities	**416,470**	**816,091**	**701,235**
Net increase in cash and cash equivalents	59,641	(69,087)	166,381
Cash and cash equivalents at beginning of the period	333,891	355,262	193,244
Effects of exchange rate changes on cash and cash equivalents	35,596	47,716	(4,363)
Cash and cash equivalents at end of the period	**429,128**	**333,891**	**355,262**

PART IV(C)

CAPITAL RESOURCES OF SPINNAKER AND KANABO

1. Capital resources and sources and use of funds

Kanabo

In April 2017, Kanabo completed its first significant private fundraising round in which it raised US$530,000 by way of a subscription for convertible loan notes based upon a pre-money valuation of Kanabo of US$2 million. This was successfully followed by a further US$500,000 by way of a subscription for convertible loan notes based upon a pre-money valuation of Kanabo of US$8 million. Between January and March 2019, Kanabo raised a further US$1,305,000 by way of direct subscription based upon a pre-money valuation of Kanabo of US$10 million. Kanabo has used these funds to support its activities to date. As part of the spring 2019 fundraise and the subscription for the convertible loan notes, Kanabo issued warrants to its investors. During the year ended 2019 and the six months ended June 2020, the number of warrants exercised were 1,543 and 5,956 respectively. The funds received from these exercises were approximately $102,500 and $298,000 respectively. During first half of 2020, the company received £300,000 loan from Spinnaker to support its working capital.

Spinnaker

At the time of IPO Admission, the Company raised gross proceeds of approximately £1.2 million before expenses from the issuance of new shares. On 3rd January 2018 the Company completed a placing and subscription to raise gross proceeds of £170,000. During the first half of 2020 the Company issued a Convertible Loan Note to raise £165,000. The Company has used these funds to support its activities to date and as at 31 December 2019, the date to which the Company's most recent audited financial statements and unaudited interim financial statements as at 30 June 2020 have been prepared and which are incorporated by reference as set out in Part VI, had £516,000 in cash and cash equivalents remaining.

2. Cash flows

Kanabo

As set out in the paragraph above, as of 30 June 2020, the date to which Kanabo's most recent unaudited interim financial statements have been prepared and which are incorporated into this Document as set out in Part VII of this Document, Kanabo had £429,128 in cash and cash equivalents.

Spinnaker

As set out in the paragraph above, as at 30 June 2020, the date to which the Company's most recent audited financial statements and unaudited interim financial statements as at 30 June 2020 have been prepared and which are incorporated by reference as set out in Part VII of this Document, the Company had £516,000 in cash and cash equivalents.

3. Restrictions on the use of capital resources

Kanabo

Save as disclosed in the Articles and the Israeli Companies Law, Kanabo does not have any restrictions on the use of its capital resources.

Spinnaker

Save as disclosed in the Articles and the Companies Act, Spinnaker does not have any restrictions on the use of its capital resources.

4. Contractual obligations requiring capital resources

Kanabo

Save as noted in Section 19 of Part XII "Additional Information" of this Document, the Company does not have any contractual obligations requiring capital resources.

Spinnaker

Save in relation to the Acquisition, Spinnaker does not have any contractual obligations requiring capital resources.

5. Off-balance sheet arrangements

Kanabo

At 31 December 2019 and at 30 June 2020 Kanabo had no off-balance sheet arrangements.

Spinnaker

At 31 December 2019 and at 30 June 2020 Spinnaker had no off-balance sheet arrangements.

6. Financial risk management

Kanabo

The audited and unaudited historical financial information of Kanabo, which is set out in Sections B and C of Part VII of this Document, clearly sets out the main risks arising from financial instruments.

Spinnaker

The audited and unaudited historical financial information of Spinnaker, which is set out in Part VI of this Document, clearly sets out the main risks arising from financial instruments.

7. Critical accounting policies

Kanabo

The principal accounting policies of Kanabo are detailed in Section B of Part VII of this Document detailing the historical financial information.

Spinnaker

The principal accounting policies of Spinnaker are detailed in Part VI of this Document detailing the historical financial information.

PART V

FUNDRAISE

1. FUNDRAISE

The Net Proceeds pursuant to the Fundraise amount to approximately £5,340,000, which comprises £6,000,000 raised pursuant to the Placing and the Subscription. The Fundraise is conditional on Admission occurring on or around 16 February 2021 or such later date as may be agreed by Peterhouse and the Company, being not later than 15 March 2021. If Admission does not occur by such date, the Fundraise, and therefore the Acquisition, will not proceed and all monies paid will be refunded to the applicants.

In accordance with Listing Rule 14.3, at Admission at least 25 per cent. of the Ordinary Shares of this listed class will be in public hands (as defined in the Listing Rules). Completion of the Fundraise will be announced via a Regulatory Information Service provider on Admission, which is expected to take place at 8.00 a.m. on 16 February 2021.

2. Admission, dealings and CREST

Admission is expected to take place and dealings in the Existing Ordinary Shares and the New Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 16 February 2021. The Company is not making any arrangements for dealing prior to Admission. No application has been made, or is currently intended to be made, for the Ordinary Shares to be admitted to listing or dealt on any other stock exchange.

Where applicable, definitive share certificates in respect of the New Ordinary Shares to be issued pursuant to the Fundraise and in respect of the Consideration Shares are expected to be despatched, by post at the risk of the recipients, to the relevant holders, not later than seven days following Readmission. The Ordinary Shares are in registered form and can also be held in uncertificated form. Prior to the despatch of definitive share certificates in respect of any New Ordinary Shares which are held in certificated form, transfers of those New Ordinary Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

3. Placing

The Company has, conditional on Admission raised £5,375,000.1 (before Transaction Costs of approximately £660,000) by the issue of 82,692,309 Placing Shares which have been conditionally placed at the Placing Price by Peterhouse, on behalf of the Company with institutional and other investors (including high net worth investors) and SI Capital as Placing Agent, through the Placing. Peterhouse and SI Capital, as the Company's agents, have procured irrevocable commitments to subscribe for the full amount of Placing Shares from subscribers in the Placing, and there are no conditions attached to such irrevocable commitments, other than Admission and that any existing Shareholder of the Company who is participating in the Placing will not be an Independent Shareholder.

4. Subscription

The Company has, conditional on Admission, raised £624,999.96 (before Transaction Costs of approximately £660,000) by the issue of 9,615,384 Subscription Shares at the Fundraising Price of £0.065 per Subscription Share.

The Subscribers are high net worth investors. The Subscription is conditional only on Admission occurring and becoming effective by 8.00 a.m. London time on or around 16 February 2021 (or such later date as may be agreed with each Subscriber and the Company), but in any event no later than 15 March 2021. If Admission does not occur by such date, the Subscription will not proceed and all monies paid by the Subscribers will be refunded.

Any existing Shareholder of the Company who is participating in the Subscription will not be an Independent Shareholder

5. Payment

Each Placee has agreed to return signed Placing Letters to Peterhouse, who will be the CREST counterparty to the Placees in respect of the entire Placing which will be settled, DVP, on Admission. Each Subscriber has signed and returned a Subscription Letter for the amounts payable under the Subscription for their respective Subscription Shares and have paid their Subscription monies to the Company.

If Admission does not occur, all Fundraise monies will be returned to each investor, without interest, by the Company. Liability (if any) for stamp duty and stamp duty reserve tax is as described in Part X of this Document.

6. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Readmission and it is expected that the New Ordinary Shares will be admitted with effect from that time. Accordingly, settlement of transactions in the Ordinary Shares following Readmission may take place within the CREST system if any investor so wishes.

CREST is a voluntary system and investors who wish to receive and retain certificates for their securities will be able to do so. Investors participating in the Fundraise may elect to receive New Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

7. Selling restrictions

The Ordinary Shares will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or in the United States.

The Fundraise is being made by means of placing New Ordinary Shares to certain investors in the UK and elsewhere outside the United States in accordance with Regulations and a private subscription for New Ordinary Shares.

Certain restrictions that apply to the distribution of this Document and the Ordinary Shares being issued pursuant to the Fundraise in certain jurisdictions are described in the section headed 'Notice to Investors' of this Document.

The Ordinary Shares may only be offered and sold to investors in Israel who are listed in the First Supplement, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters purchasing for their own account, venture capital funds, entities with shareholders' equity in excess of 50 million new Israeli shekels and high net worth individuals who meet the qualifications specified in the Israeli Securities Law, each as defined in the First Supplement (as it may be amended from time to time). Eligible Investors shall be required to submit a written confirmation that they fall within the scope of the First Supplement.

8. Transferability

The Company's Existing Ordinary Shares are, and the New Ordinary Shares will be, freely transferable and tradable with no restrictions on transfer. On Admission all Ordinary Shares will be fully paid and free from all liens and from any restriction on the right of transfer.

PART VI

HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

RELEVANT DOCUMENTATION AND INCORPORATION BY REFERENCE

The information below which is incorporated by reference in this Document, is to ensure that Shareholders and others are aware of all information which is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and the rights attaching to the Ordinary Shares.

CROSS REFERENCE LIST

The Company's Report and Financial Statements for the period from incorporation on 17 November 2016, to the year ended 31 December 2018

The page numbers below refer to the relevant pages of the Company's Report and Financial Statements for the year ended 31 December 2019. This document can be found on the Company's website at:

http://spinnakeropportunities.uk/SpinnakerFS2019Final.pdf

- Independent Auditors' Report – page 30 to 34
- Statement of Comprehensive Income – page 35
- Statement of Financial Position – page 36
- Statement of Changes in Equity – page 37
- Statement of Cash Flows – page 38
- Notes to the Financial Statements – pages 39 to 52

The page numbers below refer to the relevant pages of the Company's Report and Financial Statements for the period from incorporation on 17 November 2016, to the year ended 31 December 2018. This document can be found on the Company's website at:

http://www.spinnakeropportunities.uk/SpinnakerFS2018Final.pdf

- Independent Auditors' Report – pages 29 to 32
- Statement of Comprehensive Income – page 33
- Statement of Financial Position – page 34
- Statement of Changes in Equity – page 35
- Statement of Cash Flows – page 36
- Notes to the Financial Statements – pages 37 to 51

The Company's Report and Financial Statements for the year ended 31 December 2017

The page numbers below refer to the relevant pages of the Company's Report and Financial Statements for the period ended 31 December 2017. This document can be found on the Company's website at:

http://www.spinnakeropportunities.uk/SpinnakerOpportunitiesplcFinalaccountstobesignedon13042017.pdf

- Independent Auditors' Report – page 9 to 11
- Statement of Comprehensive Income – page 12
- Statement of Financial Position – page 13
- Statement of Cash Flows – page 14
- Statement of Changes in Equity – page 15
- Notes to the Financial Statements – pages 16-24

Please refer to the Company's Unaudited Interim Financial Statements for the period ended 30 June 2020. This document can be found on the Company's website at:

http://spinnakeropportunities.uk/halfyrlyreportJuly2020.pdf

- Results for the 2020 interim period – pages 3 to 7
- Notes to the interim condensed financial statements – pages 7 to 10

Please refer to the Company's Unaudited Interim Financial Statements for the period ended 30 June 2019. This document can be found on the Company's website at:

http://www.spinnakeropportunities.uk/InterimResultsJuly2019.pdf

- Results for the 2019 interim period – pages 2 to 7
- Notes to the interim condensed financial statements – pages 7 to 11

Shareholders may request a hard copy of the financial information from the Company's registered office. Hard copies will be despatched as soon as possible, and in any event, within two business days of a receipt of a request. Shareholders who do not make a request will not be sent hard copies of the financial information.

A Shareholder, person with information rights or other person to whom this Document is sent may request a copy of any of the documents listed above in hard copy form. A hard copy may be obtained by contacting the Company at 59 – 60 Russell Square, London, United Kingdom, WC1B 4HP or by telephoning 079 8087 8561.

The parts of the prospectus that are not incorporated by reference are either not relevant for the investor (pursuant to Prospectus Regulation Rules Article 19.1) or are covered in another part of this Document.

PART VII

SECTION A

ACCOUNTANT'S REPORT ON THE SPECIAL PURPOSE HISTORICAL FINANCIAL INFORMATION OF KANABO RESEARCH LTD

PKF Littlejohn LLP

The Directors
Spinnaker Opportunities Plc
59 – 60 Russell Square,
London,
WC1B 4HP

29 January 2021

Dear Sirs

Kanabo Research Ltd ("Kanabo")

Introduction

We report on the historic financial information set out in Section B of Part VII (the "Financial Information") of the prospectus (the "Document") relating to Kanabo Research Ltd ("Kanabo"). This covers the period from incorporation to 31 December 2017 and the financial years to 31 December 2018 and 2019. This information has been prepared for inclusion in the Document dated 29 January 2021 relating to the proposed readmission to the London Stock exchange Standard Segment of Spinnaker Opportunities Plc ("the Company") and on the basis of the accounting policies set out in note 2. The report is required by Annex 1, Section 18, Item 18.3.1 of the PR Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibility

The Directors of the Spinnaker Opportunities Plc are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

It is our responsibility to form an opinion on the Financial Information, and to report our opinion to you.

Save for any responsibility arising under Annex 1, Section 1, Item 1.2 of the PR Regulation to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex 1, Section 1, Item 1.3 of the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting (SIR 2000) issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the Spinnaker Opportunities Plc and consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purpose of the Prospectus dated 29 January 2021, a true and fair view of the state of affairs of Kanabo Research Ltd as at 31 December 2017, 2018 and 2019 and of its results, cash flows and changes in equity for the period then ended in accordance with the applicable financial reporting framework and has been prepared in a form that is consistent with the accounting policies adopted by Spinnaker Opportunities Plc.

Declaration

For the purposes of Prospectus Regulation Rules 5.3.2R (2)(f) we are responsible for this report as part of the Document and declare that we have taken care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Annex 1, Section 1, Item 1.2 of the PR Regulation.

Yours faithfully

PKF Littlejohn LLP
Reporting Accountants

PART VII

SECTION B

HISTORICAL FINANCIAL INFORMATION ON KANABO

Statement of Financial Position

	Note	As at 31 December 2019 £	As at 31 December 2018 £	As at 31 December 2017 £
Assets				
Current assets				
Cash and cash equivalents	5	333,891	355,262	193,244
Inventory	7	35,624	–	–
Trade and other receivables	6	16,156	16,978	9,184
Total current assets		385,671	372,240	202,428
Non-current assets				
Long term deposits	8,14	13,475	12,517	12,815
Fixed assets	9	18,204	16,509	4,329
Total non-current assets		31,679	29,026	17,144
Total Assets		417,350	401,266	219,572
Liabilities and equity				
Current liabilities				
Trade payables	10	22,092	19,389	18,764
Employee and related payables	11	59,417	47,886	11,408
Other accounts payable	11	42,563	15,667	15,314
Other financial liabilities	12	100,500	699,809	392,471
Total current liabilities		224,572	782,751	437,957
Non-Current liabilities				
Severance pay, net	18	3,038	–	–
Total Non-Current liabilities		3,038	–	–
Equity				
Share capital	13	457	354	266
Premium on shares		2,424,881	527,892	
Other Capital reserve		800,006	854,111	
Foreign exchange reserve		64,832	11,175	2,825
Retained losses		(3,100,436)	(1,775,017)	(221,476)
Total equity		189,740	(381,485)	(218,385)
Total equity and liabilities		417,350	401,266	219,572

The accompanying notes are an integral part of these financial information.

Statement of Comprehensive Income

	Note	For the year ended 31.12.2019 £	31.12.2018 £	For the period of ten months ended 31.12.2017 £
Revenues from sales and services		82,124	53,983	38,228
Cost of sales and services		(45,445)	(29,770)	(19,431)
Gross profit		36,679	24,213	18,797
Research and development expenses	15	(287,328)	(376,935)	(128,580)
Selling and marketing expenses	16	(206,092)	(161,239)	(39,283)
General and administrative expenses	17	(906,569)	(1,025,615)	(90,807)
Operating loss		(1,363,310)	(1,539,576)	(239,873)
Finance income/(expense)		(9,825)	(13,964)	18,662
Loss for the period		(1,373,135)	(1,553,540)	(221,211)
Loss before tax		–	–	–
Tax (charge)/credit		–	–	–
Loss after tax		–	–	–
Other comprehensive income/(Loss)		53,657	8,350	2,825
Total comprehensive loss for the period		(1,319,478)	(1,545,190)	(218,386)

The accompanying notes are an integral part of these financial information.

Statement of changes in Equity

	Share capital £	Premium on shares £	Other capital Reserve £	Foreign exchange reserve £	Retained Losses £	Total £
Balance as at March 1, 2017 (date of establishment)	–	–	–	–	–	–
Shares issuance	266	–	–	–	(266)	–
Foreign exchange differences on translation	–	–	–	2,825	–	2,825
Loss for the period	–	–	–	–	(221,211)	(221,211)
Balance as at December 31, 2017	266	–	–	2,825	(221,477)	(218,386)
Shares issuance	80	381,526	–	–	–	381,606
Share base payment	–	–	1,000,477	–	–	1,000,477
Exercise of options	8	146,366	(146,366)			8
Foreign exchange differences on translation	–	–	–	8,350	–	8,350
Loss for the period	–	–	–	–	(1,553,540)	(1,553,540)
Balance as at December 31, 2018	354	527,892	854,111	11,175	(1,775,017)	(381,485)
Shares issuance	76	1,367,701	–	–	–	1,367,777
Share base payment	–	–	441,611	–	–	441,611
Exercise of Warrants	4	81,288				81,292
Exercise of options	23	448,000	(448,000)			23
Expiration of options			(47,716)		47,716	–
Foreign exchange differences on translation	–	–	–	53,657	–	53,657
Loss for the period	–	–	–		(1,373,135)	(1,373,135)
Balance as at December 31, 2019	**457**	**2,424,881**	**800,006**	**64,832**	**(3,100,436)**	**189,740**

The accompanying notes are an integral part of these financial information.

Statement of Cash Flows

	For the year ended 31.12.2019 £	31.12.2018 £	For the period of ten months ended 31.12.2017 £
Cash flows from operating activities			
Loss for the period	(1,373,135)	(1,553,540)	(221,211)
Adjustments Required for Presenting Cash flows and cash equivalents from Operating Activities (Note 20):	494,432	1,034,467	32,618
Cash, net to operating activities	(878,703)	(519,073)	(188,593)
Cash flows from investing activities			
Investment in long term deposits	–	–	(12,981)
Purchase of fixed assets	(6,475)	(15,781)	(6,301)
Cash, net to investing activities	(6,475)	(15,781)	(19,282)
Cash flows from financing activities			
Owner's loan	–	–	6,070
Receipts on short term loan	99,908	–	–
Receipts on convertible loans	634,868	316,209	397,549
Receipts on account of warrants	81,292		–
Exercise of options	23	8	–
Conversion of convertible loans	–	385,018	–
Cash, net from financing activities	816,091	701,235	403,619
Net increase/(decrease) in cash and cash equivalents	(69,087)	166,381	195,744
Cash and cash equivalents at beginning of the period	355,262	193,244	–
Effects of exchange rate changes on cash and cash equivalents	47,716	(4,363)	(2,500)
Cash and cash equivalents at end of the period	333,891	355,262	193,244

The accompanying notes are an integral part of these financial information.

Notes to the Financial Statements

Note 1 – General information

Kanabo Research Ltd's (the "Company") principal activity is the research and development of formulations of cannabis extracts designed to target specific Central Nervous System disorders.

The Company is was incorporated on 2016, in Israel and commenced its business operation on March 1, 2017. The Company's registered office is Kaplan 2, Tel Aviv 6473403.

The financial information covers the two years from 1 January 2018 to 31 December 2019. The comparative figures cover the 10-month period from incorporation, on 1 March 2017, to 31 December 2017.

Note 2 – Accounting Policies

A. Basis of accounting

This financial information of the Company has been prepared for the sole purpose of publication within this Prospectus. It has been prepared in accordance with the requirements of the Listing Rules for Companies of the London Stock Exchange plc and has been prepared in accordance with International Financial Reporting Standards and IFRS interpretations Committee (IFRS IC) interpretations as adopted by the European Union ("IFRS") and the policies stated elsewhere within the financial information. The financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information has been prepared under the historical cost convention.

B. Foreign currency transactions

(i) Functional and Presentation Currency

The functional currency of the Company is the New Israeli Shekel ("NIS"). This financial information has been translated from that of the Company's functional currency to Great British Pound ("GBP" or "£") for the purpose of the Prospectus. Therefore, this financial information is presented in GBP.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

C. Cash and cash equivalents

Cash and cash equivalents comprise cash held in bank. This definition is also used for the Statement of Cash Flows.

The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Company only keeps its holdings of cash and cash equivalents with institutions which have a minimum credit rating of 'A-'.

The Company considers that it is not exposed to major concentrations of credit risk.

D. Fixed assets

Fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption

of the future economic benefits embodied in the asset. Estimated useful lives of major classes of depreciable assets are as follows:

Office equipment 4/5 years

Property, plant and equipment is reviewed annually for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any impairment identified is charged in the statement of profit or loss and other comprehensive income.

E. Financial instruments

(a) ***Financial assets***

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the company. Interest could be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and repayable within three years from the end of the reporting period.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the Company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss/other comprehensive income in the year in which they occur.

(b) ***Financial liabilities***

Trade payables

The balance of trade payables includes the company's liabilities to pay for goods or services acquired during the normal course of business. The balance is classified within current liabilities and the payment is due in the period of one year or less (or during the normal course of business if it is longer), otherwise it is classified in non-current liabilities.

Loans and liabilities for financial guarantees

Loans are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using

the effective interest method. Loans are classified as current liabilities, unless the company has unconditional right, after at least twelve months, to delay the loan disposal for the reporting date. In this case the loans are classified as non-current liabilities.

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or expired.

F. Share-based payment

The Company has applied the requirements of IFRS 2 Share-based payments.

The Company issues equity settled option warrants to employees and directors for the provision of services provided. Equity settled share based payments are measured at fair value at the date of grant, or the date of the service provided. The fair value determined at the grant date or service date of the equity settled share based payment is recognised as an employee expense. The fair value determined at the grant date of equity settled share based payment is expensed on a straight line basis over the life of the vesting period, based on the company's estimate of shares that will eventually vest. Once an option vests, no further adjustment is made to the aggregate expensed.

Non-market performance vesting conditions are included among the assumptions used to reflect the number of awards that are expected to vest.

The fair value is measured by use of the Black Scholes model as the Directors view this as providing the most reliable measure of valuation. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. The market price used in the model of issue price of Company shares at the last placement of shares immediately preceding the calculation date. The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitation of the calculation used.

G. Revenue recognition

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue from selling agreements is recognised when the revenue recognition criteria have been met and only to the extent the consideration is not contingent upon other deliverables in the agreements.

H. Research and development expenses

All research costs incurred are expensed to the income statement.

Costs of development projects are capitalised as intangible assets if the following criteria are met:

- The product or process is technically and commercially feasible
- The company intends to and has sufficient resources to complete development and to use or sell the asset.
- The product or process is ready for use or sale.
- Future economic benefits are likely.
- development costs can be measured reliably.
- The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, as well as capitalized borrowing costs.
- Capitalized development expenditure can be measured fairly.

If none of the recognition criteria are met, the development costs incurred are expensed to the income statement.

Management of the Company will carry out regular impairment reviews of all capitalised development costs to ensure they still meet the above criteria on an on going basis.

I. Segmental reporting

At this point, identification and development of formulations of cannabis extracts is the only activity the Company is involved in and is therefore considered as the only operating/reportable segment.

Therefore, the financial information of the single segment and is the same as that set out in the statement of comprehensive income, statement of financial position and statement of cash flows.

J. Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

K. Use of estimates and judgments

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial information.

L. Employee benefits

(1) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided prior to twelve months from reporting date. Short-term employee benefits.

Includes salaries, recuperation pay, sick leave and National Insurance payments.

The company recognises a liability as an expense, unless it is included as a part of the cost, upon the services received from the employees.

A liability is recognized for the amount expected to be paid under short-term if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(2) Termination benefits

The Company's liability for pension and severance pay to Israeli employees, based on the most recent salary as of the balance sheet date and in accordance with the Severance Pay Law, is covered fully, in part by regular deposits and amounts accrued in pension funds, senior employees' insurance, provident funds and in part by deposits with a central severance pay fund and the balance as liabilities included in the financial information.

Termination benefits are recognized as an expense when the company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(3) Defined benefit obligations

The liabilities of the company arising from defined benefit obligations are recognized at the date in which the company can no longer cancel the offer of the defined benefit obligations, and the date in which the company recognize structural change costs including defined benefit obligations payment, whichever is earlier.

M. Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income

Note 3 – Risk management objectives and policies

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), liquidity risk, credit risk and foreign exchange risk. Risk management is carried out by senior management. The Company uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

Market risk

(a) Foreign Exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the New Israeli Shekel, US Dollar, Euro and other currencies. The risk arises from future transactions, assets and liabilities in the statement of financial position date.

(b) Interest rate risk

The Company exposure to interest rate risk arises from non-current borrowings/current borrowings. Financial assets and liabilities obtained at different rates expose the Company to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the Company to fair value interest rate risk, except where the instruments are carried at amortised costs. The Company maintains adequate ratios of borrowings when compared to total borrowings in fixed interest rates.

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the Company by monitoring the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's management maintains flexibility in funding by maintaining availability under committed credit lines.

(d) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any further losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year. Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated Statement of Financial Position, plus net debt.

Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt: capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital and retained earnings).

	December 31 2019 £	December 31 2018 £	December 31 2017 £
Total borrowings	227,610	782,751	437,957
Less cash and cash equivalents	(333,891)	(355,262)	(193,244)
Net debt	(106,281)	427,489	244,713
Total equity	189,740	(381,485)	(218,385)
Gearing ratio	**(0.6):1**	**(1.12):1**	**(1.12):1**

Note 4 – Staff costs

	December 31 2019 £	December 31 2018 £	December 31 2017 £
Wages and salaries	430,469	224,510	105,565
Pension costs	3,038	7,109	–
Total	433,507	231,619	105,565

Note 5 – Cash and cash equivalents

	December 31 2019 £	December 31 2018 £	December 31 2017 £
Cash at bank	333,891	355,262	193,244
Total	333,891	355,262	193,244

Note 6 – Trade and other receivables

	December 31 2019 £	December 31 2018 £	December 31 2017 £
Government departments	13,089	15,709	4,678
Other receivables	3,067	1,269	4,506
Total	16,156	16,978	9,184

All receivables are denominated in New Israeli Shekel.

Note 7 – Inventory

	December 31 2019 £	December 31 2018 £	December 31 2017 £
RAW materials	10,673	–	–
Finish goods	24,951	–	–
Total	35,624	–	–

Note 8 – Long term deposits

The company has two long term bank deposits in the amount of £13,475 (61,444 NIS), as a guarantee for the company's credit card framework.

Note 9 – Fixed assets

	Equipment and furnishing £	Total £
Cost		
As at March 1, 2017	–	–
Additions	6,302	6,302
Exchange rate differences	(81)	(81)
As at January 1, 2018	6,221	6,221
Additions	16,844	16,844
Exchange rate differences	(1,195)	(1,195)
As at January 1, 2019	21,870	21,870
Additions	6,475	6,475
Exchange rate differences	1,110	1,110
As at December 31, 2019	29,455	29,455
Depreciation		
As at March 1, 2017	–	–
Additions	1,917	1,917
Exchange rate differences	(25)	(25)
As at January 1, 2018	1,892	1,892
Additions	3,510	3,510
Exchange rate differences	(41)	(41)
As at January 1, 2019	5,361	5,361
Additions	5,625	5,625
Exchange rate differences	265	265
As at December 31, 2019	11,251	11,251
Net book value as at December 31, 2017	**4,329**	**4,329**
as at December 31, 2018	**16,509**	**16,509**
as at December 31, 2019	**18,204**	**18,204**

Note 10 – Trade payables

	December 31 2019 £	December 31 2018 £	December 31 2019 £
Suppliers which are not related parties	22,092	19,389	18,764
Total	**22,092**	**19,389**	**18,764**

All receivables are denominated in New Israeli Shekel.

Note 11 – Other accounts payable

	December 31 2019 £	December 31 2018 £	December 31 2017 £
Accrued expenses	25,648	15,667	9,327
Related party(*)	–	–	5,975
Deferred Revenues	16,915	–	–
Total	**42,563**	**56,731**	**15,314**

(*) The transactions are due to current balance of shareholders.

Note 12 – Other financial liabilities

	December 31 2019 £	December 31 2018 £	December 31 2017 £
Convertible loans	–	699,808	392,471
Total	**–**	**699,809**	**392,471**

In 2017, the Company issued $530,000 convertible notes all denominated in United States Dollars. These carry a nil interest rate.

During 2017 foreign exchange differences arising on these loans totaled £20,265 (93,669 NIS).

On March 1, 2018, the convertible notes totaling $530,000 were converted into Ordinary Shares NIS 0.01 par value (total of 1,847,050 NIS).

During 2018 the company issued a total of $895,000 convertible notes all denominated in United States Dollars. The loans are interest free and presented as short-term liabilities as they terminate in February 2019.

During 2018 foreign exchange differences arising on these loans totaled £19,702 (94,515 NIS).

On January 31, 2019, the company completed qualified financing round of 1,805 thousand US Dollars including the conversation of the outstanding loan. The company issued 36,317 Ordinary Shares NIS 0.01 par value (Total of 6,573,810 NIS).

On the end of December 2019, the company entered into loan agreement with Spinnaker Opportunities PLC. ,the company is in the process of reverse transaction offer with it, the amount of the loan is up to £200,000 for 18 months. The loan bore interest of 6% annually until April 2020 and afterwards it continues to bear annual interest of 10%. The company received until the end of 2019 an amount of £100,000.

During 2019 the company has finance expenses for revaluation of these loans totaling £41,518 (188,939 NIS).

Note 13 – Share capital

	31.12.2019			
	Registered		Issued and paid up	
	Number of shares	£	Number of shares	£
Ordinary shares NIS 0.01 par value(*)	1,000,000	2,236	210,210	457

	31.12.2018			
	Registered		Issued and paid up	
	Number of shares	£	Number of shares	£
Ordinary shares NIS 0.01 par value(*)	1,000,000	2,236	210,210	354

	31.12.2017			
	Registered		Issued and paid up	
	Number of shares	£	Number of shares	£
Ordinary shares NIS 0.01 par value(*)	1,000,000	2,36	119,047	266

(*) The Ordinary shares provide its owners voting rights, participant in the shareholders meetings, earnings participant rights and retained earnings participant in case of company liquidation.

During 2018, the company recorded receipts on account of options in the amount of £1,000,477 (4,799,565 NIS) in respect of the granting of warrants to employees and consultants.

In addition, the balance of the share premium arose in 2018 in the amount of £381,526 (1,846,674 NIS) due to conversion of the convertible loans into shares. The convertible loans are reviewed in note 12.

During 2019, the company recorded receipts on account of warrants and exercise of options in the amount of £81,292 (359,108 NIS) in respect of the granting of warrants to employees and consultants.

Note 14 – Liens and other liabilities

The company has two long term bank deposits in the amount of 60,000 NIS, as a guarantee for the company's credit line.

In order to secure the full and punctual payment of the company loan agreement with Spinnaker Opportunities PLC the company wrote a lien on her assets in the amount of the loan.

Note 15 – Research and development expenses

	For the year ended		For the period of ten months ended
	31.12.2019	31.12.2018	31.12.2017
Salaries and related costs	144,422	61,788	105,565
Share based payment	3,297	244,232	–
Lab expenses	75,287	32,107	1,000
Professional services	42,194	6,240	20,112
Software services	4,030	18,931	561
Travel	17,183	12,924	–
Others	915	713	1,342
Total	287,328	376,935	128,580

Note 16 – Sales and marketing expenses

	For the year ended		For the period of ten months ended
	31.12.2019	31.12.2018	31.12.2017
Salaries and related costs	105,400	90,533	–
Share base payment	41,732	11,954	–
Marketing	46,260	34,613	–
Travel and conference	11,570	6,476	–
Others	1,130	17,663	39,283
Total	206,092	161,239	39,283

Note 17 – General and administrative expenses

	For the year ended		For the period of ten months ended
	31.12.2019	31.12.2018	31.12.2017
Accounting & Audit services	39,135	12,878	12,167
Salaries and related costs	180,646	79,291	–
Share based payment	396,581	744,291	–
Legal	109,581	69,562	31,664
Office Rent and related	39,946	20,031	9,212
Insurance	6,208	–	–
Transportation expenses	4,732	4,589	2,071
Consulting	10,747	45,729	–
Travel	73,345	28,721	30,347
Depreciation and amortization	5,625	3,510	1,917
Patent expenses	16,537	8,842	–
Others	23,486	8,171	3,429
Total	906,569	1,025,615	90,807

Note 18 – Severance pay

The Company's liability for severance pay for minority of its employees is calculated pursuant to the Old Israeli's Severance Pay law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or apportion thereof. Due to immateriality the company does not do any actuary calculation regarding it.

The Majority of its employees is included under section 14 of the Israeli's Severance Compensation Law, 1963 ("Section 14"), under this section and entitled only to monthly deposits, at the rate of 8.33% of their monthly salary, made in their name with insurance companies. Payments in accordance with Section 14 release the Company from any future payments in respect of those employees.

The Company intends to transfer all of its employees to Section 14 by the end of 2020.

Note 19 – Tax

The tax rate applied to the Company in 2019 and 2018 is 23% and in 2017 – 24%, excluding tax rates under the Capital Investment Encouragement Law.

Note 20 – Operating cash flows

	For the year ended 31.12.2019 NIS	For the year ended 31.12.2018 NIS	For the period of ten months ended 31.12.2017 NIS
Finance costs	41,201	–	–
Share-based payment expense	441,611	1,000,477	–
Depreciation and amortization	5,625	3,510	1,917
	488,437	1,003,987	1,917
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	1,695	(8,002)	(9,301)
Increase in inventory	(35,694)	–	–
Increase in employee and related payables	12,138	30,863	11,555
Increase in trade payables	27,856	1,062	19,007
Increase in other accounts payable	–	6,557	9,440
	5,995	30,480	30,701
	494,432	1,034,467	32,618

Note 21 – Share-based payment

A. During the period ended December 31, 2018, the Company has a share-based payment plan. The plan was approved in February 2018 and is for 10 years. The number of share options allocated under this plan is 30,330. The terms of vesting vary according to the grant agreement subject to approval by the Board of Directors. Some of them mature immediately and some of them are spread up to a period of up to 4 years.

B. Further details regarding the share option plans:

	2019	
	Number of options	Weighted average of the exercise price in NIS
Are in circulation at the beginning of the year	23,988	0.01
Granted during the year	13,502	
Forfeited during the year	3,304	
Realized during the year	10,560	
Expired during the year	1,190	
Are in circulation at the end of the year	22,436	3.14
Exercisable at the end of the year	14,596	1.22

	2018	
	Number of options	Weighted average of the exercise price in NIS
Are in circulation at the beginning of the year	–	0.01
Granted during the year	31,131	
Forfeited during the year	3,571	
Realized during the year	3,572	
Expired during the year	–	
Are in circulation at the end of the year	23,988	0.01
Exercisable at the end of the year	8,725	0.01

(1) The exercise price of the options in circulation as at December 31, 2018 is NIS 0.01 per option.

(2) The weighted average balance of the contractual life of the option warrants as of December 31, 2018 is 9.5 years.

(3) The exercise price of the options in circulation as at December 31, 2019 is between NIS 0.01 to NIS 190.45 per option.

(4) The weighted average balance of the contractual life of the option warrants as of December 31, 2019 is 8.5 years.

C. Effect of share-based payment transactions on profit or loss for the period:

	For the year ended 31.12.2019
Expenses deriving from share and share option plans	441,611
Total	441,611

	For the year ended 31.12.2018
Expenses deriving from share and share option plans	1,000,477
Total	1,000,477

D. Share options granted during the period:

During 2018, the Company allotted 31,128 options to its senior employees for no consideration. Each option will enable, upon its realization, to purchase one ordinary share of NIS 1 par value at an exercise price of NIS 0.01. The weighted average price of the share during the period was NIS 195.6.

The average fair value of each option on the grant date was NIS 195.59 The fair value of the options is measured using the Black & Scholes model, using the following average indices: average risk-free interest rate of 2.16%, standard deviation 70% And the average life of the option is 9.5 years, and the standard deviation was calculated according to similar companies.

During 2019, the Company allotted 13,502 options to its senior employees for no consideration. Each option will enable, upon its realization, to purchase one ordinary share of NIS 0.01 par value at weighted average exercise price of NIS 4.261. The weighted average price of the share during the period was NIS 196.25.

The average fair value of each option on the grant date was NIS 195.13 The fair value of the options is measured using the Black & Scholes model, using the following average indices: average risk-free interest rate of 1.93%, standard deviation 70% And the average life of the option is 8.5 years, and the standard deviation was calculated according to similar companies.

The options will be exercisable in accordance with the grant agreement. Option that are not exercised by the end of the life of the option in accordance with the grant letter will expire. In the event of the termination of employee-employer relations, the employee will be entitled to exercise

the options whose exercise date has reached according to the Company's option plan. After that, the options that have not been exercised will expire.

Note 22 – Related party transactions

As of 31 December, 2018 the company has a liability to pay to its shareholder amounting to 3,169 NIS (2017: £Nil). As at 31 December 2018, the Company is owed a balance from another shareholder in the amount of 5,850 NIS that bears interest of 4%. Both amounts bear interest of 4% p.a.

The company has finance income for these balances totaling 127 NIS.

There were no related party transactions in the year to 31 December 2019.

Key management compensation

Key management includes all directors only. The compensation paid or payable to key management for employee services is as follows:

	For the year ended 31.12.2019	For the year ended 31.12.2018	For the period of ten months ended 31.12.2017
Salaries and other short-term employee benefits	54,307	67,362	44,199
Termination benefits	–	–	–
Post-employment benefits	–	–	–
Other long-term benefits	–	–	
Share based payments	33,490	582,917	–
Total	**87,797**	**650,279**	**44,199**

Note 23 – Events after the reporting date

During the beginning of 2020, 6,333 warrants exercised the options to 6,333 ordinary shares the company received an amount of 323,226 USD.

COVID-19 epidemic – With the core of the Company's operations based in Europe and Israel, we have put great thought into the next steps whilst diligently monitoring the situation. The Company will continue to assess any potential impact to operations and forward planning as the situation regarding COVID-19 evolves. The Company has experienced only minor disruptions to parts of its raw material supply chain, which is being managed on a daily basis to mitigate any disruption to manufacturing operations. the Company doesn't forecast any significant influence on the company suppliers or subcontractors.

Kanabo is continuing in the reverse take-over process with UK company. The company is working towards the satisfaction of the conditions for completion of the proposed acquisition.

During 2020 the company signed an amendment to the loan agreement, the amount of the loan changed up to 400,000 GBP. Until today the company received an additional 300,000 GBP. see also note 12.

Note 24 – Ultimate controlling party

The ultimate controlling party of the Company is Mr Avihu Tamir.

PART VII

SECTION C

UNAUDITED INTERIM FINANCIAL INFORMATION ON KANABO

Condensed statement of financial position

	Notes	30 June 2020 Unaudited £	30 June 2019 Unaudited £	31 December 2019 Audited £
Current assets				
Cash and cash equivalents		429,128	614,589	333,891
Short term deposit		4,675	–	–
Inventory		40,182		35,624
Trade receivables and other receivables		22,368	8,812	16,156
Total current assets		**496,353**	**623,401**	**385,671**
Non-current assets				
Long term deposits	5	16,222	13,270	13,475
Fixed assets		16,845	17,082	18,204
Total non-current assets		**33,067**	**30,352**	**31,679**
Total Assets		**529,420**	**653,753**	**417,350**
Liabilities and equity				
Current Liabilities				
Bank credit line	4	–	2,986	–
Trade payables		5,097	26,779	22,092
Accrued pension lability		–	6,434	–
Other accounts payable		49,360	63,758	101,980
Other financial liabilities		310,431	–	100,500
Total current liabilities		**364,888**	**99,957**	**224,572**
Non-Current liabilities				
Severance pay		2,524	–	3,038
Total Non-current liabilities		**2,524**	**–**	**3,038**
Equity				
Share capital	6	474	434	457
Premium on shares		2,714,585	1,989,767	2,424,881
Other capital reserves		806,683	1,117,977	800,006
Foreign exchange reserve		85,884	57,245	64,832
Retained losses		(3,445,618)	(2,611,627)	(3,100,436)
Total Equity		**162,008**	**553,796**	**189,740**
Total equity and liabilities		**529,420**	**653,753**	**417,350**

The accompanying notes are an integral part of these financial information.

Condensed statement of Comprehensive Income for the period

	Note	for the six months ended 30 June, 2020 Unaudited £	2019 £	For the year ended 2019 Audited £
Revenue from sales and services		14,389	58,024	82,124
Cost of sales and services		(6,178)	(39,496)	(45,445)
Gross Profit		**8,211**	**18,528**	**36,679**
Research and Development expenses		(74,105)	(126,209)	(287,328)
Selling and Marketing expenses		(74,668)	(135,312)	(206,092)
General and Administrative expenses		(204,643)	(643,687)	(906,569)
Operating loss		**(345,205)**	**(886,680)**	**(1,363,310)**
Finance income/(expense)		23	2,354	(9,825)
Loss before tax for the period		**(345,182)**	**(884,326)**	**(1,373,135)**
Tax expenses		–	–	–
Loss after tax for the period		**(345,182)**	**(884,326)**	**(1,373,135)**
Other comprehensive income/(Loss)		21,052	46,070	53,657
Loss for the period		**(324,130)**	**(8383,256)**	**(1,319,478)**

The accompanying notes are an integral part of these financial information

Condensed statement of changes in equity for the period

For the six months ended 30 June 2020

	Share Capital £	Premium on shares £	Other capital reserves £	Foreign exchange Reserve £	Retained Losses £	Total £
Balance as at December 31, 2019	**457**	**2,424,881**	**800,006**	**64,832**	**(3,100,436)**	**189,740**
Share base payments	–		68,346	–	–	68,346
Option exercise	4	61,669	(61,669)			4
Warrants exercise	13	228,035				228,048
Differences on translation	–	–	–	21,052	–	21,052
Loss for the period	–	–	–	–	(345,182)	(345,182)
Balance as at June 30, 2020	**474**	**2,714,585**	**806,683**	**85,884**	**(3,445,618)**	**162,008**

For the six months ended 30 June 2019

	Share Capital £	Premium on shares £	Other capital reserves £	Foreign exchange Reserve £	Retained Losses £	Total £
Balance as at December 31, 2018	**354**	**527,892**	**854,111**	**11,175**	**(1,775,017)**	**(381,485)**
Share issuance	76	1,367,701	–	–	–	1,367,777
Share base payments	–	–	405,756	–	–	405,756
Expired options			(47,716)		47,716	–
Option exercise	4	94,174	(94,174)	–	–	4
Differences on translation	–	–	–	46,070	–	46,070
Loss for the period	–	–	–	–	(884,326)	(884,326)
Balance as at June 30, 2019	**434**	**1,989,767**	**1,117,977**	**57,245**	**(2,611,627)**	**553,796**

For the year ended 31 December 2019

	Share Capital £	Premium on shares £	Other capital reserves £	Foreign exchange Reserve £	Retained Losses £	Total £
Balance as at December 31, 2018	354	527,892	854,111	11,175	(1,775,017)	(381,485)
Share issuance	76	1,367,701	–	–	–	1,367,777
Exercise of warrants	4	81,288				81,292
Share base payments	–	–	441,611	–	–	441,611
Option exercise	23	448,000	(448,000)	–	–	23
Differences on translation	–	–	–	53,657	–	53,657
Expired options			(47,716)		(47,716)	–
Loss for the period	–	–	–	–	(1,373,135)	(1,373,135)
Balance as at December 31, 2019	**457**	**2,424,881**	**800,006**	**64,832**	**(3,100,436)**	**189,740**

The accompanying notes are an integral part of these financial information.

Condensed statement of cash flow for the period

	Notes	For the six months ended 30 June 2020 Unaudited £	2019 £	For the year ended 2019 Audited £
Cash flows from operating activities				
Loss for the period		(345,182)	(884,326)	(1,373,135)
Adjustments required for presenting cash flows and cash equivalents from operating activities (Note 7)		(5,448)	467,800	494,432
Cash, net to operating activities		**(350,630)**	**(416,526)**	**(878,703)**
Cash flows from investing activities				
Investment in short term deposit		(6,199)	–	–
Purchase of fixed assets		–	(1,581)	(6,475)
Cash, net to investing activities		**(6,199)**	**(1,581)**	**(6,475)**
Cash flows from financing activities				
Receipts on convertible loans		–	647,869	634,868
Receipts on account of warrants		228,048		81,292
Option exercise		4	4	23
Receipt from convertible loans				–
Receipt on short term loan		188,418	–	99,908
Cash, net to financing activities		**416,470**	**647,873**	**816,091**

The accompanying notes are an integral part of these financial information.

Condensed statement of Comprehensive Income for the period

	Notes	For the six months ended 30 June 2020 Unaudited £	2019 £	For the year ended 2019 Audited £
Net increase in cash and cash equivalents		59,641	229,767	(69,087)
Cash and cash equivalents at beginning of the period		333,891	355,262	355,262
Effects of exchange rate changes on cash and cash equivalents		35,596	29,560	50,963
Cash and cash equivalents at end of period		**429,128**	**614,589**	**333,891**

Notes to the Interim condensed financial statement as of June 30, 2020

Note 1 – General information

Kanabo Research Ltd.'s (the "Company") principal activity is the research and development of formulations of cannabis extracts designed to target specific Central Nervous System disorders.

The Company is incorporated on 2016, in Israel and commenced its business operation on March 1, 2017. The Company's registered office is Kaplan 2, Tel Aviv 6473403.

Please read the Company's interim condensed financial statements together with the Company's annual financial statements as of December 31, 2019 and the accompanying notes. In the context of these interim condensed financial statements, no explanations have been made regarding insignificant updates to the information already reported in the notes to the Company's most recent annual financial statements.

Note 2 – Accounting Policies

A. Basis of accounting

This financial information of the Company has been prepared for the sole purpose of publication within this Prospectus. It has been prepared in accordance with the requirements of the Listing Rules for Companies of the London Stock Exchange plc and has been prepared in accordance with International Financial Reporting Standards and IFRS interpretations Committee (IFRS IC) interpretations as adopted by the European Union ("IFRS") and the policies stated elsewhere within the financial information.

The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and accounting policies consistent with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union. The same accounting policies, presentation and methods of computation have been followed in the preparation of these results as were applied in the Company's latest annual audited financial statements. The financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the six months ended 30 June 2020 has not been subject to an audit nor a review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board.

The financial information has been prepared under the historical cost convention.

B. Foreign currency transactions

(i) Functional and Presentation Currency

The functional currency of the Company is the New Israeli Shekel ("NIS"). This financial information has been translated from that of the Company's functional currency to Great British Pound ("GBP" or "£") for the purpose of the Prospectus. Therefore, this financial information is presented in GBP.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

C. Cash and cash equivalents

Cash and cash equivalents comprise cash held in bank. This definition is also used for the Statement of Cash Flows.

The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Company only keeps its holdings of cash and cash equivalents with institutions which have a minimum credit rating of 'A-'.

The Company considers that it is not exposed to major concentrations of credit risk.

D. Financial instruments

(c) ***Financial liabilities***

Trade payables

The balance of trade payables includes the company's liabilities to pay for goods or services acquired during the normal course of business. The balance is classified within current liabilities and the payment is due in the period of one year or less (or during the normal course of business if it is longer), otherwise it is classified in non-current liabilities.

Loans and liabilities for financial guarantees

Loans are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Loans are classified as current liabilities, unless the company has unconditional right, after at least twelve months, to delay the loan disposal for the reporting date. In this case the loans are classified as non-current liabilities.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or expired.

E. Share-based payment

The Company has applied the requirements of IFRS 2 Share-based payments.

The Company issues equity settled option warrants to employees and directors for the provision of services provided. Equity settled share-based payments are measured at fair value at the date of grant, or the date of the service provided. The fair value determined at the grant date or service date of the equity settled share-based payment is recognized as an employee expense. The fair value determined at the grant date of equity settled share-based payment is expensed on a straight-line basis over the life of the vesting period, based on the company's estimate of shares that will eventually vest. Once an option vests, no further adjustment is made to the aggregate expensed.

Note 3 – Risk management objectives and policies

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), liquidity risk, credit risk and foreign exchange risk. Risk management is carried out by senior management. The Company uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

Market risk

(a) Foreign Exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the New Israeli Shekel, US Dollar, Euro and other currencies. The risk arises from future transactions, assets and liabilities in the statement of financial position date.

(b) Interest rate risk

The Company exposure to interest rate risk arises from non-current borrowings/current borrowings. Financial assets and liabilities obtained at different rates expose the Company to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the Company to fair value interest rate risk, except where the instruments are carried at amortized costs. The Company maintains adequate ratios of borrowings when compared to total borrowings in fixed interest rates.

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the Company by monitoring the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's management maintains flexibility in funding by maintaining availability under committed credit lines.

(d) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilization of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any further losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year. Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated Statement of Financial Position, plus net debt.

Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt: capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital and retained earnings).

	June 31 2020 £	June 31 2019 £	December 31 2019 £
Total borrowings	429,128	614,589	227,610
Less cash and cash equivalents	(367,412)	(99,957)	(333,891)
Net debt	61,716	514,632	(106,281)
Total equity	162,008	553,796	189,740
Gearing ratio	**0.38:1**	**0.92:1**	**(0.56):1**

Note 4 – Bank credit line

As of 30 June 2019, the company used her bank credit line due to time differences in converting between currencies.

Note 5 – Long term deposits

The company has two long term bank deposits in the amount of £13,270 (60,000 NIS) as of 30 June 2020, as a guarantee for the company's credit card framework.

Note 6 – Share capital

	30.6.2020			
	Registered		Issued and paid up	
	Number of shares	£	Number of shares	£
Ordinary shares NIS 0.01 par value (*)	1,000,000	2,236	217,510	474

	31.12.2019			
	Registered		Issued and paid up	
	Number of shares	£	Number of shares	£
Ordinary shares NIS 0.01 par value (*)	1,000,000	2,236	210,210	457

	30.6.2019			
	Registered		Issued and paid up	
	Number of shares	£	Number of shares	£
Ordinary shares NIS 0.01 par value (*)	1,000,000	2,236	200,321	434

(*) The Ordinary shares provide its owners voting rights, participant in the shareholders meetings, earnings participant rights and retained earnings participant in case of company liquidation.

Note 7 – Operating cash flows

	For the six months ended 30 June		For the year ended
	2020	2019	2019
	Unaudited		Audited
	£	£	£
Share base payment	68,346	405,755	441,611
Depreciation and amortization	2,568	1,986	5,625
Finance costs	6,735	39,575	41,201
Changes in assets and liabilities:			
(Increase)/Decrease in trade receivables	(4,863)	8,869	1,695
Increase in Inventory	(1,925)	–	(35,694)
(Decrease)/Increase in employee and related payable	(20,807)	10,010	12,138
Increase in trade payables	(55,502)	1,604	27,856
Total	**(5,448)**	**467,800**	**494,432**

Note 8 – Share-based payment

E. During the period ended June 30, 2019, the Company has a share-based payment plan. The plan was approved in February 2018 and is for 10 years. The number of share options allocated under this plan is 30,330. The terms of vesting vary according to the grant agreement subject to approval by the Board of Directors. Some of them mature immediately and some of them are spread up to a period of up to 4 years.

F. Further details regarding the share option plans:

	As of 30 June, 2020	
	Number of options	Weighted average of the exercise price in NIS
Are in circulation at the beginning of the year	22,436	3.14
Granted during the year	2,874	
Forfeited during the year	1,344	
Realized during the year	–	
In circulation at the end of the year	23,966	2,41
Exercisable at the end of the year	8,725	0.01

	As of 31 December, 2019	
	Number of options	Weighted average of the exercise price in NIS
Are in circulation at the beginning of the year	23,988	0.01
Granted during the year	13,502	
Forfeited during the year	3,304	
Realized during the year	10,560	
Expired during the year	1,190	
Are in circulation at the end of the year	22,436	3.14
Exercisable at the end of the year	14,596	1.22

	As of 30 June, 2019	
	Number of options	Weighted average of the exercise price in NIS
Are in circulation at the beginning of the year	23,988	0.01
Granted during the year	11,676	
Forfeited during the year	–	
Realized during the year	2,214	
Expired during the year	1,190	
Are in circulation at the end of the year	32,260	1.775
Exercisable at the end of the year	10,950	1.31

(5) The exercise price of the options in circulation as of 30 June 2020 is NIS 0.01 or USD 53.1403 or USD1.00 per option.

(6) The weighted average balance of the contractual life of the option as of June 30, 2019 is 8 years.

(7) The exercise price of the options in circulation as of 30 June 2019 is NIS 0.01 or USD 53.1403 per option.

(8) The weighted average balance of the contractual life of the option as of June 30, 2019 is 9 years.

(9) The exercise price of the options in circulation as at December 31, 2019 is between NIS 0.01 to NIS 190.45 per option.

(10) The weighted average balance of the contractual life of the option warrants as of December 31, 2019 is 8.5 years.

G. Effect of share-based payment transactions on profit or loss for the period:

	For the year ended 30.6.2020	For the year ended 30.6.2019	For the year ended 31.12.2019
Expenses deriving from share and share option plans	68,346	405,756	441,611
Total	**68,346**	**405,775**	**411,611**

PART VIII

SECTION A

Capitalisation and Indebtedness of Kanabo

The following table shows capitalisation and indebtedness of Kanabo Research Ltd as at 30 June 2020 and 30th November 2020 respectively and has been extracted without material adjustment from the financial information which is set out in Part VII and from unaudited management information.

	30th June 2020 (£)
Total Current Debt	
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
Total Non-Current Debt	
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–

	30th June 2020 (£)
Shareholder Equity	
Share Capital	474
Share premium	2,714,585
Other Reserves	892,567
Total	**3,607,626**

As at the Last Practicable Date, there has been no material change in the capitalisation of Kanabo Research Ltd since the last published financial information.

The following table sets out the unaudited net funds of Kanabo Research Ltd as at 30th November 2020 and has been extracted without material adjustment from unaudited management information.

	30th November 2020 (£)
A. Cash	306,237
B. Cash equivalent	–
C. Liquidity (A) + (B)	306,237
D. Current financial receivable	1,747
E. Current Financial Debt	–
F. Net Current Financial Indebtedness (I) – (D) – (C)	(307,984)
G. Non-current Financial Indebtedness	299,801
H Net Financial Indebtedness (F) + (G)	(8,183)

As at 30th November 2020, the company had no indirect or contingent indebtedness.

As at the Last Practicable Date, there has been no material change in the indebtedness of Kanabo Research Ltd since 30 November 2020.

PART VIII

SECTION B

Capitalisation and Indebtedness of the Company

The following table shows the Company's capitalisation and indebtedness as at 30 June 2020 and 30th November 2020 respectively and has been extracted without material adjustment from the financial information which is set out in Part VI.

	30 June 2020 (£'000) (unaudited)
Total Current Debt	
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
Total Non-Current Debt	
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–

	30 June 2020 (£,000)
Shareholder Equity	
Share Capital	735
Share premium	589
Other Reserves	92
Total	**1,416**

As at the Last Practicable Date, there has been no material change in the capitalisation of the Company since the last published financial information.

The following table sets out the unaudited net funds of the Company as at 30th November 2020 and has been extracted without material adjustment from unaudited management information.

	30th November 2020 (£'000)
A. Cash	516
B. Cash equivalent	–
C. Trading securities	–
D. Liquidity (A) + (B) + (C)	516
E. Current financial receivable	–
F. Current bank debt	–
G Current portion of non-current debt	–
H. Other current financial debt	165
I. Current Financial Debt (F) + (G) + (H)	–
J. Net Current Financial Indebtedness (I) – (E) – (D)	(351)
K. Non-current Bank loans	–
L. Bonds Issued	–
M. Other non-current loans	–
N. Non-current Financial Indebtedness (K) + (L) + (M)	–
O. Net Financial Indebtedness (J) + (N)	(351)

As at 30th November 2020, the Company had no indirect or contingent indebtedness.

As at the Last Practicable Date, there has been no material change in the indebtedness of the Company since 30th November 2020.

PART IX

UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PROFORMA CONSOLIDATED NET ASSET STATEMENT AND INCOME STATEMENT FOR ENLARGED GROUP

Set out below is an unaudited pro forma statement of net assets and income statement of Spinnaker Opportunities Plc ("the Company") and Kanabo Research Ltd (together "the Enlarged Group") as at 30 June 2020. The unaudited pro forma net assets and income statement of the Enlarged Group for the six month period ending 30 June 2020 has been prepared on the basis set out in the notes below and in accordance with item 18.4.1 of Annex 1 of the PR Regulation to illustrate the impact of the Fundraise and proposed acquisition as if it had taken place on 1 January 2020.

The unaudited pro forma information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results. Such information may not, therefore, give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited pro forma information is based on the unaudited net assets of the Company and Kanabo as at 30 June 2020 included by reference and as shown in Part VI and VII respectively (Historical Financial Information). No adjustments have been made to take account of trading, expenditure or other movements subsequent to 30 June 2020, being the date of the last published balance sheet of the Company and Kanabo.

The unaudited pro forma information does not constitute financial statements within the meaning of section 434 of the Companies Act. Investors should read the whole of this Prospectus and not rely solely on the summarised financial information contained in this Part.

PKF Littlejohn LLP

Accountants &
business advisers

The Directors
Spinnaker Opportunities Plc
59 – 60 Russell Square,
London,
WC1B 4HP

29 January 2021

Dear Sirs,

Re-admission to London Stock Exchange Standard Segment ("LSE Standard Listing") of Spinnaker Opportunities PLC (CRN 10485105) ("Spinnaker" or "the Company") and acquisition of Kanabo Research Ltd ("Kanabo") ("the Proposed Transaction")

Introduction

We report on the unaudited pro forma statement of net assets and income statement (the "Pro forma Financial Information") set out in Part IX of Spinnaker Opportunities Plc (the "Company") prospectus (the "Prospectus") dated 29 January 2021, which has been prepared on the basis described in notes 1 to 6, for illustrative purposes only, to provide information about how the transaction might have affected the net assets presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2020. This report is required by Annex 1, Section 18, Item 18.4.1 of the PR Regulation and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors (the "Directors") of the Company to prepare the Pro forma financial information in accordance with Annex 1, Section 18, Item 18.4.1 of the PR Regulation.

It is our responsibility to form an opinion, in accordance with Annex 1 item 18.4.1 of the PR Regulation, as to the proper compilation of the Pro forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Regulation Rules 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex 1, Section 1, Item 1.3 of the PR Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting (SIR) 4000 issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma Financial information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma Financial Information

has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

(a) the Pro forma Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Regulation Rules 5.3.2R (2)(f) we are responsible for this report as part of the Prospectus and declare that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1, Section 1, Item 1.2 of the PR Regulation.

Yours faithfully

PKF Littlejohn LLP
Reporting accountant

Unaudited pro forma statement of net assets at 30 June 2020

	The Company Net assets as at 30 June 2020 (Note 1) £'000	Kanabo Research Ltd Net assets as at 30 June 2020 (Note 2) £'000	Issue of Fundraising Shares net of costs (Notes 3) £'000	Unaudited pro forma adjusted net assets of the Enlarged Group on admission £'000
Assets				
Non-current assets				
Long term deposits	–	16	–	16
Property, plant and equipment	–	17	–	17
	–	**33**	**–**	**33**
Current assets				
Trade and other receivables	318	27	–	345
Inventory	–	40	–	40
Cash and cash equivalents	516	429	5,340	6,285
Current assets	**834**	**496**	**5,340**	**6,670**
Total assets	**834**	**529**	**5,340**	**6,703**
Liabilities				
Non-current liabilities				
Severance pay	–	3	–	3
Current liabilities				
Trade and other payables	66	54	–	120
Convertible loan notes	165	310	–	475
Total liabilities	231	367	–	598
Total assets less total liabilities	**603**	**162**	**5,340**	**6,105**

Notes

The pro forma statement of net assets has been prepared on the following basis:

1. The unaudited net assets of the Company as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information to which is incorporated by reference in Part VI of this document.
2. The net assets of Kanabo Research Ltd as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information included in Part VII Section B of this document and converted to Great British Pounds at the closing rate on 30 June 2020 of NIS 4.7973 to £1.
3. An adjustment has been made to reflect the proceeds of the Fundraising of 92,307,693 Ordinary Shares of the Company at an issue price of £0.065 per Ordinary Share net of an adjustment to reflect the payment in cash of admission costs estimated at approximately £660,000 exclusive of any sales taxes.
4. No adjustments have been made to reflect the trading or other transactions, other than described above of:
   i. the Company since 30 June 2020;
   ii. Kanabo Research Ltd since 30 June 2020;
5. The pro forma statement of net assets does not constitute financial statements.

Unaudited pro forma income statement for the unaudited period ended 30 June 2020

	The Company Income statement for six months to 30 June 2020 (Note 1) £'000	Kanabo Research Ltd Income statement for six months to 30 June 2020 (Note 2) £'000	Unaudited pro forma adjusted income statement of the Enlarged Group on Admission £'000
Revenue	–	14	14
Cost of sales	–	(6)	(6)
Gross profit/(loss)	**–**	**8**	**8**
Administration expenses	(111)	(279)	(390)
Research and development costs	–	(74)	(74)
Interest income/(expense)	10	–	10
Loss before tax	**(101)**	**(345)**	**(446)**
Tax	–	–	–
Loss from continuing operations	**(101)**	**(345)**	**(446)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income	–	21	21
Total comprehensive loss for the period	**(101)**	**(324)**	**(425)**

Notes

The pro forma statement of net assets has been prepared on the following basis:

1. The unaudited income statement of the Company as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information to which is incorporated by reference in Part VI of this document.
2. The unaudited income statement of Kanabo Research Ltd as at 30 June 2020 have been extracted without adjustment from the Historic Financial Information which is set out in Part VII Section B of this document and converted to Great British Pounds at an average rate of NIS 4.7973 to £1.
3. No adjustments have been made to reflect the trading or other transactions of the enlarged group since 30 June 2020.

PART X

TAXATION

The following section is a summary guide only to certain aspects of tax in the UK and Israel. This is not a complete analysis of all the potential tax effects of acquiring, holding and disposing of Ordinary Shares, nor will it relate to the specific tax position of all Shareholders in all jurisdictions. This summary is not a legal opinion. Shareholders are advised to consult their own tax advisers.

1. Taxation in the United Kingdom

The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of shareholders who are resident (and in the case of individuals, ordinarily resident and domiciled) in the UK, holding shares as investments and not as securities to be realised in the course of a trade. Unless otherwise noted the paragraphs below are based on current UK legislation, HM Revenue & Customs practice and incorporates formal announcements made by the Chancellor, but not yet enacted by Parliament.

1.1 An investor should consult his/her own tax professional about the tax consequences of an investment in the shares of the Company.

1.2 *Taxation of dividends*

(a) Under current UK legislation, no tax is withheld from dividend payments by the Company.

UK resident individuals are entitled to a £2,000 annual dividend allowance. Dividends received and not exceeding this allowance will not be subject to income tax. Dividends received in excess of this allowance will be taxed at 7.5 per cent. up to the limit of the basic rate income tax band. Dividends received in excess of the basic tax income tax band will be taxed at 32.5 per cent. up to the limit of the higher rate income tax band. Where dividends are received in excess of the higher rate income tax band, then the excess will be taxed at 38.1 per cent. being at the additional rate of income tax.

(b) Trustees of discretionary trusts are liable to account for income tax at the dividend trust rate, currently 38.1 per cent.

(c) Investors should consult their own tax advisers on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

1.3 *Taxation of capital gains made by shareholders*

(a) ***United Kingdom resident shareholders***

A disposal of Ordinary Shares by a Shareholder, who is resident for tax purposes in the UK, will in general be subject to UK taxation on the chargeable gain arising on a disposal of Ordinary Shares.

UK resident individuals are entitled to an annual allowance to be deducted from any chargeable gain that would otherwise be taxable in the relevant tax year. The annual allowance for the tax year to 5 April 2021 is £12,300. Generally speaking, where the individual's taxable chargeable gains exceed the allowance, then these gains will be taxed at 10 per cent., but only to the extent that the individual's taxable income and chargeable gains do not exceed the basic rate income tax band. Where the individual's taxable income and chargeable gains exceeds the basic rate income tax band and then the remaining chargeable gain will be taxed at 20 per cent.

The trustees of discretionary or accumulation trusts may be able to claim an annual allowance being one-half of the allowance available to individuals. For the tax year ended 5 April 2021 the allowance is £6,150. Independent professional advice should be sort before claiming this allowance. Where the allowance is claimed then chargeable gains in excess of this amount will be liable to tax at 20 per cent. Where the allowance is not claimed then the whole chargeable gain will be liable to tax at 20 per cent..

(b) ***Non-residents***

A Shareholder who is not resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation through such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares.

In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident in the UK.

All non-resident or non-domiciled shareholders should seek professional before considering a transaction which be considered a chargeable gain.

(c) ***Companies***

For UK corporates, capital gains are currently chargeable at the rate of 19 per cent subject to indexation which may apply to reduce any such gain, although indexation cannot create or

increase a capital loss (indexation is no longer available to individuals and trustees). Other reliefs may be relevant .

1.4 *Inheritance tax*

Shareholders regardless of their tax status should seek independent professional advice when considering any event which may give rise to an inheritance tax charge.

Ordinary Shares beneficially owned by an individual Shareholder will be subject to UK inheritance tax on the death of the Shareholder (even if the Shareholder is not domiciled or deemed domiciled in the UK); although the availability of exemptions and reliefs may mean that in some circumstances there is no actual tax liability. A lifetime transfer of assets to another individual or trust may also be subject to UK inheritance tax based on the loss of value to the donor, although again exemptions and reliefs may be relevant. Particular rules apply to gifts where the donor reserves or retains some benefit.

1.5 *UK stamp duty and duty reserve tax*

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will give rise to a liability to pay UK ad valorem stamp duty, or stamp duty reserve tax, at the rate in each case of 50p per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). Transfers under CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

1.6 *General Note on Taxation*

Investors should be aware that taxation treatment may be varied in accordance with changes made in taxation rules by H.M. Government from time to time.

2. Israeli Taxation

This summary of Israeli taxation issues can only provide a general overview of this area and it is not a description of all the tax considerations that may be relevant to a decision to invest in the Company.

The summary of certain Israeli tax issues is based on the laws and regulations in force as of the date of this Document and may be subject to any changes in Israeli law occurring after such date. Legal advice should be taken with regard to individual circumstances. Any person who is in any doubt as to his tax position or where he is resident, or otherwise subject to taxation, in a jurisdiction other than Israel, should consult his professional adviser.

Shareholders should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and may alter the benefits of investment in the Company.

Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than Israel should consult their own professional adviser.

The notes below assume that the conduct of the Company's affairs will be such that, based on current law and practice of the relevant tax authorities, the Company does not become resident for tax purposes in any other territory other than Israel.

Israeli Tax Considerations and Government Programmes

The following is a summary of the current tax regime in the State of Israel, which applies to us and to persons who will hold Ordinary Shares.

This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include traders in securities or persons who do not hold Ordinary Shares as a capital asset. Some parts of this discussion are based on new tax legislation which has not been subject to judicial or administrative interpretation. The section should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

General Corporate Tax Structure in Israel

The standard corporate tax rate in Israel for the financial year 2019 is 23.0%. Capital gains derived by an Israeli resident company are subject to tax at the prevailing corporate tax rate.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for research and development expenditures, including capital expenditures, for the year in which they are incurred if:

- the expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- the research and development is for the promotion or development of the company; and
- the research and development is carried out by or on behalf of the company seeking the deduction.

However, the amount of such deductible expenses shall be reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. Expenditures not so approved are deductible over a three-year period from the first year that the expenditures were made if the research or development is for the promotion or development of the company.

Tax Benefits under the Law for the Encouragement of Industry (Taxes), 1969

Under the Law for the Encouragement of Industry (Taxes), 1969 (the "**Industry Encouragement Law**"), Industrial Companies (as defined below) are entitled to the following tax benefits, among others: deductions over an eight-year period for purchases of know-how and patents; deductions over a three-year period of expenses involved with the issuance and listing of shares on a stock market; the right to elect, under specified conditions, to file a consolidated tax return with other related Israeli Industrial Companies; accelerated depreciation rates on equipment and buildings.

Under the Industry Encouragement Law, an "Industrial Company" is defined as a company which is an Israeli resident for tax purposes, which at least 90% of the income of which, in any tax year, determined in Israeli currency, exclusive of income from government loans, capital gains, interest and dividends, is derived from an "Industrial Enterprise" owned by it. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production activity.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon the approval of any governmental authority. We believe that we may qualify as an Industrial Company within the meaning of the Industry Encouragement Law. The Israel Tax Authority may determine that we do not qualify as an Industrial Company, which could entail our loss of the benefits that relate to this status. There can be no assurance that we will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Tax Benefits under the Law for the Encouragement of Capital Investment-1959

Under the Law for the Encouragement of Capital Investment-1959 (the "**Preferred Enterprise**" and/or "**PE**"), PE status, which provides for cash and tax benefits, may be granted to enterprises that meet relevant criteria. In general, the Law provides that projects are considered 'preferred' if the enterprise will contribute to the development of the productive capacity of the economy, absorption of immigrants, creation of employment opportunities, or improvement in the balance of payments.

In order to qualify as a PE, an company wishing to enjoy these benefits is not required to apply to the tax authorities, but may implement them independently in its income tax returns. The terms stipulated by law for PE eligibility are as follows:

1. Company registered in Israel and the business of which is controlled and managed in Israel.
2. The company must maintain admissible books and records and file any reports required under the Israeli tax laws.
3. The company Competitive and contributes to the Gross Local Production. **Alternatively**, an enterprise will be deemed to have fulfilled this condition if it exports amount of 25% at least of its turnover.

The Law offers business enterprise promoters two types of tax breaks, under the tax benefits tracks or grants track (applicable in Priority Zone A only). It should be noted that enterprises may enjoy both tracks simultaneously.

PE Corporate Tax rates: The corporate income tax rates to be applied are 7.5% in Priority Zone A and 16% in all other areas (for the 2017 fiscal year onwards).

PE Dividend Tax rates: rate for foreign recipients of dividends under the tax benefits track will be 20%, or reduced rate under a tax treaty.

Intra-corporate dividend distributions (between Israeli companies) will be exempt from tax even if derived from the subsidiary's "preferable income".

Taxation of Our Shareholders

Capital gains

Capital gain tax is imposed on the disposal of capital assets by an Israeli resident, and on the disposal of capital assets by a non-resident of Israel if those assets (i) are located in Israel, (ii) are shares or a right to shares in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights to assets located in Israel. The Ordinance distinguishes between "Real Gain" and "Inflationary Surplus." Real Gain is the excess of the total capital gain over Inflationary Surplus. The Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset's price that is attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. Inflationary Surplus is not subject to tax.

Real Gain accrued by individuals on the sale of the Company's Ordinary Shares will be taxed at the rate of up to 25%.

However, if the individual shareholder is a "Substantial Shareholder" (i.e., a person who holds, directly or indirectly, alone or "Together with Another Person," 10% or more of one of the "Means of Control" of the Israeli resident company) at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30%. For purposes of this paragraph, the term "Together with Another Person" means together with his or her "Relative," as well as with a person who is not his or her Relative and who has a permanent cooperation with him or her under an agreement in material

matters of the Company, directly or indirectly. The term "Relative" means any of the following: (i) a spouse, brother, sister, parent, parent of a parent, descendant and descendant of a spouse, and spouse of any of the aforementioned; and (ii) a descendant of a brother or sister and a brother or sister of a parent. Also, for purposes of this paragraph, the term "Means of Control" generally includes the right to vote in a general meeting of shareholders, the right to receive profits, the right to nominate a director or a general manager, the right to receive assets upon liquidation (after payment of debts), or the right to instruct someone who holds any of the aforesaid rights regarding the manner in which he or she is to exercise such right(s), and whether by virtue of shares, rights to shares or other rights, or in any other manner, including by means of voting agreements or trust agreements. In addition, capital gains generated by an individual claiming deduction of financing expenses in respect of such gain will be taxed at the rate of up to 30%.

Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income — in 2019, a tax rate of 23% for corporations and a marginal tax rate of up to 47% for individuals.

Notwithstanding the foregoing, capital gain derived from the sale of the Company's Ordinary Shares by a shareholder who is a non-resident of Israel may be exempt from Israeli taxation, provided that all of the following conditions are met: (i) the Ordinary Shares were purchased upon or after the listing of the securities on the stock exchange, (ii) the seller does not have a permanent establishment in Israel to which the derived capital gain is attributable, (iii) if the seller is a corporation, no more than 25% of its Means of Control, as defined above, are held, directly and indirectly, by shareholders who are Israeli residents, alone or Together with Another Person, as defined above, or along with another Israeli resident, and (iv) if the seller is a corporation, there are no Israeli residents that are directly or indirectly entitled to 25% or more of the revenues or profits of the corporation. In addition, the sale of the Company's Ordinary Shares by a non-Israeli resident shareholder may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty.

Upon the sale of securities, the purchaser, the Israeli stockbroker or the Israeli financial institution through which the shares are held is obligated, subject to the above exemptions, to withhold tax from the Real Gain at the rate of 25% or 23% in respect of an individual or corporation, respectively.

Upon the sale of securities traded on a stock exchange, a detailed return, including a computation of the tax due, must be filed and an advance payment must be made on January 31 and July 31 of every tax year, in respect of sales of securities made within the previous six months by Israeli residents for whom tax has not already been deducted. However, if all tax due was withheld at source according to applicable provisions of the Ordinance and the regulations promulgated thereunder, there is no need to file a return and no advance payment must be paid.

Capital gains are also reportable on the annual income tax return.

Dividends

A shareholder who is an Israeli resident individual generally will be subject to income tax at a rate of 25% on dividends paid by us. However, a 30% tax rate will apply if the dividend recipient is a Substantial Shareholder, as defined above, at the time of distribution or at any time during the preceding 12-month period. If the recipient of the dividend is an Israeli resident corporation, such dividend generally should be exempt from Israeli income tax, provided that the source of the dividend is income that was derived or accrued within Israel.

Dividends distributed by an Israeli resident company to a non-resident of Israel (either individual or corporation) are generally subject to tax at the rate of 25% (30% if the dividend recipient is a Substantial Shareholder at the time of distribution or at any time during the preceding 12-month period). These rates may be reduced under the provisions of an applicable tax treaty. Such dividends paid to non-Israeli residents are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a Nominee Company (whether the recipient is a Substantial Shareholder or not), unless a reduced tax rate is provided under an applicable tax treaty, provided that a certificate from the Israel Tax Authority allowing for a reduced withholding tax rate is obtained in advance.

We are obligated to withhold tax upon the distribution of dividends.

A non-resident of Israel who receives dividends from which Israeli tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, and (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Surtax

Individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at the rate of 3% on annual income exceeding NIS 640,000, which amount is linked to the annual change in the Israeli consumer price index (NIS 651,600 for the 2020 tax year), including, but not limited to, dividends, interest and capital gain.

Foreign exchange regulations

Non-residents of Israel who hold the Company's Ordinary Shares are able to receive any dividends, and any amounts payable upon the dissolution, liquidation and winding up of our affairs, in non-Israeli currency at the prevailing rate of exchange. However, Israeli income tax is generally required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of currency exchange control has not been eliminated, and these controls may be restored at any time by administrative action.

Estate and gift tax

Israeli law presently does not impose estate or gift taxes.

This summary of UK and Israeli taxation issues can only provide a general overview of these areas and it is not a description of all the tax considerations that may be relevant to a decision to invest in the Company. The summary of certain UK and Israeli tax issues is based on the laws and regulations in force as of the date of this Document and may be subject to any changes in UK law or Israeli law occurring after such date. Legal advice should be taken with regard to individual circumstances. Any person who is in any doubt as to his or her tax position or where he or she is resident, or otherwise subject to taxation, in a jurisdiction other than the UK or Israel, should consult his or her professional adviser.

PART XI

TAKEOVER CODE DISCLOSURES

1. Principal Activities of the Company

The Company is an investment vehicle with an enlarged strategic focus to include acquisition opportunities within the cannabis processing industry.

2. Responsibility for the Purpose of the Takeover Code

2.1 The Company, Directors and Proposed Directors whose names appear on page 33 of this Document accept responsibility for the information contained in this Document (including any expressions of opinion). To the best of the knowledge and belief of the Directors and Proposed Directors (who have each taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import.

2.2 The members of the Concert Party accept responsibility for the information contained in paragraphs 4.1, 5, 6 and 7 of this Part XI of this Document (including any expressions of opinion) relating to the Concert Party. To the best of the knowledge and belief of the members of the Concert Party (who have each taken all reasonable care to ensure that such is the case), the information contained in this Document for which they accept responsibility is in accordance with the facts and contains no omission likely to affect its import.

3. Material Contracts of the Company

Besides the Share Purchase Agreement entered into on 2 December 2019 and the Loan Facility Agreement under which the Company advanced £300,000 to Kanabo, there are no contracts that have been entered into by the Company or any member of the Concert Party within the period of two years preceding the date of this Document that are or may be material (not being contracts entered into in the ordinary course of business).

4. Waiver of Rule 9 of the Takeover Code

The Takeover Code, which is issued and administered by the Panel, applies to the Company.

The Company and its shareholders are afforded certain protections under the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires an interest (as defined in the Takeover Code), whether by a series of transactions over a period of time or not, in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders in that company to acquire their shares.

Similarly, if any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company but does not hold shares carrying more than 50% of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, a general offer will normally be required.

Following allotment and issue of the Consideration Shares and Fundraise Shares, the Concert Party will hold 195,783,844, Ordinary Shares, representing approximately 54.35 per cent. of the Enlarged Issued Share Capital. On issue and allotment of the Deferred Consideration Shares and exercise of the Concert Party Options, the Concert Party will hold a maximum of 234,168,601 Ordinary Shares, representing approximately 57.89 per cent. of the then issued share capital.

The members of the Concert Party do not currently hold any Ordinary Shares. The issue of the Consideration Shares, the Deferred Consideration Shares and the exercise of the Concert Party Options, would therefore trigger an obligation of the Concert Party to make an offer for the Company in accordance with Rule 9 of the Takeover Code. **The Panel has agreed, however, to waive the obligation for the Concert Party to make a general offer that would otherwise arise as a result of the issue of the Consideration Shares, the issue of the Deferred Consideration Shares and the exercise of Concert Party Options by any member of the Concert Party, subject to the approval**

of the Independent Shareholders, all of whom are independent of the Concert Party. Accordingly, Resolution 1 is being proposed at the General Meeting and will be taken on a poll.

For so long as the Concert Party hold more than 50 per cent. of the Company's voting share capital and its members are presumed to be acting in concert by the Panel, they may increase their aggregate interests in the Ordinary Shares in the Company without incurring any obligation under Rule 9 to make a general offer for the remaining shares, although individual members of the Concert Party would not be able to increase their percentage interest in the Ordinary Shares of the Company through, or between, a Rule 9 threshold without the consent of the Panel.

4.1. Information on the Concert Party

The Concert Party comprises the following vendors of Kanabo who are presumed to be acting in concert under the Takeover Code:

Concert Party	Ordinary Shares interested in following the issue of the Consideration Shares and Fundraise Shares	Ordinary Shares interested in as a % of the Enlarged Issued Share Capital	Ordinary Shares interested in following the issue of the Deferred Consideration Shares	Ordinary Shares interested in as a % of the then enlarged issued share capital	Number of Concert Party Options	Ordinary Shares interested in following the exercise of the Concert Party Options	% of Company's issued share capital assuming exercise of the Concert Party Options	Maximum Ordinary Shares interested in assuming Defaulting Seller scenario as described below*	% of Company's issued share capital assuming Defaulting Seller scenario as described below*
Jacob Shwergold	1,157,440	0.32%	1,350,346	0.34%	–	1,350,346	0.34%	1,385,474	0.34%
Omry Man	4,805,807	1.33%	5,606,773	1.41%	–	5,606,773	1.39%	5,752,627	1.42%
Avihu Tamir	97,263,870	27.0%	113,474,514	28.46%	–	113,474,514	28.46%	116,426,396	28.79%
David Sack	16,284,889	4.52%	18,999,037	4.77%	–	18,999,037	4.7%	19,493,271	4.82%
Scorpio Investments/ Aryeh Weber**	10,547,736	2.93%	12,211,758	3.06%	–	12,211,758	3.02%	12,514,770	3.09%
David Tsur	9,061,102	2.52%	10,571,284	2.65%	2,700,000	13,271,284	3.28%	13,546,282	3.35%
Northcom SA	1,280,965	0.36%	1,494,459	0.37%	–	1,494,459	0.37%	1,533,335	0.38%
Nurit Lev	255,803	0.07%	298,435	0.07%	–	298,435	0.07%	306,201	0.08%
Anat Tsur	255,803	0.07%	298,435	0.07%	–	298,435	0.07%	306,201	0.08%
Galit Stern	255,803	0.07%	298,435	0.07%	–	298,435	0.07%	306,201	0.08%
Yacov Harpaz	8,857,820	2.46%	10,334,122	2.59%	–	10,334,122	2.55%	10,602,952	2.62%
David Kantozi	319,025	0.09%	372,195	0.09%	–	372,195	0.09%	381,877	0.09%
Uziel Danino	3,683,382	1.02%	4,297,278	1.08%	1,800,000	6,097,278	1.51%	6,209,064	1.54%
Ariel Harpaz	3,473,292	.96%	4,052,174	1.02%	–	4,052,174	1.00%	4,157,586	1.03%
Rom Lakritz	4,304,898	1.2%	5,022,380	1.26%	–	5,022,380	1.24%	5,153,032	1.27%
Eli Tzahor	3,560,830	0.99%	4,154,300	1.04%	–	4,154,300	1.03%	4,262,370	1.05%
Oren Dana	457,140	0.13%	533,330	0.13%	–	533,330	0.13%	547,204	0.14%
Yoni Yudin	115,744	0.03%	135,034	0.03%	–	135,034	0.03%	138,548	0.03%
Chaim Labenski	4,200,826	1.17%	4,900,962	1.23%	–	4,900,962	1.21%	5,028,456	1.24 %
Marc Douieb	2,745,759	0.76%	3,203,385	0.80%	–	3,203,385	0.79%	3,286,717	0.81%
Alaxander Stolin	3,560,830	0.99%	4,154,300	1.04%	–	4,154,300	1.03%	4,262,370	1.05%
Lev Weinberg	3,560,830	0.99%	4,154,300	1.04%	–	4,154,300	1.03%	4,262,370	1.05%
Rotem Consulting & Investment Ltd	2,196,218	0.61%	2,562,254	0.64%	–	2,562,254	0.63%	2,628,908	0.65%
Mandal Abraham	1,779,928	0.49%	2,076,582	0.52%	–	2,076,582	0.51%	2,130,602	0.53%
Ogal Investments	1,372,393	0.38%	1,601,125	0.40%	–	1,601,125	0.40%	1,642,777	0.41%
Mikhail Chagin	1,779,928	0.49%	2,076,582	0.52%	–	2,076,582	0.51%	2,130,602	0.53%
Shoshana & Rafael Lankry	1,280,965	0.36%	1,494,459	0.37%	–	1,494,459	0.37%	1,533,335	0.38 %
Abraham Szobel	769,357	0.21%	897,583	0.23%	–	897,583	0.22%	920,933	0.23%
Ichak Weiss	4,576,265	1.27%	5,338,975	1.34%	–	5,338,975	1.32%	5,477,861	1.35%
Koby Bahar	549,540	0.15%	641,130	0.16%	–	641,130	0.16%	657,808	0.16%
Sharon Zvigenboim	457,140	0.13%	533,330	0.13%	–	533,330	0.13%	547,204	0.14%
Yaniv Halperin	366,684	0.10%	427,798	0.11%	–	427,798	0.11%	438,926	0.11%
Meirav Horn	645,832	0.18%	753,470	0.19%	1,348,077	2,101,547	0.52%	2,121,147	0.52%
TOTAL	**195,783,844**	**54.35%**	**228,320,524**	**57.27%**	**5,848,077**	**234,168,601**	**57.89%**	**240,093,407**	**59.35%**

* The enlarged Board of the Company may in its absolute discretion determine that a Defaulting Seller is not entitled to receive some or all of their Deferred Consideration and it may allocate the Deferred Consideration due to that defaulting shareholder to other Sellers on a pro-rata basis. In the unlikely event in which all the Sellers which are not members of the Concert Party are deemed to be defaulting sellers, the Deferred Consideration is issued to the Concert Party only and, assuming that members of the Concert Party exercise all their 5,848,077 Options, the Concert Party will own in aggregate 240,093,407 Ordinary Shares representing approximately 59.35 per cent. of the then enlarged issued share capital of the Enlarged Group, assuming no other shares are issued.

** Scorpio Investments/Aryeh Weber have participated in the Subscription for an amount of 563,600 shares.

5. Further Information on Members of the Concert Party

Jacob Shwergold

Jacob Shwergold is the Founding Partner of Shwergold Aharonson & Co. Prior to co-founding the firm, Jacob worked in two of Israel's largest and most prominent law firms – Fischer Behar Chen Well Orion & Co., and Weksler Bregman & Co. Jacob provides legal advice to Kanabo and is Kanabo's company secretary. He is one of the founding members of Kanabo.

Omry Man

Omry Man works as an online marketing consultant for Kanabo. He is the Founder of NTT Web Creation and the CEO of Zebra Media.

Avihu Tamir

Mr. Tamir began his career and built his reputation as a senior strategy consultant at Accenture. He is also the founder of Teva Nature, the leading vaporiser company in Israel.

Mr. Tamir founded Kanabo Research in 2016 and since then has served as CEO of the company.

David Sack

David is an execution veteran with extensive marketing, branding, and business development experience. He has been helping startups turn to enterprises for over 20 years. Mr Sack managed global operations and marketing in 100+ staff companies internationally, and until Q4 2019 led Kanabo's marketing operations. He was introduced by Ariel Harpaz, son of Yacov Harpaz.

Scorpio Investments

Arie Weber is the Chairman and CEO of Scorpio Investments Ltd. and Director of Lapidot Helz Ltd, Point Capital Corporation and A.S.T Ecological Ltd. Prior to Scorpio Investments, Mr. Arie Weber held the following executive positions: Vice President at Bank Mizrahi Tfahot & Director of the Security Department; Chairman of Aloni Meitar Ltd.; Chairman at Inventic Investments Ltd.; Chairman of the Stock Exchange Clearing House; Director at Tel Aviv Stock Exchange; Director at Maalot, an Israeli company for ranking securities; Director at Excellence – Nasua Investments Ltd.; Director at Meitav Investments Ltd. and others.

David Tsur

Mr. Tsur is the co-founder of Kamada Ltd, a public company listed on both the NASDAQ and Tel-Aviv Stock Exchange. He served as its Chief Executive Officer and on its board of directors from the company's inception in 1990 until July 2015. Currently he serves as Kamada's Active Deputy Chairman of the Board.

Northcom SA

Northcom SA is a private company in Uruguay owned by Jonathan Hahn. Mr. Jonathan Hahn serves as Business Planning Manager at Teva-Tuteur S.A., a generics pharmaceutical company based in Buenos Aires, Argentina. Previously Mr. Hahn held a business development position in Forest Laboratories, Inc, based in New York. Mr. Hahn has been Director of Kamada Ltd. since March 2010. Mr. Hahn holds a BA degree from San Andres University and an MBA in New York University Stern School of Business with specializations in Finance and Entrepreneurship.

Nurit Lev

Nurit, daughter of David Tsur, holds an MBA and has worked for Kamada for 15 years as a Director of Business Development.

Anat Tsur

Anat, daughter of David Tsur, has an LLB in Law and Management from Tel Aviv University and she works as a lawyer for Herzog Fox Neeman in the Litigation and Dispute Regulation Department.

Galit Stern

Galit, daughter of David Tsur, has a Master's degree in Special Needs Education. She is a consultant for the integration of children with special needs at a kindergarten in Israel.

Yacov Harpaz

Yacov Harpaz has over four decades of experience in the financial sector. His career highlights include working at the *Bank of Israel*, heading global asset management for *Bank Hapoalim*, managing the trading room at *United Mizrahi Bank of Israel*, and founding and managing *Global Excellence Markets*. In 1995, Mr Harpaz founded Alpha Bull LTD.

David Kantozi

David Kantozi is Chief Dealer at Alpha Bull (founded by Yacov Harpaz). Mr Kantozi brings over 25 years of experience in financial markets. His vast experience spans a wide breadth of various financial industries, both foreign and domestic, which include the Fixed Income Banking Sector, Trading, Technical Analysis, Sales, Business Development, and Customer Relationship (First Int'l Bank of Israel, BNP Paribas). Mr Kantozi is also highly proficient in front office management and has led FX Development and Electronic Platform Teams.

Uziel Danino

Mr. Danino began his career at Bank Mizrahi in 1981 and worked in all of the bank's business units filling a variety of managerial positions. In 2012, Mr. Danino was appointed to head the Excellence Investment House that had NIS80 billion (approximately GBP 17 billion) in customer assets under management at that time.

Today, Mr. Danino is a member and director of Rosario Capital, an underwriting company. In addition, Mr. Danino is a director in two public companies, UMI and Spacecom, and serves as a member of the University of Ariel Finance Committee.

Ariel Harpaz

Ariel Harpaz is a founding investor of Jet-Eat, Wonderland Healing Center, Playbox, Spinnovate, and lifesaver4-u. He holds a Bachelor of Law (L.L.B.) from the Hebrew University in Jerusalem.

Rom Lakritz

Mr. Lakritz served as VP of Finance and Operation at Fireglass, later acquired by Symantec in a notable exit for $250 Million. Mr. Lakritz currently serves as co-founder and Board Member of Omnix Medical and previously served as Co-Founder and CEO of Tipengo, Ltd. He began his career as a senior consultant at Ernst & Young and doing business analysis for venture capital firms. His early career was defined by EY Valuations and Strategy as well as a start-up and strategic focus with Van Leer NDL.

Mr. Lakritz attended Stanford University Graduate School of Business.

Eli Tzahor

Eli Tzahor is the founder and investment manager of Barometer, an Israeli IFA, for over 460 clients. He founded Barometer in 1998 following a career in the Israeli financial sector. Mr Tzahor holds an MBA from the Bar-Ilan University and a Masters in History from the Tel Aviv University.

Oren Dana

Oren Dana is the Managing Director of Caspirits Ltd, a spirits company.

Yoni Yudin

Yoni Yudin is the co-founder of Wonderland Healing Center. He has worked in marketing and business development and advised Kanabo Research Ltd until 2018. Previously he worked at eMedia Asia as a Marketing Manager. He holds a Bachelors of Arts from Boston University and an MBA from Tel Aviv University.

Chaim Labenski

Chaim Labenski held a number of positions at a bank in Israel. Mr. Labenski holds a B.Sc Degree in Civil Engineering from Astor University, U.K, and a M.Sc. Degree in Engineering Management from Leeds University.

Marc Douieb

Marc Douieb is a private accountant and owner of Marc Douieb Ltd, an accountancy firm based in Ramat Gan, Israel.

Alaxander Stolin

Alaxander Stolin is a businessman involved in the real estate and technology sectors.

Lev Weinberg

Lev Weinberg lives in Frankfurt and is the owner of Solo Florentin GmbH, a travel agency and visa centre, and a hotel owner.

Rotem Consulting & Investment Ltd

Rotem Consulting and Investment Ltd is a private company owned by Shimon Cohen, the sole director. Shimon is an accountant and head of the law firm Cohen & Co. He is a lecturer for Economy and Taxes at several institutions, including Ben Gurion University & Tel Aviv University. He has a BSc in Economy and Accountancy from Ben Gurion University and a degree (LL.B.) from the Ono Academic College.

Mandal Abraham

Mandal Abraham is the Assistant to the CEO of Africa Israel Investments Ltd. He previously worked at Bank Mizrahi.

Ogal Investments

Ogal Investments is a private company owned by Jacob Vider & Adi Avni. Jacob Vider is an accountant and holds a Master's in Law. Mr Vider is a partner at Yanir, Farkash and Co. an Israel-based accountancy firm. Adi Avni is the owner of an IT company providing services to insurance companies in Israel.

Mikhail Chagin

Mikhail Chagin is a Managing Partner in Value Enhancement Bureau, a boutique investment management firm. He was previously the Director of A-1 Investments, the Deputy Chairman of Sviaz-Bank, and the Vice President of Gazprombank.

Shoshana & Rafael Lankry

Raphael Lankry is the former Director of Human Resources and Administration at the Bank of Israel, and had worked in the Bank of Israel since 1993, including as Comptroller. Shoshana, his wife, was previously the head of the import and export department at Bank Mizrahi.

Abraham Szobel

Abraham Szobel works in Bank Mizrahi.

Ichak Weiss

Ichak Weiss is a businessman in the real estate sector.

Koby Bahar

Koby Bahar is the Spokesperson for Intel Israel. He has a Master of Arts in Communication and Media Studies from the Hebrew University Jerusalem.

Sharon Zvigenboim

Sharon Zvigenboim is self-employed and lives in Israel.

Yaniv Halperin

Yaniv Halperin is the head of Yaniv Halperin Diamonds Ltd, which specialises in the production and export of diamonds. He has held a diamond trading license from the Ministry of Economy and Industry of the State of Israel since 2001.

Meirav Horn

Meirav Horn has over 12 years of financial experience in the high-tech industry. Prior to joining Kanabo, she served as CFO and Team Manager at ERB Financial group, specialising in financial reporting, budget planning, financial strategic, M&A's and IPO's. Prior to ERB financial group, Mrs. Horn was Finance Manager at Simlat Ltd. where she headed up the finance department, managing all financial aspects of the company. She began her career at Ernst & Young in the assurance and advisory business services department. During her service, she worked with start-ups and public companies.

Mrs. Horn is a Certified Public Accountant (CPA) and holds a B.A. in business management and accounting from the College of Management.

6. Intentions of the Concert Party

Save for the appointment of the Proposed Directors, the resignation of two existing Directors on Admission, no member of the Concert Party is proposing any changes to the Board. The members of the Concert Party have confirmed their intention that, following any increase in their holdings of Ordinary Shares as a result of the issue to them of the Consideration Shares, the Deferred Consideration and upon the exercise by them of 5,848,077 Concert Party Options held by them, on approval of the Waiver Resolution, the combined business of the Company and Kanabo would continue in substantially the same manner as the business of the Company and Kanabo immediately prior to passing of the Waiver Resolution. The members of the Concert Party have no intention of relocating the business or redeploying the combined fixed assets of the Company and Kanabo. The members of the Concert Party are not restricted from making an offer for the Company.

The Concert Party intends to maintain the Company's admission to the standard segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. Apart from the Directors, the Company has no employees prior to the Acquisition and therefore the Acquisition has no employment rights implications and there will be no material changes in respect of the balance of skills and functions of employment and management, for which none are employed apart from the Directors. The Company does not operate any pension schemes and has no research and development facilities. Following Completion, the Concert Party intents to implement Kanabo's operations as outlined in Part I of the Document.

7. Interests and Dealings

7.1 As at the close of business on the Last Practicable Date, the total issued share capital of the Company was 29,400,120 Ordinary Shares.

7.2 As at the close of business on the Last Practicable Date, the interests of the Directors and their families and the interests of persons connected with them, within the meaning of Part 22 of the UK Companies Act 2006, in the issued share capital of the Company were as follows:

	Ordinary Shares	Percentage of Existing Ordinary Shares	No. of Existing Warrants	No. of Existing Options	Percentage of Fully Diluted Issued Share Capital
Andrew John Gowdy Morrison	4,600,080	15.65	0	1,250,000	17.85
Anthony Harpur	1,400,000	4.76	500,000	350,000	9.92
Alan Hume	400,000	1.36	0	270,000	2.84

7.3 Save for the Loan Notes, during the 12-month period prior to the Last Practicable Date, the Directors have not undertaken any dealings for value in existing Ordinary Shares.

7.4 Save for the Share Purchase Agreement, the letters of appointment and service contracts with the relevant Proposed Directors who are member of the Concert Party, the Options to be granted to the Proposed Directors pursuant to the Share Option Scheme, the SOP Bonus Arrangements, and the Loan Facility announced through a Regulatory Service Information provider on 2 December 2019, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party (or any person acting in concert with them) and the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Aquisition set out in this Document.

Further, there are no arrangements for the transfer of securities acquired pursuant to the proposed Acquisition and Share Purchase Agreement.

7.5 On the Last Practicable Date and save as disclosed in this Document:

(a) no member of the Concert Party, nor any person acting in concert with them has any interest in, right to subscribe, in respect of or short position, in relation to any relevant securities;

(b) no member of the Concert Party, nor any person acting in concert with them has dealt in relevant securities during the period of twelve months ended on the Last Practicable Date;

(c) there are no relevant securities which the Concert Party, or any person acting in concert with them has borrowed or lent;

(d) none of:

(i) the Directors or any of their close relatives or related trusts; or

(ii) any other person acting in concert with the Company,

has as at the Last Practicable Date any interest in, right to subscribe in respect of or short position in relation to any relevant securities;

(e) there are no relevant securities which the Company or any person acting in concert with the Directors has borrowed or lent (excluding any borrowed relevant securities which have either been on lent or sold);

(f) save for the fact that the Proposed Director, Avihu Tamir, is a director of each of the Sellers and a member of the Concert Party, there are no relationships (personal, financial or commercial), arrangements or understandings between any member of the Concert Party and:

(iii) any of the Directors (or their close relatives and related trusts); or

(iv) any of the Shareholders of the Company or any person who is, or is presumed to be, acting in concert with any such shareholder

there has been no other agreement to transfer any shares that are subject to the proposed Acquisition and the Share Purchase Agreement.

7.6 In this paragraph 7 reference to:

(a) “relevant securities” means Ordinary Shares and securities carrying conversion or subscription rights into Ordinary Shares;

(b) “derivatives” includes any financial product, whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

(c) “short position” means a short position, whether conditional or absolute and whether in the money or otherwise, and includes any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;

(d) "connected adviser" means:

i. in relation to the Company, (i) an organisation which is advising the Company in relation to the disapplication of the application of Rule 9; and (ii) a corporate broker to the Company;

ii. in relation to a person who is acting in concert with the Concert Party or with the Directors, an organisation (if any) which is advising that person either (i) in relation to the disapplication of the application of Rule 9; or (ii) in relation to the matter which is the reason for that person being a member of the relevant concert party; and

(e) "control" means an interest, or aggregate interests, in shares carrying in aggregate 30 per cent or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control; and

(f) "dealing" or "dealt" includes the following:

(i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;

(ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;

(iii) subscribing or agreeing to subscribe for securities;

(iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;

(v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;

(vi) the entering into, terminating or varying the terms of any agreement to purchase or sell securities; and

(vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position.

7.7 For the purposes of this paragraph 4 a person is treated as "interested" in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as "interested" in securities if:

(a) he owns them;

(b) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;

(c) by virtue of any agreement to purchase, option or derivative, he:

(i) has the right or option to acquire them or call for their delivery, or

(ii) is under an obligation to take delivery of them;

(d) whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

(e) he is party to any derivative:

(i) whose value is determined by reference to their price, and

(ii) which results, or may result, in his having a long position in them.

8. Directors' service agreements

A summary of the directors' service contracts and appointment letters are set out below in Section 10.4 to 10.6 in Part XII.

None of the service contracts and appointment letters, or the terms of such contracts and letters, have been amended within the six-month period prior to the date of this Document.

9. Middle Market Quotations

9.1 The closing middle market quotations for an Ordinary Share for the first business day in each of the six months immediately preceding the date of this Document are:

Date	Price
1 January 2021	4.65p
1 December 2020	4.65p
1 November 2020	4.65p
1 October 2020	4.65p
1 September 2020	4.65p
1 August 2020	4.65p

10. Documents Available for Inspection

10.1 Copies of the following documents will be available for inspection:

- a copy of this Document;
- a copy of the Share Purchase Agreement;
- the articles of Kanabo;
- the existing Articles of the Company;
- the audited accounts of the Company for the years ended 31 December 2018 and 31 December 2017;
- the material contracts referred to in paragraph 18, 19 and 20 of this Part XII;
- the audited accounts of Kanabo for the period from incorporation to 31 December 2017 and for the financial years ended 31 December 2018 and 2019;
- the unaudited pro forma statement of net assets of the enlarged Company referred to in Part IX of this Document; and
- the written consent of Peterhouse referred to in paragraph 22.6 below.

10.2 The documents will be available at (i) the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the conclusion of the General Meeting, (ii) at the place of the meeting for at least 15 minutes prior to the General Meeting until its conclusion, and (iii) for inspection on: http://www.spinnakeropportunities.uk/.

11. Recommendation

The Directors, who have been so advised by Peterhouse consider that the Proposals are fair and reasonable insofar as the Independent Shareholders are concerned and in the best interests of the Company and its Shareholders as a whole. In providing advice to the Directors, Peterhouse has taken into account the commercial assessments of the Directors.

Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions necessary to approve and implement the Acquisition.

The Directors are not presumed to be Independent Shareholders, by virtue of the proposed SOP Bonus Shares that will be granted to them, on Admission, for the purposes of the Waiver Resolution and are therefore not eligible to vote their aggregate 8,176,396 Ordinary Shares representing 27.81 per cent. of the Existing Ordinary Shares, on the Waiver Resolution.

PART XII

ADDITIONAL INFORMATION

1. Responsibility for the purposes of the Prospectus Regulation Rules

The Directors and Proposed Directors, whose names appear on page 33, and the Company accept responsibility for the information contained in this Document. To the best of their knowledge, the information contained in the prospectus is in accordance with the facts and that the prospectus makes no omission likely to affect its import.

2. Incorporation and status of the Company

2.1 The Company was incorporated and registered as a public company limited by shares in England and Wales on 17 November 2016 under the Companies Act 2006, with number 10485105, under the name Spinnaker Opportunities PLC.

2.2 The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares have been created, is the Companies Act.

2.3 The Company's registered office is at 59 – 60 Russell Square, London, United Kingdom, WC1B 4HP.

2.4 On 25 April 2017, the Company adopted the Articles in substitution for and to the exclusion of the Company's then existing articles of association. The Company operates in conformity with its Articles and the laws of England and Wales.

2.5 On 20 March 2017, the Registrar of Companies for England and Wales issued a certificate entitling the Company to do business under Section 761 of the Act 2006.

2.6 The Company's website can be accessed through http://www.spinnakeropportunities.uk/.

2.7 The accounting reference date of the Company is currently 31 December.

2.8 The Company's telephone number of its principal place of business is +44 7980 878561.

2.9 The Company currently is and following Admission will continue to be subject to the Listing Rules, Disclosure Guidance and Transparency Rules (and the resulting jurisdiction of the UK Listing Authority), to the extent such rules apply to companies with a Standard Listing pursuant to Chapter 14 of the Listing Rules.

3. The Enlarged Group

3.1 As at the Last Practicable Date, the Company did not have any Subsidiaries.

3.2 On completion of the Acquisition being subject to and conditional upon Admission, the Company shall have the following wholly owned subsidiaries:

Name of Subsidiary	Place of Incorporation	Ownership
Kanabo	Israel	100 per cent.

3.3 No third party has any rights over the unissued shares of the wholly owned subsidiary described in the paragraph 3.2 above.

4. Share capital history

4.1 The issued Shares of the Company as at the date of this Document and following Admission is and will be as follows:

As at the date of this Document	As at Admission
29,400,120 Ordinary Shares	360,229,328 Ordinary Shares

4.2 On incorporation, the original subscribers of the Company, being Andrew Morrison, Jonathan Bradley Hoare and David Little, each subscribed for 1 ordinary share then having a nominal value of £1 each. On 14 March 2017, David Little transferred his 1 share of £1 to Andrew Morrison at par value.

4.3 Pursuant to a resolution of the members of the Company passed on 14 March 2017, each ordinary share of £1 each in the Company was sub-divided into 40 Ordinary Shares having a nominal value of 2.5 pence each (the "**Sub-Division**"). Immediately following the Sub-Division, the Company had in issue a total of 120 Ordinary Shares.

4.4 The following table illustrates the number of Ordinary Shares issued by the Company since 14 March 2017 and prior to the date of this Document:

Date of Issue	Description	No. of Ordinary Shares	Subscription Price Paid	Total number of Ordinary Shares
14.03.2017	Allotment	2,000,000	£0.025	2,000,120
17.05.2017	IPO Admission	24,000,000	£0.05	26,000,120
03.01.2018	Allotment	3,400,000	£0.05	29,400,120

4.5 Subject to Re-Admission the Company shall issue:

(a) 230,769,210 Consideration Shares to the Sellers on completion of the Acquisition, issued as fully paid shares each at the Fundraising Price;

(b) 615,384 Fee Shares to be issued and allotted to Peterhouse in satisfaction of the balance of fees payable under the Peterhouse Engagement Letter in the amount of £40,000,such shares being, issued as fully paid shares at the Fundraising Price;

(c) 3,300,000 Conversion Shares to be issued and allotted to the Noteholders in respect of the conversion of their outstanding convertible loan notes on Admission, at the Conversion Price;

(c) 82,692,309 Placing Shares in aggregate pursuant to the Placing to certain institutional and other investors at the Fundraising Price;

(d) 9,615,384 Subscription Shares in aggregate pursuant to the Subscription at the Fundraise Price; and

(e) 3,586,921 SOP Bonus Shares to Directors and Advisers in accordance with the SOP Bonus Arrangements issued as fully paid shares and 250,000 Harpur Investor Shares as described in paragraph 4.7 to 4.10 of this Part below.

4.6 Pursuant to the Share Option Scheme established on 25 April 2017, the Directors are authorised to issue Options over new Ordinary Shares to certain key individuals up to 10 per cent. (10%) in aggregate of the Issued Share Capital of the Company from time to time.

4.7 In connection with certain services provided by directors and advisers to the Company in connection with the Acquisition and Admission, the Company had agreed to pay in aggregate the sum of £200,000 in the satisfaction of certain fees and bonuses payable to certain individuals (the "SOP Bonus Arrangements"). The SOP Bonus Arrangements are to be satisfied by the issue and allotment of new Ordinary Shares in the manner described in paragraphs 4.8 and 4.9 of this Part.

4.8 The Board has agreed that the sum of £98,000 owed to the following individuals, as part of the SOP Bonus Arrangements, shall be applied to meet the exercise price payable in respect of their outstanding Options. Each option holder has delivered an exercise notice to the Company stating that the exercise of their Options shall be subject to and conditional upon Admission.

Name of Option Holder	Number of Options	Date of Grant	Date of Vesting	Date of Expiry	Exercise Price
Andrew John Gowdy Morrison	1,250,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Anthony James Harpur	350,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Alan Hume	270,000	15 June 2020	15 June 2020	15 June 2023	£0.05
David Bott	40,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Zahid Latif	20,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Rob Evans	30,000	15 June 2020	15 June 2020	15 June 2023	£0.05

4.9 The Board has agreed that sums owing to the following Directors and advisers as part of the SOP Bonus Arrangements in the aggregate sum of £102,000 shall be applied for the issue of new Ordinary Shares, amounting to £89,500 and by exercise of March 2020 Investor Warrants issued to Anthony James Harpur (£12,500) .

Name of Holder (Subscription)	Number of Ordinary Shares	Amount Invested (£)	Price per Ordinary Share
Andrew John Gowdy Morrison	576,923	37,500	0.065
David Bott	46,153	3,000	0.065
Alan Hume	561,538	36,500	0.065
Zahid Latif	138,461	9,000	0.065
Rob Evans	53,846	3,500	0.065
Anthony James Harpur*	250,000	12,500	0.05

* Warrants exercised by Anthony James Harpur, issued as part of the March 2020 Investor Warrants

4.10 In addition, Anthony Harpur has agreed to exercise his remaining 250,000 warrants, received as part of the Investor Warrants for a cash consideration of £12,500. The exercise notice delivered to the Company states that the exercise of these warrants shall be subject to and conditional upon Admission.

Name of Holder (Subscription)	Number of Ordinary Shares	Amount Invested (£)	Price per Ordinary Share
Anthony James Harpur	250,000	12,500	0.05

4.11 As at the date of this Document, all Options granted by the Company have been issued under individual option grants in accordance with the option scheme rules. As at the date of this Document, the following options remain unexercised:

Name of Option Holder	Number of Options	Date of Grant	Date of Vesting	Date of Expiry	Exercise Price
Andrew John Gowdy Morrison*	1,250,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Anthony James Harpur*	350,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Alan Hume	270,000	15 June 2020	15 June 2020	15 June 2023	£0.05
David Bott*	40,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Zahid Latif	20,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Rob Evans	30,000	15 June 2020	15 June 2020	15 June 2023	£0.05
Total:	**1,960,000**				

* All the above Options currently held are intended to be exercised, subject to and conditional upon Admission as described in paragraph 4.7of this Part.

4.12 In accordance with the terms of the Share Purchase Agreement, the Company has agreed to adopt existing options granted by Kanabo Research Limited to three of its employees and consultants. The Board has approved the terms of the rules of a new approved share option scheme (the "New Share Option Scheme"). Subject to the completion of the Acquisition and Admission, the Company shall adopt the following options and such options will be subject to the following vesting and exercise conditions:

Name of Option Holder	Number of Options	Percentage of Enlarged Issued Share Capital	Date of Vesting and or Details of Vesting Conditions	Date of Expiry	Exercise Price
Meirav Horn	780,056	0.21%%	25% were vested on 1 September 2020. For as long as Meirav Horn continues to be employed by the Company, the remaining Options shall vest and become exercisable in 24 equal portions at the end of each month period thereafter.	90 days after termination without cause of employment	2.5p
Meirav Horn	568,021	0.16%	For as long as Meirav Horn continues to be employed by the Company, the remaining Options shall vest over a three-year period starting in the vesting start date (1 July 2020) in 12 equal portions at the end of each 3-month period.	90 days after termination without cause of employment	2.5p
Miriam O'Reilly	419,207	0.12%	25% were vested on 5 November 2020. For as long as Miriam O'Reilly continues to be employed by the Company, the remaining Options shall vest and become exercisable in 24 equal portions at the end of each month period thereafter.	90 days after termination without cause of employment	2.5p
Mike Dacks	290,818	0.08%	For as long as Mike Dacks continues to provide services to the Company, the Option shall vest on semiannual basis over a period of 24 months as of the Vesting Commencement Date, whereby 25% of the Options shall vest at the end of every six months period from the Vesting Commencement Date	5th Anniversary of Admission	4p*

* Based on a conversion price of 7.3 from 5.47c (USD) as on the Last Practicable Date

4.13 To retain and incentivise the following key individuals, the Company has made the following option awards over Ordinary Shares in the Company. The terms of their option awards and vesting conditions determined by the Board are summarised below. Should any of these key individuals either leave the employment of the Group or, otherwise, no longer a director of the Group, they shall be entitled to retain their vested Options but shall have no right to obtain any further options at a later vesting date. The option award made to Andrew Morrison has been made under the terms of the existing Share Option Scheme, whereas, all Israeli resident has been granted options under the New Share Option Scheme.

Name of Option Holder	Number of Options	Date of Grant	Date of Vesting	Date of Expiry	Exercise Price
Andrew Morrison	900,000	Admission	25% of total Options shall vest at consecutive intervals of six months from the date of Admission	Three years from relevant vesting date	Fundraising Price in respect of 25% of Option and 75% of Option at £0.10 each (10 pence)
Uzi Danino	1,800,000	Admission	25% of total Options shall vest at consecutive intervals of six months from the date of Admission	Three years from relevant vesting date	Fundraising Price in respect of 25% of Option and 75% of Option at £0.10 each (10 pence)
David Tsur	2,700,000	Admission	25% of total Options shall vest at consecutive intervals of six months from the date of Admission	Three years from relevant vesting date	Fundraising Price in respect of 25% of Option and 75% of Option at £0.10 each (10 pence)

Peterhouse (who are providing independent financial advice to the Board for the purposes of Rule 3 of the Code) as to the terms of the New Share Option Scheme, considers the terms of the New Share Option Scheme to be fair and reasonable.

4.14 The Company has determined that future option awards under collectively the Company Share Option Scheme and the New Share Option Scheme shall not exceed 10 per cent. of the Company's issued share capital from time to time. The Board shall be responsible for determining appropriate vesting and exercise conditions for any future option award. The purpose of such awards shall be to incentivise key individuals contributing to the development of the Group.

4.15 The table set out below summarises the warrants Company has granted to subscribe for Ordinary Shares as at the date of this Document and warrants expected to be issued on Admission. Further details of the terms of the warrants are set out in paragraphs 18.9 to 18.11 and 19 of this Part.

	As at the date of this document		As at Admission			
Warrant Type	Number of Warrants	Percentage of Issued Share Capital	Number of Warrants	Percentage of Enlarged Issued Share Capital	Exercise Price	Exercise Period
RTO Warrants	Nil	Nil	Up to a maximum of 14,700,060*	4.08%	10p	Until 12 months from Admission
Financial Adviser Warrants	Nil	Nil	Up to a maximum of 2,701,719**	0.75%	Fundraising Price	Until 7 years from Admission
Investor Warrants	1,650,000	5.6%	1,150,000	0.32%	5p	Until 3 years from Admission
Total	**1,650,000**	**5.6%**	**18,551,779**	**5.1%**	**–**	**–**

* The maximum number of warrants to be issued under the RTO Warrant Instrument will be determined by the total number of Ordinary Shares in issue at the Record Date Of The RTO Warrants. The total is based upon the maximum number of RTO Warrants capable of being issued based upon the Existing Ordinary Share Capital as at the Record Date Of The RTO Warrants. Further details are set out at paragraph 18.10 of this Part.

** The total number of Financial Adviser Warrants will be determined on the basis of a fixed percentage of the Enlarged Issued share capital of the Company as at Admission. This is therefore intended to illustrate the maximum number of Financial Adviser Warrants capable of being issued on Admission. Further details are set out in paragraph 18.11 of this Part.

4.16 Subject to approval of the resolutions to be tabled at the General Meeting, Directors of the Company shall have the authority to issue and allot the new Ordinary Shares described in paragraph 4.5 of this Part.

4.17 Application will be made for the Enlarged Issued Share Capital to be admitted to the Official List, by way of a Standard Listing, and to trading on the London Stock Exchange's Main Market for listed securities. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules. It should be noted that the FCA will not have authority to (and will not) monitor the Company's compliance with any of the Listing Rules that the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

4.18 Save as disclosed in paragraph 4 of this Part XII, as at the date of this Document:

4.18.1 no issued Ordinary Shares of the Company are under option or have been agreed conditionally or unconditionally to be put under option;

4.18.2 no Ordinary Share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;

4.18.3 no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the Ordinary Share or loan capital of the Company;

4.18.4 no persons have preferential subscription rights in respect of any Ordinary Share or loan capital of the Company or any subsidiary;

4.18.5 no amount or benefit has been paid or is to be paid or given to any promoter of the Company; and

4.18.6 the Company will have no short, medium or long-term indebtedness.

4.19 Each Ordinary Share ranks pari passu for voting rights, dividends and returns on capital on winding up.

5. Directors' and Proposed Directors' interests

5.1 As at the close of business on the Last Practicable Date, the interests of the Directors, the Proposed Directors and their families and the interests of persons connected with them, within the meaning of Part 22 of the UK Companies Act 2006, in the issued share capital of the Company were as follows:

Director	Number of Ordinary Shares	% of existing Ordinary Shares	Number of Investor Warrants	Number of Options	Entitlement to SOP Bonus Shares (excluding those by represented Options)
Andrew Morrison*	4,600,080	15.65%	0	1,250,000**	576,923
Anthony Harpur	1,400,000	4.76%	500,000	350,000**	250,000***
Alan Hume	400,000	1.36%	0	270,000**	561,538
David Tsur	0	–	0	0	0
Avihu Tamir	0	–	0	0	0
Uzi Danino	0	–	0	0	0

* Of Mr. Morrison's total interests, 2,600,080 Ordinary Shares are held by his Self-Invested Pension Plan (SIPP).

** Options held by Andrew Morrison, Anthony Harpur and Alan Hume will be exercised in accordance with the SOP Bonus Arrangements described in paragraph 4.7 of this Part.

*** The March 2020 Investor Warrants by Tony Harpur (£12,500) will be exercised in accordance with the SOP Bonus Arrangements described in paragraph 4.9 of this Part.

5.2 On Admission the interests of the Directors and the Proposed Director and their immediate families and, so far as they are aware having made due and careful enquiries, of persons connected with them (all of which are beneficial, unless otherwise stated) (so far as is known to the Directors and the Proposed Director, or could with reasonable diligence be ascertained by them) (within the meaning of sections 252 to 254 of the Act) in the Issued Share Capital are and will be as follows:

Director/Proposed Director	Number of Ordinary Shares on Admission	% of Enlarged Issued Share Capital	Number of Warrants on Admission	Number of Options on Admission
Andrew Morrison*	6,427,003	1.78%	2,300,040	900,000
Anthony Harpur**	3,250,000	0.9%	700,000	0
Alan Hume	1,231,538	0.34%	200,000	0
David Tsur***, ****	9,016,102	2.52%	0	2,700,000
Avihu Tamir****	97,263,870	27%	0	0
Uzi Danino****	3,683,382	1.02%	0	1,800,000

* Of Mr. Morrison's total interests, 2,600,080 Ordinary Shares and 1,300,040 warrants will be held by his Self-Invested Pension Plan (SIPP).

** Of Mr Harpur's total interests, 1,850,000 Ordinary Shares will be held by Peacock DDC Trading Ltd, a company owned and controlled by him.

*** Family members of David Tsur will own a further 767,409 Ordinary Shares on Admission. In total David Tsur, including members of his family and connected persons, will own 9,828,511 Ordinary Shares.

**** Consideration Shares issued to sellers of Kanabo who are Israeli tax resident, including David Tsur, Avihu Tamir and Uzi Danino, shall be held by Altshuler Shaham Trusts Ltd from Admission.

6. Major Shareholders and other interests

6.1 As at the Last Practicable Date, the following shareholders (excluding the Directors and Proposed Directors whose interests are summarised above) had a notifiable interest (being more than three per cent. of the voting rights) in the issued share capital of the Company:

Name	Number of Ordinary	% of Existing Ordinary Share Capital
Share Nominees Ltd	5,714,923	19.4%
Jim Nominees Ltd	4,670,427	15.9%
Hargreaves Lansdowne (Nominees) Ltd	1,793,332	6.1%
Stephen Pearce	2,166,716	7.37%
Thomas Grant & Company Nominees	1,495,940	5.1%
Richard & Charlotte Edwards	1,460,239	4.97%
Fiske Nominees Ltd	1,230,000	4.2%
HSDL Nominees Ltd	1,011,854	3.4%
Gerwyn Llewellyn Williams	1,000,000	3.4%
Barclays Direct Investing Nominees Ltd	990,034	3.4%

6.2 On Admission, the following shareholders (excluding the Directors and Proposed Directors whose interests are summarised above) had a notifiable interest (being more than three per cent. of the voting rights) in the issued share capital of the Company:

Name	Number of Ordinary	% of Enlarged Issued Share Capital
Altshuler Shaham Trusts Ltd*	214,130,283	59.44

* Altshuler Shaham Trusts Ltd holds 214,130,283 Consideration Shares on behalf of the Israeli resident Sellers. Of those Sellers, David Sack holds 16,284,889 Ordinary Shares, representing 4.52 per cent. of the issued share capital immediately on Admission.

6.3 Immediately following Admission, as a result of the issue of the New Ordinary Shares, the Directors expect that a number of persons will have an interest, directly or indirectly, in at least three per cent. of the voting rights attached to the Company's Enlarged Issued Share Capital and certain current Shareholders who hold at least three per cent. of the Existing Ordinary Shares prior to the issue of the New Ordinary Shares may have their percentage holdings in the Company diluted. Such persons will be required to notify such interests or changes to their interests to the Company in accordance with the provisions of Chapter 5 of the Disclosure Guidance and Transparency Rules, and such interests will be notified by the Company to the public.

6.4 As at the Last Practicable Date, the Company was not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company, nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

6.5 No Shareholder interested, directly or indirectly, in three per cent. or more of the Enlarged Issued Share Capital has different voting rights from any other holder of Ordinary Shares.

7. Articles of association

The Articles of Association of the Company contain, inter alia, the following provisions relating to the rights attaching to Ordinary Shares:

(a) There are no rights of pre-emption in respect of transfers of issued Ordinary Shares. However, in certain circumstances, the Company's Shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to place new shares for allotment of existing Shareholders on a pro-rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares are offered to the Company's Shareholders;

(b) In order to transfer Ordinary Shares, the instrument of transfer of any such shares must be in any usual or common form or in such other form as may be approved by the Directors and must be executed by or on behalf of the transferor and, if the shares are not fully paid, by or on behalf of the transferee. The Articles of Association contain no restrictions on the free transferability of fully paid shares, provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles of Association relating to the deposit of instruments for transfer have been complied with;

(c) Each Ordinary Share confers the rights to receive notice of and attend all meetings of shareholders. Each holder of Ordinary Shares present at a general meeting in person or by proxy has one vote, and, on a poll, one vote for each Ordinary Share of which he is the holder;

(d) On a winding up a liquidator may, with the sanction of a special resolution of the Company, divide amongst the holders of the Company's shares (in specie or in kind) the whole or any part of the assets of the Company, and may, with the like sanction, determine how such diversion is to be carried out;

(e) The Ordinary Shares confer upon their holders the right to participate in any profits which the Company may from time to time determine to distribute in respect of any financial period;

(f) Subject to the provisions of the Companies Act and if the profits of the Company justify such payments, the Directors may declare and pay interim dividends on shares of any class of such amounts as and when they think fit. All dividends are apportioned and paid pro-rata according to the amounts paid on the shares. No dividend or other monies payable on or in respect of a share will bear interest as against the Company. The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply them towards the satisfaction of the debts, liability or engagements in respect of a lien. A dividend may be retained if a shareholder has failed to comply with the statutory disclosure requirements of the Companies Act. Any dividend unclaimed for twelve years will be forfeited and revert to the Company;

(g) Subject to the provisions of the Companies Act, the Company may purchase any of its own shares, provided that the terms of any contract under which the Company will or may become entitled or obliged to purchase its own shares be authorised by a special resolution of the Company in a General Meeting before the Company enters into such a contract;

(h) All or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of that class. At every such separate general meeting the quorum is two persons holding or representing by proxy one-third in nominal value of the issued shares of that class; and

(i) The Company may make arrangements for any class of its shares to be issued in uncertified form and in accordance with and subject as provided in The Uncertificated Securities Regulations 2001 and transfer of title of those shares shall be effected by means of relevant system in the manner provided for and subject as provided for in Uncertificated Securities Regulations 2001. Shares held in certified form and those held in uncertificated form may be changed to certificated form.

(j) A quorum for a general meeting is two members present in person or by proxy and entitled to attend and to vote on the business to be transacted. The chairman may, with the consent of a meeting at which a quorum is present, and shall if so directed by the meeting, adjourn any meeting form time to time.

(k) Directors' meetings are called by giving notice to all Directors. Notice is treated as properly given if it is given personally, by word of mouth, in writing or by electronic means to the Directors' last known address given by him to the Company for this purpose. Any Director can waive his entitlement to notice of any Directors' meeting including one which has already taken place. The quorum necessary for the transaction of business may be determined by the board and until otherwise determined shall be two persons, each being a Director or an alternate Director. Matters to be decided at a Directors' meeting will be decided by a majority vote. In the case of an equality of votes the chairman of that meeting shall have a casting vote.

(l) At each annual general meeting of the Company any Director then in office who has been appointed by the board since the previous annual general meeting or for whom it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected shall retire from office but shall be eligible for re-appointment.

(m) any Director can appoint any person (including another Director) to be his alternate and may at his discretion remove an alternate Director so appointed. Any appointment or removal of an alternate Director must be by written notice delivered to the Company's registered office or to an address specified by the Company.

8. Working capital

8.1 The Company is of the opinion that, taking into account the Net Proceeds, the working capital available to the Enlarged Group is, for at least the next twelve months from the date of this Document, sufficient for its present requirements.

9. Significant change

9.1 The most recent information regarding the trends in financial performance of the Company and Kanabo has been discussed in Part IV, Section A & B respectively of this Document.

9.2 There has been no significant change in the financial performance or position of either the Company or Kanabo since 30 June 2020, being the date to which the latest audited financial information of the Company and Kanabo, as set out in Parts VI and VII respectively of this Document, has been prepared.

10. Additional information on the Directors, Proposed Directors and employees

10.1 In addition to their directorships of the Company, the Directors and the Proposed Directors are, or have been, members of the administrative, management or supervisory bodies or partners of the following companies, or partnerships at any time in the five years prior to the date of this Document:

Name of Director	current directorships and or partnerships	previous directorships and or partnerships
Andrew Morrison	Spinnaker Management Resources Ltd	Nostra Terra Oil and Gas Company Plc
Alan Hume	Pharis Energy Ltd	London Green (194-199) Management Limited
Anthony Harpur	Pure Peak SARL (France) Pure Peaks SCI (France) Pure Peaks Ltd Pure Peaks Limited Peacock DDC Holdings Limited Peacock DDC Consultancy Limited Peacock DDC Trading Limited Peacock DDC Property Limited Peacock DDC Agriculture Limited Peacock DDC Property	
David Tsur	Kamada Limited Adadit International Limited Bio Kam Limited Rad Chemicals Limited	Collplant Holdings Limited Kamhada Nechasim 20001 Limited
Avihu Tamir		Coding House Limited Teva Nature Limited TLV Medicannabis Limited
Uziel Danino	Ariel University Danino Financial and Economic Consulting Limited Carmel Direct Ltd Carmel Finance Ltd Exbar Limited Excellence Indices Management Limited Excellence Investment Management Technologies Limited Excellence Mizrachi Lesheavvar Limited Excellence Nessuah Achdut (1996) Ltd Excellence Nessuah Central Pension Fund Management Limited Fjord Technologies Ltd K FIELDS LTD KSM Indices Certificates Trade Ltd. Nessuah Zannex Coral Management Pareto Derivatives Limited Psagot Quarterly Ltd. Rosario Capital Limited Rosario Capital Limited Space Communication Limited Universal Motors Israel Limited Verto Finetech Limited	Arbel Debentures Limited Excellence Eitan General Partner Ltd. Excellence Nessuah Financial Products Limited Excellence Nessuah Mutual Funds Management Limited Excellence Pension Insurance Agency Hen Dollar Deposits Limited K.S.M. Currencies 2 Limited K.S.M. Currencies Limited K.S.M. Jambo Limited K.S.M. Dollar Limited K.S.M. Mutual Funds Limited K.S.M. Sal Indicies Certificates Limited Prisma Financial Instruments Limited Prisma Financial Instruments Trade (2008) Limited Reit 1 Management Services Limited Elad Israel Residence Limited

10.2 None of the Directors or proposed Directors has at any time within the last five years:

10.2.1 had any convictions in relation to fraudulent offences;

10.2.2 been declared bankrupt or been the subject of any individual voluntary arrangement;

10.2.3 been associated with any bankruptcy, receivership or liquidation in his or her capacity as director or senior manager;

10.2.4 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);

10.2.5 been disqualified by a court from acting as a director;

10.2.6 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company;

10.2.7 been a partner or senior manager in a partnership which, while he or she was a partner or within twelve months of his or her ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement;

10.2.8 owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he or she was a partner at that time or within the twelve months preceding such event; or

10.2.9 been a director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he or she was a director or senior manager of that company or within twelve months of his or her ceasing to be an a director or senior manager.

11. Directors' and Proposed Directors' service contracts and letters of appointment

Directors' Letters of Appointment

11.1 Each of the Directors entered into Letters of Engagement on 11 April 2017 (Andrew Morrison and Anthony Harpur) or on 17 September 2018 (Alan Hume). Under the Letters of Engagement, the Directors were not entitled to any salary for their ordinary duties from the date of IPO until completion of an Acquisition. The Directors were entitled to be reimbursed by the Company for reasonable travel, hotel and incidental expenses incurred by them in the course of their directors' duties to the Company. Each Director agreed to devote such time as was reasonable to the Company. No compensation was or is payable to a Director upon leaving office.

11.2 As compensation for their service rendered to the Company between admission to the Standard segment of the Official List in 2017, and the date of Admission, the Directors and certain former directors and retained advisers of Spinnaker will together receive a one-off bonus capped at £200,000. The bonus is payable in shares and will be reinvested pursuant to the SOP Bonus Arrangements.

Proposed Directors' Letters of Appointment and Service Agreements

11.3 A letter of appointment with Mr David Tsur was entered into on 27 January 2021 under the terms of which Mr Tsur has agreed to act as a Non-Executive Chairman of the Company. The letter of appointment will be for an initial period of one year effective from Admission unless terminated by either party giving to the other not less than one months' notice in writing, such notice not to be given before 12 months after the date of Admission. The fee payable to Mr Tsur is £12,000 per annum. The Director's fees will be reviewed on the first anniversary of Admission.

11.4 On 27 January 2021 Mr Avihu Tamir entered into a service agreement with, Kanabo Research Limited under the terms of which he shall be employed as chief executive officer of the Enlarged Group and his appointment as a director of the Company. The service agreement will be for an initial period of one year, effective from Admission, unless terminated by either party giving to the other not less than six months' notice in writing. The fee payable is £90,000 per annum payable

in monthly arrears and will be reviewed annually. The service agreement also provides that the Company may pay Mr Tamir bonuses from time to time, subject to approval by the Board. The agreement provided that Mr Tamir would receive a bonus of £40,000, on the date of execution, recognition of his services to the Company.

11.5 A letter of appointment with Mr Uziel Danino was entered into on 27 January 2021 under the terms of which Mr Danino has agreed to act as a Non-Executive Director of the Company. The letter of appointment will be for an initial period of one year effective from Admission unless terminated by either party giving to the other not less than one months' notice in writing, such notice not to be given before 12 months after the date of Admission. The fee payable to Mr Danino is £12,000 per annum. The Director's fees will be reviewed on the first anniversary of Admission.

11.6 A letter of appointment with Mr Andrew Morrison was entered into on 27 January 2021 under the terms of which Mr Morrison has agreed to act as a Non-Executive Director of the Company. The letter of appointment will be for an initial period of one year effective from Admission unless terminated by either party giving to the other not less than one months' notice in writing, such notice not to be given before 12 months after the date of Admission. The fee payable to Mr Morrison is £24,000 per annum. The Director's fees will be reviewed on the first anniversary of Admission.

12. Premises

Spinnaker

12.1 Spinnaker is registered in England and Wales at registered address 59-60 Russell Square, London WC1B 4HP. This is a service address only.

Kanabo

12.2 Kanabo entered into a lease of a property which serves as its R&D Lab located at 4 Pinhas Sapir 3 St, Wiezmann Science Park, Ness Ziona, Israel. Further details of these arrangements are summarised in paragraphs 19.8 of this Part.

12.3 Kanabo has a lease for offices at 2 Eliezer Kaplan Street, Tel Aviv-Yafo, Tel-Aviv, Israel. This has a monthly cost of NIS 11,000. This lease expires on 31 December 2021 and has a break clause of 30 days advance notice.

13. Litigation

13.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the past, significant effects on the financial position or profitability of the Company.

13.2 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the past, significant effects on the financial position or profitability of Kanabo.

14. Dilution of Ordinary Share Capital

14.1 The issue of the Consideration Shares, the Placing Shares, Conversion Shares, the Subscription Shares, the Fee Shares, Harpur Investor Shares, and the SOP Bonus Shares will constitute 91.84 per cent. of the Enlarged Issued Share Capital and the interests of Existing Shareholders will be diluted accordingly.

15. Issue of new shares

15.1 At the General Meeting, notice of which is set out in the Prospectus, Shareholders will be asked to authorise the Directors to issue the following shares on a non pre-emptive basis: (i) the Placing Shares, the Subscription Shares, Consideration Shares, Conversion Shares, Deferred Consideration Shares, Fees Shares and the SOP Bonus Shares; and (ii) a general dis-application of pre-emption rights and authority from RTO Admission e.g. 20% of the Enlarged Ordinary Share Capital.

15.2 If the resolutions at the General Meeting are passed, the authorities relating to the exercise of all existing options and warrants will be renewed and the Directors will be authorised to issue: (i) the Financial Adviser Warrants; (ii) the RTO Warrants; and (iii) new options to the Directors, Proposed Directors and employees as described in paragraph 4.12 and 4.13 of this Part XII.

16. Related party transactions

16.1 Other than the subscriptions by the Directors, there have been no related party transactions between the Company and any Director.

17. Squeeze Out and Sell Out

Squeeze Out

17.1 Under the Companies Law, if an offeror were to acquire or contract to acquire 90 per cent. of the shares to which the offer relates within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Law must, in general, be the same as the consideration that was available under the takeover offer.

Sell Out

17.2 The Companies Law would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who made a takeover offer. If a takeover offer related to all the shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

17.3 The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her right, the offeree is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed. There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

18. Material contracts – Spinnaker

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company since its incorporation which (i) are, or may be, material to the Company; or (ii) contain obligations or entitlements which are, or may be, material to the Company as at the date of this Document.

18.1 ***Share Purchase Agreement***

On 2 December 2019, the Company announced the execution of a share purchase agreement pursuant to which it had agreed to conditionally acquire the entire issued share capital of Kanabo. The long stop date for the consummation of the transaction expired due to the effluxion of time.

On 17 December 2020, the parties entered into the Share Purchase Agreement ("**Exchange**") on substantially the same terms as the former share purchase agreement. As at Exchange, Kanabo had procured signatures of Sellers representing over 70 per cent. of the issued share capital of Kanabo. By 17 December 2020, the Company had obtained signatures from Sellers representing 100% of the issued share capital of Kanabo, either by executing a copy of the share purchase agreement or a Joinder.

Conditions under the Sale and Purchase Agreement

Completion of the Kanabo Acquisition was made subject to and conditional upon the satisfaction of certain conditions (provided that such conditions are satisfied by no later than the Long Stop Date) including inter alia:

- completion of the Acquisition is conditional upon Admission occurring no later than the Long Stop Date (**Admission Condition**);
- there being granted on terms reasonably satisfactory to the Company and the Concert Party a waiver by the Panel of any requirement under Rule 9 of the Takeover Code that would otherwise arise on the Concert Party to make a general offer to the Company's shareholders as a result of the issue to the Concert Party of the Consideration Shares, the Deferred Consideration Shares and the exercise of the Concert Party Options (**Rule 9 Waiver**);
- the passing of the Resolutions at the General Meeting (**GM Condition**);
- the successful completion of the Fundraising;
- no person (being a governmental or regulatory authority) having enacted any legislation (including any subordinate legislation) which would prohibit, materially restrict or materially delay of the implementation of the Transaction or the operations of Kanabo;
- receipt of the Israeli Tax Clearance in such form being to the reasonable satisfaction of the Kanabo Shareholders;
- in relation to the R&D License, Kanabo having obtained all relevant consents, approvals and authorisations that are required to ensure that the transactions contemplated in the Share Purchase Agreement shall not result in the either the revocation or modification of the R&D Licenses; or
- having entered into an agreement or arrangement pursuant to which the Company shall be able to undertake the same activities contemplated under the R&D License and as described in the Prospectus irrespective of whether the existing R&D Licenses are subject to revocation or modification as a result of the transaction.
- the execution by each of the Significant Shareholders of the Significant Shareholders Lock-in Agreement;
- the execution by each of the Lock-in Directors of the Directors Lock-In Agreement;
- the Execution by Avihu Tamir of the Relationship Agreement; and
- the Placing Agreement having been entered into and having become unconditional in accordance with its terms (except any condition relating to Admission or to this Agreement becoming unconditional) and not having lapsed or been terminated in accordance with its terms.

As at the date of this Document, certain conditions have been satisfied and completion of the Acquisition remains conditional upon satisfaction of the Rule 9 Waiver, the Admission condition and the GM Condition. Kanabo has obtained provisional approval for the Acquisition in relation to the R&D Licences.

Consideration and Deferred Consideration

In consideration for the Kanabo Acquisition, the Company had agreed on Admission to issue and allotment of up to a maximum of 230,769,210 Consideration Shares to each Seller who is made a party to the Share Purchase Agreement at the Fundraising Price, representing an aggregate amount of £14,999,998.65.

The Sellers will be entitled to receive additional consideration to be satisfied by the issue and the allotment of up to 38,461,492 new Ordinary Shares at the Fundraising Price (the "**Contingent Consideration**") (the "**Deferred Consideration Shares**"), subject to and conditional upon the

satisfaction of certain milestones. The milestones are as follows (the "**Milestones**" and each a "**Milestone**"):

(a) submission of a valid application for approval to undertake the VapePod Medical Safety Testing including the submission of detailed protocols;

(b) approval of a full European CE Mark file for registration of the VapePod Medical, as a medical device;

(c) sale of one of the Company's Medical Cannabis Products in the Primary Markets;

(d) first commercial sales in the Primary Markets of a new product line to add to Kanabo's range of Retail CBD Products, including, inter alia, new CBD oil formulation(s) and or new delivery system for consumer use of the CBD oil formulation(s).

If one Milestone is satisfied by 30 August 2021, the Company will issue and allot to the Kanabo Shareholders, in aggregate, 19,230,746 Ordinary Shares (issued at the Fundraise Price) representing 50 per cent. of the Contingent Consideration. If Kanabo satisfies two or more of the Milestones by 30 August 2021, the Company will issue and allot to the Kanabo Shareholders, in aggregate, 38,461,492 Ordinary Shares in satisfaction of the Contingent Consideration. In the event that Kanabo does not satisfy any of the Milestones by 30 August 2021, the Kanabo shareholders shall not be entitled to receive any Contingent Consideration.

General

Under the Sale and Purchase Agreement, the Sellers have provided basic title and capacity warranties to the Company and Kanabo has provided various customary warranties in relation to its business. The warranties provided under the Sale and Purchase Agreement on Exchange shall be repeated on Completion. The Sale and Purchase Agreement also includes restrictions on the conduct of Kanabo and its business between Exchange and Completion.

The Company may terminate at any the prior to Completion of the Acquisition, without prejudice to any other rights or remedies it has, if the Company or the Sellers have breached any of the warranties or other terms of the Sale and Purchase Agreement which are material to the transaction.

The Sale and Purchase Agreement is governed by the laws of England and Wales and the parties have irrevocably submitted to the exclusive jurisdiction of the courts of England and Wales in relation to any actions or proceedings arising out of the Sale and Purchase Agreement.

18.2 ***Option & Trust Deed Agreements***

Altshuler Shaham Benefits Ltd ("Altshuler") and Kanabo have entered into an trust agreement dated April 5, 2020, pursuant to which all options held by Israeli employees and all underlying shares will be held in trust by Altshuler to allow such employees to enjoy the tax benefits under Section 102 of the Israeli Tax Ordinance.

In addition, Altshuler and certain Kanabo shareholders have entered or will enter into a trust agreement pursuant to which Altshuler will hold in trust the Consideration Shares in accordance with the provisions of Section 103K of the Israeli Tax Ordinance and the provisions of the Tax Clearance. The function of the trust is to ensure compliance with the Tax Clearance issued by the Israeli Tax Authority in connection with the Acquisition and the provisions of Section 103K of the Israeli Tax Ordinance.

The trust agreements shall be governed by the laws of Israel.

18.3 ***Placing Agreement***

On 29 January 2021, the Company (1), the Directors (2) and Peterhouse (3) entered into the Placing Agreement.

The Placing Agreement is conditional, inter alia, upon Admission taking place on or before 8.00am on the Long Stop Date or such later date as Peterhouse and the Company may agree, but in any event not later than 15 March 2021.

In consideration of their agreeing to use reasonable endeavours to procure Placees, the Company shall pay Peterhouse commission on funds procured from certain investors pursuant to the Placing, together with a corporate finance fee for acting as the Company's financial adviser.

The Company and the Directors and Proposed Directors have given certain warranties as to the accuracy of the information contained in this document and other matters in relation to the Company, and the Company has given certain customary indemnities to Peterhouse. Peterhouse may terminate the Placing Agreement in certain specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or any of the warranties contained in it or any failure by the Directors, the Proposed Directors or the Company to comply with their obligations which is, or will be, in the opinion of Peterhouse, materially prejudicial in the context of the Placing.

The Directors and Proposed Directors have agreed with the Company that, save in certain limited circumstances, they shall not dispose of any interest in Ordinary Shares for a period of twelve months from the date of Admission.

The Placing Agreement is governed by the laws of England and Wales.

18.4 ***Lock-in and orderly market agreements***

Directors Lock-in Agreement

Pursuant to a lock-in agreement dated 27 January 2021, between: (1) the Company and (2) Locked-in Directors, the Locked-in Directors have agreed that (subject to certain exceptions) they will not for a period of 12 months from Admission ("**Locked-in Period**") dispose of, or agree to dispose of, any interest in Ordinary Shares held by them. For a further period of 6 months after the Locked-in Period each Locked-in Director has agreed that they will not will not dispose or agree to dispose of any interest in the Ordinary Shares held by them without written consent of the Company (such consent not to be unreasonably withheld), and such proposed disposal shall be in such a manner as the Company requires with a view to maintaining an orderly market in the shares of the Company.

Significant Shareholders Lock-in Agreements

Pursuant to a lock-in agreement dated 27 January 2021, between (1) the Company and (2)

- any Kanabo shareholder receiving Consideration Shares who, on Admission, shall hold more than 2.0% but less than 5% of the issued share capital of the Company on Admission (the "**Significant Shareholders**"), have agreed that (subject to certain exceptions) they will not during the period of 6 months from Admission dispose of, or agree to dispose of, any interest in Ordinary Shares held by them. For a further period of 6 months, each Significant Shareholder has agreed that they will not will not dispose or agree to dispose of any interest representing 50% of their Ordinary Shares during that period (subject to certain customary exceptions) and that they will not will not dispose or agree to dispose of any interest representing the balance of 50% of the Ordinary Shares held by them without written consent of the Company, (such consent not to be unreasonably withheld) and such proposed disposal shall be in such a manner as the Company requires with a view to maintaining an orderly market in the shares of the Company;

- any Kanabo shareholder receiving Consideration Shares who, on Admission, shall hold more than 5.0% of the issued share capital of the Company on Admission have agreed that (subject to certain customary exceptions) they will not during the period of 12 months from Admission dispose of, or agree to dispose of, any interest in Ordinary Shares held by them. For a further period of 6 months, each Significant Shareholder has agreed that they will not will not dispose or agree to dispose of any interest in months from Admission dispose of, or agree to dispose of, any interest in Ordinary Shares held by them without the consent of the Company, (such consent not to be unreasonably withheld).

Lock-in Restrictions Applicable to Kanabo Shareholders under the Share Purchase Agreement

In accordance with the terms of the Share Purchase Agreement dated 17 December 2020,each Kanabo shareholder (entitled to receive Consideration Shares) holding less than 2.0% of the issued share capital of the Company on Admission and being defined as not an EEA Shareholder under with the terms of the Share Purchase Agreement (**Non-EEA Minority Shareholder**) shall undertake to the Company and Peterhouse that for a period of 6 months following Admission they shall not sell, transfer or otherwise dispose of any of the Consideration Shares held by them, or enter into any agreement to do so (subject to certain exceptions) and following that period, for a further period of six months, each non EEA Minority Shareholder undertakes to the Company and Peterhouse that they shall not make any disposal of any Ordinary Shares held by them without the consent of the Company and any such disposal shall be made in such a manner as the Company may reasonably require with a view to ensuring the maintenance of an orderly market in the Company's Shares.

Kanabo shareholders who are entitled to receive Consideration Shares being defined as an EEA Shareholder under the Share Purchase Agreement and holding less than 2.0% of the issued share capital of the Company on Admission shall not be subject to any lock-in or orderly market restrictions.

18.5 ***Relationship Agreement***

Avihu Tamir (the "**Covenantor**") and the Company entered into a Relationship Agreement dated 27 January 2021 to regulate the relationship between the Company and the Covenantors with effect from Admission. The Relationship Agreement contains customary terms and conditions, including a requirement that any transactions or arrangements proposed to be entered into between any Convenantor or his associates and the Company be transacted on arms' length terms and approved by the Directors other than any interested Covenantor who is also a Director. In addition, the Covenantor has agreed that there will be at all times a majority of independent Directors (as such term is defined in the Relationship Agreement). The Relationship Agreement will remain in full force and effect so long as the Covenantors' aggregate shareholding in the Company exceeds 25 per cent.

18.6 ***Peterhouse Engagement Letter***

Pursuant to an engagement letter dated 26 February 2019 between the Company (1) and Peterhouse (2), Peterhouse agreed to act as financial adviser and broker to the Company for the purposes of, and following, Admission.

In consideration of its services, Peterhouse shall be paid the following fees: (a) a transaction fee of £80,000 of which £40,000 is payable on execution of the engagement letter and the balance of £40,000 is payable on Admission and to be satisfied in Ordinary Shares at the Placing Price (the "**Fee Shares**"); (b) a commission at 5 per cent of the gross amount of any funds raised by Peterhouse and 1 per cent. of the gross amount of any funds raised by the Company or third parties; (c) Warrants to be granted to Peterhouse equal to 0.75 per cent. of the Enlarged Issued Share capital ("**Financial Adviser Warrants**"); and (d) annual retainer fee of £25,000.

Following Admission, the appointment of Peterhouse shall be for an initial term of eighteen months and shall continue thereafter until terminated by either Peterhouse or the Company giving the other three months' written notice.

18.7 ***SI Broker Engagement Letter and Addendum***

On 14 December 2017, the Company entered into an engagement letter pursuant to which it had appointed SI Capital as a joint broker. On 20 January 2021, the Company and SI Capital entered into an addendum to the engagement letter pursuant to which it was agreed that SI Capital would receive a service fee of £35,000 for acting as a placing agent in connection with the Placing and it would be entitled to commission representing 5 per cent. of the funds raised by SI Capital in connection with the Placing.

18.8 ***Loan Notes***

On 19 March 2020, the Company raised £125,000 through the issue of convertible loan notes over a total of 2,500,000 Ordinary Shares exercisable at the Conversion Price on the date on which the Company's Ordinary Shares are re-admitted to trading. On 6 April 2020, the Company raised an additional £40,000 through the issue of further convertible loan notes over a total of 800,000 Ordinary Shares on the same terms. Together the loan notes issued on the 19 March 2020 and on the 6 April 2020, shall be collectively referred to as the "**Loan Notes**".

18.9 ***Investor Warrants***

In consideration for the subscription for the Loan Notes described in paragraph (immediately above) of this Part, the Company granted to the Noteholders a warrant to subscribe for one Ordinary Shares for every two Conversion Shares issued to the Noteholder. The warrants are exercisable at the Conversion Price and will be valid for a period of three years.

18.10 ***RTO Warrants***

Pursuant to a warrant instrument constituted by the Company on the date of this document, the Company shall, conditional on Admission, grant a warrant over one new Ordinary Share for every two Ordinary Shares registered in the name of an existing Shareholder of the Company as at the Record Date Of The RTO Warrants. The warrants granted under the terms of the RTO Warrant Instrument shall be exercisable in the period commencing on the date of Admission until the date 12 months after the date of Admission. The warrants shall be exercisable at 10 pence per Ordinary Share.

18.11 ***Financial Adviser Warrants***

On 27 January 2021, the Company entered into the Financial Adviser Warrant Deed entitling Peterhouse to warrants over a number of Ordinary Shares, representing approximately 0.75 per cent. of the Enlarged Issued Share Capital in accordance with their engagement letter. The warrants are exercisable at the Fundraising Price, exercisable for a period of 7 years from the date of Admission.

18.12 ***Share Schemes and Individual Share Option Contracts***

On 25 April 2017, the Company established a Share Option Scheme under which the Company may grant options over the Ordinary Shares to the Directors and the Retained Advisers from time to time. On 27 January 2021, the Company has adopted a new share option scheme which has been designed to include persons who are tax resident in Israel. Under the terms of these option schemes, the Board may grant Options over shares equivalent to ten per cent. of the Company's issued share capital from time to time.

19. Material contracts – Kanabo

The following are the only contracts (not being contracts entered into in the ordinary cause of business) which have been entered into by Kanabo since the incorporation of the Company which (i) are, or may be, material to the Company; or (ii) contain obligations or entitlements which are, or may be, material to the Company as at the date of this Document.

19.1 ***Facility Agreement with the Company***

On 2 December 2019, the Company and Kanabo entered into a facility agreement pursuant to which the Company had agreed to make available a secured facility to Kanabo for general working capital purpose and to assist with the execution of its business plan in the period up to Admission. The Company provided an initial advance of £100,000 on 2 December 2019, a second advance of £100,000 on 21 January 2020, a third advance of £100,000 on 19 March 2020 and a fourth advance of £100,000 on 18 December 2020, bringing the total loan funding to £400,000 as at the date of this Document. The facility has been secured by a fixed charge over certain assets and Kanabo in favour of the Company. The facility is governed by English Law and the English Courts shall have extensive jurisdiction to resolve any dispute.

Arrangements with Suppliers and Manufacturers

19.2 ***Manufacturing agreement with KAB Global Distribution Limited (UK)***

Kanabo and KAB Global Distribution Limited ("**KAB Global**") entered into a manufacturing agreement dated 1 August 2019. The agreement sets out the terms on which Kanabo will order, and KAB Global will manufacture, package and supply certain VapePod cartridge products (the Products) in the U.K. and the E.U. Kanabo grants KAB Global a license to use its trademarks for the purposes of manufacturing and affixing the same to the Products. The agreement is non-exclusive in respect of Kanabo, but KAB Global is prevented from supplying the Products to third parties. The agreement continues in force until terminated by either party on 90 days' written notice, or in the event of a material breach which is not remedied.

19.3 ***Exclusive distribution agreement with Jupiter Research LLC***

Kanabo and Jupiter Research LLC ("**Jupiter**") entered into an exclusive distribution and manufacture agreement dated 28 October 2020 ("**Jupiter Agreement**") for an initial term of three years'.

Jupiter is responsible for the manufacturing and assemblage of both the VapePod Devices, and the Jupiter Agreement confers on Kanabo certain distribution rights in respect of those products.

Jupiter manufactures both of the VapePod Devices through contract manufacturing with Smoore Technologies.

Under the terms of the Jupiter Agreement, Jupiter and Kanabo have agreed to use their best efforts to obtain a CE Mark (registration as a medical device) for the VapePod Medical in Israel, the United Kingdom and the European Union. Under the terms of the agreement, Jupiter and Kanabo will each contribute 50% towards the costs of obtaining such certification and the costs of the trials to be conducted in relation to the VapePod Medical, as described in the Prospectus. If the parties are successful in obtaining a CE Mark for the VapePod Medical ("medical certification"), such registration and any associated documentation will be jointly owned by Kanabo and Jupiter.

Kanabo shall have the exclusive right to distribute the VapePod Devices in the Licence Areas until the earlier of 12 months and or obtaining a medical certification for the VapePod Medical. Thereafter, Kanabo's exclusivity will extend for subsequent 12 month periods during the term of the Agreement subject to meeting certain minimum order requirements in the Licence Areas. Upon the expiration of the Jupiter Agreement, Kanabo shall have a right of first refusal, to remain the exclusive distribution partner of Jupiter for the VapePod Devices on terms to be agreed. If Kanabo fails to meet these requirements in any of the Licence Areas, Kanabo will be able to continue to sell the VapePod Devices on a non-exclusive basis in that Licence Area(s). Furthermore, if Kanabo invests a total of $200,000 towards the trials associated with the VapePod Medical (described in the Prospectus), Kanabo will have the exclusive right to distribute the VapePod Devices in Israel for a period of 5 years and a non-exclusive right to sell the VapePod Devices in the United Kingdom and the European Union.

Each party remains the owner of any intellectual property it has developed during the course of the agreement. The agreement is governed by and construed in accordance with the laws of England and Wales.

Arrangements with Distributors

19.4 ***Distribution Agreement with Four 20 Pharma GMBH (Germany)***

On 1 September 2019, Kanabo entered into a distribution agreement with Four 20 Pharma GmbH, under which Kanabo granted a license to Four 20 Pharma to package and distribute the VapePod in Germany. The license granted is exclusive for the term of the agreement in respect of Germany in respect of distribution to pharmacies. There are no royalty payments enumerated as payable in respect of such distribution.

The agreement is for a term of 18 months from the date of signature and shall renew automatically for additional consecutive 12 month periods unless notice is given by either party 60 days prior to expiry of the relevant 12 month period. The agreement contains standard

termination provisions. The agreement is governed by the laws of the Federal Republic of Germany.

19.5 ***Distribution Agreement with Clear Medica (UK)***

On 1 April 2019, Kanabo entered into a wholesale agreement with ClearMedica Corporation ("**ClearMedica**") pursuant to which Kanabo granted ClearMedica the right to sell the Vape Pod in the UK on a non-exclusive basis for the term of the agreement.

ClearMedica purchases the VapePod from Kanabo by submitting Purchase Orders and undertake to use best efforts to promote, distribute and sell the VapePod at its expense. No royalty payments are due to Kanabo in respect of sales of the VapePod. Kanabo undertakes to supply the VapePod and furnish to ClearMedica certain sales, marketing, promotional materials, training, technical data and other sales aids and information to facilitate the effective selling of the Product.

The agreement is for an initial term of 12 months and automatically renews for an additional 12 month periods until terminated by either party giving at least 60 days' notice, prior to expiration of the relevant 12 month period. The agreement is governed by and construed exclusively in accordance with the laws of the State of Israel.

19.6 ***Distribution Agreement with Simply Green***

On 1 July 2020, Kanabo entered into a wholesale agreement with Simply Green B.V pursuant to which Kanabo granted Simply Green the right to sell the VapePod and Kanabo's CBD Products in Germany during the term of the agreement. The exclusivity based on minimum purchasing of Kanabo's CBD products and the VapePod, and through sale channels to wellness and health-stores (but excluding pharmacies).

Simply Green purchases the products from Kanabo by submitting Purchase Orders and undertakes to use best efforts to promote, distribute and sell the products at its expense. Kanabo undertakes to supply the products and furnish to Simply Green certain sales, marketing, promotional materials, training, technical data and other sales aids and information to facilitate the effective selling of the products.

The agreement is for an initial term of 12 months and automatically renews for an additional 12-month period until terminated by either party giving at least 60 days' notice, prior to expiration of the relevant 12 month period. The exclusivity subject to Simply Green meeting the minimum requirements set in the agreement. The agreement is governed by and construed exclusively in accordance with the laws of England and Wales

19.7 ***Distribution Agreement with Elite HealthCare distribution Ltd.***

On 5 March 2020, Kanabo entered into a wholesale agreement with Elite HealthCare distribution Ltd. pursuant to which Kanabo granted Elite HealthCare the right to sell the VapePod and Kanabo's CBD Products in the UK on a non-exclusive basis for the term of the agreement.

Elite HealthCare purchases the products from Kanabo by submitting Purchase Orders and undertakes to use best efforts to promote, distribute and sell the products at its expense. Kanabo undertakes to supply the products and furnish to Elite HealthCare certain sales, marketing, promotional materials, training, technical data and other sales aids and information to facilitate the effective selling of the products.

The agreement is for an initial term of 12 months and automatically renews for an additional 12-month period until terminated by either party giving at least 90 days' notice, prior to expiration of the relevant 12 month period. The agreement is governed by and construed exclusively in accordance with the laws of England and Wales.

Other Commercial Arrangements

19.8 ***R&D Lab Lease***

Kanabo entered into a lease agreement with Daren Labs, pursuant to which it agreed to take a lease of lab room number 4 at Pinhas Sapir 3 St, Wiezmann Science Park, Ness Ziona, Israel

(the "**R&D Lab**"), for a period of 14 months From 1 September 2019, with an option to extend for an additional 12 months thereafter.

19.9 ***Finder agreement with Brian Levenstein***

Kanabo and Brian Levenstein ("**Levenstein**") entered into a finder's agreement dated 20 November 2017. Pursuant to which Levenstein will provide fundraising services to Kanabo. If any entities introduced by Levenstein make an investment, Levenstein shall be entitled to 3% of the first US$1.5 million of the consideration received by Kanabo and 5% of all amounts raised above US$1.5 million. If the investment consideration is cash equivalent instead of cash, Levenstein shall receive 3% of the cash equivalent. Kanabo shall pay the amount that Levenstein is entitled to within 14 days of receipt of the consideration. Levenstein shall not be entitled to any other fees, including reimbursement for expenses.

19.10 ***Finders agreement with Rafi Cohen***

Kanabo and Rafi Cohen ("**Cohen**") entered into a finder's agreement dated 30 August 2018 pursuant to which Cohen would provide fundraising services to Kanabo. If any entities introduced by Cohen make an investment, Cohen shall be entitled to 3% of the first US$1.5 million of the consideration received by Kanabo. Cohen shall be entitled to 5% of all amounts raised above US$1.5 million. If the investment consideration is cash equivalent instead of cash, Cohen shall receive 3% of the cash equivalent. Kanabo shall pay the amount that Cohen is entitled to within 30 days of receipt of the consideration. Cohen is not entitled to any other payments.

19.11 ***Finder agreement with Omry Man***

Kanabo and Omry Man ("**Omry**") entered into a finder's agreement dated 26 December 2017 pursuant to which Omry would provide fundraising services to Kanabo. If any entities introduced by Omry make an investment, Omry shall be entitled to 5% of all amounts raised. If the investment consideration is cash equivalent instead of cash, Omry shall receive 5%/3% of the cash equivalent. Kanabo shall pay the fee within 30 days of receipt of the consideration. Omry is not entitled to any other payments.

19.12 ***Finder agreement with Oakhill Ltd.***

On 1 June 2020, Kanabo entered into a finder's agreement to which Oakhill Ltd would provide business development services in Germany. If any entities introduced by Oakhill Ltd. sign a distribution agreement, Oakhill shall be entitled commission of from the selling price.

Oakhill Ltd is not entitled to any other payments.

19.13 ***Collaboration and Distribution Agreement with Seach Medical***

Seach Medical is a company traded on the Tel Aviv Stock Exchange under the symbol SEMG.TA. Kanabo is in advanced negotiations with Seach Medical in respect of a proposed collaboration and distribution arrangement. The agreement would contemplate, Kanabo providing its device, the VapePod Medical, to Seach in connection with its own research and development activities. Seach (similar to Kanabo) have established its own medical cannabis formulation and would like to use the VapePod Medical in connection with its own research and development activities.

If Seach's clinical research and development activities are successful and registration of the cannabis formulation product in Israel is successful, Seach will acquire exclusive rights to use the VapePod Medical and cartridges in Israel's medical cannabis program.

Seach Medical is an Israeli licensed producer for medical cannabis plants and products. The company has been supplying medical cannabis products to leading pharmaceutical brands, as well as dispensing to thousands of patients and pharmacies on a monthly basis since 2008. All of the company's products are cultivated and manufactured in accordance with the Ministry of Health's standards. The company holds a GAP, GMP and ISO 9001 certificates, in addition to licenses for cultivation, production and sales of medical cannabis products.

19.14 ***R&D Licences***

Kanabo has the benefit of the following R&D Licences granted by the MCU. The R&D Licences are granted pursuant to the Dangerous Drugs Ordinance 1973 and in accordance with the Dangerous Drugs Regulations 1979.

Kanabo holds the following licences which enables it to undertake research activities in respect of the formulation of cannabis oils and to conduct safety testing with its vaporisation device (the **Testing R&D Licence**):

Reference	Short Description	Activities Permitted	Practical Application	Date of Expiration/ Renewal
RDL-REQ152-190121	Development of Unique Cannabis Extracts	To conduct research on medicinal cannabis extractions and processes, including permissions to possess and handle cannabis for research purposes and to conduct laboratory work for pre-approved research activities	This license allows Kanabo to develop formulations of pure cannabis extracts with the appropriate physical properties for vaporising on a metered-dose Drug Delivery System (DDS). The formulations will not include harmful additives, non-cannabinoids/ non-terpenes, or combustible materials	19 January 2022
RDL-REQ153-190121	Safety Testing of VapePod Device	This License allows Kanabo to conduct quality and safety tests on vaporiser devices to determine the amount and the quality of the aerosol produced by the VapePod device. The device is tested to ensure dose composition and consistency and to ensure there are no toxic products of decomposition released with the aerosol.	Permits Kanabo to conduct safety and efficacy research on the medical device, including permissions to possess and handle cannabis for research purposes and to conduct laboratory work for pre-approved research activities	19 January 2022

20. Employees

20.1 Save for the Directors, the Company has not had any employees since incorporation.

20.2 Following Re-Admission, in addition to the Directors and the Proposed Directors, the Enlarged Group shall have 5 employees and 10 consultants.

21. Accounts and Annual General Meeting

21.1 The Company's annual report and accounts are made up to 31 December in each year, with the first annual report and account of the Company, which will consolidate the results of the Enlarged Group following Acquisition and Admission, covering the period from 1 January 2019 to 31 December 2019. The Company's annual report and accounts for the year ended 31 December 2019 were published on 11 March 2020.

21.2 It is expected that the Company will make public its annual report and accounts within four months of each financial year end (or earlier if possible) and that copies of the annual report and accounts will be sent to Shareholders within six months of each financial year end (or earlier if

possible). The Company will prepare its unaudited report for each six-month period ending 30 June. It is expected that the Company will make public its unaudited interim reports within two months of the end of each interim financial year.

21.3 The Company will hold its next annual general meeting approximately on or before June 2021.

22. Other Information

22.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during at least the previous twelve months from the date of this Document which may have or has had in the recent past significant effects on the Group's financial position or profitability.

22.2 The auditor of the Company is PKF Littlejohn LLP, whose registered address is at 15 Westferry Circus, London E14 4HD. Until 19 December 2018, Adler Shine LLP whose registered address is at Aston House, Cornwall Avenue, London N3 1LF was the auditor of the Company for the period covered by the financial information set out in Part VI (Historical Financial Information on the Company) until that date. PKF Littlejohn LLP and Adler Shine LLP are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

22.3 No exceptional factors have influenced the Company's or Kanabo's activities.

22.4 The expenses of Admission are estimated at £660,000 plus VAT and are payable by the Company, excluding amounts to be satisfied by the issue of New Ordinary Shares. The estimated net proceeds, after deducting fees and expenses in connection with Re-Admission and the Fundraise are approximately £5,340,000.

22.5 PKF Littlejohn LLP has given and not withdrawn its written consent to the inclusion, in the Document, of its accountants' reports on the historical financial information of the Company and Kanabo set out in Part VI and Part VII respectively of this Document and its accountants' report on the unaudited pro forma statement of net assets of the Company set out in Part IX of this Document and has authorised the contents of these reports for the purposes of item 1.3 of Annex 1 of the PR Regulation. In addition, PKF Littlejohn LLP has given and not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name.

22.6 Peterhouse has given and not withdrawn its written consent to the inclusion in this Document of references to its name.

22.7 Where information contained in this Document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

22.8 No Director or anyone with administrative, management or senior management roles in the Company has a conflict of interest between any duties they have to the Company and their private interests other than potential conflicts of interest regarding Directors' availability to allocate their time due to directorships held with other companies.

22.9 Unless otherwise stated, statements made in this Document are based on the law and practice currently in force in England and Wales and are subject to changes in relation thereto.

23. Availability of this Document

Following Admission, copies of this Document may be collected, free of charge during normal business hours, from the registered office of the Company.

In addition, this Document will be published in electronic form and be available on the Company's website at www.spinnakeropportunities.uk, subject to certain access restrictions applicable to persons located or resident outside the United Kingdom.

24. Documents available for inspection

24.1 Copies of the following documents will be available for inspection during normal business hours on any Business Day at the registered office of the Company. In addition, the following documents will be published in electronic form and be available on the Company's website at www.spinnakeropportunities.uk, subject to certain access restrictions applicable to persons located or resident outside the United Kingdom.

24.1.1 this Document;

24.1.2 Share Purchase Agreement;

24.1.3 the Memorandum of Association of the Company;

24.1.4 the accountant's report and related historical information on the Company contained in "Part VI – Financial Information on the Company" of this Document;

24.1.5 the service agreements and letters of appointment in respect of the Directors referred to in paragraph 11 set out in "Part XII – "Additional Information" of this Document;

24.1.6 the material contracts referred to in paragraph 18, 19 and 20 of this Part XII; and

24.1.7 the letters confirming the consents referred to in paragraph 28.5 and 28.6 of this Part XII.

Dated: 29 January 2021

PART XIII

DEFINITIONS

References to a "company" in this document shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established.

The following definitions apply throughout this Document unless the context requires otherwise:

Acquisition	means the acquisition of up to 100 per cent. of the issued share capital of Kanabo by the Company in accordance with the terms of the SPA further details of which are set out at paragraph 18 of Part XII (Additional Information);
Admission or **Re-Admission**	means admission of the Enlarged Issued Share Capital to the standard segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
Articles of Association or **Articles**	means the articles of association of the Company in force from time to time;
Brexit	means the UK's departure from the European Union which came into effect on 31 December 2020;
business day	means a day (other than a Saturday or a Sunday) on which banks are open for business in London;
certificated or **in certificated form**	means in relation to a share, warrant or other security, a share, warrant or other security, title to which is recorded in the relevant register of the share, warrant or other security concerned as being held in certificated form (that is, not in CREST);
CESR	Committee of European Securities Regulators, predecessor to the European Securities and Markets Authority (ESMA);
Cannabis	means a genus of aromatic herb plants belonging to the family Cannabaceae originating from Central Asia and now cultivated worldwide for medicinal, recreational and fibre uses, with the female plants being an abundant source of the psychoactive substance THC, and also known as marijuana;
Chairman	means from Admission David Tsur, or the Chairman of the Board from time to time, as the context requires, provided that such person was independent on appointment for the purposes of the UK Corporate Governance Code;
change of control	means the acquisition of Control of the Company by any person or party (or by any group of persons or parties who are acting in concert);
CiiTECH	CiiTECH Ltd;
Clear Medica	means Clear Medica Corporation;
CMPR	means all guidelines and directives made pursuant to Resolution 1587 (Cannabis for Medical Purposes and Research) adopted on June 2017 by the Israeli Government;
Companies Act	means the Companies Act 2006, as amended;
Company or **Spinnaker**	means Spinnaker Opportunities Plc, a company incorporated in England and Wales company registration number 10485105;

Concert Party	the members of the Concert Party set out in paragraph 4.1 of Part XI of this Document;
Consideration Shares	the 230,769,210 Ordinary Shares to be issued to the Sellers in connection with the Acquisition as set out in the SPA;
Control	means: (i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to: (a) cast, or control the casting of, more than 50 per cent. Of the maximum number of votes that might be cast at a general meeting of the Company; or (b) appoint or remove all, or the majority, of the Directors or other equivalent officers of the Company; or (c) give directions with respect to the operating and financial policies of the Company with which the Directors or other equivalent officers of the Company are obliged to comply; and/or (ii) the holding beneficially of more than 50 per cent. Of the issued shares of the Company (excluding any issued shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital);
Conversion Price	means £0.05 (5 pence) per Ordinary Share;
Conversion Shares	means the 3,300,000 Ordinary Shares to be issued and allotted to the Noteholders following the conversion of the Loan Notes;
CREST or **CREST System**	means the paperless settlement system operated by Euroclear enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments;
CREST Regulations	means The Uncertified Securities Regulations 2001 (SI 2001 No. 3755), as amended;
Dangerous Drugs Ordinance	means the Israeli Dangerous Drugs Ordinance New Version 5733-1973 (as amended);
Defaulting Seller	means a Seller that transfers his Ordinary Shares before the Board of the Enlarged Group determines that a milestone under the Share Purchase Agreement has been achieved;
Deferred Consideration Shares	Means a total of 38,461,492 Consideration Shares capable of being issued and allotted pursuant to the SPA;
Directors or Board or **Board of Directors**	means the directors and, if the context requires, the Proposed Directors of the Company, whose names appear at page 33 or the board of directors from time to time of the Company, as the context requires, and "Director" is to be construed accordingly;
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules of the UK Listing Authority made in accordance with section 73A of FSMA as amended from time to time;
Document	this prospectus;
EEA	means the European Economic Area;
EEA States	means the member states of the European Union and the European Economic Area, each an "EEA State";
Enlarged Group	means the Company and its subsidiary undertakings from time to time and Kanabo and its subsidiary undertakings from time to time;

Enlarged Issued Share Capital	means the ordinary share capital of the Company as enlarged by the New Ordinary Shares;
Enlarged Fully Diluted Share Capital	means 424,700,701 Ordinary Shares, representing the Existing Ordinary Share Capital as increased by the issue of the New Ordinary Shares and assuming the issue of the Deferred Consideration Shares, the exercise of all Existing Warrants, RTO Warrants, Financial Adviser Warrants, and New Options (capable of being exercised) prior to Admission;
Existing Ordinary Share Capital or **Existing Ordinary Shares**	means the 29,400,120 Ordinary Shares in issue immediately preceding the completion of the Acquisition and the Placing;
Existing Warrants	means the Investor Warrants;
EU	means the Member States of the European Union;
EUWA	European Union (Withdrawal Agreement) Act 2020;
Euroclear	means Euroclear UK & Ireland Limited;
FCA	means the Financial Conduct Authority;
Fee Shares	means the Peterhouse Engagement Letter fee shares as described in paragraph 18.7 of Part XII ("Additional Information");
Financial Adviser Warrants	means the warrants over Ordinary Shares issued to Peterhouse, as particularly described in paragraph 18.11 of Part XII ("Additional Information");
Four 20 Pharma	means Four 20 Pharma GMBH (Germany);
Form of Proxy	means the form of proxy which is enclosed with this Document for use by existing Shareholders in connection with the General Meeting;
Fully Diluted Issued Share Capital	means 32,770,120 Ordinary Shares, representing the Existing Ordinary Share Capital and the shares issued as part of the exercise of the options held by the current Directors and those Existing Warrants and Loan Notes held by Anthony Harpur;
Fundraise or **Fundraising**	together the Placing and the Subscription;
Fundraise Price	means £0.065 per Ordinary Share;
Fundraise Proceeds	means £6,000,000, being the gross funds received on closing of the Fundraise;
Fundraise Shares	means the Ordinary Shares to be issued pursuant to the Fundraise;
FSMA	means the Financial Services and Markets Act 2000, as amended;
General Meeting	means the general meeting of the Company proposed to be held at the offices of Hill Dickinson LLP, The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW on 15 February 2021, the notice of which is set out in this Document;
Harpur Investor Shares	means the 250,000 shares issued as a result of the cash exercise of the Investor Warrants held by Anthony Harpur and which are not included in the SOP Bonus Arrangement, as further described in paragraph 4.10 of Part XII ("Additional Information");

IFRS	means International Financial Reporting Standards, as adopted by the European Union;
Independent Non-Executive Director	means the non-executive directors of the Board from time to time considered by the Board to be independent for the purposes of the UK Corporate Governance Code;
Independent Shareholders	means those shareholders independent of the Acquisition who are capable of voting on the Whitewash Resolution pursuant to the Takeover Code, being all of the shareholders of the Company other than the Directors and any existing shareholder of the Company who is participating in either the Placing or the Subscription;
Interested Party	means, in relation to the Company, (i) a person holding 5% or more of that Company's issued share capital or the voting rights therein; (ii) a person with the power to appoint one or more directors or the general manager of that Company; or (iii) a person who serves in the Company as a director or general manager, as specified in Israeli Companies Law;
Issued Share Capital	means the total number of Ordinary Shares in issue from time to time;
IPO Admission	means the admission of the Company on 17 May 2017 to the Standard Segment of the Official List and the issue of 24,000,000 Ordinary Shares pursuant to a placing and subscription, at a price of 5 pence per Ordinary Share;
Investor Warrants	means the warrants issued to the Note Holders in consideration for their subscription for Loan Notes,
IMH or **Ministry of Health**	means the Israeli Ministry of Health, the ministry of the Israeli government responsible for formulating health related policies and planning, licensing, supervising, and coordinating the country's healthcare services;
Israeli Tax Authority	means the taxation authority in Israel, a division of the Israeli Ministry of Finance;
Joinder	means a joinder issued pursuant to the SPA, for the purpose of joining a Seller to the SPA;
Jupiter	means Jupiter Research LLC;
KAB Global	means KAB Global Distribution Limited;
Kanabo	means Kanabo Research Limited, a company registered in Israel;
Last Practicable Date	means the Last Practicable Date prior to publication of this Document, being 28 January 2021;
Licence Areas	means Israel, the European Union and the United Kingdom;
Listing Rules	means the listing rules made by the FCA under section 73A of FSMA as amended from time to time;
Loan Facility	the agreement between the Company and Kanabo in respect of a total loan commitment of £400,000 as at the date of this Document, comprising an initial advance of £100,000 made on 2 December 2019, a second advance of £100,000 made on 21 January 2020, a third advance of £100,000 made on

	19 March 2020 and a fourth advance of £100,000 made on 18 December 2020;
Loan Notes	means the convertible loan notes issued by the Company to the Noteholders, as more particularly described in paragraph 18.8 of Part XII ("Additional Information");
Locked-in Directors	means the Proposed Directors and Andrew John Gowdy Morrison, as a continuing director;
London Stock Exchange	means London Stock Exchange Plc;
Long Stop Date	means the long stop date of 17 March 2021, (unless extended by the mutual consent of the parties to the SPA for a period of not longer than six-months), under the SPA;
Main Market	means the regulated market of the London Stock Exchange for listed securities;
Market Abuse Regulation	means Regulation No 596 (2014 of the European Parliament and of the Council on market abuse);
Medical Cannabis	refers to the use of Cannabis and its constituent cannabinoids to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications;
Medical Cannabis Products	means together the Unlicensed Medical Cannabis Oils and the VapePod Medical;
MCU	means the Medical Cannabis Unit of the Israeli Ministry of Health;
MDA 1971	means the Misuse of Drugs Act 1971;
MDR 2001	means the Misuse of Drugs Regulations 2001 (S.I. 2001/3998);
MHRA	means the Medicines Healthcare Regulatory Products Agency;
Nabinnol	means one of Kanabo's Unlicensed Medical Cannabis Oils which targets insomnia and other sleep related disorders;
Net Proceeds	means the Fundraise Proceeds less any approximate expenses paid or payable in connection with Admission, the Fundraising and the Acquisition;
Nabinnol	means Kanabo's unlicensed Medical Cannabis Oil "Nabinnol" which has been formulated to treat insomnia and other sleep related disorders;
Noteholders	means the holders of the Loan Notes issued by the Company;
New Options	means a total of 7,458,102 options over Ordinary Shares issued on Admission (excluding the options being exercised as part of the SOP Bonus Share issue on Admission) under the terms of the option agreements more particularly described in paragraph 4.12 and 4.13 of Part XII ("Additional Information");
New Ordinary Shares	means together, the Conversion Shares, Fundraise Shares, Consideration Shares, the SOP Bonus Shares, the Harpur Investor Shares and the Fee Shares;
New Share Option Scheme	means the new share option scheme established by the Company on 27 January 2021 under which options will be granted for the Enlarged Group following Admission;

Official List	means the official list of the UK Listing Authority;
Option Holders	means the holders of Options granted under the terms of the Share Option Scheme;
Options	means the options to acquire Ordinary Shares granted to Option Holders;
Ordinary Shares	means the ordinary shares of £0.025 each in the capital of the Company including, if the context requires, the New Ordinary Shares;
Peterhouse	means Peterhouse Capital Limited, Financial Adviser and Rule 3 Adviser to the Company, which is authorised and regulated by the FCA;
The Panel	the Panel on Takeovers and Mergers;
Pilot	means the pilot currently being undertaken by Kanabo and the Enlarged Group from Admission as more particularly defined in paragraph 10 ("Business Plan") of Part I;
Placee	means a person subscribing for Placing Shares under the Placing;
Placing	means the proposed placing of the Placing Shares by Peterhouse and SI Capital Limited as agents for the Company;
Placing Price	means £0.065 per New Ordinary Share;
Placing Shares	means the 82,692,309 Ordinary Shares to be issued pursuant to the Placing;
POCA	means the Proceeds of Crime Act 2002;
Pods	means the tamper proof, non-refillable cartridges in which Kanabo's Retail CBD Oils will be filled and sold;
Premium Listing	means a premium listing under Chapter 6 of the Listing Rules;
Primary Markets	means the primary markets in which Kanabo sells its Retail CBD Products, being the United Kingdom and Germany;
Proposals	the Acquisition, the Rule 9 Waiver, the change of the Company's name to "Kanabo Group plc", the Placing, the Subscription and the passing of the Resolutions and Admission
Proposed Directors	means each of David Tsur, Avihu Tamir and Uziel Danino, all of whom are to be appointed as Directors of the Company with effect from Admission;
Prospectus Regulation	the UK version of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, which is part of UK law by virtue of the EUWA;
Prospectus Regulation Rules	means the prospectus regulation rules of the FCA made in accordance with section 73A of FSMA;
Prospectus RTS Regulation	the UK version of Commission Delegated Regulation (EU) 2019/979, which is part of UK law by virtue of the EUWA;

PR Regulation	the UK version of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the EUWA;
R&D	means research and development activities;
R&D Lab	means the lab rented by Kanabo at which it carries out its research and development activities, located at the Weizmann Park Rehovot, Israel;
Record Date Of The General Meeting	means the 11 February 2021;
Record Date Of The RTO Warrants	means the date of publication of this document;
Relationship Agreement	means the agreement dated 27 January 2021 entered into between the Company and Avihu Tamir which will regulate the on-going relationship between them from Admission;
Retail CBD Oils	means the range of oils containing CBD for over the counter consumer use that Kanabo has developed, including "Reload", "Relax" and "Repair";
Retail CBD Products	means, together, the CBD Oils and the VapePod;
Retained Advisers	means certain individuals who have agreed to advise the Board on potential acquisitions on a discretionary part-time consultancy basis;
Reverse Takeover	means a transaction defined as a reverse takeover under Listing Rule 5.6.4 (1) and (2);
R&D Licences	means all research and development licences granted by the MCU held by Kanabo including the Testing R&D Licences;
RTO Warrants	means the warrants to be issued to the Shareholders of the Company (as at the Record Date Of The RTO Warrants) under the terms of the warrant instrument more particularly described in paragraph 18.10 of Part XII ("Additional Information");
Rule 9 Waiver	means the waiver of the obligations of the Concert Party to make a general offer for the Enlarged Group under Rule 9 of the Takeover Code which may otherwise arise as a consequence of the issue of the Consideration Shares, the Deferred Consideration Shares to the Concert Party and the exercise of the Concert Party Options by the Concert Party, granted by the Panel conditional upon approval of the Independent Shareholders voting on a poll, further details of which are set out in Part I of this Document;
Safety and Efficacy Study	means the study the Enlarged Group intends to undertake in a clinical setting in relation to Nabinnol, as more particularly described in paragraph 7 of Part I;
Second Phase	means the second phase of phase of the Enlarged Group's business strategy as described in section 9 at Part I;
Securities Act	means the U.S. Securities Act of 1933, as amended;
Sellers	means the selling shareholders of Kanabo pursuant to the SPA, and "Seller" is to be construed accordingly;
Share Option Scheme	means the share option scheme established by the Company on 25 April 2017 which will remain in existence on Admission;

Shareholders	means the holders of the Ordinary Shares and/or New Ordinary Shares, as the context requires;
Significant Shareholder	means Shareholders holding 2.0% or more of the Company's Ordinary Shares at Admission;
SPA or **Share Purchase Agreement**	means the share purchase agreement dated 17 December 2020 and entered into between (1) the Company; (2) Kanabo; and (3) the Sellers, including the Deed of Amendment thereto, dated 17 December 2020;
Standard Listing	means a standard listing under Chapter 14 of the Listing Rules;
Subscription	means the subscription undertaken by the Company to raise £624,999.96 with investors through the issue of the Subscription Shares;
Subscription Shares	means the 9,615,384 of Ordinary Shares subscribed for pursuant to the Subscription;
Subscriber	means a person who confirms his agreement to the Company to subscribe for Ordinary Shares as part of the Subscription;
Subsidiary or **Subsidiaries**	means as defined in the Companies Act;
Suspension	means at the request of the Company, the suspension of trading in the Company's Ordinary Shares effective as at 8.00 a.m. on 27 February 2019 pending publication of a prospectus relating to the Reverse Takeover;
SOP Bonus Shares	means the shares to be issued to Directors and advisers in connection with their exercise of Options and the issuance of new Ordinary Shares pursuant to the SOP Bonus Arrangements;
SOP Bonus Arrangements	means the Bonus arrangement payable to the Directors and advisers in accordance with the prospectus dated 11 May 2017. Further details can be found in paragraph 4.7 of Part XII of this Document;
Takeover Code	means the City Code on Takeovers and Mergers;
Testing R&D Licence	means the R&D licences issued by the MCU, more particularly described in paragraph 20.15 of Part XII "Additional Information";
THC Free	means products which do not contain detectable levels of the active ingredient of THC;
Tobacco Products Directive	means the Tobacco Products Directive (2014/14/EU);
UK Corporate Governance Code	means the Corporate Governance Code issued by the Financial Reporting Council from time to time;
UK Prospectus Regulation	means the UK equivalent of the Prospectus Regulation, as transposed into the laws of England and Wales by the European Union (Withdrawal) Act 2018, following the conclusion of the Brexit transition period on 31 December 2020;
uncertificated form	means, in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;

United Kingdom or **U.K.**	means the United Kingdom of Great Britain and Northern Ireland;
United States	means the United States of America;
Unlicensed Medical Cannabis Oils	means unlicensed formulations of cannabis oils developed by Kanabo for the purpose of treating a particular clinical condition but which has not undergone any clinical trials;
VapePod	means the Kanabo's vaporisation device designed for use with the CBD Oils, more particularly described at the Section 7 of Part I;
VapePod Devices	means collectively the VapePod and the VapePod Medical;
VapePod Medical	means Kanabo's vaporisation device designed for use with Medical Cannabis Oils, more particularly described in Section 7 of Part I;
VapePod Medical Safety Testing	means the study the Enlarged Group intends to undertake in a clinical setting in relation to the VapePod Medical, more particularly described in Section 7 of Part I;
VAT	means (i) within the EU, any tax imposed by any Member State in conformity with the Directive of the Council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition; and
Warrants	means the RTO Warrants, the Financial Adviser Warrants and the Investor Warrants;

References to a "company" in this document shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established.

PART XIV

GLOSSARY OF TECHNICAL TERMS

The following definitions apply throughout this Document unless the context requires otherwise:

biomass	organic matter produced by the metabolic processes of living organisms; plant material used for energy production, heat production, or in industrial processes as raw material for a range of products;
Cannabinoids	compounds that activate cannabinoid receptors, including endocannabinoids produced by humans and animals, phytocannabinoids produced by cannabis and a few other plants, and synthetic cannabinoids;
Cannabidiol or **CBD**	a non-psychoactive phytocannabinoid with broad therapeutic applications;
Cannabinol	a phytocannabinoid produced by the degradation of THC, known for its sedative qualities;
Cannabis Sativa	an annual herbaceous flowering plant indigenous to eastern Asia but now of global distribution due to widespread cultivation; cultivated throughout recorded history and used as a source of food, fuel, fibre, and medicine;
CBD oil	concentrated CBD-rich oil extracted from cannabis plants;
CBPM	means cannabis-based products for medical use in humans;
CE Mark	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA); also found on products sold outside the EEA that are manufactured in, or designed to be sold in, the EEA;
Central Nervous System Disorders	a group of neurological diseases that affect the structure or function of the brain or spinal cord, which collectively form the central nervous system;
Contract Research Organization (CRO)	a company that provides support to the pharmaceutical, biotechnology, and medical device industries through contracted research services such as assay development, clinical research, clinical trials management, and more;
PEG	diluents frequently mixed with cannabis oil for better performance in a vaporising device; most common diluents include polyethylene glycol (PEG);
E-cigarette	means an e-cigarette device and cartridges used for e-cigarette devices used for the purpose of smoking or “vaping” tobacco products;
distillate	something formed by distillation; cannabis extracts that have been purified and processed to separate cannabinoids into precise amounts, usually in liquid form, by removing terpenes, chlorophyll, organic matter, and other cannabinoids;
Entourage Effect	the synergistic pharmacological effects that emerge through cannabinoid and terpene interaction;

formulation	a mixture prepared according to a specific procedure (called a "formula") important for medicinal development in order to ensure the active ingredients are delivered to the consumer via the desired metabolic pathway, in the desired amount and at the desired rate;
GAP	a system of specific methods and standards of on-farm production and post-production processes applied to agricultural that result in safe and healthy food and non-food agricultural products; GAP refers to good agricultural practices for cannabis production;
GCP	means ICH Good Clinical Practice, which is an international ethical and scientific quality standard for designing, conducting, recording and reporting trials which involve the participation of human subjects;
GMP	a system of specific methods and standards of manufacturing processes that ensure products are consistently produced and controlled according to quality standards, designed to minimize the risks involved in any manufacturing production that cannot be eliminated through testing the final product; cGMP refers to good manufacturing practices for cannabis manufacturing;
ICH	International Council for Harmonisation of Technical Requirements for Pharmaceutical Human Use;
isolate	something formed by isolation; cannabis extracts that have been purified and processed to separate cannabinoids into precise amounts, usually in crystal form, by removing terpenes, chlorophyll, organic matter, and other cannabinoids;
IMC	means Israel Medical Cannabis;
Medical Cannabis	cannabis or cannabinoids that are prescribed by physicians for their patients in the treatment of a medical condition; may contain THC concentrates or a combination of THC and CBD;
Medical Validation	the process of establishing the suitability of a mechanism or system to consistently perform a particular task or to produce a product with predetermined specifications and quality attributes, in the context of medical applications;
MCT	medium chain triglycerides are partially man-made fats often used as medicines for conditions such as food absorption disorders, including diarrhoea and liver disease;
Novel Food	a type of food that does not have a significant history of consumption or is produced by a method that has not previously been used for food;
nutraceutical	a food or dietary supplement containing health-giving additives and having medicinal benefit, as proven through medical validation activities (but not tested and regulated to the extent of pharmaceuticals);
Over the Counter (OTC)	drugs that are purchased by ordinary retail purchase, and do not require a physician's prescription or specialty license;
PG	propylene glycol, a substance commonly used as a food additive or ingredient in many cosmetic products;

Pharmaceutical	a compound manufactured for use as a medicinal drug, related to their preparation, use, or sale;
Pharmacokinetic	the branch of pharmacology concerned with the movement of drugs within the body;
Pharmacodynamics	means the biomechanical and physiological effects of drugs on the human body or in animals;
Psychoactivity	the measure of how cannabis and other drugs or substances affect the mind, mood, or other mental states;
R&D Committee	the special research and development committee of the MCU, who are responsible for considering and vetting applications for clinical trials;
terpenes	volatile hydrocarbons found in the essential oils produced by many plants, including cannabis;
Tetrahydrocannabinol (THC)	the principal phytocannabinoid of the Cannabis sativa plant, responsible for much of the psychoactivity; also known as delta-9-THC. Other forms of THC include Delta-8-THC and 11-OH-THC, which vary in levels of psychoactivity;
vaporisation	the process that occurs when a chemical or element is converted from a liquid or a solid to a gas, the two types of vaporisation are evaporation and boiling; and
VG	vegetable glycerin, or glycerol, is a liquid produced from plant oils, typically palm oil, soy or coconut oil.

PART XV

NOTICE OF GENERAL MEETING

SPINNAKER OPPORTUNITIES PLC

*Company number: 10485105 (the "**Company**")*

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at 10.00 a.m. on 15 February 2021 at the offices of Hill Dickinson LLP, The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW to consider and, if thought fit, pass resolutions 1 to 3 as ordinary resolutions and 4 to 6 as special resolutions, as set out below:

RESOLUTIONS

1 THAT the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise for the selling shareholders of Kanabo Research Limited to make a general offer to shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the issue of Ordinary Shares of £0.025 in the Company to them in connection with the Proposals set out in the Prospectus of which this notice forms part, be and is hereby approved.

2 THAT, subject to passing of Resolution 1, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("**CA 2006**"), to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares and rights to subscribe for or to convert any security into shares of the Company being 'relevant securities') up to an aggregate nominal amount of:

- £5,769,230.25, in respect of 230,769,210 shares in the Company to be issued in connection with the proposed acquisition by the Company of Kanabo to the shareholders of Kanabo by way of a reverse takeover under Listing Rule 5.6.4 (1) and (2) (the "RTO") (the "**Consideration Shares**");
- £961,537.30, in respect of 38,461,492 shares in the Company (representing deferred consideration in respect of the proposed RTO), to be issued and allotted to shareholders of Kanabo (subject to and conditional upon the satisfaction of certain milestones as more particularly described in paragraph 18.1 of Part XII ("**Additional Information**") of the prospectus published on or around the date of this notice (the "**Prospectus**") (the "**Deferred Consideration Shares**");
- £2,067,307.73, in respect of issue and allotment of 82,692,309 shares in the Company in connection with the Placing conducted by the Company (together with its brokers) in connection with RTO (the "**Placing Shares**");
- £240,384.60, in respect of the issue and allotment of 9,615,384 Subscription Shares in the Company to certain subscribers participating in the subscription undertaken by the Company in connection with the RTO (the "**Subscription Shares**");
- £367,501.50, in respect of the grant of warrants over a maximum of 14,700,060 shares of the Company, such warrants being granted to shareholders of the Company as at 5 p.m. on 29 January 2021 (being the date of publication of this Document) (the "**Record Date Of The RTO Warrants**") so that each shareholder will be entitled to receive one (1) warrant for every two (2) Ordinary Shares held by them on the Record Date Of The RTO Warrants (the "**RTO Warrants**");
- £49,000, in connection with the exercise of rights pursuant to existing valid options over a total of 1,960,000 shares in the Company granted to certain Directors, former directors and advisers described in paragraph 4.11 of Part XII ("Additional Information") of the Prospectus (the "**Existing Options**");

- £67,542.98, in respect of a grant of warrants over 2,701,719 shares of the Company to Peterhouse, as the financial adviser to the Company in connection with the Fundraising (the "**Financial Adviser Warrants**");

- £15,384.60, in respect of the issue and allotment of 615,384 Fee Shares to Peterhouse, in satisfaction of fees in the amount of £40,000 in connection with their engagement as financial adviser in respect of the RTO (such shares being issued at the Fundraising Price) (the "**Fee Shares**");

- £34,423.03, in respect of the issue and allotment of a total of 1,376,921 shares in the Company to certain directors, former directors and advisers in consideration for services provided to the Company (the "**SOP Bonus Shares**");

- £186,452.55, in respect of the grant of options over a total of 7,458,102 to the Directors, Proposed Directors, employees and consultants of the Enlarged Group in connection with the RTO, and 36,000,000 shares in the Company being reserved for future grants of options under the Company's approved share option schemes provided that such grants shall not exceed 10% of the enlarged issued share capital of the Company from time to time (the "**New Options**");

- £82,500, in respect of the issue and allotment of 3,300,000 shares in the Company to convert the Loan Notes at the Conversion Price as more particularly described in paragraph 18.8 of Part XII ("Additional Information") of the Prospectus (the "**Conversion Shares**"); and

- £41,250, in connection with the exercise of warrants over a total of 1,650,000 shares in the Company granted to certain persons in connection with fundraising events previously conducted by the Company (on 19 March 2020 and 6 April 2020, respectively) and as more particularly described in paragraphs 18.8 and 18.9 of Part XII ("Additional Information") of the Prospectus (the "**Existing Warrants**");

The authorities in this Resolution 2 shall be in substitution for and shall replace any existing authorities to the extent not utilised as at the date of this Resolution is passed and such authority shall expire on: (i) the date that the relevant share option or warrant expires (in respect of any option or warrants exercised under this authority);(ii) 9 months from the date of Admission in respect of the Deferred Consideration Shares; or (iii) in the event that an expiration date is not specified, the earlier of the date falling eighteen months after the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company.

3 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares otherwise than pursuant to Resolution 2 above, up to an aggregate nominal amount of £1,801,146.

The authority in this resolution 3 shall be in substitution for and shall replace any existing authorities to the extent not utilised at the date this Resolution is passed and shall expire on the earlier of the date falling eighteen months after the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry mark offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry and the directors may allot shares, or grant rights to subscribe for or convert any securities into shares, in pursuance of any such offer or agreement as if the authorities conferred hereby had not expired.

4 That, subject to the passing of Resolution 2, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authorities conferred by Resolution 2 as if section 561 of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash:

- in connection with or pursuant to an offer or invitation in favour of holders of Ordinary Shares in proportion (as nearly as practicable) to the respective number of ordinary shares

held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or, if the directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates, or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and the allotment, otherwise than pursuant to sub-paragraph (i) above, of equity securities in the case of the authority granted under Resolution 2 above, up to an aggregate nominal amount of £10,782,514.53.

The authorities in this Resolution 4 shall expire on the date that the authority shall expire on that the relevant share option or warrant expires (in respect of any option or warrants exercised under this authority), the 15 February 2022 in respect of the Deferred Consideration Shares or in the event that an expiration date is not specified that authority will expire on the earlier of the date falling eighteen months after the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company.

5 That, subject to the passing of Resolution 3, the directors of the Company be and they are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authorities conferred by Resolution 3 as if section 561 of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash in the case of the authority granted under Resolution 2 above, and otherwise than pursuant to Resolution 4, up to an aggregate nominal amount of £1,801,146.

The authority in this Resolution 5 shall expire on the earlier of falling eighteen months after the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert any security into shares, in pursuance of any such offer or agreement as if the authorities conferred hereby had not expired.

6 That, conditional upon Admission, the name of the Company be changed to “Kanabo Group Plc” and that the Company’s memorandum and articles of association be amended to reflect such change of name.

BY ORDER OF THE BOARD

David Anthony Little
Company Secretary

Registered Office Address:
59-60 Russell Square
London
WC1B 4HP

Date: 29 January 2021