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This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

28 October 2021

Summerway Capital Plc

("Summerway" or the "Company")

Proposed Acquisition

Proposed Placing

Summerway Capital Plc has today entered into a conditional agreement to acquire the entire issued share capital of Vertigrow Technology Ltd (t/as Celadon Pharmaceuticals "**Vertigrow**"), a UK based pharmaceutical company specialising in the researching, growing and supply of medicinal cannabis, for total consideration of £80 million (the "**Proposed Acquisition**").

Highlights

- Vertigrow is one of the first pharmaceutical companies in the UK to receive a Home Office licence, following approval from the MHRA to apply for the licence, to grow high tetrahydrocannabinol ("**THC**") cannabis, which is expected to be used in medicinal products, initially focusing on the chronic pain market
- Operates within a highly regulated market with substantial growth potential, benefiting from positive tailwinds and strong regulatory and operational barriers to entry
- Experienced leadership, scientific and operational team

- Majority owner of a clinically led business which aims to undertake a major clinical study on the potential benefits of medicinal cannabis in the field of chronic pain, with the long-term intention of changing the NHS's approach towards reimbursement
- At full capacity, Vertigrow's current facility could supply up to 50,000 patients, which has the potential to generate revenue of £90 million per annum with EBITDA margins of approximately 50 per cent.
- Provides Summerway with a compelling foundation from which accretive and complementary M&A opportunities could be executed alongside Vertigrow's existing organic growth initiatives
- £80 million consideration, payable through the issue of approximately 48.5 million Ordinary Shares at 165 pence per Summerway share
- In support of the Proposed Acquisition, the Company has also made available to Vertigrow a term loan of up to £4.25 million ahead of completion of the Proposed Acquisition, which will be principally applied to accelerate Vertigrow's capital expenditure in its Midlands based facility
- Proposed Placing to raise £7 million (before expenses) to provide additional working capital for the Enlarged Group
- Pro forma estimated equity value of approximately £100 million post completion of the Proposed Acquisition and Proposed Placing, with the Enlarged Group intending to apply for re-admission to AIM or another alternative exchange within the UK or North America

Benjamin Shaw, Interim Chairman of Summerway, said:

"The Board of Summerway is delighted to announce the proposed acquisition of Vertigrow and to be partnering with James Short and his team. We believe the pharmaceutical medical cannabis market will be substantial in the UK and internationally and Vertigrow is, in our view, a clear leader in the sector."

James ("Jim") Short, Founder and Chief Executive Officer of Vertigrow, said:

"I am delighted to have agreed terms with Summerway. I believe there is a compelling opportunity to create a substantial pharmaceutical business contributing to life changing treatments to chronic pain sufferers, and other therapeutic areas that could benefit from medicinal cannabis, and this transaction, and becoming a public company are important corporate steps for us."

Enquiries:

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Acquisition Agreement

The Company has today entered into a conditional agreement to acquire the issued share capital of Vertigrow for total consideration of £80 million (the "**Acquisition Agreement**"). The Proposed Acquisition will be subject, inter alia, to Summerway shareholder approval at a general meeting, customary regulatory approvals and re-admission of the share capital of Summerway (as enlarged by the Proposed Acquisition and Proposed Placing) (the "**Enlarged Group**") to AIM, or admission to another stock exchange within the UK, North America or other certain territories.

The total consideration of £80 million will be satisfied by the issue of approximately 48.5 million new ordinary shares in the capital of the Company ("**Ordinary Shares**") at 165 pence per Ordinary Share to the shareholders of Vertigrow (the "**Consideration Shares**"). The Consideration Shares issued to the founders of Vertigrow will be subject to a lock in arrangement for a period of 12 months following completion of the Proposed Acquisition, and customary orderly market provisions for a further 12 months following the expiry of the lock in arrangement.

Information on Vertigrow Technology Ltd

Vertigrow owns a UK based pharmaceutical group that was established in 2018 and is focused on growing highly controlled indoor hydroponic, high THC cannabis for manufacture for cannabis-derived medicinal products for use within products to treat chronic pain. Vertigrow is also involved in planning research into cannabinoids for use in chronic pain and the treatment of other conditions such as autism and multiple sclerosis, within the UK's highly regulated market.

Vertigrow has received a Home Office licence, following approval from the Medicines and Healthcare products Regulatory Agency (the "**MHRA**") to apply for the licence, allowing it to legally grow medicinal cannabis in the UK for the purpose of producing test batches of cannabis oil to support its application to the MHRA for registration as a manufacturer of medicinal product APIs. The process of obtaining this licensing is complex, has taken over two years, required material investment and is technically extensive. The directors of Summerway (the "**Directors**") believe this is one of the first such licences granted in the UK. Following receipt of MHRA registration and the grant of a further licence from the Home Office permitting supply for manufacture into finished medicinal products, the business will be able to supply medicinal cannabis (in the form of an API, which in this case is an extracted oil used in the finished pharmaceutical product) with a high THC content in the UK, allowing it an opportunity to enter what is expected to be a substantial (and extensively regulated) and fast-growing UK market.

Vertigrow has a 100,000 square foot facility located in the Midlands, UK, that comprises (i) a laboratory designed to meet UK-GMP standards; and (ii) capacity for a large growing facility that has received Home Office approval to legally grow high THC cannabis. Once fully licensed, at full capacity, the facility can expect to produce an estimated nine tonnes of dry flower per year, which could supply up to circa 50,000 patients per annum, which has the potential to generate annual revenues of approximately £90 million and EBITDA margins in the region of 50 per cent. per the Company's business model.

Vertigrow has a majority shareholding in Harley Street (CPC) Limited ("**LVL**"), a prospective private pain clinic business, that is in the advanced stages of the approval process to be the sponsor of a MHRA and Research Ethics Committee authorised clinical trial for medicinal cannabis in the UK (the "**Trial**"). The Directors believe the Trial would, once approved by the MHRA and the Research Ethics Committee, be the only authorised medicinal cannabis trial of its type in the UK. The aim of the Trial will be to document and demonstrate the safety and efficacy of the studied cannabinoids, in the form

of a third party cannabis-based medicinal product, for the treatment of chronic pain related conditions. Following the successful completion of the Trial, Vertigrow expect to be in a position to present the data from the Trial to NICE in a form that may enable NICE to recommend the cannabis-based medicinal product for prescription on the NHS for the uses studied in the Trial and, as a result, further facilitate the legal use of medicinal cannabis by the NHS in the UK. LVL has received conditional approval for the Trial from the MHRA, subject to (among other things) approval by the Research Ethics Committee. Ahead of the Trial being approved by the Research Ethics Committee, LVL will undertake a preliminary study to evaluate the feasibility of the Trial regarding recruitment rates and acceptability of the Trial.

Vertigrow and LVL have an experienced management team, including leading experts in researching, cultivating and manufacturing cannabis API, which should enable the business to optimise cultivation for use in developing and manufacturing cannabinoid derived medicines.

The Loan Agreement is classified as a substantial transaction under the AIM Rules for Companies. In accordance with Schedule 4 of the AIM Rules for Companies, Vertigrow's statutory accounts to 31 December 2020 as submitted to Companies House are micro-entity accounts and therefore were unaudited and not consolidated and were not required to contain a profit & loss statement. Vertigrow's gross assets as at 31 December 2020 were £1,812,025.

Enlarged Group Strategy

In line with the amended investing policy of the Company as announced on 20 October 2021, the Company is focused on investment and acquisition opportunities across the healthcare and pharmaceutical sectors, particularly in new and emerging therapeutic areas. The Directors believe there are numerous opportunities to invest in, or acquire, businesses that can be organically or acquisitively grown to become leading healthcare and pharmaceutical companies. In Vertigrow, the Directors believe they have identified a business which meets the criteria and would provide a compelling acquisition as part of the Company's growth strategy.

Recognising the embryonic nature of the cannabis sector within the UK and the Company's current pipeline of investment and acquisition opportunities, the Directors remain cognisant of other markets and stock exchanges other than AIM which are available to the Enlarged Group as part of its re-admission process. These such opportunities may be within the UK or North America, or certain other territories.

In considering the most appropriate listing venue, the Directors will consider what is in the best interests of the Enlarged Group in terms of access to liquidity and will be most conducive for accelerating the Enlarged Group's growth strategy, and the delivery of value for its current and prospective shareholders.

The Company will make a further announcement in due course.

Loan Agreement

Concurrently with signing of the Acquisition Agreement, the Company has also entered into a loan agreement under which it has agreed to provide Vertigrow with a £4.25 million short term, term loan facility in order to fund its growth plans pending completion of the Proposed Acquisition (the "**Loan Agreement**"). The entry into the Loan Agreement is in accordance with the Company's amended investing policy.

Under the terms of the Loan Agreement, Vertigrow is entitled to draw up to £2.125 million on an unsecured basis, with any subsequent drawings being conditional upon Vertigrow granting the Company security over the assets of Vertigrow and its wholly owned subsidiaries.

The term loan facility is subject to customary information covenants and is repayable on the earlier of 7 months from signing and admission to trading of the Enlarged Group on a stock exchange which may include AIM, other UK markets, North America, or certain other territories. The term loan interest charge is 10 per cent. per annum, which is accrued and payable at maturity with the principal borrowings.

Proposed Placing

In order to provide additional working capital for the Enlarged Group following the Proposed Acquisition, the Company is proposing to raise approximately £7 million (before expenses) through a placing of new Ordinary Shares (the "**Placing Shares**") (the "**Proposed Placing**").

The net proceeds of the Proposed Placing, plus Summerway's existing cash of £6.75 million (prior to any amounts advanced under the Loan Agreement), will be used to provide working capital for the Enlarged Group.

Further details of the Proposed Placing will be provided in due course.

Admission

The Company's enlarged share capital will comprise the Company's existing ordinary shares in issue, the Placing Shares and the Consideration Shares (the "**Enlarged Share Capital**"). The Proposed Acquisition constitutes a reverse takeover under rule 14 of the AIM Rules for Companies (the "**AIM Rules**"). Admission of the Enlarged Share Capital to trading on AIM ("**Admission**") will therefore be conditional upon, inter alia, shareholder approval at a general meeting and completion of the Proposed Placing. The Company's Ordinary Shares will remain suspended from trading on AIM until such time as the Company publishes a combined shareholder circular and AIM admission document (the "**Circular**") or confirmation is given that the Proposed Acquisition is not proceeding.

As a result of the Proposed Acquisition, it is anticipated that certain of the current shareholders in Vertigrow will be deemed to be acting in concert for the purposes of the City Code on Takeovers and Mergers (the "**Takeover Code**") and that this concert party would control more than 30 per cent. of the Enlarged Share Capital. This would normally result in a requirement to make a general offer to all the remaining shareholders of the Company to acquire their shares under Rule 9 of the Takeover Code. Accordingly, the Company intends to apply to the Takeover Panel for a waiver of Rule 9 of the Takeover Code in order to permit the Proposed Acquisition without triggering an obligation on the part of those Vertigrow shareholders who are deemed to be acting in concert to make a general offer to the Company's shareholders. Any such waiver is expected to be subject to the approval of the Company's shareholders who are independent of Vertigrow and its shareholders. Completion of the Proposed Acquisition and Admission will therefore be conditional on the passing of any such resolution.

As such, there can be no certainty that the Proposed Acquisition will proceed. If Admission is pursued by the Company, the Company will publish a Circular in relation to the Proposed Acquisition and details of the Enlarged Group in due course.

Management and Board

Following completion of the Proposed Acquisition, James Short, Founder and Chief Executive Officer of Vertigrow will join the Board of Directors of Summerway as Chief Executive Officer of the Enlarged Group.

Further executive and non-executive Director appointments will be announced by the Company as part of the Enlarged Group's re-admission process and will be tailored according to the proposed market and exchange that the Enlarged Group deems the most appropriate to seek re-admission to.

Important Notice

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This announcement may contain and the Company may make verbal statements containing "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the control of the Company, including amongst other things, United Kingdom domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the effect of competition, inflation, deflation, the timing effect and other uncertainties of future acquisitions or combinations within relevant industries, the effect of tax and other legislation and other regulations in the jurisdictions in which the Company and its affiliates operate, the effect of volatility in the equity, capital and credit markets on the Company's profitability and ability to access capital and credit, a decline in the Company's credit ratings; the effect of operational risks; and the loss of key personnel. As a result, the actual future financial condition, performance and results of the Company may differ materially from the plans, goals and expectations set forth in any forward-looking statements. Any forward-looking statements made in this announcement by or on behalf of the Company speak only as of the date they are made. Except as required by applicable law or regulation, the Company expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this announcement to reflect any changes in the Company's expectations with regard thereto or any

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Canaccord, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority is acting as nominated adviser and broker to Summerway in connection with the Proposed Acquisition and the Proposed Placing. Canaccord is acting exclusively for Summerway and no one else in connection with the Proposed Acquisition and the Proposed Placing and will not be responsible to anyone other than Summerway for providing the protections afforded to clients of Canaccord or for providing advice in relation to the Proposed Acquisition and the Proposed Placing or the contents of this announcement or any transaction, arrangement or matter referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposed on Canaccord by the FSMA or the regulatory regime established thereunder, Canaccord does not accept any responsibility whatsoever for the contents of this announcement, and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Placing Shares or the Proposed Placing, and nothing in this announcement is or shall be relied upon as, a promise or representation in this respect whether as to the past or future. Canaccord accordingly disclaims to the fullest extent permitted by law all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement or any such statement.

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