

Quarterly Report September 2021

Queensland, AUSTRALIA

Overview

COVID-19 Pandemic. It now appears that the country is moving towards a general opening before Xmas based on the +80% fully vaccinated rate. Border restrictions may remain in place, and this may impact on some activities but overall, the impact on the project has been minor. The booming construction industry and the extremely stretched global shipping and supply chain issues have however impacted contractor availability, material availability and as a result project costs. The weak Australian dollar has further added to these pressures. We expect this situation to continue and to tighten further in the first part of 2022 as the Australian economy emerges from the pandemic lockdowns.

New Business Developments

- SSA has signed a 5-year land lease agreement for 31 hectares of land in the Denilquin region with an NSW based agriculture company. SSA will cultivate up to 31hec of medicinal cannabis plants and process the harvest at the Caboolture facility. The NSW Ag company will be contracted to complete the cropping and harvesting phases. We expect to complete 2 harvests a year substantially augmenting our indoor flower and oil extract capabilities. An application for a variation to our existing Federal MC licence is currently being assessed by the ODC. Subject to licencing approval, we intend to plant the first crop by Q3/2022.
- An agreement in principle has been reached with established Australian Hemp company Botanic Wellness Ltd. The marketing and sales arrangement with BWL is for the marketing and sale of various low-dose CBD oils and cannabinoid infused products derived from the NSW broadacre crop. SSA will carry out further production and manufacturing (extraction) of medicinal cannabis products at its Caboolture Queensland cultivation and manufacturing facility for sale to both domestic and international markets
- The JV established with Australia Medicinal Cannabis Company and Thai Cannatech of Thailand will have the first crop under cultivation in the next month. The crude oil extract generated in Thailand will be refined at the SSA facility.

Construction Summary Caboolture

- Critical activities completed in Q3 included but not limited to:
 - a) Completion of the concrete piers supporting the shed.
 - b) Erection of the three main sections of the grow shed. The awning and connecting roof sections are now going in.
 - c) Commencement of laying of under-slab plumbing and slab.

Industry Highlights

Domestic

- Australia's restrictive CBD regulations are creating expensive products, leading to an increase in black market CBD.
- Cronos Australia to complete a merger acquisition with CDA Health once shareholder approval is confirmed.
- Legalise Cannabis Australia party changes name to unify cannabis political parties and for cannabis-term inclusivity.
- Lawyers draft cannabis bill that would decriminalise cannabis use and self-cultivation of two plants in Tasmania.

International

- Apple is first to open app store opportunities to cannabis businesses after new policy updates.
- Amazon supports Cannabis Administration and Opportunities Act, which would legalise cannabis at a federal level.
- Western cannabis industry trends show a lean toward extracts, pharmaceuticals and oils over raw flower products.
- Thai resort launches a cannabis leaf-infused menu citing cannabis's health benefits as the motivator.
- Kannaway's subsidiary Medical Marijuana Inc commences operations in Hong Kong after its successful expansion into Japan.
- Italy's cannabis cultivation referendum reaches 500 thousand signatures one week after being launched.
- The World Anti-Doping Agency announces it will undertake a scientific review of its ban on cannabis for athletes.

Q2 /2021 PROGRAMME AND OUTCOME

LICENCING – Continue to acquire the full suite of licences and permits to provide the flexibility and efficiency in operation.

OUTCOME:

- Licence Variation documentation cover the NSW grow facility have been submitted and accepted by the ODC. The application is now under review. The minimum stated timeframe is 2-3months.
- The annual renewal of the main medicinal cannabis licence has been requested linked to the licence variation submission.

SITE DEVELOPMENT – Grow facility construction and fit out.

OUTCOME:

- **Crowne Civil** have completed site scaping.
- Tenders will be sought for the construction of the car parks, fire tank hardstand, all weather access road and the heavy vehicle crossover.

FACILITY DESIGN AND CONSTRUCTION FITOUT CONTRACTS – Update and finalise detailed building and internal fit-out plans including irrigation, electrical and HVAC, and power, in addition to updating quotes and finalising terms and conditions for contractors and consultants.

OUTCOME:

- **Q Image Constructions - Maroochydore** - Completed erection of the frame of the facility and most of the roofing.
- **JP Plumbing - Nambour** - Commenced installation of under-slab plumbing. Install will proceed in tandem with slab work.
- **Rock Hard Concreting - Maleny** - Will commence laying of the slab Oct 18. The slab is expected to be completed mid-Dec.
- **Multi Tech Solutions (MTS) - Brisbane** – Has completed 75% of electrical design work and 25% of mechanical design work (awaiting final equipment details). Location of sub-station has been finalised, awaiting final approval from Energex.
- **Bravis Security - Capalaba** – Equipment orders received awaiting commencement of installation in Q1/2022
- **Fencepac - Sunshine Coast** – Installation of the perimeter security fence and gates is planned for mid-November.
- **Seqel Contracting - Brisbane** – Awaiting go ahead for installation of electrical system in Q1/2022.
- **VaultCorp-Kogarah NSW** – Vault has been delivered to site. Installation is planned for Q1/2022 and once borders reopen. The installation team is NSW based.
- **Aussi Panels** – Awaiting go ahead for commencement of fit out. Planned for Jan 2022.

CULTIVATION, OFF TAKE, PRODUCT DEVELOPMENT, AND MARKETING – Finalise terms and conditions with select third parties to develop Medicinal cannabis market position in Australia and Europe to expedite a revenue stream. On-going discussions with other companies on tie ups to establish SSA as a full-service medicinal cannabis company continue.

OUTCOME:

- A 5-year land leasing agreement covering 31 hectares in the Deniliquin region of NSW has been signed with the MacDonald family. Industrial cannabis (hemp) is currently being cultivated by the MacDonald's and partners on the larger 2,000 hectares property. The cannabis flower to be harvested from the 31 hectares is expected to significantly augment the capacity of the indoor Caboolture facility thereby lowering costs, ensuring the company's competitiveness in the Australian MC market and establish SSA as one of Australia's important MC cultivation and extraction business in Australia.
- The offtake, manufacturing and marketing in principle agreement with Botanic wellness is a significant step for SSA. Botanic Wellness Limited <https://botanicwellness.com.au/> was established in 2019 to acquire Medical Marijuana Investment Fund Pty Ltd which operates in Australia and Live Opulent Inc. which operates in the USA. The Company operates fully licensed indoor and outdoor CBD hemp seed growing facilities and CBD hemp crops in Colorado, Arizona, Texas, Missouri and Oklahoma in the USA. The Company also imports CBD hemp seeds from the USA to Australia and operates licensed CBD hemp seed and CBD hemp growing operations in New South Wales under various licenses and permits and under a number of different joint venture farming operating arrangements. The Company's, joint venture farming agreements enable the Company to plant and cultivate significant acreages of crops. Under the agreements the farmer contributes their farmland, general farming expertise, machinery and labour to plant, grow, maintain and harvest the crops at pre-agreed costs and the Company contributes its CBD hemp seeds, licenses and permits, and specific CBD hemp growing, processing and sales and marketing expertise also at an agreed cost. The Company sells seeds, biomass, crude, distillate and isolate, and produces final retail products which it supplies and sells in the US, Europe and Australia.

Current Site Activities



The frame of the facility was lifted into place. The separate sections assembled on the ground with the roof cladding added. This was the fastest and safest method of construction. The purlins and roof cladding for the intervening section will be added. The frame for the awning at the front has just been completed. The footprint for the facility is 3040sqm plus the waning with 3000sqm of cultivation canopy utilising a 3-tier vertical growing system.



The overview of the site shows the completion of the eco and acoustic barrier around the facility. This will be vegetated with native flora to help blend the facility into the surrounding habitat and the reduce noise and odours that may emanate from the facility. It is also hoped to create suitable habitats for indigenous Australian fauna such as Bilby's and native birds and bees.



Photo 1



Photo 2



Photo 3

Photo 1 - Shows the lifting of the third roof section into place.

Photo 2 - View under the roof looking East toward the front of the building.

Photo 3 - Aerial shot post lifting of the third roof section.

GROWING TECHNOLOGIES – Update soil medium, nutrient delivery, and lighting supply plans to take advantage of new developments in the past 18 months in each area of study. Continue to work with professional third-party services providers for an integrated plant management software solution.

OUTCOME:

- **Autogrow NZ-US** are international experts in greenhouse and cultivation technology, automation control equipment, and water/nutrient schedules.
- **Pumphouse** are an Australian based pipe and pump engineering firm are in process of drafting piping works for the grow shed.
- **Argus Controls** are a leading international provider of automated control systems for horticulture, aquaculture, and related biotechnology industries and are in the process of costing control systems for all aspects of the facility.
- **Osram Fluence** are LED global lighting experts prepared sample lighting arrangements based on room designs for further comment and approval.
- **Spring Sciences Michigan** are cultivating a broadacre crop for the first time as pilot to understand the optimal growing techniques for broadacre cultivation both in the US and Australia.



- **Fujitsu General** a leading global commercial HVAC solutions provider is in-process of drafting design plans for the grow shed HVAC needs.

EXTRACTION TECHNOLOGIES – Work with US Spring Sciences and equipment vendors to assess racking, ventilation, lighting, and extraction technologies and build a commercial scale extraction facility at site.

OUTCOME:

- Discussions with relative vendors, including Luna IO extractor, to update and finalise quotes.

INVESTMENT / CORPORATE ACTIVITIES – Continue to resolve final company structure, further parent shareholder roll-up event, continue with additional capital raise and near-term IPO activities, and research new investment opportunities.

OUTCOME:

- Activity continues with various service providers.
- Primary capital raise will commence late October with the aim to raise funding for fit-out and all start up equipment and material inventory.



Q4/ 2021 PROGRAMME

LICENCING AND PERMITTING – The variation licence for the NSW broadacre property has been submitted and the application fee paid. We await the ODC assessment and approval. If the approval is received before the end of November a crop may be planted. The renewal documents for the current MC licences for the Caboolture property have been submitted.

SITE DEVELOPMENT AUSTRALIA – The under-slab plumbing and slab will be complete in Q4 along with the installation of the perimeter fencing. This will complete the facility to lock-up stage permitting commencement of the internal fit-out in Q1-2022.

FACILITY DESIGN AND CONSTRUCTION FITOUT CONTRACTS – To commence in Q1/2022 with the installation of the internal walls and security systems.

PRODUCT DEVELOPMENT AND MARKETING – Product samples arrived from Boheco India, and a review of all products completed. An additional consignment of the full product range is now on its way to allow product marketing and distribution.

GROWING TECHNOLOGIES – SS Michigan is continuing to conduct test work on broadacre cultivation, cell tissue culture, lighting, HVAC and product development. This knowledge and understanding will be used to refine the equipment requirements and approach during the fit out in Caboolture.

INVESTMENT / CORPORATE ACTIVITIES – Continue fundraising activities, further development of joint venture structure and business operations, and document preparation for potential listing on the ASX.



SUMMARY

After what has been a challenging year for everyone SSA is rapidly approaching a major milestone with the completion of the erection of the grow facility. As it transpired it was a major engineering feat given the difficulties associated with the ground conditions exacerbated by a significant wet season earlier in the year and the rolling disruption associated with the pandemic. The supply of materials and labour has translated into delays and higher costs and although we have tried to lock in as much equipment at lower prices, we expect supply and pricing to remain a challenge into 2022.

That said the completion of the grow facility by Xmas will set us up for the fit-out stage in Q1/2022 and the commencement of cultivation in Q2/2022.

The business development transactions we have been able to secure this quarter are significant. Boheco is a major international hemp company and the pre-eminent cannabis focused organisation in India with a range of high-quality products. The tie up with Australian Cannabis Company/Thai Cannatech in Thailand provides for a multi-faceted arrangement which lays the platform for SSA to be a significant player in the Australian and Oceania cannabis sector. The NSW broadacre cultivation agreement we hope to finalise this month builds on this position. Negotiations continue in several other areas all with the aim of shaping SSA into a balanced medicinal cannabis cultivator, producer and manufacturer able to be a cost competitive player in this region.

The agreement we have been able to put together with AMC and TCI to supply cannabis crude oil from Thailand will see us in the manufacturing phase producing distillates much sooner if we are able to install and commission the distillation plant. The broadacre crop from the NSW growing operation will also translate into significant supply toward the end of 2022 allowing us to bring forward far greater revenue than original projections. This production will catapult SSA to be the leading producer of medicinal cannabis dry flower and extract in Australia based on current figures.

Members of the Spring Science's Michigan grow team will arrive in Australia in January now that it appears the borders will open to foreign travellers without Quarantine. Our CFO Sheldon Kirkpatrick will also be relocating to Australia.

As indicated last quarter once the fit-out commences we will start appointing the management team and initiate the personnel recruitment process. We have already received numerous enquiries regarding both employment opportunities and product supply.

We believe that the company is well positioned to exceed its production performance targets given the various joint venture agreements we have put in-place and we will continue to work towards creating the most attractive business and investment proposition prior to a potential listing on the ASX in 2022.

With the nation now beginning to emerge from the clutches of the pandemic and the majority of the nation vaccination, we believe this to be a great time to establish a successful new business and positions the company to grow significantly as we build our brand identity and consolidate our position in the market.



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