

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014, as retained as part of the law of England and Wales. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Press release

26 September 2022

Cellular Goods PLC

(‘Cellular Goods’ or ‘the Company’)

Proposed acquisition of Cannaray Brands Ltd and Love CBD Health Ltd

Board Change

The Directors of Cellular Goods (LSE: CBX), a UK-based wellness company providing premium consumer products formulated with lab-produced cannabinoids, are pleased to inform shareholders that the Company has signed a letter of intent ("LOI") with Cannaray Limited, the owner of Cannaray Brands Ltd & Love CBD Health Ltd (the “Cannaray Subsidiaries”) pursuant to which Cellular Goods will acquire 100% of the issued share capital of the Cannaray Subsidiaries (“the Transaction”). Should the Transaction complete, it would constitute a Reverse Take-Over ("RTO") under the Listing Rules.

Discussions over the transaction are at an advanced stage and Cellular Goods has conditionally agreed to acquire the Cannaray Subsidiaries for an initial consideration of £14.2 million, consisting of £1 million in cash, together with a number of new Cellular shares, which will make Cannaray a 54% shareholder in the enlarged group. The Company has also agreed to make further performance-based share payments, conditional on the Cannaray Subsidiaries achieving various revenue milestones in the first full financial year of the combined entities. As a consequence, should the Subsidiaries generate over £5 million in revenues within the first financial year, Cannaray will become a 61% shareholder. Should the Subsidiaries generate over £7.5 million, Cannaray will become a 64% shareholder.

The Cannaray Subsidiaries comprise two leading consumer brands (*[Cannaray CBD](#)* & *[Love CBD](#)*) within the UK cannabidiol (“CBD”) wellness sector. The brands offer a range of high-quality ingestible CBD products (oils, gummies, capsules) published on the UK Novel Foods register and sold through 1,500 retailer outlets and direct-to-consumer branded websites. The Directors of Cellular consider that the proposed acquisition will create long term value for shareholders by bringing together two complementary businesses with significant growth opportunities, scale benefits and an enhanced market presence with established brands.

The Cannaray Subsidiaries had combined unaudited revenues of £2.3 million in 2021 and further revenue growth is expected on the back of national TV advertising, improved D2C online performance, and additional retailer listings.

Cannaray CBD is the group’s flagship brand; it was the first CBD brand to invest in major brand advertising in the UK, with a national TV and out-of-home campaign encouraging people to “Join the CBD Revolution”. The brand is sold online at www.cannaraycbd.com, Amazon and eBay, and in major retailers across the UK including Tesco, Superdrug, ASDA, Waitrose, and Harrods.

Love CBD has a loyal and highly engaged consumer base, receiving over 4,600 reviews on Trustpilot and an average score of 4.8 out of 5. The business includes its own manufacturing facility near Cambridge, UK. The brand is sold online at www.lovecbd.org, Amazon, eBay and in health food stores nationwide.

Should the transaction proceed then Cannaray Limited will appoint the majority of the ongoing CBX board of directors.

There can be no certainty that the Transaction will proceed and it remains subject to, amongst other things, entering into a definitive legal agreement and obtaining all other necessary approvals (if required).

A further announcement will be made in due course.

Board Change

In view of the forthcoming change of the combined companies' management structure, Anna Chokina has resigned from the Company with immediate effect. The Board thanks Mrs Chokina for her significant contribution and strategic leadership of the Company, including the introduction of the Transaction to the Board.

Darcy Taylor will assume the role of interim CEO and lead the merger discussions. A proposed new management structure will be announced at the appropriate time, pending the successful conclusion of the talks.

Darcy Taylor, Non-Executive Chairman of Cellular Goods, commented: "We are pleased that we have reached this significant preliminary agreement with Cannaray Limited and look forward to working closely with them to conclude a transaction. This is an exciting step forward for Cellular Goods. The Cannaray Limited Board shares our vision of building a market leader listed on the London Stock Exchange.

"The enlarged company will benefit from a significant increase in group revenues, market presence, combined portfolio strength of complementary product lines addressing premium and mass consumer segments, and economies of scale in marketing, logistics and production. The transaction represents a significant opportunity for industry consolidation and enhanced long-term growth potential supported by complementary business fundamentals. The Board looks to the future with confidence as we continue the path to becoming the sector leader."

Anna Chokina, outgoing Chief Executive of Cellular Goods, commented: "The proposed transaction makes a lot of strategic sense by bringing together two of the most recognised and complementary cannabinoid brands on the UK market. I am excited for the prospects of the proposed transaction and I am leaving Cellular Goods with healthy business fundamentals, clear and meaningful strategy, and a top performing team. I wish the incoming management every success."

Andrew Garden, Chairman of Cannaray Limited, commented: "This preliminary agreement is very positive news for our shareholders, as we seek to focus on the major growth opportunities within the European cannabis market. The combined capabilities, knowledge, people and brands of the Cannaray Subsidiaries and Cellular Goods will create a consumer business well placed to strengthen its leading position into the future.

"Following this transaction, Cannaray Limited's strategy will centre on the development of prescription-based cannabis for medicinal use in Europe – on the back of our unique partnership with Walgreens Boots Alliance for cannabis supply and education in Germany. With the German government having announced steps to legalise recreational cannabis in the near term, we are also well

poised to galvanise our capital and human resources to be at the forefront of this multi-billion Euro market as it emerges.

“It has always been the intention of Cannaray Limited to list the business on a favourable stock exchange. We are excited to list our CBD division on the LSE via this reverse takeover with Cellular Goods, whilst we continue to privately build our medical and recreational cannabis divisions in the UK and Germany. Our intention for the future will be to list on a qualified exchange favourable for recreational cannabis businesses.”

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About Cellular Goods PLC:

Cellular Goods is a UK-based wellness company that provides premium products based on lab-made cannabinoids. It was established in August 2018 to develop efficacy-led and research-backed cannabinoid-powered wellness products. The initial focus is on three product verticals: Function Better, Feel Better and Look Better. These three verticals encompass Cellular Goods’ premium CBG skincare and CBD ingestible and topical athletic recovery products, with the first products launched in December 2021. The Company’s shares are listed on the main market of the London Stock Exchange. www.cellular-goods.com

About Cannaray Limited:

Cannaray Limited is a leading European cannabis company spanning both medical cannabis and CBD wellness brands.

Therismos is the company's medical division, which imports and distributes cannabis-based products for medical use (CBPM) across Europe. Its strategy is to become the leading European full-service provider of medicinal cannabis through innovative product solutions, valuable partnerships with strategic allies, and collaboration with world-class scientists and medical practitioners. In May 2022, Therismos GmbH signed a transformational category growth partnership with Walgreens Boots Alliance's subsidiary, Alliance Healthcare GmbH, for medical cannabis supply and pharmacist education in Germany.

<https://therismospharma.com/>

The company's CBD division comprises two leading British CBD wellness brands, Cannaray CBD and Love CBD.

Cannaray CBD is the company's flagship CBD wellness brand, founded to make CBD easy and accessible for millions of new people, with a range of quality CBD products. Cannaray was the first CBD brand to invest in major brand advertising in the UK. In 2021 they began a national television and out of home campaign featuring Brand Ambassador and UK TV and Radio presenter Claudia Winkleman, who encourages people to 'Join the CBD Revolution'. Cannaray CBD's product range includes CBD Oil Drops for day and night, Capsules, Gummies and Muscle Balm. All products are formulated to be effective and enjoyable to use, triple-lab-tested for purity, and are packaged in the modern, bright, and eye-catching Cannaray brand colours.

www.cannaraycbd.com

Love CBD is the company's CBD wellness brand designed for CBD enthusiasts and is one of the original pioneers of the CBD category in the UK. The majority of Love CBD's product range is produced at its own manufacturing site near Cambridge, UK, and includes CBD Oil Sprays, Capsules, and topical Balms.

www.lovecbd.org