



Sativa Group PLC

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Beckington  
Somerset  
United Kingdom  
BA11 6TE

29 April 2020

To: The Sativa Shareholders

Dear Shareholder,

SUBJECT: ANNOUNCEMENT OF A POSSIBLE OFFER

We are writing about the announcement we communicated on the 22 April 2020, and append a copy of the same announcement that was attached to that email. We are informing you of recent developments relating to Sativa Group plc (the "Company") as required under Rule 2.11 of the City Code on Takeovers and Mergers (the "Code"). The text of the announcement that resulted in the commencement of an offer period under the Code on 22 April 2020, is set out as an appendix to this letter. We will keep you informed of any further developments and in the meantime you are not recommended to take any action.

Please be aware that if there is a possible offer, or a firm offer for the Company, addresses, electronic addresses and certain other information provided by you for the receipt of communications from the Company may be provided to possible bidders (if any) during the offer period as required by the Code to allow possible bidders (if any) to contact you directly in connection with any such possible or firm offer.

This letter and the enclosed announcement is available on the Company's website at <https://sativagroup.co.uk/cbd-medical-cannabis-investor-information/>.

If you have any administrative questions please get in touch with Anne Tew, Company Secretary, on 07970 019277 at the Company, or Peterhouse Capital Limited, financial adviser to the offeree, whose contact details can be found on the announcement, in the appendix.

Yours sincerely

Anne Tew

Company Secretary

Appendix to letter

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.**

**THIS IS AN ANNOUNCEMENT FALLING UNDER RULE 2.4 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND DOES NOT CONSTITUTE AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CODE. THERE CAN BE NO CERTAINTY THAT ANY OFFER WILL BE MADE.**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF REGULATION (EU) NO 596/2014 ("MAR"). UPON THE PUBLICATION OF THIS ANNOUNCEMENT, THE INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN FOR THE PURPOSES OF MAR.**

**FOR IMMEDIATE RELEASE**

**22 April 2020**

Sativa Group Plc

("Sativa" or "the Company")

Statement regarding possible offer

Sativa Group Plc [NEX: SATI], the UK's leading quoted CBD wellness and medicinal cannabis Group, confirms that it has today entered into a letter of intent ("LOI") with StillCanna, Inc, ("StillCanna"), regarding a possible offer for the Company.

StillCanna Inc. is a leader in cannabinoid extraction and agriculture, it is focused on the large-scale manufacturing of CBD in Europe and has built two high volume extraction facilities, positioning itself as a leader in the seed to CBD supply.

StillCanna engineered its own proprietary closed loop ethanol extraction systems. The Company believes its proprietary intellectual property allows it to extract CBD at a lower cost. The Company designed its two extraction facilities, running at capacity, to make StillCanna Europe's largest producer of bulk CBD Distillate and Isolate.

StillCanna's facility in Romania was built under a joint venture agreement with Dragonfly Biosciences of the UK. The Company's second extraction facility is built in Poland and operates under StillCanna's wholly owned subsidiary Olimax.

StillCanna's shares are presently listed on the Canadian Securities Exchange, OTC Markets in New York and the Frankfurt Stock Exchange.

“We believe this is a truly unique opportunity to create a leading European CBD seed to consumer company. This combination brings together the Sativa Group Plc, the UK’s leading quoted CBD Wellness and Medicinal Cannabis group with StillCanna Inc. focused on the cultivation and extraction of hemp biomass into concentrated CBD extracts”, states Henry Lees-Buckley CEO of Sativa Group Plc.

Sativa brings leading UK CBD Wellness brands including Goodbody Botanicals, Goodbody Wellness, and the Tessellate Collective. It brings production capabilities to support not only Company brands but significant white label business. Sativa provides leading Cannabis testing capabilities with PhytoVista Laboratory, and is also building for tomorrow in the medicinal cannabis segment with a veterinary initiative currently underway.

StillCanna’s extraction and CBD production capabilities in Europe not only support Sativa’s internal requirements but offers opportunity to provide product to CBD and medicinal cannabis customers across Europe.

Sativa and StillCanna share a culture of compliance with each ensuring they have the necessary regulatory approvals. This is even more important as the combined company will focus on achieving European FSA Novel food compliance prior to the March 2021 deadline. The horizon for the combined company is truly Europe wide for both CBD and for extending the Goodbody CBD wellness brands to select markets in Europe.

“Rarely do you find two companies whose industry strengths complement each other resulting in such a synergistic entity,” added Henry Lees-Buckley.

“We believe only Companies that can control their supply chain, while complying with the upcoming legal framework outlined by the European FSA will succeed in the future marketplace. Through this acquisition both Sativa and StillCanna will benefit through a wider set of market opportunities and compliance”, stated Jason Dussault, CEO of StillCanna.

## **Key Terms**

- StillCanna wishes to explore a potential transaction where StillCanna will acquire the entire issued share capital of Sativa in consideration for which StillCanna will issue StillCanna Shares to the Sativa shareholders on the basis of 0.33651 StillCanna Shares for each Sativa share in issue.
- All options and warrants in Sativa are expected to be exchanged for options and warrants in StillCanna using the same ratio.
- If the transaction were to be carried out based on the exchange ratio referred to above, Sativa shareholders (as at today’s date) would hold approximately 65% of all StillCanna shares following completion, including all option and warrant instruments outstanding.
- It is envisaged that the transaction would be achieved through a UK Scheme of Arrangement under Part 26 of the UK Companies Act 2006.

The LOI provides for an exclusivity period, allowing the Company to conduct due diligence on StillCanna. StillCanna will not pursue any alternative transaction to the proposed acquisition of Sativa during the exclusivity period.

Other than in a limited number of circumstances, if StillCanna does not proceed to make an offer to acquire the shares of the Company pursuant to the LOI, StillCanna will be required to pay a break fee to Sativa at the greater of either, £1,000,000, or if StillCanna enters into an Alternative Transaction, 25% of the value paid by StillCanna or for StillCanna's securities or assets (as the case may be) in such alternative transaction. Discussions remain at a very early stage and accordingly there can be no certainty that a firm offer will be made.

A further announcement will be made in due course.

Under Rule 2.6(a) of the City Code on Takeovers and Mergers (the "Code"), StillCanna, Inc. must, by no later than 5.00 p.m. BST on 20 May 2020, either announce a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline can be extended with the consent of the Panel in accordance with Rule 2.6(c) of the Code.

As the terms of the proposed transaction are analogous to a reverse takeover in that the Company's shareholders may acquire a controlling interest of approximately 65% of all StillCanna shares following completion (on the basis of the exchange ratio referred to above), trading in the Company's ordinary shares on the AQSE Growth Market will be suspended pending a receipt of a firm intention to make an offer for the Company, or confirmation being received from StillCanna that it does not intend to make an offer.

This announcement has been made with the approval of StillCanna, Inc.

- Ends -

**For further information please contact:**

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<p><b>AQSE Growth Market Corporate Adviser</b> <b>Corporate Finance</b> Guy Miller/Allie Feuerlein Peterhouse Capital Limited +44 (0) 20 7220 9795</p>	

## **Notice related to financial adviser**

Peterhouse Capital Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Sativa and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Sativa for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

## **Disclosure requirements of the Takeover Code**

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

## **Rule 2.9 Requirement**

In accordance with Rule 2.9 of the Takeover Code, Sativa confirms that as at the date of this announcement, it has in issue 569,189,167 ordinary shares of 0.25p each (excluding ordinary shares held in treasury). The International Securities Identification Number (ISIN) of the ordinary shares is GB00BFX17474.

StillCanna confirms that as at the date of this announcement, it has 110,874,747 common shares of no par value issued and outstanding. The International Securities Identification Number (ISIN) of the common shares is CA86071P1071.

## **Website publication**

In accordance with Rule 26.1 of the Takeover Code, a copy of this announcement will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on Sativa's website at [www.sativagroup.co.uk](http://www.sativagroup.co.uk). The content of this website is not incorporated into, and does not form part of, this announcement.