

Wholesale Cannabis Extraction Center



HERBANGOODS

Washington State Licensed Processor

“We supply pharmaceutical grade ingredients to the cannabis manufacturing industry bringing a new level of quality, consistency and safety to cannabis products.”

The Big Idea: Wholesale Cannabis Extraction Center

“Building the pharmaceutical grade supply chain for the cannabis manufacturing industry”

Cannabis is the the fastest industry in the US generating over \$7B in 2017, with concentrates and pharmaceuticals the fastest growing sectors.

New cannabis derived pharmaceutical drugs and medicines are being developed and consumers and regulators are demanding higher levels of quality control and safety.

Currently no industrial processor supplies food grade or pharmaceutical grade extracts to the 1,438 licensed processors serving the \$1B Washington Market.

A wholesale GMP grade processing company could supply safe, consistent ingredients to manufacturers to create the next generation of cannabis-based drugs and medicines.

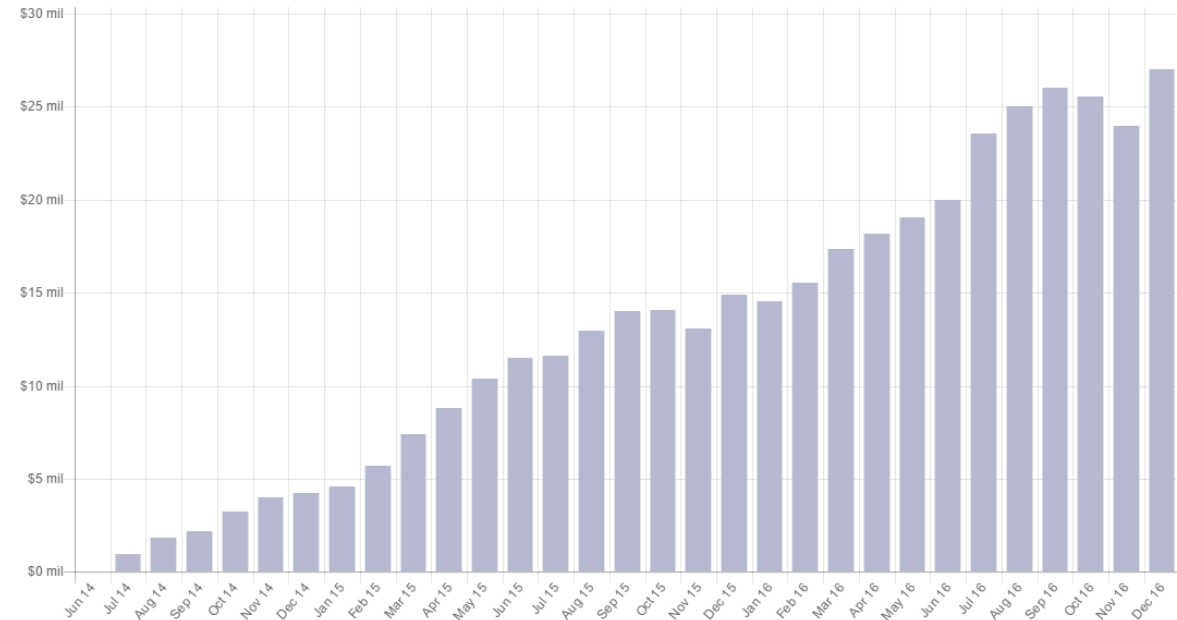
This deck shows how to profit selling pharmaceutical grade cannabis extracts

Washington I-502 Legal Cannabis Market



The cannabis industry in Washington is **booming**, and the opportunity to provide **industrial extraction & contract manufacturing solutions** is ripe.

Monthly Excise Tax



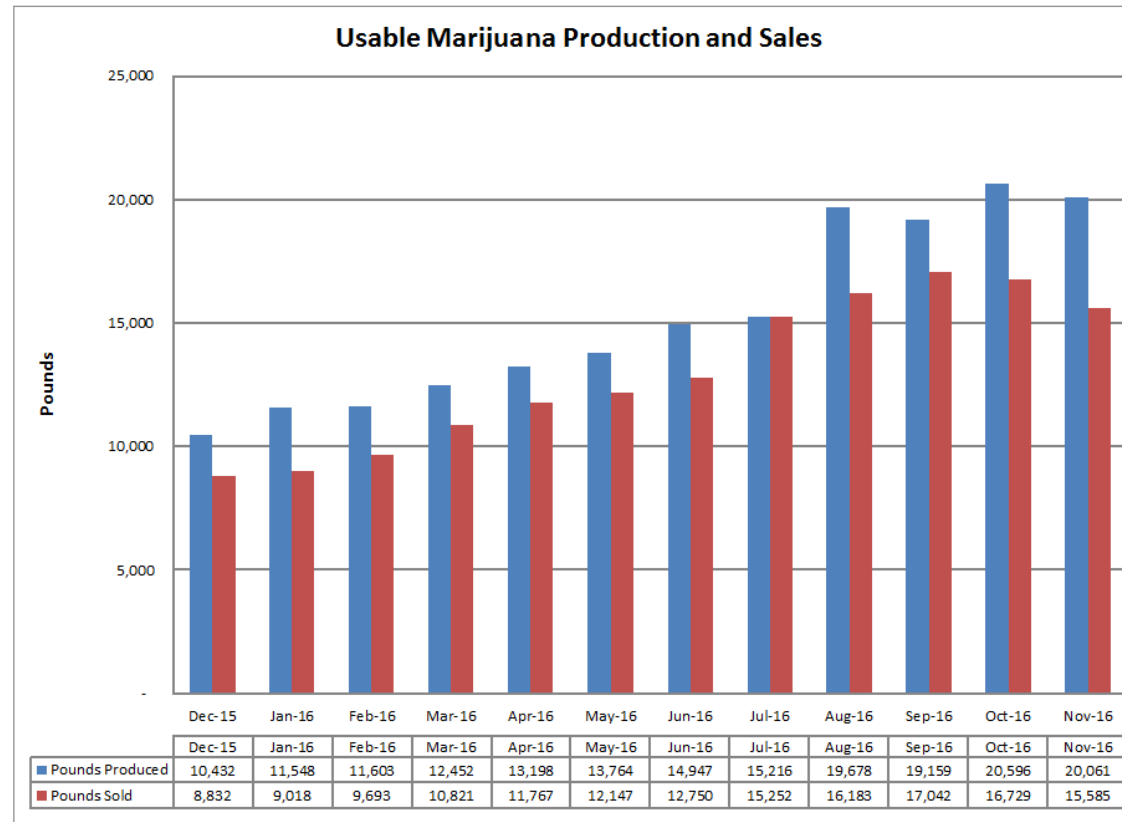
	2014	2015	2016	Total
Marijuana Retail Sales	\$31m	\$323m	\$696m	\$1,050m
Processor Sales	\$16m	\$148m	\$362m	\$525m
Producer Sales	\$3m	\$15m	\$51m	\$69m
Total Sales	\$49m	\$486m	\$1,109m	\$1,644m



Washington's Supply Chain Problem

Oversupply and Wastage of Cannabis, no GMP grade extracts

- ✦ The boom comes with periods of predictable **oversupply**, and a demand for **sophisticated processing** services
- ✦ Dried cannabis flower has a shelf life of only a **few months**. It degrades, and also becomes difficult to sell because it is past the "best by" date.
- ✦ Current extraction capabilities are **limited** in scale and sophistication
No GMP Grade Extracts available

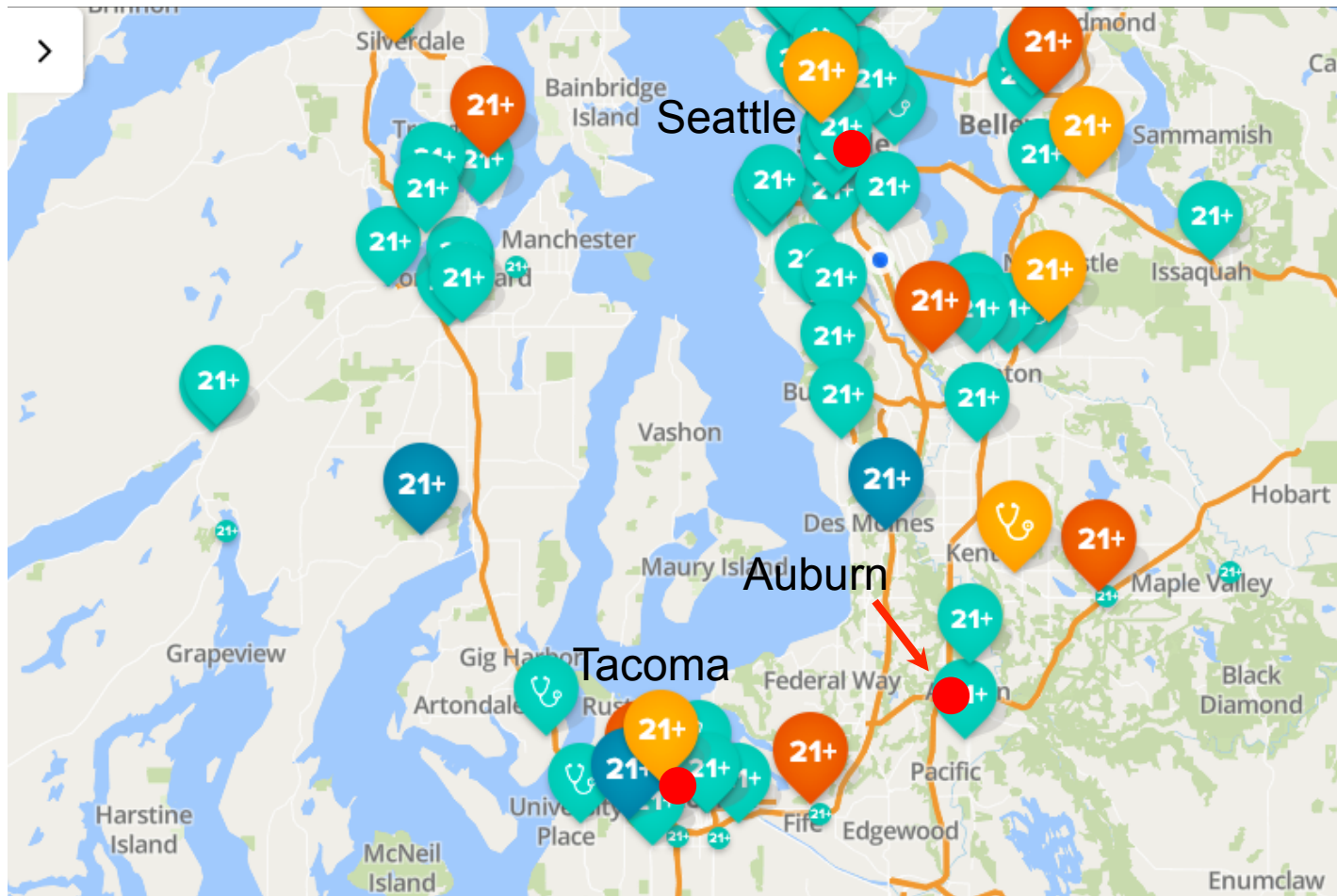


25,158 Pounds of usable cannabis went **unsold** in 2016

On Average, **951,811** grams of marijuana goes to **waste** per month!

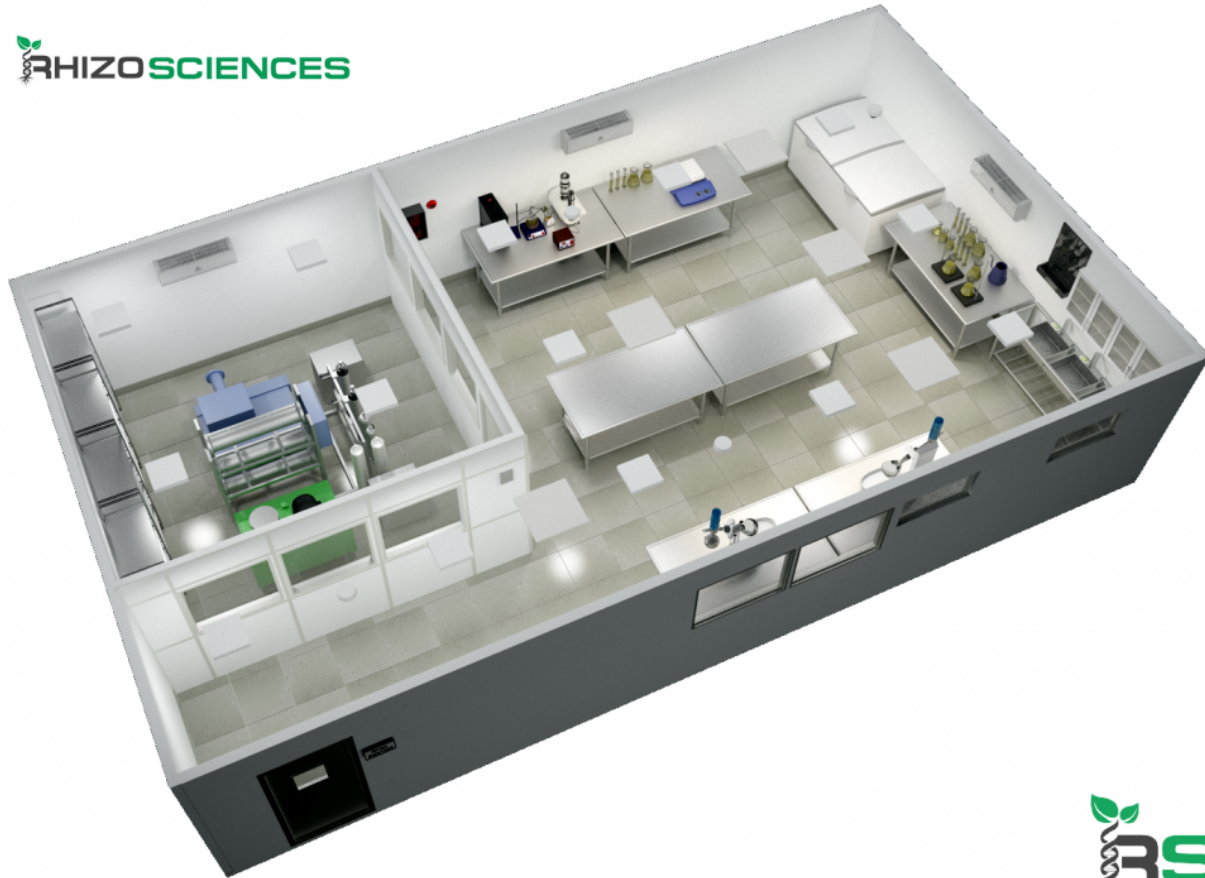
Perfectly Positioned

Herban Goods Auburn is our licensed processing facility located between Washington's largest centers – Seattle and Tacoma – ideally positioned as a central processing facility.



Pharmaceutical Grade Processing

Our extraction facility will be built and certified to be the first pharmaceutical GMP grade licensed processor in the state of Washington which means that we can supply existing medical and recreational markets as well as the cannabis-derived pharmaceutical and biotech industry.



Processing as a service and wholesale extracts

Our 90L extractor is able to process 100 pounds of cannabis flower or trim daily. Daily extraction throughput can be easily upgraded as production scales to meet demand. CO2 Extraction preserves and protects valuable cannabinoids and terpenes and leaves no residues or solvents.



Output / Time	Pounds Processed	Revenue @ \$200/pound	Operation Cost	Gross Profit
Day	100	\$20,000	\$3350	\$16650
Week (5d)	500	\$100,000	\$170000	\$83,000
Month 20d	2000	\$400,000	\$67000	\$333,000
Year	24000	\$4,800,000	\$800000	\$4,000,000

The Challenge: From Farm to Pharma

Cannabis-derived pharmaceuticals are projected to grow to \$50B by 2029.

To transform this natural botanical product into a safe, consistent and effective medicine, manufacturers need extracts and APIs (Active Pharmaceutical Ingredients) of known quality and purity



Bringing Good Manufacturing Practices to Cannabis

Food, drugs and nutritional supplements are manufactured using “Good Manufacturing Processes” (GMP) to ensure quality and safety. We will manufacture cannabis to the same standard expected for other drugs. Creating tomorrow’s safe, effective cannabis-derived medicines and pharmaceuticals demands a reliable supply chain of refined extracts and APIs.



Unfair Advantage: Pesticide Remediation

Pesticides in Cannabis are a Billion dollar problem – up to 25% of extracts test positive and can't be sold. This can occur from crop – even if the grower grows organically. Our technology can turn unsellable flower into 100% pesticide free oil saving growers millions.



The Product Wholesale Extracts and APIs

*The oil can be further distilled to produce standardized extracts and Active Pharmaceutical Ingredients (APIs) for the development of pharmaceutical drugs.
Finally we can formulate standardized cannabis-derived pharmaceuticals.*



Supplying Ingredients for Cannabis Manufacturers

Licensed Producers (Growers)

Strategic Buying

Buy low price trim During periods of oversupply

Long term contracts

Grow to order contracts to ensure consistent supply

Toll Processing

Extraction as a service and other toll processing models for growers and processors

Wholesale Processor (Us)



HERBANGOODS



Final Product Manufacture (Processors)

Concentrate Manufacturers

Package concentrates into Vape cartridges etc

Infused Product Manufacturers

Blend extracts into high margin infused products

Pharmaceutical Companies

Incorporate APIs into the next generation of pharmaceutical drugs

Cannabis Industry Supply Chain

← *Licensed Producers* →

← *Licensed Processors* →

← *Dispensaries* →



Nurseries Genetics & Clone Supply

Start with high performing strains and raise clones for rapid harvests

Cultivators Grow and Harvest

Grow and harvest premium, high potency cannabis flowers, and plant material

Extractors Extract & Refine Oil

Extract and refine bulk oil, distillates, & APIs (Active Pharmaceutical Ingredients)

Manufacturers Produce Products

Formulate products from full spectrum extracts or APIs or infuse into edibles and topicals.

Retailers Market and Distribute

Ship packaged products to dispensaries and other retail outlets for sale



Herban Goods is strategically positioned to control the supply chain. We convert commodity cannabis into a high value pharmaceutical ingredient.

Today's Market: Supply Med/Rec Manufacturers

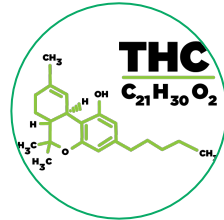
Liquids, tinctures and oils

Capsules, tablets
powders etc

Extracts,
concentrates
& distillates



Pharmaceuticals
via APIs



Beverages



Bulk Oil:
Raw, winterized or
Decarboxylated



Confectionery



Packaged Flower



Baked Products



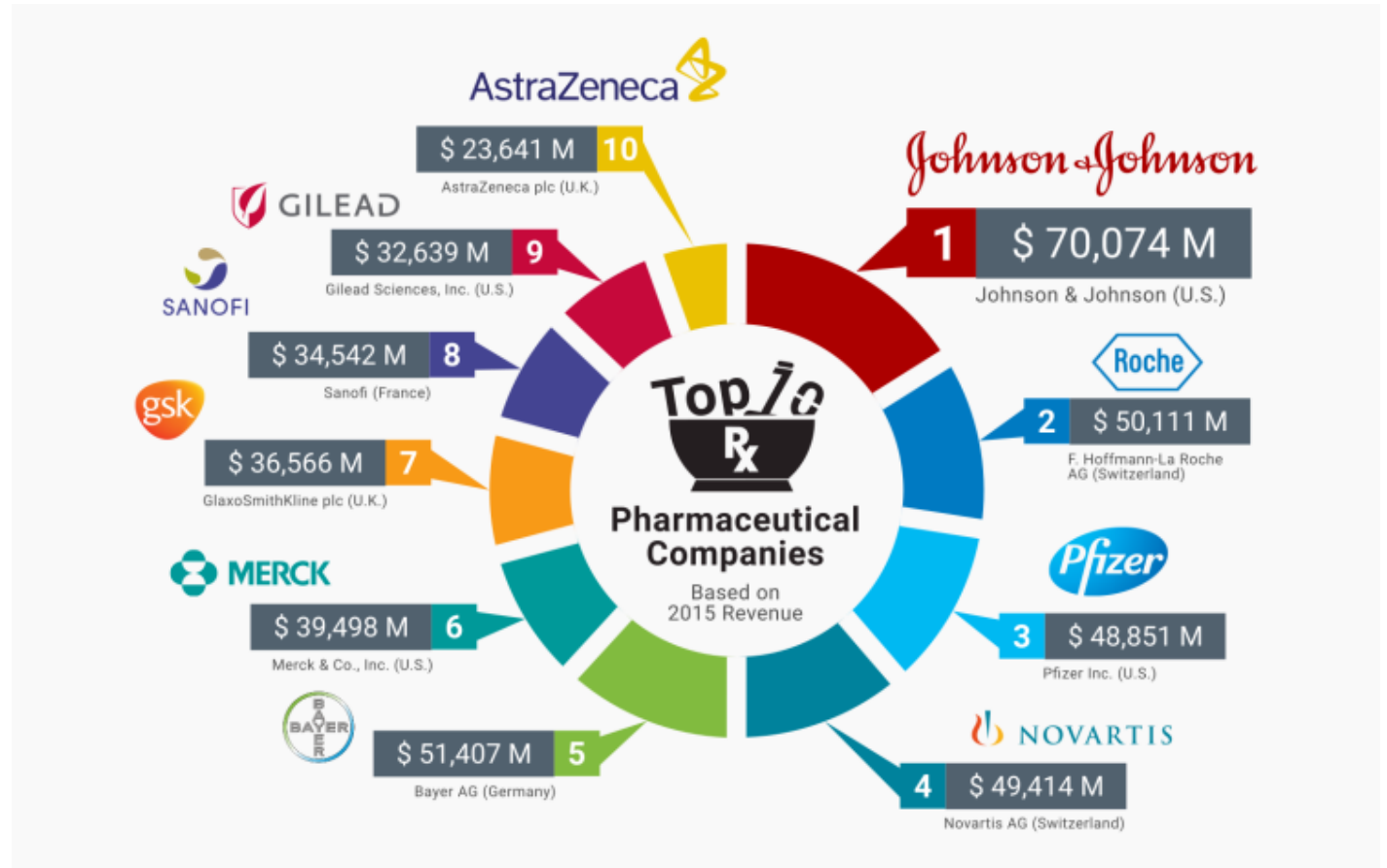
Tomorrow's Market: Infused Products & Pharmaceuticals

Building the cannabis-derived pharmaceutical supply chain



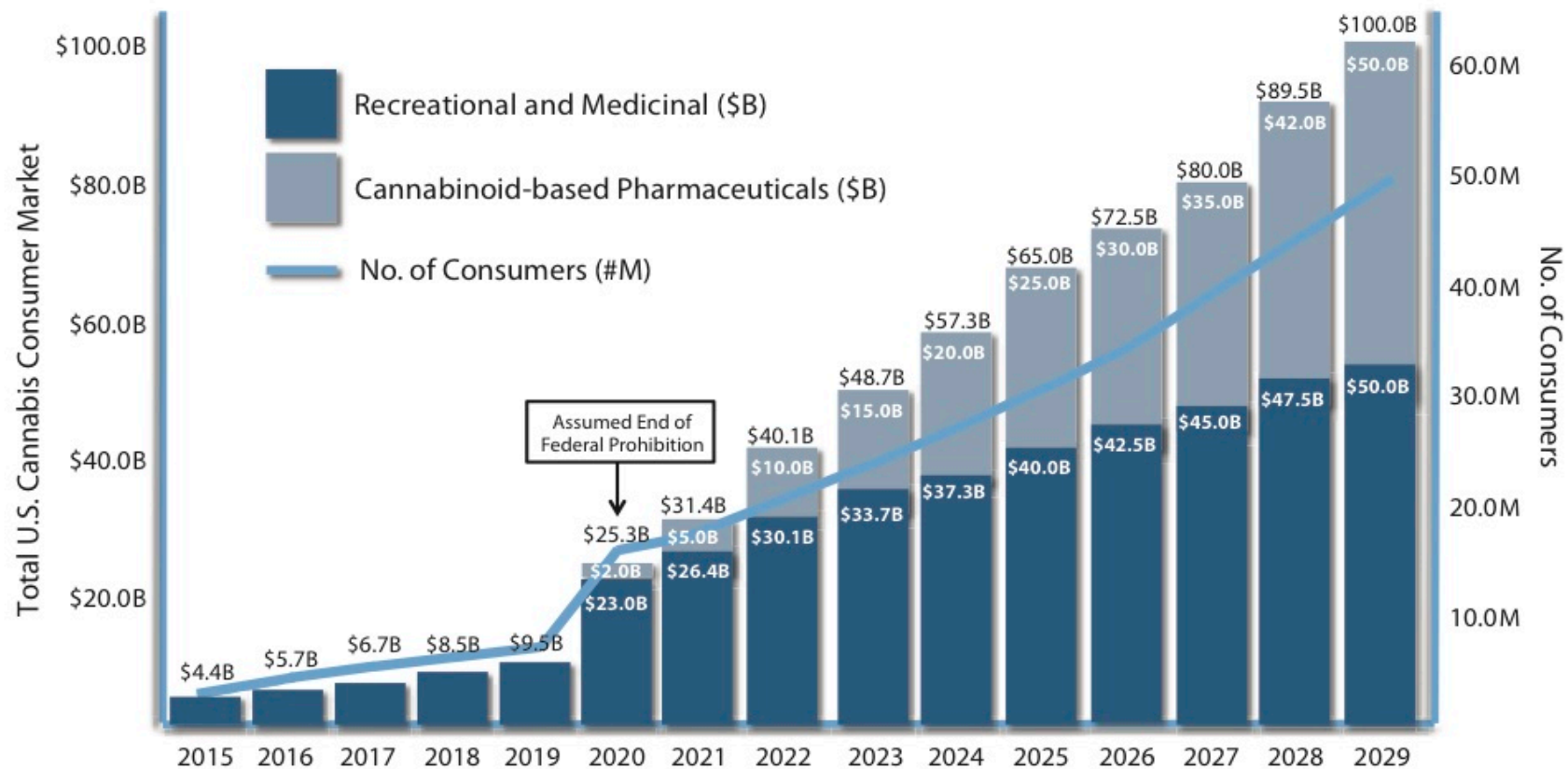
Long Term Sales and Exit Strategies

Long term the big money is in the emerging cannabis-derived pharmaceutical industry



Cannabis-Derived Pharmaceuticals: \$50B by 2029

We intend to supply pharmaceutical grade ingredients for cannabinoid-based therapies



Source: Ackrell Capital estimates. See Chapter IV: U.S. Cannabis Market Estimates.

Financial Projections

Product and Market Investment Details

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1-5
Capitalization	2,000,000	-	-	-	-	\$ 2,000,000
Sales	\$2,896,000	\$4,300,000	\$5,900,000	\$7,400,000	\$9,500,000	\$ 29,996,000
Cost of Goods Sold	\$(86000)	\$(145,000)	\$(255,000)	\$ (320,000)	\$(450,000)	\$(1,256,000)
Gross Profit	\$2,810,000	\$4,155,000	\$5,645,000	\$ 7,080,000	\$9,050,000	\$ 28,740,000
Operating Expenses	\$(852,800)	\$(1,050,000)	\$(1,430,000)	\$ (2,010,000)	\$(2,700,000)	\$ (8,042,800)
Cash Flow Before Tax	\$1,957,200	\$3,105,000	\$4,215,000	\$ 5,070,000	\$6,350,000	\$ 20,697,200
GMP Certification	\$(35,000)	\$(35,000)	\$(35,000)	\$ (35,000)	\$(35,000)	\$ (175,000)
Net Cash Flow	\$1,922,200	\$3,070,000	\$4,180,000	\$ 5,035,000	\$6,315,000	\$ 20,522,200

The Investment

Herban Goods Auburn is raising \$2M capital to fund development of the \$2.2M Project.

Two investment options are available.

1. Equity Option

Acquire 10% equity for \$200K
Total of 49% equity available for \$1M

2. Loan Option

Loan of \$1M at 10% interest
Balloon payment of \$1.10M at 12 mo.

Deal Summary

Project and Investment Details

CEO: Justin Khuu

President: Dallas McMillan

Asset Class: Wholesale Cannabis Processing Facility

Location: Auburn, Washington

Market Size: Washington State Retail Sales \$1B

Preorders: Commitments from sellers and buyers for 2018 processing

Industries Served: Recreational and Medical Cannabis, Pharmaceutical and Biotech

Business Model: Cannabis Oil CO2 extraction service and wholesale extracts.

Cannabis License: Washington i502 Licensed Processor (Medical and Recreational)

Projected Revenue: \$1.9M pa rising to \$6M pa over 5 years

Funding Requirement: \$2M



Cannabis Business Solutions - Disclaimer

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