Wholesale Cannabis Extraction Center

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marijuana Retail Sales</td>
<td>$31m</td>
<td>$323m</td>
<td>$696m</td>
<td>$1,050m</td>
</tr>
<tr>
<td>Processor Sales</td>
<td>$16m</td>
<td>$148m</td>
<td>$362m</td>
<td>$525m</td>
</tr>
<tr>
<td>Producer Sales</td>
<td>$3m</td>
<td>$15m</td>
<td>$51m</td>
<td>$69m</td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td>$49m</td>
<td>$486m</td>
<td>$1,109m</td>
<td>$1,644m</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Output / Time</th>
<th>Pounds Processed</th>
<th>Revenue @ $200/pound</th>
<th>Operation Cost</th>
<th>Gross Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day</td>
<td>100</td>
<td>$20,000</td>
<td>$3350</td>
<td>$16650</td>
</tr>
<tr>
<td>Week (5d)</td>
<td>500</td>
<td>$100,000</td>
<td>$17000</td>
<td>$83,000</td>
</tr>
<tr>
<td>Month 20d</td>
<td>2000</td>
<td>$400,000</td>
<td>$67000</td>
<td>$333,000</td>
</tr>
<tr>
<td>Year</td>
<td>24000</td>
<td>$4,800,000</td>
<td>$800000</td>
<td>$4,000,000</td>
</tr>
</tbody>
</table>
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)**

**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

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

- Pharmaceuticals via APIs
- Extracts, concentrates & distillates
- Bulk Oil: Raw, winterized or Decarboxylated
- Packaged Flower
- Liquids, tinctures and oils
- Capsules, tablets powders etc
- Beverages
- Confectionery
- Baked Products
Tomorrow’s Market: Infused Products & Pharmaceuticals

Building the cannabis-derived pharmaceutical supply chain
Long term the big money is in the emerging cannabis-derived pharmaceutical industry.
We intend to supply pharmaceutical grade ingredients for cannabinoid-based therapies.
## Financial Projections

### Product and Market Investment Details

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