

18 October 2022

ANANDA DEVELOPMENTS PLC

("Ananda" or the "Company")

Shareholder Update; change of Acquisition terms; Debt Proposals

Ananda's ambition is to be a leading UK grower and manufacturer of consistent, high-quality medical cannabis for UK patients.

Ananda's 50% owned subsidiary, DJT Plants Limited ("DJT"), currently holds a licence from the Home Office to cultivate medical cannabis for research at its site in Lincolnshire. Its operations are focused on strain stabilisation, medical cannabis research and large-scale field trials. These initiatives are in preparation for its intended applications to the Home Office to grow medical cannabis for commercial purposes and to the MHRA for the required GMP (Good Manufacturing Practice) certification.

The Directors provide the following update on the Company's activities, including the progress being made at the Company's research facility, the proposed acquisition of the remaining 50% of DJT (the "Acquisition") and proposals to deal with the unsecured debt of the Company (the "Debt Proposals").

Field Trials

DJT has completed the harvest of its 2022 field trial crops. Samples have been taken and stored for metabolic profile analysis to determine the amounts of various cannabinoids and terpenes contained in the flower. This information will be important in deciding which cultivars are chosen for commercial growing. In summary, DJT grew a number of each of 5 variants from seeds of each of 13 cultivars:

- Four high THC cultivars, with both sedating and uplifting terpene profiles
- Four balanced THC:CBD cultivars, with both sedating and uplifting terpene profiles
- Five high CBD cultivars, with predominantly uplifting terpene profiles

The trials involved growing each cultivar in six different densities and with various plant manipulation strategies. The objective was to determine, for each cultivar, the optimal way in which to grow the plant to maximise both quality and yield in Ananda's growing environment.

Detailed time studies were completed during the post-harvest activity to maximize operational efficiency for commercial production. Growing and processing the range of cultivars together, allowed direct comparisons of how well the different cultivars perform in Ananda's growing environment, together with the different characteristics of the flowers of each cultivar when trimmed. For example, some cannabis cultivars have stickier, more resinous, flowers, which involve a larger amount of detailed hand trimming before they can move through a drying process. These data points will inform commercial cultivation decisions in due course.

Cultivar Stabilisation

A key distinction of Ananda's planned commercial operations is to ultimately grow medical cannabis plants from seed, rather than from clones. Growing from cuttings (clones) taken from a stock of mother plants achieves immediate uniformity of crop, but in the long term is expensive and time and space consuming. In addition, mother plants must be replaced quarterly to ensure the plants maintain vigour. Moreover, cloning does not permit the creation of bespoke cultivars to meet particular patient needs. The metabolic profile of plants grown from clones can also change over time and so uniformity can be lost, a problem not shared by growing from genetically stable seeds.

Seeds afford several advantages over cuttings. Specifically, germinated plants are initially pest and disease free, have maximal vigour and require much less storage space than propagation of plants from mothers and clones. Above all, novel combinations of cultivars can be crossed to produce seeds that match the medical needs of patients. In order to create large stores of genetically stable seeds,

DJT is conducting a five-generation breeding programme using Single Seed Descent, a common breeding technique in many conventional crops.

As outlined in the previous shareholder update of 7 September 2022, the first self-pollination process resulted in a small number of viable seeds being produced and a longer period to complete the crossings than was anticipated. Protocol changes have been implemented and have resulted in production of a large number of viable seeds across cultivars in less time. The plants are now also being trimmed in a way which encourages maximum flower growth, to increase the seed yield per plant. Given that DJT intends to grow large numbers of proprietary genetic lines, the successful collection of large numbers of seeds is important and a significant achievement.

Ananda's CEO, Melissa Sturgess, commented: *"Our field trials have delivered a massive amount of information on the best ways to grow our 13 cultivars. A selection is now being prepared for analysis to determine precise details of the THC, CBD and terpene profiles before progressing with commercial growing decisions. I am also delighted to confirm our Single Seed Descent programme is becoming more interesting than we first thought. Initially, we had anticipated developing stable strains just for our own use, however we have recently been contacted by two international growers who are interested in purchasing seeds from us in the future. This is not a revenue stream we had previously considered but it demonstrates the potential commercial value of the work we are doing."*

The Acquisition

As shareholders will be aware, completion of the Acquisition has taken longer than initially contemplated. Despite this delay, work at DJT has nevertheless progressed rapidly, evolving beyond the scope and costs envisioned under the Heads of Terms announced on 8 June 2021. Ananda has therefore renegotiated the terms of the Acquisition.

In recognition of the delay, and the level of funding provided by Ananda to DJT, the parties have agreed to amend the terms of the Acquisition, such that the consideration payable to Anglia Salads Limited ("Anglia Salads") will now be £3.2 million (previously £7.3 million), which will be satisfied by the allotment of 350,000,000 (previously 790,538,866) ordinary shares of 0.2p each in the Company ("Ordinary Shares", "Consideration Shares").

The Consideration Shares are still being valued at 0.925p per share, the price prevailing at 8 June 2021, and will represent 29.9% of the Company's enlarged issued share capital. The reduced consideration means that the Acquisition no longer requires a waiver under Rule 9 of the City Code on Takeovers and Mergers (the "Code"). However, shareholders will still be given the opportunity to approve the Acquisition at the General Meeting to be convened in relation to the Acquisition and the Debt Proposals.

On completion of the Acquisition, one director of Anglia Salads, Stuart Piccaver, will join the board of Ananda, rather than two.

Outstanding Loan from Chairman

Since January 2020, the costs of Ananda and of establishing and running DJT's operations have been funded through unsecured loans made to the Company by its Chairman, Charles Morgan. As at 30 September 2022, the total amount loaned by Mr Morgan was approximately £2.3 million.

It has been necessary to finance the Company's activities in this way because of general market conditions.

In order to put the Company in a position to access more traditional funding in the future, the Company is proposing that the outstanding loan from Mr Morgan as at 30 September 2022 should be settled by the issue to him of warrants and convertible loan notes.

As Mr Morgan is already a significant shareholder in Ananda, the potential issue of further Ordinary Shares to him as a result of the Debt Proposals will be subject to the Takeover Panel granting a

waiver of the obligations which would otherwise oblige him to make a general offer to shareholders under Rule 9 of the Code ("Rule 9 Waiver"); any such Rule 9 Waiver would be subject to the approval of independent shareholders in Ananda at a General Meeting of the Company.

There can be no guarantee that such shareholder approval will be obtained or that the Takeover Panel will grant the Rule 9 Waiver required to implement the Debt Proposals.

A circular containing further information and convening a General Meeting to approve the Acquisition and the Debt Proposals will be sent to Ananda shareholders as soon as possible. A further announcement will be made at that time.

Charles Morgan commented: *"My commitment to Ananda has been shown by me continuing to finance the Company during this establishment phase. I am pleased to say that we have now built a great team and we look forward to progressing our strategy and being able, in time, to provide patients in the UK with medical cannabis, all, of course, subject to receiving the necessary licences and certification from the Home Office and the MHRA."*

Grant of Options

Further to shareholder approval granted at the Company's AGM on 17 August 2022, the Company has granted options over 60,000,000 Ordinary Shares under its Enterprise Management Incentive (EMI) Share Option Plan: 30,000,000 to Dr Nigel Gale, Head of Plant Science at DJT, and 30,000,000 to Steven Murray, Head of Cultivation at DJT. These options will vest in 3 equal tranches on the first, second and third anniversaries of their grant, with exercise prices of 0.5p, 0.605p and 0.66p per share respectively.

-Ends-

The Directors of the Company accept responsibility for the contents of this announcement.

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Market Abuse Regulation (MAR) Disclosure

The information contained within this announcement is deemed by the Company to constitute inside information. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

About Ananda Developments

Ananda is an AQSE-listed medical cannabis company creating UK-based operations to grow and provide carbon zero, consistent, medical cannabis for the UK and international markets.

The UK medical cannabis market is predicted to be worth £450m by 2025 and the European market is predicted to be worth USD4.2bn by 2027.

For more information, please visit: <https://anandadevelopments.com/>