



VPCL LIMITED

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ASX:VPC

24 November 2020

VPC TO ACQUIRE HEALTH HOUSE HOLDINGS

HIGHLIGHTS

- **VPC signs binding heads of agreement to acquire leading international medicinal cannabis distribution business, Health House Holdings (HHH)**
- **HHH is a revenue generating exporter, importer and distributor of medicinal cannabis and pharmaceutical products across Australia and the UK**
- **HHH operates two wholly owned subsidiaries, Health House International (Aus) and Health House Pharma (UK)**
- **Distribution agreements in place with leading GMP certified medicinal cannabis manufacturers and suppliers including, Aurora/Cannimed, Little Green Pharma, MGC Pharmaceuticals, Ananda Hemp, Satipharm, Zelira Therapeutics, IX Biopharma and HAPA**
- **HHH generated group revenues of approximately A\$6.5 million in FY20**
- **CPS Capital engaged to lead manage a capital raising of \$2.0 million**

VPCL Limited (ASX: VPC) (**VPC** or **Company**) is pleased to announce that it has entered into a binding heads of agreement (**Heads of Agreement**) to acquire all of the securities in UK-registered Health House Holdings Limited (CN 11625145) (**HHH**) (**Proposed Acquisition**). The key terms of the Proposed Acquisition are set out in Schedule 1 of this announcement.

Overview of HHH

1. HHH is a leading independent international distributor of medicinal cannabis and pharmaceutical products operating out of Australia and the UK with strong and growing revenues.

2. HHH was founded in 2018 by pioneers in the Australian medicinal cannabis sector with a proven track record of establishing a number of successful companies in the sector, including AusCann Group, Zelira Therapeutics and CannPal Animal Therapeutics.
3. HHH operates the following subsidiaries.

Health House International Pty Ltd (HHI) – Australian medicinal cannabis distribution business

Health House Holdings acquired Health House International Pty Ltd in March 2019 and has since become a fully licenced and regulated specialised importer, exporter, consolidator and distributor of medicinal cannabis products in Australia. HHI distributes medicinal cannabis products to almost 700 pharmacies, over 200 doctors and eight specialist medicinal cannabis clinics from which it generates revenues of approximately \$300,000 per month.

HHI imports medicinal cannabis from Canada, Germany, Netherlands, Macedonia, Slovenia, UK and the USA and wholesales direct to Australian pharmacies, hospitals and researchers. Recently HHI successfully completed its first export to Lesotho Africa which was the first export of Australian cannabis into this market.

Health House Pharma Limited (UK) (HH Pharma) - international pharmaceutical distribution business

In September 2019 Health House Holdings completed the acquisition of P&D Pharmaceuticals, a UK based speciality pharmaceutical wholesaler with a 30 years' trading history. Now operating as Health House Pharma, it supplies pharmacies, hospitals, government departments, veterinarians, ambulance works, and other wholesalers with general pharmaceutical products.

HH Pharma holds a Wholesale Dealers Licence and a Controlled Drugs Licence which allows it to procure and sell medicinal products within the EU. It has a network of 3,500 customers in 17 countries and holds accounts with some of the largest, established and reputable wholesalers in the UK such as Alliance, AAH, Phoenix, Alloga and Mawdsley-Brookes as well as direct relationships with manufacturers such as Teva, Bristol Myers Squibb, Boehringer Ingelheim, Thornton & Ross and Baxter.

HH Pharma generates revenues of approximately £250,000 per month.

Health House Pharma limited also owns UK based Gees Pharmacy, a direct-to-consumer, web-based pharmacy. Gees Pharmacy dispenses between 9,000 and 10,000 general pharmaceutical prescriptions per month and delivers approximately 400 monthly prescriptions to patients directly. It also currently fulfils prescriptions for 40 UK care homes, holds Pharmaceutical Council and registered premises approvals as well as NHS contracts to dispense medicines to the NHS, generating revenues of approximately £80,000 per month.

HHH group revenues for FY2020 were approximately A\$6.5 million. The UK business however was only operating for a nine-month period and contributed revenues of £2.2 million during this time.

4. HHH has both exclusive and non-exclusive supply agreements in place with a number of EU Good Manufacturing Practice (GMP) certified manufacturers and producers of high-quality medicinal cannabis products. The EU GMP licence is issued by the European Medicines Agency and is the most highly credentialled in the world for compliance for the production and manufacturing of pharmaceutical grade medicinal products.



5. The medicinal cannabis sector is a large and growing market:

Australasia & SE Asia

Providing significant growth opportunity for HHH, the Australian medicinal cannabis market is forecast to become the fifth largest cannabis industry internationally, with expenditure predicted to rise from \$52 million in 2018 to \$2.1b by 2028*. Medicinal cannabis has been legal in Australia since 30 October 2016.

The UK & Europe

In November 2018, the United Kingdom introduced new regulations defining and legalising the use of ‘cannabis-based products for medicinal use in humans’ (CBPMHs). Products meeting this definition would be moved to Schedule 2 under the *Misuse of Drugs Regulations 2001* and the *Misuse of Drugs (Designation) Order 2015*, thereby allowing these cannabis-based products to be made available on prescription from certain qualified doctors. By 2024, the UK medicinal cannabis market is predicted to be worth nearly US\$1.3 billion†, servicing nearly 340,000 active patients.

HHH’s growth strategy is also to target or continue to grow its operations across Australasia, South East Asia and the UK and Europe.

Capital structure

6. As at the date of this announcement, HHH has approx. 180 shareholders (**HHH Vendors**). As a consequence of the Proposed Acquisition, if approved, the HHH Vendors will collectively own approximately 76.2% of VPC’s issued capital.

Capital raising

7. To assist VPC to re-comply with Chapters 1 and 2 of the ASX listing rules (**Listing Rules**), the Company plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise a minimum subscription of \$2.0 million (**Public Offer**) at an issue price of not less than \$0.20 per share (on a post-consolidation basis – see paragraph 14 for details). CPS Capital Group Pty Ltd (**CPS**) has been appointed as lead manager to the Public Offer. The Public Offer will provide VPC with a strong balance sheet which will support its growth strategy post-completion of the Proposed Acquisition.
8. The Public Offer will not be underwritten.

Use of funds

9. The table below sets out the intended use of funds raised under the Public Offer together with existing cash reserves over 2 years following reinstatement to quotation (numbers are approximate):

* Prohibition Partners, The Oceania Cannabis Report

† Prohibition Partners, The UK Cannabis Report

Sources of funds	\$
Cash on hand of the Company and HHH	4,340,000
Funds raised under the Public Offer	2,000,000
Total funds available	6,340,000
Use of funds	
Business development - UK/Europe	1,800,000
Business development – Asia/Pacific	1,200,000
Online platform development	700,000
Acquisitions of complementary businesses	1,300,000
Working Capital	850,000
Listing expenses	490,000
Total use of funds	6,340,000

Control issues

10. No shareholder will hold a relevant interest in more than 20% of VPC following completion of the Proposed Acquisition. As a consequence, there are no control issues associated with the Proposed Acquisition.

Effect of the Proposed Acquisition on the consolidated entity's consolidated total assets and total equity interests

11. The principal effects of the Proposed Acquisition on VPC's consolidated statement of financial position will be:
- (a) current assets will increase by approximately \$4 million comprised of the net proceeds of the Public Offer and HHH's expected cash balance as at completion of the Proposed Acquisition; and
 - (b) total equity interests will increase by a corresponding amount.

Effect of the Proposed Acquisition on the consolidated entity's revenue, expenditure and profit before tax

12. The principal effects of the Proposed Acquisition on VPC's consolidated statement of financial performance for the financial year ended 30 June 2021 will be:
- (a) revenues will be increased by approx. \$10 million, comprised principally of revenues generated from HHH's operations;
 - (b) expenditures will be increased by approximately \$10.5 million comprised principally of expenses related to HHH's operations and costs associated with the Proposed Acquisition; and
 - (c) net profit (loss) is expected to be approximately \$(2.0 million).
13. The principal effects of the Proposed Acquisition on VPC's consolidated statement of financial performance for the financial year ended 30 June 2022 will be:
- (a) revenues will be increased by approximately \$17 million, comprised principally of revenues generated from HHH's operations;

- (b) expenditure will be increased by approximately \$16.5 million comprised principally of expenses related to HHH's commercial activities; and
- (c) net profit (loss) is expected to be approximately \$500,000.

Pro Forma Share Capital Structure

- 14. In order to align the value of existing shares on issue with the issue price of securities under the Public Offer, the Company will undertake a consolidation of its share capital on a 1-for-50 basis (**Consolidation**).
- 15. The indicative share capital structure of VPC post-acquisition of HHH, based on the current VPC securities on issue and including the Public Offer, will be as follows (on a post-Consolidation basis):

	Shares	% interest in issued capital
Shares currently on issue	22,616,922	14.9
Shares to be issued under the Public Offer at an issue price of \$0.20	10,000,000	6.6
Shares to be issued to HHH Vendors	115,298,743	76.2
Shares to be issued to advisors for facilitating the Proposed Acquisition	3,455,962	2.3
Total shares on completion of the Proposed Acquisition	151,371,628	100%

Board and management arrangements

- 16. On completion of the Proposed Acquisition, HHH director Hon. Mike Rann will join the VPC board, and current director Leanne Graham will retire. HHH executive chairman (and current VPC director) David Wheeler will have chief executive officer responsibilities.

Change of Name

- 17. Following completion of the Proposed Acquisition, the Company will change its name to "Health House International Limited".

Timetable

- 18. A timetable for the Proposed Acquisition and associated events is set out below:

Event	Date (week ending)
Despatch notice of general meeting of VPC shareholders	18 December 2020
Lodge prospectus with ASIC & ASX	18 December 2020
Opening date of Public Offer	18 December 2020
Hold general meeting	15 January 2021
Closing date of Public Offer	29 January 2021
Settlement date	12 February 2021
Re-admission date	26 February 2021

HHH's activities and business model

- 19. HHH is an independent international pharmaceutical distributor specialising in the exportation, importation, consolidation and distribution of medicinal cannabis and pharmaceutical products across Australia and the UK.

HHH operates two wholly owned subsidiaries, Health House International (Aus) and Health House Pharma (UK).

Health House International is a fully licenced and regulated company which distributes medicinal cannabis products to almost 700 pharmacies, over 200 doctors & eight specialist medicinal cannabis clinics. Health House Pharma supplies pharmacies, hospitals, government departments, veterinarians, ambulance works, and other wholesalers with general pharmaceutical products. Health House Pharma Limited also owns UK based Gees Pharmacy, a direct-to-consumer, web-based pharmacy.

HHH operates via a distribution business model from which it generates revenue from the sale of medicinal cannabis and pharmaceutical products to clinics, pharmacies and hospitals.

In FY20 HHH generated approximately A\$6.5 million in revenues.

20. HHH provides the following key services and features to the pharmaceutical products supply chain:

- *warehouse management* – HHH enters all products into a warehouse management system to ensure accurate and real time records for inventory and stock control management purposes. The use of a warehouse management system also ensures correct and timely dispatch of products to customers, product shelf-life management and mitigates the risk of user error and wrongful shipping
- *controlled drugs storage* – HHH operates secure and special access facilities which adhere to strict and fully compliant procedures surrounding the storage of controlled drugs. These facilities undergo regular inventory checks are specifically designed to ensure secure storage of controlled substances. The use of these specialist facilities also allows for shelf life and temperature management of pharmaceutical products to minimise the risk of stock losses.
- *delivery* – HHH conducts daily deliveries made through secure logistics companies and couriers to ensure the total security of controlled (pharmaceutical) products during transit. As part of its business model, HHH also operates daily deliveries to its customers to ensure that end patients, with often complex medical conditions, are able to receive their required medications quickly and efficiently.
- *pharmacy support* – HHH provides critical inventory management and support logistics solutions to empower pharmacists to focus on patients and remain competitive in the market
- *efficiency* – HHH creates efficiency in the healthcare system. Pharmacists do not need to order separately from multiple manufacturers nor manage inventory, saving time and costs
- *safety & security* – HHH ensures that medicines are properly and securely handled, stored and delivered
- *reliability* – HHH ensures its medicines are delivered in a time-efficient manner to a range of pharmacies, care homes and clinics.

21. HHH will achieve its strategic objectives by:

- (a) entering into and utilising supply and distribution agreements to provide access to pharmaceutical-grade (EU-GMP) product for United Kingdom, European and Australasian markets with multiple branding options;
- (b) aggressively developing its distribution capability to pharmacies, doctors, hospitals and specialist medicinal cannabis clinics;
- (c) acquisition of complementary businesses through United Kingdom, European and Australasian markets.

Key risks and dependencies

22. The key risks to successfully transforming VPC can be summarised as:

(a) *Completion risk*

Pursuant to the terms sheet, VPC has agreed to acquire 100% of the issued share capital of HHH, with completion subject to the fulfilment of certain conditions. There is a risk the conditions for completion of the Proposed Acquisition can't be fulfilled and, in turn, that completion of the Proposed Acquisition does not occur.

If the Proposed Acquisition is not completed, VPC will incur costs relating to advisors and other costs without any material benefit being achieved.

(b) *Re-quotations of shares on ASX*

Trading in VPC's securities is currently suspended and will continue to be suspended until completion of the Proposed Acquisition, the Public Offer, re-compliance by VPC with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.

There is a risk that VPC will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation. In addition, if the Proposed Acquisition does not proceed, it is likely that ASX will exercise its discretion to delist VPC.

(c) *Liquidity risk*

On completion of the Proposed Acquisition, VPC proposes to issue VPC Shares to the HHH Vendors. VPC understands that ASX will treat some of these securities as restricted securities in accordance with Chapter 9 of the Listing Rules.

This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) *Potential for significant dilution*

On completion of the Proposed Acquisition, the Company will issue Shares to the HHH Vendors and to new investors under the Public Offer. Those issues of Shares will dilute the equity interests of existing Shareholders. There is also a risk that Shareholders will be further diluted as a result of future capital raisings required in order to fund the Company's activities.

(e) *Exchange rate fluctuation risk*

The Company will be subject to exchange rate risks. Exchange rates fluctuate and are affected by many factors beyond the control of the Company. The Company will consider exchange rate risk mitigation strategies as part of the integration process with HHH.

(f) *Financial markets risks*

Share market conditions may affect the value of VPC's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither VPC nor the directors warrant the future performance or any return on an investment in the Company.

(g) *Reliance on regulatory regimes*

The Company's objectives to promote and operate a pharmaceutical distribution business with a focus on medicinal cannabis relies on the Company and its subsidiaries obtaining the necessary registrations and authorities under relevant laws. The regulatory approval system for these particular activities came into effect in recent years and continue to be subject social and political debate.

(h) *Risk of changes to laws and regulations*

The Company's operations are subject to a variety of laws, regulations and guidelines. The medicinal cannabis industry is evolving worldwide and has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that governments worldwide will continue to explore the benefits, risks, regulations and operations of companies involved in medicinal cannabis. While to the knowledge of management, the Company and its subsidiaries are currently in compliance with all current laws, changes to laws and regulations.

(i) *Uncertainty of future profitability*

The Company's business will be focussed on undertaking activities which assist in achievement of its key objectives. To date, it has funded its activities principally through issuing securities.

VPC's profitability will be impacted by its ability to successfully obtain and comply with authorities to distribute medicinal cannabis products, its ability to execute its development and growth strategies, the ability to access key suppliers of medicinal cannabis products, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability are uncertain. Moreover, the level of such profitability cannot be predicted.

(j) *Loss of key relationships*

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. The Company expects this consolidation and strategic partnering to continue.

Acquisitions or other consolidating transactions could harm the Company in a number of ways, including:

- (i) loss of strategic relationships if third parties with whom the Company has arrangements are acquired by or enter into relationships with a competitor (which could cause the Company to lose access to necessary resources);
- (ii) the relationship between the Company and third parties may deteriorate and have an adverse impact on the Company's business; and
- (iii) the Company's current competitors could become stronger, or new competitors could form, from consolidations.
- (iv) Any of these events could put us at a competitive disadvantage, which could cause us to lose access to markets. Industry consolidation could also force the Company to expend greater resources to meet new or additional competitive threats, which could adversely affect the Company's activities.

(k) *Economic and government risks*

The future viability of VPC is dependent on a number of other factors affecting performance of all industries and not just the pharmaceuticals industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which VPC operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which VPC operates;
- (iii) the strength of the equity markets in Australia and throughout the world, and investor sentiment towards the pharmaceutical sector generally, and the medicinal cannabis sector in particular;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which VPC operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which VPC operates.

(l) *Additional requirements for capital*

The funds to be raised under the Public Offer are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed VPC's estimates and to effectively implement its business and operational plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which VPC may incur. If such events occur, additional funding will be required.

Following the Public Offer, VPC may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for VPC's activities and future projects may result in delay and indefinite postponement of their activities and potential development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to VPC and might involve substantial dilution to shareholders.

(m) *Reliance on key personnel*

VPC's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Moreover, its future depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on VPC's business.

(n) *JV partners and contractors*

VPC is unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(o) *COVID-19*

The outbreak of the coronavirus pandemic is having a material effect on global economic markets. The global economic outlook is facing uncertainty due to the pandemic, which has had, and may continue to have, a significant impact on capital markets and share prices. The Company's share price may be adversely affected by the economic uncertainty caused by COVID-19.

Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the

Company. The Company's ability to freely move people and equipment to and from exploration projects may be the subject of delays or cost increases. The effects of COVID-19 on the Company's share price may also impede the Company's ability to raise capital or require the Company to issue capital at a discount, which may in turn cause dilution to Shareholders.

23. The key dependencies influencing the viability of the Proposed Acquisition are:
- (a) VPC's capacity to re-comply with Chapters 1 and 2 of the Listing Rules to enable re-admission to quotation of the Company's securities; and
 - (b) raising sufficient funds to carry out effective market development and distribution activities.

Recent issues of HHH securities

24. In July 2020, HHH issued 14,259,801 HHH Shares at £0.10 each (equivalent to approx. \$0.182 as at the date of this announcement), to raise £1,425,980.
25. In October 2020, HHH issued 10,730,000 HHH Shares at £0.05 each (equivalent to approx. \$0.091 as at the date of this announcement), to raise £536,500.
26. The funds raised from those issues of HHH securities have been and will be used to fund HHH's working capital requirements pending completion of the Proposed Acquisition.

Recent issues of VPC securities

27. There have been no issues of VPC securities since February 2018.

Re-compliance with ASX Listing Rules Chapters 1 and 2

28. Since the Proposed Acquisition will result in a significant change to the scale and nature of the Company's activities, the Proposed Acquisition will require VPC's shareholders' approval under Listing Rule 11.1.2 and will also require VPC to re-comply with Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3.

Shareholder approvals

29. A notice of meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Acquisition will be sent to VPC shareholders in due course. It is expected that VPC will convene a general meeting in January 2021 to facilitate shareholder approval for matters in respect of the Proposed Acquisition. Those approvals will include:
- (a) the change in scale and nature of the Company's activities;
 - (b) consolidation of the Company's capital on a 1-for-50 basis;
 - (c) the issue of VPC Shares to the HHH Vendors;
 - (d) the issue of VPC Shares to the parties' corporate advisors;
 - (e) the issue of VPC Shares in connection with the Public Offer; and
 - (f) the change of the Company's name to Health House International Limited.

ASX waivers required

30. The Company intends to apply under Listing Rule 9.1.3 for "look-through" relief for HHH Vendors being issued VPC Shares.

Facilitation fees

31. In accordance with the terms of:
- (a) a corporate mandate entered into between the Company and CPS, the Company will:
 - (i) issue 1,152,987 VPC Shares to CPS as an introduction fee;
 - (ii) pay \$120,000 to CPS as a 6% lead manager fee for the Public Offer; and

- (iii) pay CPS a corporate advisory fee of \$5,000 per month for the 12-month period following successful completion of the Proposed Acquisition; and
- (b) corporate mandates entered into between HHH and its corporate advisors Merchant Group and Fabio Pannuti, the Company will issue 2,305,975 VPC Shares as introduction and facilitation fees in respect of the Proposed Acquisition.

Due diligence activities

32. The Company's due diligence investigation into HHH and its assets are ongoing, and it is noted that completion under the formal documentation required for the acquisition of HHH will be conditional on the Company being satisfied with its due diligence investigations. Nevertheless, the Company confirms that it has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses, and prospects of HHH for the Board to be satisfied that the Proposed Acquisition is in the interests of the Company and its shareholders.

Regulatory requirements generally

33. The Company notes that:
- (a) the Proposed Acquisition requires shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;
 - (b) the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Proposed Acquisition may not proceed if those requirements are not met;
 - (c) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Proposed Acquisition may not proceed if ASX exercises that discretion; and
 - (d) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.
34. Furthermore, the Company:
- (a) notes that ASX takes no responsibility for the contents of this announcement; and
 - (b) confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

For further information, please contact:

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SCHEDULE 1 – KEY TERMS OF PROPOSED ACQUISITION

The key terms of the Heads of Agreement are as follows:

1. **Conditions Precedent:** Completion of the Proposed Acquisition is subject to and conditional upon a number of conditions precedent, including:
 - (a) satisfaction of all necessary due diligence investigations by the parties;
 - (b) VPC successfully completing the Proposed Acquisition by way of private treaty with the HHH Vendors;
 - (c) VPC receiving conditional approval by ASX to reinstate its securities and those conditions being satisfied to the reasonable satisfaction of VPC and HHH;
 - (d) if required in order to re-comply with Chapters 1 and 2 of the Listing Rules, VPC undertaking a consolidation of its issued share capital on a ratio to be determined by VPC in its reasonable discretion;
 - (e) VPC undertaking the Public Offer to raise \$2.0 million; and
 - (f) VPC holding a meeting of shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the transactions contemplated by the Heads of Agreement.
2. **Consideration:** At completion, subject to satisfaction of the conditions precedent, VPC will issue 115,298,743 VPC Shares (on a post-Consolidation basis) to the HHH Vendors.
3. **Other issues of securities:** VPC will also issue 3,455,962 VPC Shares in fees to the parties' corporate advisors.
4. **Change of name:** Following successful completion of the Proposed Acquisition, VPC will change its name to "Health House International Limited".
5. **Formal documents:** the parties agree to negotiate in good faith formal binding agreements to be entered into by VPC, HHH and each of the HHH shareholders on terms consistent with the Heads of Agreement or as otherwise agreed between the parties.

The Heads of Agreement otherwise contains clauses typical for binding agreements of this nature.

SCHEDULE 2 – FINANCIAL STATEMENTS

VPCL Limited (to be re-named Health House International Limited)

Pro forma statement of financial position as at 30 June 2020*

	VPC audited as at 30 June 2020	HHH audited as at 30 June 2020	Pro forma adjustment	Pro forma as at 30 June 2020
	\$	\$^	\$	\$
ASSETS				
Current Assets				
Cash and cash equivalents	3,343,249	496,374	1,510,000	5,349,623
Receivables	342,912	1,096,472	-	1,439,384
Inventories	-	652,410	-	652,410
Other current assets	28,211	248,343	-	276,554
Investments	500,000	-	-	500,000
Total Current Assets	4,214,372	2,493,598	1,510,000	8,217,970
Non-Current Assets				
Fixed assets	-	111,399	-	111,399
Intangible Assets	-	1,835,597	-	1,835,597
Total Non-Current Assets	-	1,946,996	-	1,946,996
TOTAL ASSETS	4,214,372	4,440,594	1,510,000	10,164,996
LIABILITIES				
Current Liabilities				
Trade and other payables	41,106	1,986,612	-	2,027,718
Lease liabilities	-	29,440	-	29,440
Borrowings	-	458,190	-	458,190
Total Current Liabilities	41,106	2,474,243	-	2,515,348
Non-Current Liabilities				
Trade and other payables	-	91,000	-	91,000
Lease liabilities	-	31,646	-	31,646
Borrowings	-	12,518	-	12,518
Total Non-Current Liabilities	-	135,164	-	135,164
TOTAL LIABILITIES	41,106	2,609,407	-	2,650,512
NET ASSETS	4,173,266	1,831,187	1,510,000	7,514,454
EQUITY				
Issued capital	33,216,771	9,062,202	(26,247,194)	16,031,779
Reserves	2,320,472	(4,641,222)	(2,320,472)	(4,641,222)
Accumulated losses	(31,363,977)	(2,589,793)	30,077,666	(3,876,103)
TOTAL EQUITY	4,173,266	1,831,188	1,510,000	7,514,454

* based on audited 30 June 2020 accounts for the Company and audited 30 June 2020 accounts for HHH

^ based on the AUD/GBP exchange rate as at 30 June 2020.