

NOTICE OF ANNUAL GENERAL MEETING

Accompanied by an Explanatory
Statement, Independent Expert's Report &
Proxy Form

This *notice of annual general meeting, explanatory statement and independent expert's report* should be read in their entirety.

If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional advisor prior to voting.

The *independent expert* reporting on *resolution 8* concludes that the proposed transaction is FAIR AND REASONABLE to non-associated shareholders of the *company*.

If you wish to discuss this *notice of annual general meeting* or the accompanying documents, please do not hesitate to contact the *company secretary* on +61 3 8640 0301.

Annual General Meeting to be held at the offices of Blackwall Legal, Level 26, 140 St Georges Terrace Perth WA on Friday, 29 January 2021 at 11.00am WST

VPCL Limited

ACN 149 197 651

(to be renamed Health House International Limited)

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Key dates

27 January 2021	snapshot date for eligibility to vote
27 January 2021	last day for receipt of <i>proxy forms</i> *
29 January 2021	<i>annual general meeting</i>
12 February 2021	completion of <i>acquisition</i> and issue of new <i>securities</i> (anticipated)
26 February 2021	re-quotation of the <i>company's securities</i> on <i>ASX</i> (anticipated)

* *proxy forms* received after 11.00am WST will be disregarded.

Notice of annual general meeting

Notice is hereby given that the *annual general meeting* of VPCL Limited ACN 149 197 651 (**company**) will be held at the offices of Blackwall Legal, Level 26, 140 St Georges Terrace Perth WA on **Friday, 29 January 2021 at 11.00am WST**.

The *explanatory statement*, which accompanies and forms part of this *notice*, describes the various matters to be considered.

Terms used in this *notice*, unless the context otherwise requires, have the meanings given to them in the *glossary* set out in the *explanatory statement*.

In this *notice*, except where specified, references to issues of *shares* are on a post-consolidation basis.

Agenda

resolution Adoption of remuneration report

1

To consider and, if thought fit, pass with or without amendment the following resolution as a **non-binding advisory resolution**:

That the remuneration report be adopted by shareholders on the terms and conditions in the explanatory statement.

resolution Re-election of Ms Leanne Graham as a director

2

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That Ms Leanne Graham, who retires by rotation, and being eligible, is re-elected as a director under and for the purpose of clause 14.2(b)(iv) of the constitution.

resolution Election of Mr David Wheeler as a director

3

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That Mr David Wheeler, who was appointed as a director on 3 April 2020 and retires in accordance with clause 14.4 of the constitution, and being eligible, is elected as a director under and for the purpose of clause 14.2(b)(ii) of the constitution.

resolution Election of Hon. Mike Rann as a director

4

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being passed, the election of Hon. Mike Rann as a director is approved under and for the purposes of clause 14.3 of the constitution.

resolution **Approval for change to nature and scale of activities**

5 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being approved, the acquisition of Health House Holdings Ltd is approved under and for the purposes of listing rule 11.1.2.

Short explanation: The *company* has entered into the *heads of agreement* pursuant to which it has agreed to acquire 100% of the issued capital of UK-registered Health House Holdings Limited, the owner of pharmaceutical distribution businesses in the UK and Australia.

If successful, the *acquisition* will result in the *company* changing the nature and scale of its activities. *Listing rule 11.1.2* requires the *company* to seek *shareholder* approval where it proposes to make a significant change to the nature and scale of its activities. *ASX* has also advised the *company* that it will be required to re-comply with the requirements of Chapters 1 and 2 of the *listing rules* in accordance with *listing rule 11.1.3*. Please refer to the *explanatory statement* for details.

resolution **Consolidation**

6 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to the other transaction resolutions being approved, the consolidation of the shares in the company on a 1-for-50 basis is approved for the purposes of section 254H of the Corporations Act and the constitution, with any fractional entitlements being rounded to the nearest whole number, such consolidation to occur as soon as practicable following completion and to occur in respect of all existing shares as well as all securities to be issued as contemplated in the notice where those securities are described as pre-consolidation.

resolution **Approval for the issue of *consideration shares* to *HHH vendors***

7 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being approved, the issue of 110,332,814 consideration shares to HHH vendors is approved for the purposes of listing rule 7.1.

resolution **Approval for the issue of *consideration shares* to a *related party* – Mr David Wheeler**

8 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being approved, the acquisition of 4,965,929 HHH shares from, and the issue of 4,965,929 consideration shares to, Mr David Wheeler, a related party, (or his nominee) are approved for the purposes of listing rules 10.1 and 10.11.

Independent expert's report: shareholders should carefully consider the independent expert's report prepared by Moore Australia for the purposes of shareholder approval in relation to resolution 8. The independent expert's report comments on the fairness and reasonableness of the issue of consideration shares under resolution 8 to non-associated shareholders. The independent expert has determined that the issue is FAIR AND REASONABLE to non-associated shareholders.

resolution **Approval for the issue of *shares* under the *public offer***

9 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being approved, the issue of up to 17,500,000 shares at an issue price of not less than \$0.20 per share, to raise up to \$3,500,000 under the public offer, is approved for the purposes of listing rule 7.1.

resolution **Approval for the issue of *offer shares* to a *related party* – Mr David Wheeler**

10 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being approved, the issue of 50,000 shares under the public offer to Mr David Wheeler, a related party, (or his nominee) is approved for the purposes of listing rule 10.11.

resolution **Approval for the issue of *offer shares* to a *related party* – Mr Chris Mews**

11 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being approved, the issue of 50,000 shares under the public offer to Mr Chris Mews, a related party, (or his nominee) is approved for the purposes of listing rule 10.11.

resolution **Approval for the issue of *broker shares* to *CPS* (or its nominees)**

12 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being passed, the issue of 1,152,987 shares to CPS (or its nominees) is approved under and for the purposes of listing rule 7.1.

resolution **Approval for the issue of *broker shares* to *Merchant Group* (or its nominees)**

13 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being passed, the issue of 1,152,987 shares to Merchant Group (or its nominees) is approved under and for the purposes of listing rule 7.1.

resolution **Approval for the issue of *broker shares* to *Mr Fabio Pannuti* (or his nominee)**

14 To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

That, subject to each of the other transaction resolutions being passed, the issue of 1,152,987 shares to Mr Fabio Pannuti (or his nominee) is approved under and for the purposes of listing rule 7.1.

resolution **Change of *company's* name**

15

To consider and, if thought fit, pass with or without amendment the following resolution as a **special resolution**:

That, subject to each of the other transaction resolutions being passed, the change of the company's name from "VPCL Limited" to "Health House International Limited" is approved for the purposes of section 157(1) of the Corporations Act with effect from the day on which ASIC alters the details of the company's registration.

By order of the Board of directors

Chris Mews

Company Secretary

30 December 2020

Proxy appointment, voting and meeting instructions

Lodgement of a proxy form

The *proxy form* (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the *proxy form* (and the power of attorney or other authority) must be lodged with the *company* no later than **11.00am WST on Wednesday, 27 January 2021** being not later than 48 hours before the commencement of the *annual general meeting*. Any *proxy form* received after that time will not be valid. *Proxy forms* may be lodged:

online www.linkmarketservices.com.au

by hand
(during business hours) Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

by mail VPCL Limited
c/o Link Market Services
Locked Bag A14
Sydney South NSW 1235

by fax +61 2 9287 0309

all enquiries +61 1300 554 474

Appointment of a proxy

A member of the *company* entitled to attend and vote at the *annual general meeting* is entitled to appoint a proxy. The proxy may, but need not be, a *shareholder* of the *company*.

If you wish to appoint the *chairman* as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the *chairman*, please write the name of that person. If you leave this section blank, or your named proxy does not attend the *meeting*, the *chairman* will be your proxy.

You are entitled to appoint up to two persons as proxies to attend the *meeting* and vote on a poll. If you wish to appoint a second proxy, an additional *proxy form* may be obtained by telephoning the company secretary on +61 3 8640 0301 or you may photocopy the *proxy form*.

To appoint a second proxy, you must on each *proxy form* state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both *proxy forms* do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Corporate shareholders

Corporate *shareholders* should comply with the execution requirements set out on the *proxy form* or otherwise with the provisions of section 127 of the *Corporations Act*. Section 127 of the *Corporations Act* provides that a company may execute a document without using its common seal if the document is signed by:

- (a) two directors of the company;
- (b) a director and a company secretary of the company; or

- (c) for a proprietary company that has a sole director who is also the sole company secretary – that director.

Corporate representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the *Corporations Act*, in which case the *company* will require a certificate of appointment of the corporate representative executed in accordance with the *Corporations Act*. The certificate of appointment must be lodged with the *company* before the *annual general meeting* or at the registration desk on the day of the *annual general meeting*.

Votes on resolutions

You may direct your proxy how to vote on a *resolution* by placing a mark in one of the boxes opposite the *resolution*. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the *resolutions* by inserting the percentage or number of *shares* you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the *resolutions*, your proxy may vote as he or she chooses. If you mark more than one box on a *resolution* your vote on the *resolution* will be invalid.

Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the *annual general meeting*, *shares* will be taken to be held by the persons who are registered as holding the *shares* at **11.00am WST on Wednesday, 27 January 2021**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the *annual general meeting*.

Voting exclusion statements

The *Corporations Act* and the *listing rules* require that the *company* must disregard any votes cast in favour of some of the *resolutions* to be considered at the *meeting* by or on behalf of:

- the named person or class of persons excluded from voting; or
- an *associate* of that person or those persons.

However, the *company* need not disregard a vote cast in favour of a *resolution* if it is cast by:

- a person as a proxy or attorney for a person who is entitled to vote on the *resolution*, in accordance with directions given to the proxy or attorney to vote on the *resolution* in that way; or
- the chair of the *meeting* as proxy or attorney for a person who is entitled to vote on the *resolution*, in accordance with a direction given to the chair to vote on the *resolution* as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an *associate* of a person excluded from voting, on the *resolution*; and
 - the holder votes on the *resolution* in accordance with directions given by the beneficiary to the holder to vote in that way.

The *company* will disregard any votes cast in favour of a *resolution* as set out in the table below:

Resolution	Nature of resolution	Persons excluded from voting in favour
1	Adoption of <i>remuneration report</i>	Any <i>key management personnel</i> of the <i>company</i> , or a closely related party of such member.
5	Approval for change to nature and scale of activities	The <i>HHH vendors</i> and any other person who will obtain a material benefit as a result of the <i>acquisition</i> (except a benefit solely by reason of being a holder of <i>shares</i>), or any <i>associates</i> of those persons.
7	Approval for the issue of <i>consideration shares</i> to <i>HHH vendors</i>	<i>HHH</i> and any other person who will obtain a material benefit as a result of the <i>acquisition</i> (except a benefit solely by reason of being a holder of <i>shares</i> or <i>HHH shares</i>), or any <i>associates</i> of those persons.
8	Approval for the issue of <i>consideration shares</i> to a <i>related party</i>	David Wheeler and any other person who will obtain a material benefit as a result of the <i>acquisition</i> (except a benefit solely by reason of being a holder of <i>shares</i>), or any <i>associates</i> of those persons.
9	Approval for the issue of <i>offer shares</i> under the <i>public offer</i>	Any person who is expected to participate in, or will obtain a material benefit as a result of, the <i>public offer</i> , except a benefit solely in the capacity of a holder of <i>shares</i> , or any <i>associates</i> of those persons.
10	Approval for the issue of <i>offer shares</i> to a <i>related party</i>	David Wheeler and any other person who will obtain a material benefit as a result of the <i>acquisition</i> (except a benefit solely by reason of being a holder of <i>shares</i>), or any <i>associates</i> of those persons.
11	Approval for the issue of <i>offer shares</i> to a <i>related party</i>	Chris Mews and any other person who will obtain a material benefit as a result of the <i>acquisition</i> (except a benefit solely by reason of being a holder of <i>shares</i>), or any <i>associates</i> of those persons.
12	Approval for the issue of <i>broker shares</i> to <i>CPS</i>	<i>CPS</i> or its nominee(s), or any <i>associates</i> of those persons.
13	Approval for the issue of <i>broker shares</i> to <i>Merchant Group</i>	<i>Merchant Group</i> or its nominee(s), or any <i>associates</i> of those persons.
14	Approval for the issue of <i>broker shares</i> to Mr Fabio Pannuti	Mr Fabio Pannuti or his nominee(s), or any <i>associates</i> of those persons.

In respect of *resolutions* 1, 8, 10 and 11, the *company* will also disregard any votes cast on those *resolutions* by any *key management personnel* of the *company*, or a closely related party of such member, acting as proxy if their appointment does not specify the way the proxy is to vote on the *resolution*.

Explanatory statement

This *explanatory statement* has been prepared for the information of *shareholders* in relation to the business to be conducted at the *annual general meeting*.

The purpose of this *explanatory statement* is to provide *shareholders* with all information known to the *company* which is material to a decision on how to vote on the *resolutions* in the accompanying *notice of annual general meeting*.

This *explanatory statement* should be read in conjunction with the *notice of annual general meeting*.

Italicised terms in this *explanatory statement* and in the *notice* are defined in the *glossary* in *Schedule 1*.

Other than *resolutions 1 to 3*, all of the proposed *resolutions* relate in some way (directly or indirectly) to the proposed acquisition by the *company* of Health House Holdings Limited (*HHH*).

Information relevant to particular *resolutions* is set out below. A summary of the proposed transactions, including the business of *HHH* and the effect of the proposed transactions on holders of *existing shares*, is set out in *Schedule 2*. There is additional information relevant generally to the *acquisition* and the proposed transactions the subject of this *notice* set out in *Schedule 3* to *5*.

In this *explanatory statement*, except where specified, references to issues of *securities* are on a post-consolidation basis.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the *Corporations Act*, the business of the *meeting* will include receipt and consideration of the annual financial report of the *company* for the financial year ended 30 June 2020 together with the declaration of the *directors*, the *directors' report*, the *remuneration report* and the auditor's report.

The company will not provide a hard copy of the *company's* annual report to *shareholders* unless requested to do so. The *company's* annual report is available on its website at www.vpcllimited.com.au.

2. ADOPTION OF REMUNERATION REPORT

2.1. Background

- 2.1.1. The *Corporations Act* requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.
- 2.1.2. The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

- 2.1.3. The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2. Voting consequences

- 2.2.1. Under the *Corporations Act*, if, at consecutive annual general meetings:
- (a) at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report; and
 - (b) at the first of those annual general meetings a *spill resolution* was not put to vote,
- a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (*spill resolution*). If required, the *spill resolution* must be put to vote at the second of those annual general meetings.
- 2.2.2. If more than 50% of votes cast are in favour of the *spill resolution*, the company must convene a shareholder meeting (*spill meeting*) within 90 days of the second annual general meeting.
- 2.2.3. All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the *spill meeting* but may stand for re-election at the *spill meeting*.
- 2.2.4. Following the *spill meeting*, those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3. Previous voting results

At the *company's* annual general meeting for the year ended 30 June 2019, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the *spill resolution* is not relevant for this *annual general meeting*.

2.4. Proxy voting restrictions

Shareholders appointing a proxy for this *resolution 1* should note the following:

- (a) If you appoint a member of the *key management personnel* (other than the *chair*) whose remuneration details are included in the *remuneration report*, or a *closely related party* of such a member as your proxy, you must direct your proxy how to vote on this *resolution*. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this *resolution*.
- (b) If you appoint the *chair* as your proxy (where the *chair* is also a member of the *key management personnel* whose remuneration details are included in the *remuneration report*, or a *closely related party* of such a member): you do not need to

direct your proxy how to vote on this *resolution*. However, if you do not direct the *chair* how to vote, you must mark the acknowledgement on the *proxy form* to expressly authorise the *chair* to exercise his or her discretion in exercising your proxy even though this *resolution* is connected directly or indirectly with the remuneration of *key management personnel*.

- (c) If you appoint any other person as your proxy, you do not need to direct your proxy how to vote on this *resolution*, and you do not need to mark any further acknowledgement on the *proxy form*.

2.5. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 1*.

3. RE-ELECTION OF DIRECTOR – MS LEANNE GRAHAM

3.1. Introduction

- 3.1.1. *Listing rule 14.5* provides that an entity which has directors must hold an election of directors at each annual general meeting.
- 3.1.2. The *constitution* sets out the requirements for determining which *directors* are to retire by rotation at an annual general meeting.
- 3.1.3. Ms Graham retires by rotation and seeks re-election.

3.2. Qualifications and other material directorships

- 3.2.1. With over 30 years in the software sector, Leanne has assisted technology companies with her broad experience and SaaS expertise. In 2018, Ms Graham was awarded the New Zealand Order of Merit for her services to the software industry. Current directorships of ASX listed companies include Apps Village, ArchTis and Bid Energy.

3.3. Independence

Ms Graham is considered to be independent.

3.4. Directors' recommendation

The *directors* support the re-election of Ms Graham as a *director* and unanimously recommend shareholders vote in favour of *resolution 2*.

4. ELECTION OF DIRECTOR - MR DAVID WHEELER

4.1. Introduction

- 4.1.1. *Listing rule* 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.
- 4.1.2. The *constitution* sets out the requirements for determining which *directors* are to retire by rotation at an annual general meeting.

4.2. Qualifications and other material directorships

- 4.2.1. Mr. Wheeler has more than 30 years of executive management, directorship, and corporate advisory experience. He is a foundation director and partner of Pathways Corporate a boutique corporate advisory firm that undertakes assignments on behalf of family offices, private clients, and ASX listed companies.
- 4.2.2. David has successfully engaged in business projects in the USA, UK, Europe, NZ, China, Malaysia, Singapore and the Middle East. David is a Fellow of the Australian Institute of Company Directors and serves on public and private company boards currently holding a number of directorships and advisory positions in Australian ASX listed companies.
- 4.2.3. David's current directorships of ASX-listed companies include Thred Ltd, Avira Resources Ltd, Blaze International Ltd, Protean Wave Energy Ltd, Eneabba Gas Ltd, Ragnar Minerals Ltd, Tyranna Resources Ltd and Syntonic Ltd.

4.3. Independence

With effect from *completion*, Mr Wheeler will have a material personal interest in *VPC shares*; accordingly, he is not considered to be independent.

4.4. Directors' recommendation

The *directors* support the election of Mr Wheeler as a *director* and recommend shareholders vote in favour of *resolution 3*.

5. ELECTION OF DIRECTOR - HON. MIKE RANN

5.1. Introduction

- 5.1.1. Under the terms of the *heads of agreement*, Hon. Mike Rann is to be appointed as a *director* effective from *completion*. Mr Rann has consented to act as a *director*.

- 5.1.2. Clause 14.3 of the *constitution* provides that the *company* in general meeting may by ordinary resolution appoint any person as a *director*.
- 5.1.3. Accordingly, *resolution 4* seeks *shareholder* approval for the appointment of Mr Rann.
- 5.1.4. *Resolution 4* takes effect subject to the passing of all other *transaction resolutions*.

5.2. Qualifications and other material directorships

- 5.2.1. The Hon Mike Rann AC CNZM, former Premier of South Australia, is a UK citizen and resident of London. He also holds Australian and New Zealand citizenship.

Mr Rann served as a politician in Australia for 26 years where he held roles dealing with both national and international relations which included his ambassador roles to the UK and Italy.

Mr Rann now resides in London where he is the Chairman of the UK-registered charity The Power of Nutrition, and is a member of the UK, US and Global boards of London-headquartered The Climate Group.

Mike Rann also holds the positions of CEO to his London based business consultancy, Rann Strategy Group.

5.3. Independence

It is proposed that Mr Rann be appointed as a non-executive *director* with effect from *completion*. Mr Rann's interest in *VPC shares* to be issued to him as an *HHH vendor* is not considered to be material; accordingly, he is considered to be independent.

5.4. Directors' recommendation

The current *directors* support the election of Mr Rann as a *director* and unanimously recommend shareholders vote in favour of *resolution 4*. *Shareholders* should refer to the information set out in Schedule 2 in respect of the *proposed acquisition* and its impact on the *company* in determining how to vote.

6. APPROVAL FOR CHANGE TO NATURE AND SCALE OF ACTIVITIES

6.1. Background

- 6.1.1. *Resolution 5* seeks *shareholder* approval for the change to the nature and scale of the *company's* activities that will occur as a consequence of the acquisition of *HHH* (*acquisition*).
- 6.1.2. The *company* has entered into the *heads of agreement* to effect the *acquisition*. Details of that agreement and the proposed *acquisition* are set out in *Schedule 2*. The *acquisition* is subject to the conditions precedent set out in paragraph 5.1(a) of *Schedule 2*.
- 6.1.3. *Resolution 5* takes effect subject to the passing of all other *transaction resolutions*.

6.2. Requirement for shareholder approval

- 6.2.1. *Listing rule 11.1.2* empowers *ASX* to require a listed company to obtain the approval of its shareholders to a significant change to the nature or scale of its activities. The *acquisition* will involve a significant change to the nature or scale of the *company's* activities for these purposes and, as is its usual practice, *ASX* has imposed a requirement under *listing rule 11.1.2* that the *company* obtains shareholder approval to the *acquisition*.
- 6.2.2. *Resolution 5* seeks the required shareholder approval to the *acquisition* under and for the purposes of *listing rule 11.1.2*.
- If *resolution 5* is passed, the *company* will be able to proceed with the *acquisition* and *HHH* will become a wholly-owned subsidiary of the *company*.
- If *resolution 5* is not passed, the *company* will not be able to proceed with the *acquisition* and will instead seek to identify alternative opportunities.
- 6.2.3. *ASX* has also indicated to the *company* that the *acquisition* effectively constitutes a listing of *HHH* which consequently requires the *company*, in accordance with *listing rule 11.1.3*, to comply with the admission requirements in Chapters 1 and 2 of the *listing rules* as if the *company* were applying for admission to the official list of *ASX*, including any *ASX* requirements to treat certain *securities* as restricted securities for the purposes of the *listing rules*.

6.3. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 5* for the reasons set out in this *explanatory statement*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

7. CONSOLIDATION

7.1. Background

- 7.1.1. *Resolution 6* seeks shareholder approval for the consolidation of *shares* on issue on a 1-for-50 basis (***consolidation***). The basis for the *consolidation* is to assist the *company* to comply with *ASX* requirements in respect of re-compliance with the *listing rules*.
- 7.1.2. This *resolution* is conditional on the passing of all of the other *transaction resolutions*.
- 7.1.3. The *directors* intend to implement the *consolidation* prior to *completion*, such that all new *securities* will be issued on a “post-consolidation” basis.

7.2. Requirement for shareholder approval

Section 254H(1) of the *Corporations Act* provides that a company may, by resolution passed at a general meeting, convert all or any of its shares into a larger or smaller number.

7.3. Fractional entitlements

Not all shareholders will hold a number of *shares* that can be evenly divided by 50. Any fractional entitlements of shareholders as a consequence of the *consolidation* will be rounded to the nearest whole number.

7.4. Capital structure and taxation implications

- 7.4.1. The effect on the capital structure of the *company* of the *consolidation* is shown in the table in *schedule 5*. Subject to rounding, shareholders' proportional holding of *shares* will not be affected by the *consolidation*.
- 7.4.2. It is not considered that the *consolidation* should have any taxation consequences for shareholders. However, shareholders are encouraged to seek their own tax advice on the effect of the *consolidation*. Neither the *company* nor the *directors* accept any responsibility for the individual taxation implications arising from the *consolidation* or other *resolutions* the subject of this *notice*.

7.5. Holding statements and certificates

From the date of the *consolidation*, all existing holding statements in respect of *shares* will cease to have any effect, except as evidence of entitlement to a certain number of *shares* on a post-*consolidation* basis.

7.6. Indicative timetable

The indicative timetable for the *consolidation* is as follows:

Action	Date
<i>Company</i> announce <i>consolidation</i>	24 November 2020
<i>Company</i> despatches <i>notice of meeting</i>	29 December 2020
<i>Company</i> announces effective date of <i>consolidation</i>	29 December 2020
<i>Shareholders</i> pass <i>resolution 6</i> to approve <i>consolidation</i>	29 January 2021
Effective date of <i>consolidation</i>	29 January 2021
Record date (last day for company to register transfers on a pre- <i>consolidation</i> basis)	3 February 2021
First day for <i>company</i> to update its register and send holding statements to security holders reflecting the change in the number of <i>securities</i> held	4 February 2021
Last day for <i>company</i> to update its register and send holding statements to security holders reflecting the change in the number of <i>securities</i> held and to notify <i>ASX</i> that this has occurred	10 February 2021

7.7. Directors' recommendation

The *directors* unanimously recommend that shareholders vote in favour of *resolution 6*.

8. APPROVAL FOR THE ISSUE OF SHARES TO HHH VENDORS

8.1. Background

- 8.1.1. In consideration for the acquisition of 100% of the issued capital in *HHH*, the *company* has agreed conditionally to issue the *consideration shares* to the *HHH vendors* (including the *related party* the subject of *resolution 8*). One of the conditions to the

acquisition and the issue of the *consideration shares* is the passing of the other *transaction resolutions*.

- 8.1.2. The *consideration shares* will be issued under the *prospectus*. More detail in respect of the *acquisition*, including details of the *consideration shares*, and the *HHH shares* in consideration for which the *consideration shares* are to be issued, is included in *Schedule 2*.
- 8.1.3. *Resolution 7* takes effect subject to the passing of all other *transaction resolutions*.

8.2. Requirement for shareholder approval

- 8.2.1. Broadly speaking, and subject to a number of exceptions, *listing rule 7.1* limits the amount of *equity securities* that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. The issue of the *consideration shares* does not fit within any of these exceptions.
- 8.2.2. Whilst a proportion of the *consideration shares* could be issued using the *company's* 15% capacity, the *company* wishes to retain as much flexibility as possible to issue additional *equity securities* into the future without having to obtain shareholder approval under *listing rule 7.1*. To do this, the *company* is asking shareholders to approve the issue of the *consideration shares* under *listing rule 7.1* so that it does not use up any of the 15% limit on issuing *equity securities* without shareholder approval set out in *listing rule 7.1*.
- 8.2.3. If *resolution 7* is passed, the issue of the *consideration shares* can proceed without using up any of the *company's* 15% limit on issuing *equity securities* without shareholder approval set out in *listing rule 7.1*.
- 8.2.4. If *resolution 7* is not passed, the *company* will not issue any *consideration shares* and the *acquisition* will not proceed.

8.3. Required information – listing rule 7.3

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 7*:

- (a) the maximum number of *consideration shares* to be issued to the *HHH vendors* is 110,332,814 *shares* (not inclusive of *consideration shares* for which approval is sought under *resolution 8*);
- (b) the *consideration shares* will be issued at *completion*, the date of which will be no more than 3 months after the date of the *meeting* (or such later date permitted by any *ASX* waiver or modification of the *listing rules*) and it is intended to issue all *consideration shares* under *resolution 7* on the same date;
- (c) the *consideration shares* will be issued at a deemed issue price of \$0.20 per *consideration share*;
- (d) the *consideration shares* to be issued under *resolution 7* will be issued to *HHH vendors*; none of the *HHH vendors* to be issued *consideration shares* under *resolution 7* are *related parties* of the *company* except to the extent that they may become *related parties* of the *company* by reason of the *acquisition*;

- (e) the *consideration shares* to be issued under *resolution 7* will be issued to *HHH vendors* in accordance with the terms of the *heads of agreement*, the material terms of which are set out in paragraph 5 of *Schedule 2*;
- (f) the *consideration shares* to be issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's existing shares*; and
- (g) no funds will be raised by the issue of *shares* under *resolution 7*.

8.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 7* and refer to the advantages of the proposed *acquisition* as set out in paragraph 8 of *Schedule 2*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

9. APPROVAL FOR THE ISSUE OF SHARES TO A RELATED PARTY

9.1. Background

- 9.1.1. In addition to the background information set out in *Section 8.1* in respect of the issue of *consideration shares* under *resolution 7*, further information is provided hereunder in respect of *consideration shares* to be issued to *associates* of David Wheeler, a *director*, as consideration for those *associates'* shareholdings in *HHH (Wheeler acquisition)*. Mr Wheeler is a *related party* of the *company*.

9.2. Requirement for shareholder approval – listing rule 10.1

- 9.2.1. *Listing rule 10.1* provides that an entity must not acquire or agree to acquire a *substantial asset* from, or dispose of or agree to dispose of a *substantial asset* to:

- (a) a *related party*;
- (b) a *child entity*;
- (c) a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the company;
- (d) an associate of a person referred to in *listing rules 10.1.1* to *10.1.3*; or
- (e) a person whose relationship with the company or person referred to in *listing rules 10.1.1* to *10.1.4* is such that, in *ASX's* opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

- 9.2.2. The *Wheeler acquisition* falls within *listing rule 10.1.4* and involves the acquisition of a *substantial asset*. It therefore requires the approval of *shareholders* under *listing rule 10.1*.
- 9.2.3. *Resolution 8* seeks the required *shareholder* approval to the *Wheeler acquisition* under and for the purposes of *listing rule 10.1*.
- 9.2.4. If *resolution 8* is passed, the *company* will issue the *consideration shares* (subject to the other *transaction resolutions* being approved) and will proceed with the *acquisition*.
- 9.2.5. If *resolution 8* is not passed, the *company* will not issue any *consideration shares* and the *acquisition* will not proceed.
- 9.2.6. *ASX* has granted a waiver from the operation of *listing rule 10.13.5* (which requires that *equity securities* issued in accordance with a *listing rule 10.11* approval be issued within 1 month of such approval being granted) to the extent necessary to allow this *notice* to state that the *consideration shares* to be issued to Mr Wheeler if approved, be issued no later than 3 months after approval is granted.

9.3. Required information – listing rules 10.5 and 10.6

Pursuant to *listing rules 10.5* and *10.6*, the following information is provided in respect of *resolution 8*:

- (a) the *HHH shares* being acquired under the *Wheeler acquisition* are being acquired from Pathways Capital Pty Ltd and Pathways Corp Investments Pty Ltd, each an *associate* of David Wheeler, a *director*;
- (b) Pathways Capital Pty Ltd and Pathways Corp Investments Pty Ltd are *associates* of David Wheeler, a *director* – accordingly, *listing rule 10.1.4* applies;
- (c) the *Wheeler acquisition* involves the acquisition of 4,965,929 *HHH shares* (***Wheeler shares***);
- (d) the number of *consideration shares* to be issued to Pathways Capital Pty Ltd and Pathways Corp Investments Pty Ltd as consideration for the *Wheeler shares* is 4,965,929 *shares*;
- (e) no funds are required to pay for the *Wheeler shares*;
- (f) it is intended to issue all *consideration shares* under *resolution 8* on the same date and in accordance with:
 - (i) the indicative timetable set out in paragraph 11 of *Schedule 2*; and
 - (ii) in any event, the waiver of *listing rule 10.13.5* granted by *ASX*, being no more than 3 months after the date of the *meeting*;
- (g) the *consideration shares* will be issued at a deemed issue price of \$0.20 per *consideration share*;

- (h) the *consideration shares* to be issued under *resolution 8* will be issued in accordance with the terms of the *heads of agreement*, the material terms of which are set out in paragraph 5 of *Schedule 2*; and
- (i) the *notice*:
 - (i) includes a voting exclusion statement in respect of this *resolution 8* whereby *Mr Wheeler* and his *associates* are prohibited from voting on this *resolution*; and
 - (ii) is accompanied by the *independent expert's report* which includes a finding that the issue of *consideration shares* to *Mr Wheeler's associates* is FAIR AND REASONABLE to non-associated *shareholders*. Further information in respect of the independent expert's findings is included at item 13 of *schedule 2*. The *independent expert's report* accompanies this *explanatory statement* as Annexure B.

9.4. Requirement for shareholder approval – listing rule 10.11

9.4.1. *Listing rule 10.11* provides that, unless one of the exceptions in *listing rule 10.12* applies, a listed company must not issue or agree to issue *equity securities* to:

- (a) a *related party*;
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an associate of a person referred to in *listing rules 10.11.1* to *10.11.3*; or
- (e) a person whose relationship with the company or person referred to in *listing rules 10.11.1* to *10.11.4* is such that, in *ASX's* opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

9.4.2. The issue of *consideration shares* to *Mr Wheeler's associates* falls within *listing rule 10.11.1* and does not fall within any of the exceptions in *listing rule 10.12*. It therefore requires the approval of *shareholders* under *listing rule 10.11*.

9.4.3. *Resolution 8* seeks the required shareholder approval to the issue of *consideration shares* to a *related party* under and for the purposes of *listing rule 10.11*.

9.4.4. If *resolution 8* is passed, the *company* will issue the *consideration shares* (subject to the other *transaction resolutions* being approved) and will proceed with the *acquisition*.

- 9.4.5. If *resolution 8* is not passed, the *company* will not issue any *consideration shares* and the *acquisition* will not proceed.
- 9.4.6. *ASX* has granted a waiver from the operation of *listing rule 10.13.5* (which requires that *equity securities* issued in accordance with a *listing rule 10.11* approval be issued within 1 month of such approval being granted) to the extent necessary to allow this *notice* to state that the *consideration shares* to be issued to Mr Wheeler if approved, be issued no later than 3 months after approval is granted.
- 9.4.7. Mr Wheeler is a *director*, and consequently is a related party of the *company* within the meaning of section 228(2)(a) of the *Corporations Act*. Section 208 of the *Corporations Act* requires shareholder approval for the provision of a financial benefit to a *related party*. However, section 210 of the *Corporations Act* provides that shareholder approval is not required for these purposes where the financial benefit to be provided to the *related party* is provided on “arm’s length terms”. The *directors* are of the view that, as the issue of *consideration shares* to Mr Wheeler will be made on the same terms as to other *HHH vendors*, the “arm’s length terms” exception is satisfied and *resolution 8* does not require shareholder approval under section 208 of the *Corporations Act*.

9.5. Required information – listing rule 10.13

Pursuant to *listing rule 10.13*, the following information is provided in respect of *resolution 8*:

- (a) the *consideration shares* to be issued under *resolution 8* will be issued to Pathways Capital Pty Ltd and Pathways Corp Investments Pty Ltd, each an *associate* of David Wheeler, a *director*;
- (b) as a *director*, Mr Wheeler (and his *associates* where applicable) is a *related party* of the *company*;
- (c) the maximum number of *consideration shares* to be issued to Pathways Capital Pty Ltd and Pathways Corp Investments Pty Ltd is 4,965,929 *shares*;
- (d) in accordance with the waiver of *listing rule 10.13.5* granted by *ASX*, the date of issue of the *consideration shares* will be no more than 3 months after the date of the *meeting* and it is intended to issue all *consideration shares* under *resolution 8* on the same date;
- (e) the *consideration shares* will be issued at a deemed issue price of \$0.20 per *consideration share*;
- (f) the *consideration shares* to be issued under *resolution 8* will be issued in accordance with the terms of the *heads of agreement*, the material terms of which are set out in paragraph 5 of *Schedule 2*;
- (g) the *consideration shares* to be issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company’s existing shares*; and
- (h) no funds will be raised by the issue of *shares* under *resolution 8*.

9.6. Directors' recommendation

The *directors* (other than Mr Wheeler) recommend that *shareholders* vote in favour of *resolution 8* and refer to the advantages of the proposed *acquisition* as set out in paragraph 8 of *Schedule 2*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

10.

APPROVAL FOR THE ISSUE OF SHARES UNDER THE PUBLIC OFFER

10.1. Background to public offer

- 10.1.1. *Resolution 9* seeks *shareholder* approval for the issue of up to 17,500,000 *shares* (***offer shares***) under a public offer at an issue price of not less than \$0.20 (***public offer***). The *public offer* will be undertaken via the *prospectus* and will raise up to \$3.5 million.
- 10.1.2. As noted in *Schedule 2*, the *acquisition* is conditional on the *company* raising not less than \$2.5 million pursuant to the *public offer*. Further details of the *public offer* are set out in *schedule 2*.
- 10.1.3. *Resolution 9* takes effect subject to the passing of all other *transaction resolutions*.

10.2. Requirement for shareholder approval

- 10.2.1. Broadly speaking, and subject to a number of exceptions, *listing rule 7.1* limits the amount of *equity securities* that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. The issue of the *offer shares* does not fit within any of these exceptions.
- 10.2.2. Whilst the *offer shares* could be issued using the *company's* 15% capacity, the *company* wishes to retain as much flexibility as possible to issue additional *equity securities* into the future without having to obtain shareholder approval under *listing rule 7.1*. To do this, the *company* is asking shareholders to approve the issue of the *offer shares* under *listing rule 7.1* so that it does not use up any of the 15% limit on issuing *equity securities* without shareholder approval set out in *listing rule 7.1*.
- 10.2.3. If *resolution 9* is passed, the issue of the *offer shares* can proceed without using up any of the *company's* 15% limit on issuing *equity securities* without shareholder approval set out in *listing rule 7.1*.
- 10.2.4. If *resolution 9* is not passed, the *company* will not issue any *offer shares* and the *acquisition* will not proceed.

10.3. Required information – listing rule 7.3

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 9*:

- (a) the maximum number of *shares* to be issued under the *public offer* is 17,500,000 *shares*;
- (b) the *offer shares* will be issued at *completion*, the date of which will be no more than 3 months after the date of the *meeting* (or such later date permitted by any *ASX*

- waiver or modification of the *listing rules*) and it is intended to issue all *offer shares* on the same date;
- (c) the *offer shares* to be issued will be issued for \$0.20 per *offer share*;
 - (d) the *offer shares* are being issued to:
 - (i) enable the *company* to satisfy the assets test under *listing rule 1.3.1* as part of the re-compliance requirements under *listing rule 11.1.3*; and
 - (ii) fund its post-*acquisition* business development activity (see the table at paragraph 15.1 of Schedule 2).
 - (e) the *offer shares* to be issued under *resolution 9* will be issued to subscribers under the *public offer* (**subscribers**); the *directors*, in conjunction with the *lead manager*, will determine to whom the *offer shares* will be issued, on a basis to ensure that the *company's* re-compliance requirements are met; other than in respect of *offer shares* the subject of *resolutions 10* and *11*, none of the *subscribers* will be *related parties* of the *company* except to the extent that they may become *related parties* of the *company* by reason of the *acquisition*;
 - (f) the *offer shares* to be issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's* existing *shares*; and
 - (g) up to \$3,500,000 will be raised by the issue of *offer shares* under *resolution 9*.

10.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 9* and refer to the advantages of the proposed *acquisition* as set out in paragraph 8 of *Schedule 2*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

11. APPROVAL FOR THE ISSUE OF OFFER SHARES TO RELATED PARTIES

11.1. Background

- 11.1.1. *Resolutions 10 and 11* seek *shareholder* approval for the issue of up to 50,000 *offer shares* to each of Messrs Wheeler and Mews (or their nominees) under the *public offer*.
- 11.1.2. *Resolutions 10 and 11* take effect subject to the passing of all other *transaction resolutions*.

11.2. Requirement for shareholder approval

- 11.2.1. *Listing rule 10.11* provides that, unless one of the exceptions in *listing rule 10.12* applies, a listed company must not issue or agree to issue *equity securities* to:
 - (a) a *related party*;
 - (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
 - (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and has nominated a

director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

- (d) an associate of a person referred to in *listing rules 10.11.1 to 10.11.3*; or
- (e) a person whose relationship with the company or person referred to in *listing rules 10.11.1 to 10.11.4* is such that, in *ASX's* opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

- 11.2.2. The issue of *offer shares* to Messrs Wheeler and Mews (or their nominees) falls within *listing rule 10.11.1* and does not fall within any of the exceptions in *listing rule 10.12*. It therefore requires the approval of *shareholders* under *listing rule 10.11*.
- 11.2.3. *Resolutions 10 and 11* seek the required *shareholder* approval to the issue of *offer shares* to Messrs Wheeler and Mews (or their nominees) under and for the purposes of *listing rule 10.11*.
- 11.2.4. If *resolutions 10 and 11* are passed, the *company* will issue the *offer shares* (subject to the other *transaction resolutions* being approved) to Messrs Wheeler and Mews (or their nominees) .
- 11.2.5. If *resolutions 10 and 11* are not passed, the *company* will not issue *offer shares* to Messrs Wheeler and Mews (or their nominees) .
- 11.2.6. *ASX* has granted a waiver from the operation of *listing rule 10.13.5* (which requires that *equity securities* issued in accordance with a *listing rule 10.11* approval be issued within 1 month of such approval being granted) to the extent necessary to allow this *notice* to state that the *offer shares* to be issued to Messrs Wheeler and Mews, if approved, be issued no later than 3 months after approval is granted.
- 11.2.7. Messrs Wheeler and Mews are *directors*, and consequently each is a related party of the *company* within the meaning of section 228(2)(a) of the *Corporations Act*. Section 208 of the *Corporations Act* requires shareholder approval for the provision of a financial benefit to a *related party*. However, section 210 of the *Corporations Act* provides that shareholder approval is not required for these purposes where the financial benefit to be provided to the *related party* is provided on “arm’s length terms”. The *directors* are of the view that, as the issue of *offers shares* to Messrs Wheeler and Mews will be made on the same terms as to other *subscribers*, the “arm’s length terms” exception is satisfied and *resolutions 10 and 11* do not require shareholder approval under section 208 of the *Corporations Act*.

11.3. Required information

Pursuant to *listing rule 10.13*, the following information is provided in respect of *resolutions 10 and 11*:

- (a) the *offer shares* to be issued under:
 - (i) *resolution 10* will be issued to Pathways Corporate Pty Ltd (***Pathways***), an *associate* of Mr Wheeler, a *related party* of the *company*, approval for which is sought for the purposes of *listing rule 10.11.4*; and

- (ii) *resolution 11* will be issued to Mr Mews, a *related party* of the *company*, approval for which is sought for the purposes of *listing rule 10.11.1*;
- (b) the maximum number of *offer shares* to be issued to each of *Pathways* and Mr Mews is 50,000 (i.e. 100,000 *offer shares* in aggregate);
- (c) in accordance with the waiver of *listing rule 10.13.5* granted by *ASX*, the date of issue of the *offer shares* will be not more than 3 months after the date of the *meeting* and it is intended to issue all *offer shares* under *resolutions 10 and 11* on the same date;
- (d) the *offer shares* to be issued will be issued for \$0.20 per *offer share*;
- (e) *offer shares* issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's existing shares*; and
- (f) up to \$20,000 will be raised by the issue of *offer shares* under *resolutions 10 and 11*, with the funds raised to be used for the *company's* business development activities.

11.4. Directors' recommendation

The *directors* (other than Mr Wheeler in respect of *resolution 10* and Mr Mews in respect of *resolution 11*) recommend that *shareholders* vote in favour of *resolutions 10 and 11*.

12. APPROVAL FOR THE ISSUE OF BROKER SHARES TO ADVISORS

12.1. Background

12.1.1. On 3 May 2020, the *company* entered into a corporate advisory mandate agreement with *CPS* (***broker mandate***), the terms of which included:

- (a) the payment of a monthly retainer of \$5,000 plus GST for a period of 12 months from the date of execution of the *broker mandate*; and
- (b) a requirement that the *company* issue *shares* to *CPS* or its nominee(s) in the event that the *company* concluded a successful transaction in the nature of the *acquisition*, with the number of *shares* to be issued to be calculated by reference to a value that represents 1% of the value of the successful transaction (and in the case of the *acquisition*, that number is 1% of 115,298,743 = 1,152,987).

Details of the services provided by *CPS* to the *company* are set out in paragraph 5.3 in *Schedule 2*.

12.1.2. The *company* has also agreed, subject to *completion* occurring, to issue 1,151,987 *shares* to each of *Merchant Group* and Mr Fabio Pannuti as remuneration for their corporate advisory assistance in previous capital raisings and commercial activities undertaken by *HHH*.

12.1.3. *Resolutions 12 to 14* seek *shareholder* approval for the issue of *shares* to *CPS*, *Merchant Group* and Mr Pannuti (***broker shares***).

- 12.1.4. *Resolutions 12 to 14* takes effect subject to the passing of all other *transaction resolutions*.

12.2. Requirement for shareholder approval

- 12.2.1. Broadly speaking, and subject to a number of exceptions, *listing rule 7.1* limits the amount of *equity securities* that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. The issue of the *broker shares* does not fit within any of these exceptions.
- 12.2.2. Whilst the *broker shares* could be issued using the *company's* 15% capacity, the *company* wishes to retain as much flexibility as possible to issue additional *equity securities* into the future without having to obtain shareholder approval under *listing rule 7.1*. To do this, the *company* is asking shareholders to approve the issue of the *broker shares* under *listing rule 7.1* so that it does not use up any of the 15% limit on issuing *equity securities* without shareholder approval set out in *listing rule 7.1*.
- 12.2.3. If *resolutions 12 to 14* are passed, the issue of the *broker shares* can proceed without using up any of the *company's* 15% limit on issuing *equity securities* without shareholder approval set out in *listing rule 7.1*.
- 12.2.4. If *resolutions 12 to 14* are not passed, the *company* will not issue any *broker shares* and the *acquisition* will not proceed.

12.3. Required information

- 12.3.1. Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolutions 12 to 14* :
- (a) the maximum number of *broker shares* to be issued to:
 - (i) *CPS* or its nominee(s) is 1,152,987;
 - (ii) *Merchant Group* or its nominee(s) is 1,152,987; and
 - (iii) Mr Pannuti or his nominee(s) is 1,152,987;
 - (b) the *broker shares* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any *ASX* waiver or modification of the *listing rules*) and it is intended to issue all *broker shares* to *CPS* on the same date;
 - (c) the *broker shares* will be issued at a deemed issue price of \$0.20 per *broker share*;
 - (d) the *broker shares* to be issued under *resolutions 12 to 14* will be issued to *CPS*, *Merchant Group* and Mr Pannuti, or their nominee(s), and will not be issued to any person who is a *related party* of the *company*;
 - (e) the *broker shares* to be issued:
 - (i) to *CPS* are to be issued pursuant to the *broker mandate*, the material terms of which are set out in paragraph 5.3 of *Schedule 2*; and
 - (ii) to *Merchant Group* and Mr Pannuti are to be issued pursuant to the *company's* obligations under the *heads of agreement*, the material terms of which are set out in paragraph 5.1 of *Schedule 2*;
 - (f) the *broker shares* to be issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's* existing *shares*; and
 - (g) no funds will be raised by the issue of *shares* under *resolutions 12 to 14* .

12.4. Directors' recommendation

- 12.4.1. The *directors* unanimously recommend that *shareholders* vote in favour of *resolutions 12 to 14*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

13. CHANGE OF COMPANY'S NAME

13.1. Background

- 13.1.1. Pursuant to section 157(1)(a) of the *Corporations Act*, the *company* may change its name by special resolution. *Resolution 15* seeks *shareholder* approval for the change of the *company's* name to "Health House International Limited".
- 13.1.2. The proposed new name is designed to reflect the new direction anticipated by the *acquisition*.
- 13.1.3. *Resolution 15* takes effect subject to the passing of all other *transaction resolutions* and the registration of the change of name by *ASIC*. If *resolution 15* is passed and takes effect, the *company* will lodge a copy of the special resolution with *ASIC* in order to effect the change.

13.2. Directors' recommendation

- The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 15*.

Schedule 1 – Glossary

acquisition	the acquisition by the <i>company</i> of 100% of the <i>HHH shares</i> from the <i>HHH vendors</i> as described in <i>Schedule 2</i> .
annual general meeting or meeting	the annual general meeting of <i>shareholders</i> convened by the <i>notice of annual general meeting</i> , or any meeting adjourned thereof.
associate	has the meaning given in Part 1.2, Division 2 of the <i>Corporations Act</i> , and shall be applied: (a) in accordance with the note to <i>listing rule 14.11</i> ; and (b) in respect of the disclosure required by <i>ASIC</i> regulatory guide 74.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691, or where the context requires, the Australian Securities Exchange which it runs.
board	the board of <i>directors</i> .
broker mandate	has the meaning given to that term in <i>section 12.1.1</i> of the <i>explanatory statement</i> .
broker shares	has the meaning given to that term in <i>section 12.1.3</i> of the <i>explanatory statement</i> .
business day	a day (other than a Saturday or a Sunday) on which banks in Perth, Western Australia are open for normal business.
chairman or chair	the chairman of the <i>meeting</i> .
CliniCann	means CliniCann Limited ACN 619 271 626, a wholly-owned subsidiary of <i>HHH</i> .
closely related party	has the meaning given to that term in section 9 the <i>Corporations Act</i> .
company	VPCL Limited ACN 149 197 651, a public company incorporated in Australia and listed on the <i>ASX</i> (to be renamed Health House International Limited”).
company secretary	the company secretary of the <i>company</i> .
completion	completion of the sale and purchase of the <i>HHH shares</i> .
completion date	the date on which <i>completion</i> occurs.
consideration shares	115,198,743 <i>shares</i> to be issued to the <i>HHH vendors</i> on the terms set out in the <i>explanatory statement</i> .
consolidation	has the meaning given to that term in <i>section 7.1.1</i> of the <i>explanatory statement</i> .

<i>constitution</i>	the constitution of the <i>company</i> from time to time.
<i>Corporations Act</i>	the <i>Corporations Act 2001</i> (Cth).
<i>CPS</i>	CPS Capital Group Pty Ltd ACN 088 055 636.
<i>director</i>	a director of the <i>company</i> .
<i>dollar, \$, A\$ or AUD</i>	the lawful currency for the time being of the Commonwealth of Australia.
<i>equity securities</i>	has the meaning given to that term in the <i>listing rules</i> .
<i>existing shares</i>	<i>shares</i> held by <i>shareholders</i> as at the date of this <i>notice</i> .
<i>explanatory statement</i>	this explanatory statement which accompanies and forms part of the <i>notice of annual general meeting</i> .
<i>glossary</i>	this glossary of terms.
<i>heads of agreement</i>	the binding agreement dated 23 November 2020 between the <i>company</i> and <i>HHH</i> setting out the terms and conditions of the <i>acquisition</i> .
<i>HHA</i>	Health House Australia Pty Ltd ACN 626 641 290, a wholly-owned subsidiary of <i>CliniCann</i> .
<i>HHH</i>	Health House Holdings Ltd (CN 11625145) a private limited company incorporated in the United Kingdom.
<i>HHH share</i>	has the meaning given in paragraph 1.1(a) of <i>schedule 2</i> .
<i>HHH vendors</i>	the holders of <i>HHH shares</i> .
<i>HHI</i>	Health House International Pty Ltd ACN 161 601 083, a wholly-owned subsidiary of <i>HHA</i> .
<i>independent expert</i>	Moore Australia.
<i>independent expert's report</i>	The report prepared by the <i>independent expert</i> and accompanying the <i>notice of meeting</i> at Annexure D in which the <i>independent expert</i> comments on the fairness and reasonableness of the issues under <i>resolution 8</i> to non-associated <i>shareholders</i> .
<i>issue price</i>	has the meaning given in <i>section 10.1.1</i> of the <i>explanatory statement</i> .
<i>key management personnel</i>	those persons having authority and responsibility for planning, directing and controlling the activities of the <i>company</i> , directly or indirectly, including any <i>director</i> (whether executive or non-executive).
<i>listing rules</i>	the official listing rules of <i>ASX</i> from time to time.

<i>Merchant Group</i>	Merchant Group Pty Ltd ACN 154 832 327.
<i>notice of annual general meeting or notice</i>	this notice of annual general meeting.
<i>offer shares</i>	has the meaning given in <i>section 10.1.1</i> of the <i>explanatory statement</i> .
<i>prospectus</i>	a prospectus in compliance with the requirements of the <i>Corporations Act</i> and the <i>listing rules</i> to be prepared by the <i>company</i> as contemplated under this <i>notice of annual general meeting</i> and <i>explanatory statement</i> .
<i>proxy form</i>	the proxy form accompanying this <i>notice of annual general meeting</i>
<i>public offer</i>	has the meaning given in <i>section 10.1.1</i> of the <i>explanatory statement</i> .
<i>quotation</i>	official quotation as defined in Chapter 19 of the <i>listing rules</i> .
<i>re-compliance</i>	the reinstatement of <i>shares</i> to <i>quotation</i> (other than any <i>shares</i> that may be designated “restricted securities” under the <i>listing rules</i> if required by <i>ASX</i>) after the <i>company</i> re-complies with Chapters 1 and 2 of the <i>listing rules</i> to <i>ASX</i> ’s satisfaction.
<i>related body corporate</i>	has the meaning given to that term in sections 9 and 50 of the <i>Corporations Act</i> .
<i>related party</i>	has the meaning given to that term in sections 9 and 228 of the <i>Corporations Act</i> .
<i>relevant interest</i>	has the meaning given to that term in sections 608 and 609 of the <i>Corporations Act</i> .
<i>remuneration report</i>	that section of the <i>company</i> ’s 2020 annual report that deals with the remuneration of <i>key management personnel</i> .
<i>resolution</i>	a resolution set out in the <i>notice</i> .
<i>restricted securities</i>	has the meaning given in Chapter 19 of the <i>listing rules</i> .
<i>schedule</i>	a schedule of the <i>explanatory statement</i> .
<i>section</i>	a section of the <i>explanatory statement</i> .
<i>securities</i>	has the meaning given to that term in section 92 of the <i>Corporations Act</i> .
<i>share</i>	a fully paid ordinary share in the capital of the <i>company</i> .
<i>share purchase agreements</i>	the agreements between the <i>company</i> and the <i>HHH vendors</i> , pursuant to which the <i>company</i> will become entitled to acquire 100% of the issued capital of <i>HHH</i> .

<i>shareholders</i>	the holders of <i>shares</i> in the <i>company</i> from time to time.
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<i>substantial asset</i>	has the meaning given in <i>listing rule 10.2</i> .
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<i>transaction resolutions</i>	all <i>resolutions</i> other than <i>resolutions 1 to 3</i> , as set out in the <i>notice</i> .
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<i>WST</i>	Western Standard Time, being the time in Perth, Western Australia.
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Schedule 2 – Details of proposed acquisition

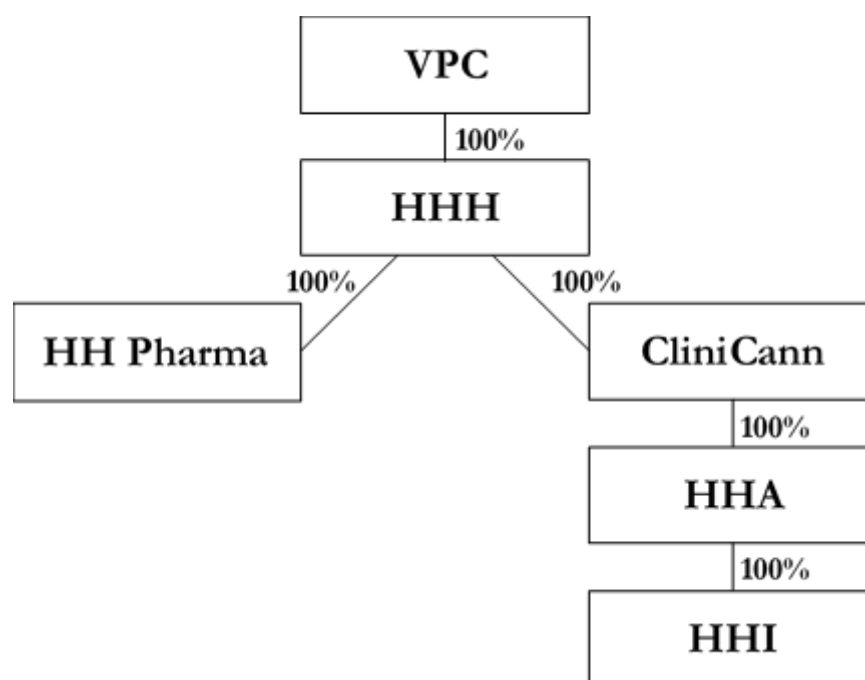
1. HHH

1.1. Capital structure

- (a) *HHH's* capital structure is comprised of 115,298,743 fully paid ordinary shares (***HHH shares***).
- (b) As at the date of this *notice*, *HHH* has approx. 180 shareholders. As a consequence of the *acquisition*, if approved, the *HHH vendors* will collectively hold approximately 74.9% of the listed merged entity.

1.2. Corporate structure

Subject to *completion* occurring, the group structure arising from the merger of the *company* and *HHH* will be as set out below:



1.3. *HHH business model and strategy*

- (a) *HHH* was registered in October 2018 with the ultimate objective of becoming a listed company with an international medicinal cannabis distribution business. To that end, during FY2020 it acquired distribution businesses in the UK and Australia and has the following operating subsidiaries:

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

In September 2019, *HHH* subsidiary *HH Pharma* acquired certain trading assets of an established pharmaceutical products distribution business P & D Pharmaceuticals in the UK (***P&D assets***). *HHH* has sought to develop the business of the P&D Assets in order to achieve organic growth in the general pharmaceuticals sector as well as establishing a secure wholesale distribution network for expansion into the proposed supply of medicinal cannabis products. *HH Pharma* supplies pharmacies, hospitals, government departments, veterinarians, ambulance works, &

other wholesalers with general pharmaceutical products. It has a 30-year trading history and a network of 3500 customers.

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 (not including Gees Pharmacy revenues referred to below).

In September 2020, *HH Pharma* acquired Gees Pharmacy, a direct to consumer, web-based pharmaceutical distributor which dispenses 9,000-10,000 general pharmaceutical prescriptions a month and delivers to about 400 patients their monthly prescriptions. It 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.

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

In September 2019, *HHH* acquired *CliniCann*, the holding company of *HHI*, a fully licensed and regulated specialised importer, exporter, consolidator and distributor of medicinal cannabis, distributes medicinal cannabis products to almost 700 pharmacies, over 200 doctors and eight specialist medical 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 which was the first export of Australian cannabis into this market.

HHI is the largest independent distributor for medicinal cannabis in Australia. The business was established in 2016 and was acquired by *CliniCann Limited* in March 2019. *CliniCann* was subsequently acquired by *HHH* in November 2019.

- (b) *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.
- (c) *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.



- (d) 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 2028¹. 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”. 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 billion², servicing nearly 340,000 active patients.

- (e) HHH’s growth strategy is also to target or continue to grow its operations across Australasia, South East Asia and the UK and Europe.
- (f) HHH provides the following services and features to the pharmaceutical products supply chain:
- (i) warehouse management – HHH enters all products into a warehouse management system for accurate inventory management
 - (ii) controlled drugs storage – HHH has special access areas and procedures in place to deal with controlled drugs. Regular inventory checks are made to ensure secure storage
 - (iii) delivery – HHH conducts daily deliveries made through secure logistics companies and couriers
 - (iv) pharmacy support – HHH provides inventory management and support logistics solutions to empower pharmacists to focus on patients and remain competitive in the market

¹ Prohibition Partners, The Oceania Cannabis Report

² Prohibition Partners, The UK Cannabis Report

- (v) 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
- (vi) safety & security – HHH ensures that medicines are properly and securely handled, stored and delivered
- (vii) reliability – HHH ensures its medicines are delivered in a time-efficient manner to a range of pharmacies, care homes and clinics.
- (g) *HHH* will achieve its strategic objectives by:
 - (i) entering into and utilising supply and distribution agreements to provide access to pharmaceutical-grade (EU-GMP) product for United Kingdom, European and Australian markets with multiple branding options
 - (ii) developing its distribution capability to pharmacies, doctors, hospitals and specialist medical cannabis clinics.

2. MEDICINAL CANNABIS REGULATORY ENVIRONMENT

The medicinal cannabis sector is heavily regulated with the holding of relevant licences and authorisations being a critical pre-condition for participation in medicinal cannabis distribution activities.

2.1. *Medicinal cannabis regulation in the United Kingdom*

- (a) In the United Kingdom, the principal statutory measure as it relates to drugs/narcotics is the *Misuse of Drugs Act 1971* (**MDA**) which specifies that drugs in three categories (according to their relative harm), namely in Classes A, B and C, are controlled by Schedule 2 of the *MDA*. Cannabis and its derivatives come under Class B. The *MDA* sets out different criminal offences, such as importation, production and supply, possession and cultivation of cannabis.

The *MDA* provides the Secretary of State with the necessary authority to make exceptions in certain circumstances in order to make lawful activities which, under the *MDA*, would under other circumstances be deemed unlawful.

- (b) The *Misuse of Drugs Regulations 2001* (**MDR**) regulate the availability of controlled drugs that have a recognised and legitimate use, by putting them in 1 of 5 schedules to the *MDR*. The schedule into which a drug is placed dictates the extent to which it is lawful to import, export, produce, supply and administer and possess the drug and also imposes requirements around prescription writing, record keeping, labelling and safe custody. Drugs listed in schedule 1 of the *MDR* can only be possessed or supplied under a Home Office licence and have (until recently) not been able to be prescribed by a medical practitioner. Cannabis and its derivatives have traditionally been placed in schedule 1 of the *MDR*.

- (c) Included at Annexure B is a legal opinion as to *HHH's* compliance with the medicinal cannabis regulatory regime in the UK.

2.2. *Medicinal cannabis regulation in Australia*

- (a) In Australia, the medicinal cannabis sector is regulated at both the state and Commonwealth levels. All of *HHH's* regulated activity in Australia is undertaken by its subsidiary *HHI*.
- (b) At the Commonwealth level:
 - (i) the import and export of medicinal cannabis is primarily regulated by the Office of Drug Control, a division of the Department of Health, under the *Customs (Prohibited Imports) Regulations 1956* (Cth) and *Customs (Prohibited Exports) Regulations 1958* (Cth) respectively; and
 - (ii) the supply of medicinal cannabis regulated principally under the *Therapeutic Goods Act 1989* (Cth) and the *Therapeutic Goods Regulations 1990* (Cth).
- (c) At the state level, *HHI's* activities are regulated, in addition to the Commonwealth laws and regulations, *Medicines and Poisons Act 2014* (WA) (MP Act) and the *Medicines and Poisons Regulations 2016* (WA), which relate principally to storage requirements at *HHI's* secure storage facility in Western Australia.
- (d) Included at Annexure C is a legal opinion as to *HHH's* compliance with the medicinal cannabis regulatory regime in Australia.

3. HHH'S MATERIAL AGREEMENTS

- (a) *HHH's* is a party to a number of supply and distribution agreements with manufacturers and suppliers of medicinal cannabis products. Key suppliers include Aurora/Cannimed, Little Green Pharma, MGC Pharmaceuticals, Ananda Hemp, Satipharm, Zelira Therapeutics, IX Biopharma and HAPA. With the growing number of medicinal cannabis manufacturers globally, the company considers that access to high-quality products will be increasingly assured.
- (b) The only other material agreement to which *HHH* is a party is the *heads of agreement* (see paragraph 5.1 of this *Schedule 2*).

4. HHH'S FINANCIAL POSITION

HHH's financial report for the period ended 30 June 2020 is included at Annexure A.

5. BACKGROUND TO TRANSACTION

5.1. *Transaction*

On 23 November 2020, the *company* announced the execution of a binding heads of agreement (***heads of agreement***) with *HHH* for the acquisition of 100% of the

issued capital in HHH (**HHH shares**). The material terms of the *heads of agreement* are as follows:

- (a) **conditions precedent:** completion of the sale and purchase of the HHH shares is conditional on:
- (i) HHH vendors representing at least 60% of all HHH shares on issue entering into *share purchase agreements* in relation to all of their HHH shares, and those HHH vendors not entering into *share purchase agreements* being successfully “dragged” in accordance with the relevant provisions of HHH’s constitution;
 - (ii) the *company* receiving conditional approval by ASX to reinstate its *securities* and those conditions being satisfied to the reasonable satisfaction of the *company* and HHH;
 - (iii) the *company* undertaking the *public offer* and receiving valid applications for at least \$2.5 million, or such other minimum amount as agreed between the parties (provided that such minimum amount will be sufficient to satisfy any conditions imposed by ASX as contemplated under the conditional approval above) which, once the relevant *securities* have been issued, will, together with the existing *securities* on issue, satisfy the spread requirements imposed by ASX for the reinstatement to quotation of the *company’s shares*;
 - (iv) resolutions being passed at a meeting of *shareholders* to obtain all approvals that are required to give effect to the transactions contemplated by the *heads of agreement*, including *shareholder* approval for the purposes of authorising:
 - (1) the change in scale of the *company’s* activities;
 - (2) the consolidation of the *company’s* capital;
 - (3) the issue of the *consideration shares* to the HHH vendors;
 - (4) the issue of *broker shares* to CPS, Merchant Group and Mr Fabio Pannuti pursuant to the terms of corporate mandates with the *company* and HHH;
 - (5) the issue of *offer shares* in connection with the *public offer*;
 - (6) the appointment of HHH director Hon. Mike Rann as a *director*, and
 - (7) the change of the *company’s* name to “Health House International Limited”; and
- (b) **consideration:** the consideration payable to each HHH vendor varies according to the number of HHH shares they hold, but the *company* will be acquiring the HHH shares for the combined total consideration of 115,298,743 shares, subject to *completion* occurring.

5.2. Share purchase agreements

In accordance with the terms of the *heads of agreement*, the *company* will make offers to the HHH vendors to acquire their HHH shares on the basis of one *consideration share* for each HHH share. On receipt of acceptances for 60% of the outstanding HHH shares,

and based on the provisions of *HHH's* constitution, the *company* will be in a position to “drag along” the balance of the *HHH vendors*.

5.3. *Facilitation*

CPS

- (a) Under the *broker mandate*:
 - (i) *CPS* has been engaged to provide corporate advisory and capital raising services on an exclusive basis, including acting as lead manager to the *public offer*; and
 - (ii) *CPS* has agreed to place, on a best endeavours basis, up to 17,500,000 *shares* at an issue price of \$0.20, to raise up to \$3,500,000.
- (b) As consideration for the provision of *CPS's* services, the *company* has agreed to:
 - (i) the payment of a monthly retainer of \$5,000 plus GST for a period of 12 months from the date of execution of the *broker mandate*;
 - (ii) in respect of the *public offer*:
 - (1) a management fee of 2% (equalling \$70,000, assuming the *public offer* is fully subscribed), plus GST, for managing the *public offer*; and
 - (2) a placing fee of 4% (equalling \$140,000, assuming the *public offer* is fully subscribed), plus GST, for funds raised under the *public offer* and
 - (iii) in respect of the *acquisition*, issue *shares* to *CPS* or its nominee(s) in the event that the *company* acquired an asset introduced by *CPS*, with the number of *shares* to be issued to be calculated by reference to a value that represents 1% of the number of *broker shares* issued as consideration for the asset (and in the case of the *acquisition*, that number is 1% of 115,298,743 = 1,152,987, the value of which is approx. \$230,000).
- (c) The *broker mandate* otherwise contains terms and conditions considered standard for agreements of this nature.

Merchant Group and Mr Pannuti

- (d) *Merchant Group* and Mr Fabio Pannuti have provided and will provide corporate advisory and facilitation services to *HHH* in respect of both the *acquisition* and the *public offer*. The *broker shares* to be issued under *resolutions 13 and 14* are in consideration of those services rendered.

6. BOARD OF DIRECTORS

6.1. *Board composition*

The board will be comprised of current *directors* David Wheeler and Chris Mews, and *proposed director* Hon. Mike Rann.

David Wheeler is also a director of *HHH* and has been instrumental in developing *HHH*'s business, and particularly its acquisition strategy, since *HHH*'s incorporation in October 2018.

6.2. *Existing director profiles*

Leanne Graham – Non-Executive Chairman

With over 30 years in the software sector, Ms Graham has assisted technology companies with her broad experience and SaaS expertise. In 2018, Ms Graham was awarded the New Zealand Order of Merit for her services to the software industry. Current directorships on ASX listed companies include Apps Village, ArchTis, Bid Energy and VPCL.

Ms Graham will retire from the *board* with effect from *completion*.

Mr David Wheeler – Non-Executive Director

Mr. Wheeler has more than 30 years of executive management, directorship, and corporate advisory experience. He is a foundation director and partner of Pathways Corporate a boutique corporate advisory firm that undertakes assignments on behalf of family offices, private clients, and ASX listed companies. David has successfully engaged in business projects in the USA, UK, Europe, NZ, China, Malaysia, Singapore and the Middle East. David is a Fellow of the Australian Institute of Company Directors and serves on public and private company boards currently holding a number of directorships and advisory positions in Australian ASX listed companies.

Mr Wheeler will be appointed as Executive Chairman with effect from *completion*. As an executive, Mr Wheeler is not considered to be independent.

Mr Chris Mews - Non-Executive Director

Mr Mews has been in financial services for over 20 years and is experienced in the financial operation, governance and compliance of managed investment schemes, ASX listed companies and unlisted companies.

Mr Mews has held senior positions in finance, corporate secretarial and compliance. In these roles he has been a member of senior management and participated in the due diligence and acquisition of managed investment schemes and participated in various capital raisings for managed investment schemes, ASX listed companies and unlisted companies.

Mr Mews is considered to be independent.

6.3. *Proposed director profile*

Mike Rann - Non-Executive Director

The Hon Mike Rann AC CNZM, former Premier of South Australia, is a UK citizen and resident of London. He also holds Australian and New Zealand citizenship.

Mr Rann served as a politician in Australia for 26 years where he held roles dealing with both national and international relations which included his ambassador roles to the UK and Italy.

Mr Rann now resides in London where he is the Chairman of the UK registered charity The Power of Nutrition, and is a member of the UK, US and Global boards of London headquartered The Climate Group.

Mike Rann also holds the positions of CEO to his London based business consultancy, Rann Strategy Group.

Mr Rann is considered to be independent.

7. INTENTIONS IN RESPECT OF EXISTING PROJECTS

The *company* has no existing business or material assets other than its cash reserves of approximately \$3.8 million.

8. ADVANTAGES OF THE ACQUISITION

The *directors* are of the view that the following non-exhaustive list of advantages may be relevant to *shareholders'* decisions on how to vote on the proposed *resolutions*:

- (a) the proposed *acquisition*:
 - (i) delivers to the *company* an established and growing international pharmaceutical distribution business with a focus on the emerging medicinal cannabis market; and
 - (ii) brings with it an excellent team of directors, advisors and management with extensive experience in the medicinal cannabis sector;
- (b) the consideration for the *acquisition* is comprised of equity interests in the *company*, thereby conserving the *company's* cash for utilisation in developing the *business*;
- (c) the *company's* ability to raise funds and attract strategic investors may be enhanced;
- (d) the *acquisition* may encourage new investors in the *company* which may lead to increased liquidity of *shares* and greater trading depth than currently experienced by *shareholders*; and
- (e) the *company* may be exposed to further investment opportunities that it did not have prior to the *acquisition*.

9. DISADVANTAGES OF THE ACQUISITION

The *directors* are of the view that the following non-exhaustive list of disadvantages may be relevant to *shareholders'* decisions on how to vote on the proposed *resolutions*:

- (a) the *acquisition* will involve the issue of a substantial number of new *securities* which will have a dilutionary effect on the current holdings of *shareholders*; and

- (b) there are additional risk factors involved in the change in nature and scale of the *company's* activities and associated acquisition of *HHH*; some of those risks are set out in paragraph 16 below.

10. PUBLIC OFFER

- 10.1. The *company* proposes to lodge the *prospectus* with *ASIC* during the period between the date of this *notice* and the *meeting*.
- 10.2. Under the *prospectus*, the *company* proposes to:
- (a) raise up to \$3,500,000 by the issue of up to 17,500,000 *shares* at an issue price of \$0.20 per *share*; and
 - (b) issue the *broker shares* to *CPS*, *Merchant Group* and Mr Fabio Pannuti or their nominee(s).
- 10.3. The issue of *shares* under the *prospectus* is conditional on:
- (a) all *transaction resolutions* being passed at the *annual general meeting*;
 - (b) a minimum subscription of 12,500,000 *shares* to raise \$2,500,000 being achieved; and
 - (c) completion occurring under the *share purchase agreements*.
- 10.4. The *public offer* is not underwritten.

11. INDICATIVE TIMETABLE

- 11.1. The table below shows the expected timing for completion of the *acquisition* and the matters contemplated by the *resolutions*, subject to compliance with regulatory requirements. These dates are indicative only and are subject to change. The *directors* reserve the right to amend the timetable without notice.

<i>(week ending)</i>	
<i>5 January 2021</i>	lodgement of <i>prospectus</i> with <i>ASIC</i>
<i>5 January 2021</i>	<i>offer</i> opens
<i>29 January 2021</i>	<i>annual general meeting</i>
<i>5 February 2021</i>	<i>offer</i> closes
<i>19 February 2021</i>	<i>ASX</i> conditional approval
<i>26 February 2021</i>	completion of the proposed <i>acquisition</i>
<i>5 March 2021</i>	re-commencement of trading of <i>shares</i> on <i>ASX</i>

12. EFFECT OF THE ACQUISITION ON THE COMPANY

12.1. *Pro forma statement of financial position – assets and equity*

Set out in *Schedule 4* is the pro forma consolidated historical statement of financial position as at 30 June 2020 based on the *public offer* being fully subscribed.

12.2. *Projected revenues, expenditure and profit*

The *directors* consider that, at this stage in the *company's* development, it is not possible to accurately predict the future revenues or profitability of the *company* or the *HHH* business or whether any material profitability will eventuate.

Although *HHH* is a relatively new company, the acquisitions it made in FY2020 have established trading histories, with some elements of the UK business being in operation for more than 30 years, and the Australian operations established more than five years ago.

Notwithstanding the existence of a trading history for *HHH's* businesses, the *company's* long-term strategy is to become a significant global distributor of medicinal cannabis products. That market is in the early stages of development, with the legal status and clinical efficacy of medicinal cannabis being works-in-progress from a global perspective. Accordingly, no assurance can be given that the *company* will achieve long-term commercial viability through the acquisition of *HHH* and the implementation of its business plan.

The funding for the *company's* future activities will be generated from the *public offer*, existing cash reserves of the *company* and *HHH*, and cash flows derived from ongoing operations. The *company* may need to raise further capital in the future to continue to develop the *HHH* business, and such amounts may be raised by further equity raisings, or the *company* may consider other forms of debt or quasi-debt funding if required.

As a result of the above, the *company* is not in a position to disclose any of the key financial ratios or forecast financial information other than the pro forma financial statement included in *Schedule 4*.

12.3. *Capital structure*

The capital structure of the *company* following the *acquisition* and the associated issues of *securities* under the *transaction resolutions* are shown in *Schedule 5* on a post-consolidation basis.

13. INDEPENDENT EXPERT'S REPORT

(For the purposes of this item 13 of *schedule 2*, the term “*proposed transaction*” refers to the acquisition of *HHH* by way of the issue of the *consideration shares*.)

- 13.1. In circumstances where shareholder approval is sought for certain control transactions under section 611 of the *Corporations Act* and otherwise under *listing rule 10.1* or *10.9*, an independent expert's report is required to be provided to

shareholders. The *company* does not consider that any approval is required under section 611 of the *Corporations Act* but is required under *listing rule 10.1*.

- 13.2. The *directors* have engaged the *independent expert* to provide the *independent expert's report* to assist the non-associated *shareholders* in deciding how to vote on *resolution 8*.
- 13.3. The *independent expert* has concluded that the *proposed transaction* is FAIR AND REASONABLE to non-associated *shareholders*. When considering the *proposed transaction*, the *independent expert* included any impact the *transaction resolutions* would have on fairness and reasonableness. The *independent expert* considered all related *resolutions*, conditions and terms as part of the *proposed transaction* because, without them, the *proposed transaction* cannot complete.
- 13.4. The *independent expert's report* accompanies the *notice* as Annexure D. In summary, the *independent expert* considers the *proposed transaction* to be:
- (a) fair to the *shareholders* because the range of values of a *share* prior to the *proposed transaction*, valued on a control basis, is within the assessed fair value range of a *share* following the *proposed transaction* on a control basis; and
 - (b) reasonable because:
 - (i) it is fair; and
 - (ii) the position of the *shareholders* if the *proposed transaction* is approved is more advantageous than the position if it is not approved.

14. INTENTIONS IF ACQUISITION DOES NOT PROCEED

In the event the *transaction resolutions* are not passed, and the *acquisition* does not proceed, the *company* is likely to be de-listed by ASX. The *company* will continue to seek to identify an appropriate acquisition with a view to re-listing on *ASX* in due course.

15. EXPENDITURE PLAN AND USE OF FUNDS

- 15.1. 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 of *shares* (numbers are approximate):

Sources of funds	min. subscription \$2,500,000	max. subscription \$3,500,000
Cash on hand of the <i>company</i> and <i>HHH</i>	4,340,000	4,340,000
Funds raised under the <i>public offer</i>	2,500,000	3,500,000
Total funds available	6,840,000	7,840,000
Use of funds		
Business development - UK/Europe	2,000,000	2,300,000
Business development – Asia/Pacific	1,300,000	1,500,000

Online platform development	800,000	900,000
Acquisitions of complementary businesses	1,400,000	1,600,000
Working Capital	850,000	980,000
Listing expenses	490,000	560,000
Total use of funds	6,840,000	7,840,000

Notes:

1. Including costs associated with the *public offer* (and assumes the *public offer* is fully subscribed)
- 15.2. “Cash on hand of the *company* and *HHH*” represents cash held by the *company* and *HHH* at 30 September 2020. The *company* and *HHH* have incurred and expect to incur further costs within the ordinary course of their respective businesses and in association with the *acquisition* which will diminish this amount prior to *completion*.
- 15.3. On completion of the *acquisition*, the *board* believes the *company* will have sufficient working capital to achieve the objectives detailed in the table above.
- 15.4. The above table is a statement of current intentions as of the date of the *notice*. As with any budget, intervening events (including technology development success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The *board* reserves the right to alter the way funds are applied on this basis.

16. RISKS – CHANGE IN NATURE AND SCALE OF ACTIVITIES

(References to “the *company*” in this section are, unless the context requires otherwise, references to the *VPC* and *HHH* as a merged entity.)

Shareholders should be aware that if the *resolutions* are approved, the *company* will be changing the nature and scale of its activities which will, because of its nature, be subject to various risk factors. These risks are both specific to the industry in which the *company* operates and also relate to the general business and economic environment in which the *company* will operate. An investment in the *company* is not risk-free and *shareholders* should consider the risk factors described below together with the information contained elsewhere in this *notice*. The following is not intended to be an exhaustive list of the risk factors to which the *company* will be exposed as a result of the proposed *acquisition* and changing the nature and scale of its activities.

Based on the information available, the principal risks facing the *company* upon completion of the proposed *acquisition* will be as follows:

- 16.1. *Risks related to change in nature and scale of activities*
 - (a) **Completion risk:** Pursuant to the *heads of agreement*, the *company* has agreed to acquire 100% of the issued share capital of *HHH*, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the *acquisition* cannot be fulfilled and, in turn, that *completion* does not occur.

If *completion* does not occur in a timely fashion, it is likely that *ASX* will exercise its discretion under *listing rule 17.12* to remove the *company* from the *official list*.

- (b) **Re-quotation:** Trading in the *company's securities* is currently suspended. The acquisition of HHH constitutes a significant change in the nature and scale of activities and the *company* needs to comply with Chapters 1 and 2 of the *listing rules* as if it were seeking admission to the official list of ASX. There is a risk that the *company* may not be able to meet the requirements of ASX for the re-quotation of its *shares* on ASX, which would result in all *public offer* investors' funds being returned. It would also mean the *company's shares* would not be able to be traded on ASX until such time as those requirements can be met, if at all. It is a risk for existing *shareholders* who may be prevented from trading their *shares* should the *company* be suspended until such time as it does *re-comply* with the *listing rules*.

- (c) **Dilution:** The *company* currently has 22,616,922 *shares* on issue (on a post-*consolidation* basis). The *company* proposes to issue 115,298,743 *consideration shares* to the HHH *vendors* and up to 17.5 million *shares* in a *public offer*. The existing *shareholders* will retain approximately 14.2% of the issued capital of the *company*.

There is also a risk that the interests of *shareholders* will be further diluted as a result of future raisings required in order to fund the development of the HHH business.

- (d) **Liquidity risk:** On completion of the *acquisition*, the *company* proposes to issue VPC *shares* to the HHH *vendors*. The *company* 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 proportion of issued capital may not be able to be traded freely for a period of time.

16.2. *Risks in respect of HHH's operations*

- (a) **Regulatory risk:** The *company's* objectives to promote and operate a pharmaceutical distribution business with a focus on medicinal cannabis will rely 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.

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 the medicinal cannabis sector. While to the knowledge of management, the *company* and its subsidiaries are currently in compliance with all current laws, changes to laws and regulations may pose particular risks to the *company's* operations and its compliance performance.

- (b) **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*.

The *company'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.

- (c) **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.

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.

- (d) **Requirement for additional capital:** Existing cash combined with 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 the *company'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 the *company* may incur. If such events occur, additional funding will be required.

Following the *public offer*, the *company* may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the *company'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 the *company* and might involve substantial dilution to *shareholders*.

- (e) **Retention of key personnel:** There is a risk that, where there is a turnover of development staff who have knowledge of the medicinal cannabis sector and

the *business*, knowledge will be lost in the event that those staff resign or retire. This involves the risk that those staff will have information in respect of *the company's* activities which has a commercial value to *company* as well as an opportunity cost for replacement of those staff and subsequent training.

16.3. *General risk factors*

- (a) **Market conditions:** The *company's shares* will carry no guarantee as to profitability, dividends, return of capital, or the price at which they may trade on *ASX*. The value of the *shares* will be determined by the share market and will be subject to a range of factors, many or all of which may be beyond the control of the *company* and the management team, including:

- (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;
- (vi) terrorism or other hostilities; and
- (vii) COVID-19.

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 resources stocks in particular. Neither the *company* nor the *directors* warrant the future performance of the *company* or any return on an investment in the *company*.

- (b) **Economic & government risks:** The future viability of the *company* is also dependent on a number of other factors affecting performance of all industries and not just the resources industry including, but not limited to, the following:
- (i) general economic conditions in jurisdictions in which the *company* operates;
 - (ii) changes in government policies, taxation and other laws in jurisdictions in which the *company* operates;
 - (iii) the strength of the equity markets in Australia and throughout the world, and in particular investor sentiment towards the resources sector;
 - (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the *company* operates;
 - (v) natural disasters, pandemics, social upheaval or war in jurisdictions in which the *company* operates;
 - (vi) the future demand for the *company's* products; and
 - (vii) industrial disputes in any jurisdiction which is relevant to the *company*.
- (c) 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 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*.

17. DUE DILIGENCE ACTIVITIES

The *company* has undertaken sufficient due diligence enquiries into *HHH's* assets and liabilities, financial position and performance, and the prospects of the *HHH* business for the *board* to be satisfied that the proposed *acquisition* is in the interest of the *company* and its *shareholders*. Those due diligence investigations have included an extensive review of materials uploaded to a virtual data room as well as regular opportunities to seek and obtain further information from *HHH* management.

18. RECENT ISSUES OF SECURITIES

- (a) In July 2020, *HHH* issued 14,259,801 *HHH Shares* at £0.10 each (equivalent to approx. \$0.18 as at the date of the *notice*), to raise £1,425,980.
- (b) In October 2020, *HHH* issued 10,730,000 *HHH Shares* at £0.05 each (equivalent to approx. \$0.09 as at the date of the *notice*), to raise £536,500.
- (c) 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*.
- (d) There have been no issues of *VPC securities* since February 2018 when *VPC* undertook a rights issue at an issue price of \$0.008 which raised approx. \$2.25 million.

19. ASX WAIVERS OBTAINED

- (a) As set out in the *explanatory statement* in respect of *resolutions 8, 10 and 11*, *ASX* has granted a waiver from *listing rule 10.13.5* to the extent necessary to permit the *notice* not to state that the *securities* to be issued to the *directors* and proposed *directors (related party securities)* will be issued no later than one (1) month after the date of the *meeting*.
- (b) The waiver has been granted on the following conditions:
 - (i) the *related party securities* are issued by no later than the date that the *offer shares* are issued which must be no later than 3 months after the date of the *meeting*;
 - (ii) the *related party securities* are issued pursuant to the relevant terms and conditions set out in the *notice*;

- (iii) the circumstances of the *company*, as determined by *ASX*, have not materially changed since the *company*'s shareholders approved the issue of the *related party securities*; and
- (iv) the terms of the waiver are clearly disclosed in the *notice* and in the *prospectus*.

20. REGULATORY REQUIREMENTS GENERALLY

- (a) The *company* notes that:
 - (i) the proposed *acquisition* requires shareholder approval under the *listing rules* and therefore may not proceed if that approval is not forthcoming;
 - (ii) 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;
 - (iii) *ASX* has an absolute discretion in deciding whether or not to re-admit the company to the official list of *ASX* and to quote its *securities* and therefore the proposed *acquisition* may not proceed if *ASX* exercises that discretion; and
 - (iv) investors should take account of these uncertainties in deciding whether or not to approve the *transaction resolutions*.
- (b) The *company*:
 - (i) notes that *ASX* takes no responsibility for the contents of this *notice*; and
 - (ii) confirms that it is in compliance with its continuous disclosure obligations under *listing rule 3.1*.

Schedule 3 – Additional information

1. SCOPE OF DISCLOSURE

- 1.1. The law requires this *explanatory statement* to set out all other information which is known to the *company* that is reasonably required to enable *shareholders* to decide whether or not it is in the *company's* interests to pass the *resolutions*.
- 1.2. The *company* is not aware of any relevant information that is material to a decision on how to vote on the *resolutions* other than as is disclosed in this *explanatory statement* or has been previously disclosed to *shareholders* by announcement to *ASX*.

2. RECOMMENDATIONS, VOTING INTENTIONS AND INTERESTS OF EXISTING DIRECTORS

- 2.1. The *directors* intend to, and recommend that *shareholders*, vote in favour of all *resolutions*.
- 2.2. As at the date of the *notice*, the *directors* (being Ms Graham and Messrs Wheeler and Mews) and the proposed *director* (being Mr Rann) hold the following interests in *securities* of the *company* (on a post-consolidation basis):

<i>director</i>	<i>shares</i>
Leanne Graham	13,333,
David Wheeler	-
Chris Mews	12,500
Hon. Mike Rann	-

- 2.3. Following *completion*, the *directors* (being Messrs Wheeler, Mews and Rann) and former *director* (being Ms Graham) will hold the following interests in *securities* of the *company* (on a post-consolidation basis):

<i>director</i>	<i>shares</i>
Leanne Graham	13,333,
David Wheeler	5,015,929
Chris Mews	62,500
Hon. Mike Rann	100,000

3. INDICATIVE VALUE OF NEW SHARES

- 3.1. The quantum of benefit to be received by holders of new *securities* proposed to be issued pursuant to *resolutions* 7 to 14 will depend on the price at which *shares* may trade on *ASX*.

4. ASX ROLE

- 4.1. The fact that the *notice, explanatory statement* and other relevant document has been received or reviewed by *ASX* should not be taken as an indication of the merits of the *resolutions* or the *company* itself. *ASX* and its respective officers take no responsibility for any decision a *shareholder* may take in reliance on any of that documentation.

Schedule 4 – Pro forma consolidated statement of financial position

1. NOTES TO THE PRO FORMA STATEMENT

- 1.1. This schedule contains the pro forma statement of financial position for the *company* as a merged group with *HHH*, reflecting the combined businesses of those entities. The pro forma statement of financial position is presented to provide shareholders with an indication of the merged group's consolidated financial position as if the proposed *acquisition* had been implemented as at 30 June 2020, and based on the *public offer* being fully subscribed.
- 1.2. As the proposed *acquisition*, if implemented, will be effected at a future date, the actual financial position of the merged group post-implementation will differ from that presented below.

2. BASIS OF PREPARATION

- 2.1. The financial information has been prepared in accordance with applicable accounting standards including the Australian equivalents of International Reporting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies have been adopted in the preparation of the historical and pro forma financial information shown below.

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

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

(assuming subscriptions under the public offer are \$3.5 million)

	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	2,920,000	6,759,623
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		0	500,000
Total Current Assets	4,214,372	2,493,598	2,920,000	9,627,970
Non-Current Assets				
Fixed assets	-	111,399		111,399
Intangible Assets	-	1,835,597		1,835,597
Total Non-Current Assets	-	1,946,996	0	1,946,996
TOTAL ASSETS	4,214,372	4,440,594	2,920,000	11,574,966
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	0	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	0	135,164	0	135,164
TOTAL LIABILITIES	41,106	2,609,407	0	2,650,512
NET ASSETS	4,173,266	1,831,187	2,920,000	8,924,453
EQUITY				
Issued capital	33,216,771	9,062,202	(24,774,194)	17,501,779
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	2,920,000	8,924,454

Accounting for acquisition

1. The *acquisition* is deemed to be a reverse acquisition whereby *HHH* is deemed to be the “acquirer” for accounting purposes. Therefore, the equity balances of the *company* are eliminated on consolidation.
2. The value of the *consideration shares* should be the notional number of equity instruments that the *HHH shareholders* would have had to issue to the *company* to give *shareholders* the same percentage ownership in the combined entity. This usually equates to the market capitalisation of the *company*. The pre-acquisition equity balances of the *company* are eliminated against this increase in share capital on consolidation and the balance is deemed to be the amount paid for the listed status of the *company* which goes to the income statement as a share-based payment or cost of ASX listing (or accumulated losses in the pro forma).

Pro forma

The pro-forma financial information contains the following pro-forma adjustments:

3. The issue of up to 17,500,000 *offer shares* at an issue price of A\$0.20 each to raise up to A\$3,500,000 before costs pursuant to the *prospectus*. Costs of the *public offer* under the *broker mandate* are estimated to be 6% of the amount raised, which is to be offset against the contributed equity.
4. Costs of the *acquisition* are to be expensed through accumulated losses.

Schedule 5 – Capital structure of the company after the acquisition

An indicative table showing the capital structure of the *company* after completion of the *acquisition* on a post-*consolidation* basis (assuming the *public offer* is fully subscribed) is shown below:

<i>shares</i>	<i>number</i>	<i>%</i>
<i>shares already on issue:</i>		
<i>pre-consolidation</i>	1,130,846,123	
<i>post-consolidation (on a 1:50 basis)</i>	22,616,922	14.2%
<i>shares to be issued:</i>		
<i>consideration shares to HHH vendors</i>	115,298,743	72.6%
<i>to advisors</i>	3,458,961	2.2%
<i>under the public offer</i>	17,500,000	11.0%
<i>total shares on issue</i>	158,874,626	100.00%

Annexure A – HHH financial statements

Company registration number: 11625145

HEALTH HOUSE HOLDINGS LIMITED

Annual report and financial statements

For the year ended 30 June 2020

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	Robert Hyman Beenstock
	Michael David Rann
	David Colin Wheeler
	Paul Mavor (resigned on 4 th September 2019)
	Antony Michael Samios (appointed on 4 th September 2019, resigned on 24 th March 2020)
	Jason William Gould Peterson (appointed on 16 th January 2020)
	Baroness Simone Jari Finn (appointed on 17 th April 2020)
	Rakesh Uppal (appointed on 17 th April 2020)
COMPANY NUMBER	11625145
REGISTERED OFFICE	Memery Crystal LLP
	165 Fleet Street
	London
	EC4A 2DY
AUDITOR	PKF Littlejohn LLP
	15 Westferry Circus, Canary Wharf
	London, United Kingdom
	E14 4HD

DIRECTORS' REPORT

General information

The Directors present their Annual Report and the audited consolidated financial statements for the Group and Company for the year ended 30 June 2020.

The Company is registered in England where its head office is located. The Company's operations are based in the United Kingdom and Australia, where the trading subsidiaries Health House Pharma Limited and CliniCann Ltd are respectively located. CliniCann Ltd owns 100% of an Australian subsidiary called Health House Holdings Limited, which in turn owns 100% of Health House International Pty Ltd. The Company was dormant in the period to 30 June 2019 and, in addition to its trading subsidiaries, owns 100% of a UK subsidiary, Health House Development UK Limited, which remains dormant.

Principal activities

Health House Holdings Limited is a holding company of operations in the pharmaceutical wholesale and distribution sectors. It has two operating subsidiaries:

- Health House Pharma Limited, an international pharmaceutical distribution business in the UK; and
- Health House International Pty Limited, a medicinal cannabis distribution business in Australia.

Results and dividends

The loss for the year, after taxation, amounted to £1,339,924 (2019: £Nil).

The Directors do not propose a dividend in respect of the year ended 30 June 2020.

Directors

The Board is responsible for the Group's objectives and business strategy and its overall supervision. Acquisition, divestment and other strategic decisions will all be considered and determined by the Board including, when circumstances permit, whether the payment of dividends, issue or buy back of shares is appropriate.

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Robert Hyman Beenstock

Michael David Rann

David Colin Wheeler

Paul Mavor (resigned on 4th September 2019)

Antony Michael Samios (appointed on 4th September 2019, resigned on 24th March 2020)

Jason William Gould Peterson (appointed on 16th January 2020)

Rakesh Uppal (appointed on 17th April 2020)

Baroness Simone Jari Finn (appointed on 17th April 2020)

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- So far as that Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and
- That Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

DIRECTORS' REPORT

Post balance sheet events

On 1 September 2020, the Company, via its subsidiary, Health House Pharma Limited, purchased the trade and assets of Gees Pharmacy, a web-based pharmacy business in the UK, for £325,001. See note 32 for further details.

On 7 October, the Company completed a fundraising whereby the Company raised a gross amount of £536,500 from new and existing investors.

COVID-19 Assessment

The impact of the Covid-19 virus has clearly, and is continuing to, put businesses across the world under severe pressure both operationally and financially. Early on in the pandemic, the Board recognised the need to proactively manage the potential impact by continually monitoring risks to the business and ensuring that cost control measures were identified and enacted.

As such, whilst there is no certainty as to the length of time that the pandemic will be ongoing, the Board are of the view that by acting swiftly, the business is in a strong position to maintain its current trading and continue to grow whilst at the same time continuing to monitor and adapt as required during the ongoing global situation.

Auditors

The auditors, PKF Littlejohn LLP, have indicated their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Status of this Directors report

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 14 October 2020 and signed on its behalf.



.....
David Wheeler

Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Health House Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

INDEPENDENT AUDITOR'S REPORT

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

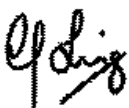
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Ling (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

15 Westferry Circus

Canary Wharf

London E14 4HD

14 October 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

		Year ended 30 June 2020	Period ended 30 June 2019
	Note	£	£
Revenue	4	3,181,030	-
Cost of sales	6	(2,466,971)	-
Gross profit		<u>714,059</u>	<u>-</u>
Administrative expenses		(2,057,113)	-
Other income	5	31,717	-
Operating loss	6	<u>(1,311,337)</u>	<u>-</u>
Finance income		337	-
Finance costs		(28,924)	-
Loss before taxation		<u>(1,339,924)</u>	<u>-</u>
Taxation	11	-	-
Loss after taxation		<u>(1,339,924)</u>	<u>-</u>
Other comprehensive income		8,170	-
Total comprehensive income for the period		<u><u>(1,331,754)</u></u>	<u><u>-</u></u>

All results in the current financial year derive from continuing operations.

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

		As at 30 June 2020	As at 30 June 2019
	Note	£	£
Assets			
Non-current assets			
Intangible assets	13	1,008,570	-
Property, plant and equipment	16	61,208	-
		<u>1,069,778</u>	<u>-</u>
Current assets			
Inventory	17	358,466	-
Trade and other receivables	18	602,457	-
Financial assets at amortised cost	19	136,452	-
Cash and cash equivalents	20	272,733	-
		<u>1,370,108</u>	<u>-</u>
Liabilities			
Non-current liabilities			
Lease liabilities	22	17,388	-
Borrowings	24	6,878	-
Trade and other payables	21	50,000	-
		<u>74,266</u>	<u>-</u>
Current liabilities			
Trade and other payables	21	1,091,543	-
Lease liabilities	22	16,176	-
Borrowings	24	251,753	-
		<u>1,359,472</u>	<u>-</u>
Net assets			
		<u>1,006,148</u>	<u>-</u>
Equity			
Share capital	26	1,016,983	-
Share premium	27	3,879,210	-
Other reserves	28	(2,558,291)	-
Translation reserve	28	8,170	-
Retained earnings	28	(1,339,924)	-
		<u>-</u>	<u>-</u>
Total shareholder equity		<u>1,006,148</u>	<u>-</u>

The Group financial statements were approved by the board of directors and authorised for issue on 14 October 2020 and are signed on its behalf by:



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David Wheeler

Chief Executive Officer

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
	£	£	£	£	£	£
Incorporated on 16 October 2018	-	-	-	-	-	-
Comprehensive income:						
Loss for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Balance at 30 June 2019	-	-	-	-	-	-
Balance at 30 June 2019	-	-	-	-	-	-
Comprehensive income:						
Loss for the year	-	-	-	-	(1,339,924)	(1,339,924)
Other comprehensive income for the year	-	-	-	8,170	-	8,170
Total comprehensive income for the year	-	-	-	8,170	(1,339,924)	(1,331,754)
Issue of share capital	1,016,983	3,879,210	-	-	-	4,896,193
Consolidation adjustment	-	-	(2,558,291)	-	-	(2,558,291)
Balance at 30 June 2020	1,016,983	3,879,210	(2,558,291)	8,170	(1,339,924)	1,006,148

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

		Year ended 30 June 2020	Period ended 30 June 2019
	Note	£	£
Cash flows from operating activities			
Cash used in operations	29	(1,031,218)	-
Net cash outflow from operating activities		(1,031,218)	-
Cash flows from investing activities			
Purchase of bonds		(136,115)	-
Cash balance of subsidiary acquired		312,611	-
Purchase of tangible assets		(2,200)	-
Purchase of intangible assets		(40,869)	-
Purchase of P&D trade and assets		(370,000)	-
Net cash used in investing activities		(236,573)	-
Cash flows from financing activities			
Proceeds from issue of share capital		1,342,941	-
Proceeds from loans		224,588	-
Payments under finance lease		(35,175)	-
		1,532,354	-
Net increase in cash and cash equivalents		264,563	-
Cash and cash equivalents at the beginning of the financial year		-	-
Exchange differences		8,170	-
Cash and cash equivalents at end of year	20	272,733	-

Material non-cash transactions during the year ended 30 June 2020 was the acquisition of subsidiary via share for share exchange. Refer to note 1 for further detail.

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	As at 30 June 2020 £	As at 30 June 2019 £
Assets			
Non-current assets			
Investments in subsidiaries	12	3,553,252	1
Intangible assets	13	38,767	-
		<u>3,592,019</u>	<u>1</u>
Current assets			
Trade and other receivables	18	692,189	-
Cash and cash equivalents	20	30,687	-
		<u>722,876</u>	<u>-</u>
Liabilities			
Non-current liabilities			
Borrowings	24	6,878	-
		<u>6,878</u>	<u>-</u>
Current liabilities			
Trade and other payables	21	196,183	1
Borrowings	24	12,507	-
		<u>208,690</u>	<u>1</u>
Net assets			
		<u>4,099,327</u>	<u>-</u>
Equity			
Share capital	26	1,016,983	-
Share premium	27	3,879,210	-
Retained earnings	28	(796,866)	-
Total shareholder equity			
		<u>4,099,327</u>	<u>-</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own total comprehensive income and related notes. The Company's total comprehensive loss for the year was £796,866 (2019: £Nil).

The Company financial statements were approved by the board of directors and authorised for issue on 14 October 2020 and are signed on its behalf by:



.....
David Wheeler

Chief Executive Officer

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

	Note	Share capital £	Share premium £	Retained earnings £	Total £
Incorporated on 16 October 2018		-	-	-	-
Comprehensive income:					
Loss for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Issue of share capital		-	-	-	-
Balance at 30 June 2019		-	-	-	-
Comprehensive income:					
Loss for the year		-	-	(796,866)	(796,866)
Other comprehensive (loss) for the year		-	-	-	-
Total comprehensive (loss) for the year		-	-	(796,866)	(796,866)
Issue of ordinary shares as consideration for a business combination	26,27	1,106,983	3,879,210	-	4,896,193
Balance at 30 June 2020		<u>1,016,983</u>	<u>3,879,210</u>	<u>(796,866)</u>	<u>4,099,327</u>

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

		Year ended 30 June 2020	Period ended 30 June 2019
	Note	£	£
Cash flows from operating activities			
Cash used in operations	29	(1,269,834)	1
Interest received		16	-
Interest paid		(1,564)	-
Net cash outflow from operating activities		(1,271,382)	1
Cash flows from investing activities			
Purchase of intangible assets		(40,872)	-
Payment for acquisition of subsidiary		-	(1)
		(40,872)	(1)
Cash flows from financing activities			
Proceeds from issues of shares		1,342,941	-
		1,342,941	-
Net increase in cash and cash equivalents		30,687	-
Cash and cash equivalents at the beginning of the financial year		-	-
Cash and cash equivalents at end of year		30,687	-

Material non-cash transactions during the year ended 30 June 2020 was the acquisition of subsidiary via share for share exchange. Refer to note 1 for further detail.

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****1. General information**

Health House Holdings Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2016. The Company is a private company limited by shares and is registered in England and Wales. The address of the Group and Company's registered office is shown on page 3.

During the year ended 30 June 2020, the Company acquired 100% of CliniCann Ltd by way of a share for share exchange. This was completed through a two-step transaction, which took place on the 4th November and 20th November 2019. 87,438,509 of Company's shares were exchanged for the entire share capital of CliniCann Ltd, at an average value of A\$0.076 per share.

During the year ended 30 June 2020, on 5 September 2019, Health House Pharma acquired the trade and assets of P&D Pharmaceuticals Limited.

The principal activities of Health House Holdings Limited and its Subsidiaries (together, "the Group") and the nature of the Group's operations are set out in the Directors' Report on pages 4 to 5.

2. New and amended IFRS standards

These are the first financial statements of the Group and Company prepared in accordance with International Financial Reporting Standards. The Group and Company has therefore adopted all recognition, measurement and disclosure requirements of IFRS, in effect for annual periods commencing on or after 1 July 2019.

Standards which are in issue but not yet effective

The following relevant new standards and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 July 2019, as adopted by the European Union, and have not been early adopted:

Standard	Key requirements	Effective date as adopted by the EU
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group or the Company in future periods, except with regards to disclosure purposes.

3. Significant accounting policies**Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historic cost convention and in accordance with International Financial Reporting Standards, (IFRS's) and IFRS Interpretation Committee interpretation (IFRS IC) as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The comparative information shows information for a shortened period of 8 months from 18 October 2018 to 30 June 2019.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. Significant accounting policies (continued)

Going concern (continued)

Notwithstanding the fact that the Group incurred an operating loss of £1,339,924 for the year ended 30 June 2020 and a net cash outflow from operating activities amounting to £1,031,218, the financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

In making their assessment as to the going concern assumption, the Directors have taken into consideration its available cash reserve and the Group's commitments for the foreseeable future. The Directors have also considered the effect of the ongoing worldwide pandemic of Covid19 on the Group and Company's financial position and believe that it has implemented sufficient risk mitigation strategies to limit the effect of Covid19 on the Group and Company's operations.

The Directors have reviewed projections for a period of at least 12 months from the date of approval of the Financial Statements. The Group is currently loss making, but significant cash resources were raised during the period to finance its activities and acquisitions.

After considering the uncertainties described above, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence over the twelve months from the date of approval of these financial statements. For these reasons they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors, therefore, consider it appropriate to continue to prepare the financial statements on a going concern basis.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidated of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The group consists of Health House Holdings Limited and its wholly owned subsidiaries Health House Pharma Limited, Health House Development UK Limited, a dormant company, and CliniCann Ltd. CliniCann owns 100% of the share capital of Health House Holding Ltd, which in turn holds 100% share capital of Health House International Pty Ltd.

In the parent company financial statements, investments in subsidiaries are accounted for at cost less impairment.

In the consolidated financial statements, subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. Accordingly, the consolidated statement of comprehensive income and statement of cashflows include the results and cash flows of CliniCann Ltd for the period from its acquisition on 4th November.

All intra-group transactions, balances and unrealised gains or transactions between group companies are eliminated on consolidation.

Revenue recognition

The Group enters into contracts for the sale and distribution of medicinal cannabis products and other medical supplies. Revenue is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards or ownership have been transferred to the customer and collection of the sales price is reasonably assured. The performance obligation is identified to be the delivery of supplies to the customer, and the transaction price is allocated to the number of units delivered. These criteria for performance obligation are assessed to have occurred once the product has been delivered to the customer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. Significant accounting policies (continued)

Government grants

Government grants are recognised as income when there is reasonable assurance that the Company has complied with the conditions attached to them and the grant income is receivable.

The grant income is treated as other operating income in the Statement of Comprehensive Income.

Foreign currency

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates. For the purpose of the consolidated financial statements, the results and financial position of the Group is presented in Pound Sterling.

The functional currencies of some of the Company's subsidiaries differ from the consolidated Group Pound Sterling presentation currency. As a result, the assets and liabilities of these subsidiaries are translated on consolidation at the rates of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average rate of exchange for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****3. Significant accounting policies (continued)****Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Plant and machinery	5 years
Computer equipment	5 years
Office equipment	3 years
Right of use asset	Length of lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible fixed assets*Amortisation methods and useful lives*

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Website costs	10 years
Customer contracts	2-3 years

Customer contracts

Customer contracts were acquired as part of a business combination (see note 14 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

Impairment of assets

An impairment test is performed at each balance sheet or whenever events and circumstances, arising during its use, indicate that the carrying value of the asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally to the present value of the right to use the building over its remaining lease life. Any impairment identified is charged to the income statement.

Inventory

Inventory is stated at the lower of cost and net realisable value on a first-in, first-out basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****3. Significant accounting policies (continued)****Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when the Group or Company has become a party to the contractual priorities of the instrument. Financial instruments are classified into specified categories dependent upon the nature and purpose of the instruments and are determined at the time of initial recognition. All financial assets are recognised as loans, receivables and cash and all financial liabilities are recognised as other financial liabilities.

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as “Solely payment of principal and interest” (SPPI) and a business model test. Financial assets that fail the SPPI test will be measured at Fair value through the income statement. For assets passing the SPPI test, a business model test assesses the objective of holding the asset. The business model test for financial assets can be summarised as follows:

- Financial assets will be measured at amortised cost if they are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows (“Hold to collect” business model).
- Financial assets will be measured at fair value through other comprehensive income if they are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets (“Hold to collect and sell” business model).
- Financial assets will be measured at fair value through the income statement if they do not meet the business model criteria of either “Hold to collect” or “Hold to collect and sell”.

Entities also have the option to designate a financial asset as measured at fair value through the income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).

Financial assets and financial liabilities are recognised on the statement of financial position when the Company has become a party to the contractual priorities of the instrument.

Impairment

IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses on all financial assets at amortised cost or at fair value through other comprehensive income (other than equity instruments), lease receivables and certain loan commitments and financial guarantee contracts. The expected credit loss must also consider forward looking information to recognise impairment allowances earlier in the lifecycle of a product. IFRS 9 consequently is likely to increase the volatility of impairment allowances as the economic outlook changes, although cash flows and cash losses are expected to remain unchanged.

IFRS 9 introduces a three-stage approach to impairment as follows:

Stage 1 - Performing loans - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 - Underperforming loans - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 - Non-performing loans - lifetime expected credit losses for financial instruments which are credit impaired.

The impairment requirements are applied by reference to the credit quality at initial recognition. Where actual information on credit quality at initial recognition is not available without undue cost or effort, an approximation may be applied using internal or external information, information about similar assets, or peer group experience. Otherwise, where information on initial credit quality is not available lifetime expected credit losses must be recognised until the financial assets have been derecognised.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances in current accounts.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognised initially at fair value and subsequently measured at their amortised cost using the effective interest rate method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group or Company after deducting all of its liabilities. Equity instruments issued by the Group or Company are recorded at the proceeds received, net of direct issue costs.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an administrative expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. Significant accounting policies (continued)

Leases (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within 'Property, Plant and Equipment' in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Critical accounting judgements and key sources of estimation uncertainty

Judgement: Identifying the acquirer

Judgement is required in identifying the acquirer in a business combination, being the entity that obtains control of the acquiree. This depends on a number of factors, including:

- The original intention of the shareholders;
- The existence of a large minority voting interest in the combined entity;
- The composition of the governing body of the combined entity;
- The composition of the senior management of the combined entity; and
- The terms of the exchange of equity interests.

Health House Holdings Limited was deemed to be the acquirer under IFRS 3 'Business Combinations' in the share for share exchange with CliniCann Ltd that took place on 4 November 2019. Whilst the former shareholders of CliniCann own the majority of the shares in the combined Group, the Directors of Health House Holdings Limited have the ability to govern the entire Group, it was the intention of the shareholders for Health House Holdings Limited to be the acquirer and the share for share exchange valued CliniCann at a premium.

Estimate: Consideration of shares acquired

The valuation of CliniCann shares acquired in the year was carried out by an independent valuation team. Assumptions, based on the current economic environment have been made, which management believe are a reasonable basis on which to estimate the value of CliniCann.

Estimate: Recoverable value of intangible fixed assets other than goodwill

Business contracts have been recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives. An estimation of the projected cashflows has been made based on the contract terms, however the amount of units that will be fulfilled cannot be known with certainty until the end of the contract.

Estimate: Recoverable value of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a 2-year period, and key inputs include an estimate of ongoing market share and an estimate of future patient numbers based on historic growth rates.

Estimate: Inventory provisioning

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of inventory.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****Critical accounting judgements and key sources of estimation uncertainty (continued)***Estimate: Expected credit loss*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. PD constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4. Revenue

Revenue arising from the Group's activities during the period were as follows:

	30-Jun-20 £	30-Jun-19 £
Sale of goods	3,181,030	-
	3,181,030	-

The geographical split of revenue is shown below:

	30-Jun-20 £	30-Jun-19 £
United Kingdom	498,353	-
Australia	961,913	-
Europe	1,720,764	-
	3,181,030	-

5. Other income

	30-Jun-20 £	30-Jun-19 £
Sponsorship income	5,103	-
Government grants	26,614	-
	31,717	-

6. Expenses by nature

	30-Jun-20 £	30-Jun-19 £
Cost of sales		
Direct costs	2,433,375	-
Registrations	26,408	-
Commissions payable	7,188	-
	2,466,971	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

6. Expenses by nature (continued)

	30-Jun-20	30-Jun-19
	£	£
Administration expenses		
Salaries and other employee costs	794,745	-
Audit and accountancy fees	112,593	-
Licences and fees	9,527	-
Depreciation and amortisation	216,580	-
Short term leases	22,361	-
Legal and professional fees	132,684	-
Foreign exchange losses	37,881	-
Bad debts	1,327	-
Consulting fees	483,604	-
Advertising fees	11,460	-
Travel and subsistence	47,709	-
Other administration expenses	186,641	-
	2,057,113	-

7. Auditor's remuneration

Fees payable to the Group's auditor and associates

	30-Jun-20	30-Jun-19
	£	£
Audit of the financial statements of the Group	35,000	-
Other non-audit services	21,400	-
	56,400	-

8. Employees

The average monthly number of persons (including directors) employed by the Group during the period was 22 (2019: Nil).

9. Staff costs

	30-Jun-20	30-Jun-19
	£	£
Staff costs, including executive directors:		
Salaries	721,406	-
Social security costs	41,430	-
Pension costs	23,884	-
	786,720	-

10. Directors' and key management remuneration

	30-Jun-20	30-Jun-19
	£	£
Director's remuneration for qualifying services	401,873	-

The amounts above are remunerated through both salaries (of which, some are included in Note 9) and through service companies (as disclosed in Note 30).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

11. Income tax

	30-Jun-20	30-Jun-19
	£	£
<i>Current tax</i>		
UK corporation tax	-	-
Foreign income tax	-	-
Total current tax expense	-	-
<i>Deferred income tax</i>		
Decrease/(increase) in deferred tax assets		
(Decrease)/increase in deferred tax liabilities		
Total deferred tax expense/(benefit)	-	-
Income tax expense	-	-

	30-Jun-20	30-Jun-19
	£	£
Factors affecting tax charge for the year:		
(Loss) before taxation	(1,339,924)	-
(Loss) before taxation multiplied by the weighted average of the corporation tax rates of the jurisdictions in which the group operates at 23.25% (2018: 19%)	(311,532)	-
Explained by:		
Expenses not deductible for tax purposes	(518,053)	-
Income disallowed for tax	39	-
Unutilised tax losses carried forward	239,623	-
Effects of different tax rates of subsidiaries operating in other jurisdictions	(33,141)	-
Tax charge for the period	-	-

The Group has tax losses available to be carried forward and used against trading profits arising in future periods of £1,261,173. A deferred tax asset of £293,223 has not been recognised in respect of the tax losses carried forward on the basis that there is insufficient certainty over the level of future profits to utilise against this amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. Investments in subsidiaries

Company	30-Jun-20 £	30-Jun-19 £
At cost		
At the beginning of the year	1	-
Additions during the year	3,553,251	1
At the end of the year	3,553,252	1

The Company has investments in the following subsidiary undertakings:

Subsidiary undertakings	Principle activity	Country of incorporation	Holdings	%
Health House Pharma Limited	Wholesale of pharmaceutical goods	UK	1 ordinary share	100%
Health House Distribution UK Limited	Dormant	UK	1 ordinary share	100%
CliniCan Ltd	Wholesale of pharmaceutical goods	Australia	87,438,509 ordinary shares	100%

The registered office of both Health House Pharma Limited and Health House Distribution UK Limited is Memery Crystal LLP, 165 Fleet Street, London, United Kingdom, EC4A 2DY.

Health House Distribution UK Limited was dormant during the period ended 30 June 2020.

During the year ended 30 June 2020, the Company acquired 100% of CliniCann Ltd by way of a share for share exchange. This was completed through a two step transaction, which took place on the 4th November and 20th November. 87,438,509 shares were exchanged, at an average value of A\$0.076 per share. CliniCann owns 100% of the share capital of Health House Holdings Ltd, which in turn holds 100% share capital of Health House International Pty Ltd. The registered office of CliniCan Ltd and its fellow subsidiaries is Level 26, 140 St Georges Terrace, Perth, WA 6000. All companies were incorporated in Australia.

13. Intangible assets

Group	Website costs £	Customer contracts £	Goodwill £	Total £
Cost				
At 1 July 2019	-	-	-	-
Additions	40,872	-	-	40,872
Acquisition of subsidiary	-	-	750,770	750,770
Acquisition of business contracts	-	400,000	-	400,000
At 30 June 2020	40,872	400,000	750,770	1,191,642
Amortisation				
At 1 July 2019	-	-	-	-
Charge for the year	2,105	180,967	-	183,072
At 30 June 2020	2,105	180,967	-	183,072
Net book value as at 30 June 2020	38,767	219,033	750,770	1,008,570
Net book value as at 30 June 2019	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****13. Intangible assets (continued)**

Customer contracts of £400,000 have been capitalised as part of the acquisition of trade and assets from P&D Pharmaceuticals Limited on 05 September 2019 (see note 14 for details). The customer contracts have been recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

Goodwill also arose upon the acquisition of CliniCann Ltd on 4th November 2019. See note 15 for a reconciliation of goodwill and further detail.

Company**Website costs**
£**Cost**

At 1 July 2019

-

Additions

40,872

At 30 June 2020**40,872****Accumulated amortisation**

At 1 July 2019

-

Charge for the period

2,105

At 30 June 2020**2,105****Net book value****At 30 June 2020****38,767**

At 30 June 2019

-

14. Acquisition of P&D

On 5 September 2019, Health House Pharma Limited acquired the trade and assets of P&D Pharmaceuticals Limited. P&D Pharmaceuticals Limited is a distribution business offering a suite of third-party medicinal cannabis products via pharmacy channels with Europe, and qualifies as a business as defined in IFRS 3. P&D Pharmaceuticals Limited was acquired in order to open up further opportunities for the Group in Europe, and was transferred to the Group with strong business contracts already in place.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

£

Plant and Equipment

20,000

Customer contracts

400,000

Total identifiable assets acquired and liabilities assumed

420,000

Goodwill

-

Total consideration

420,000

Satisfied by:

Cash

370,000

Cash retention (note 21)

50,000

Total consideration transferred

420,000

Acquisition-related costs (included in administrative expenses) amount to £32,538.

The acquisition of the assets and trade from P&D Pharmaceuticals Limited contributed £2,221,558 revenue and £283,131 to the Group's loss for the period between the date of acquisition and the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

15. Acquisition of CliniCann Ltd

During the year ended 30 June 2020, the Group acquired 100% of CliniCann Ltd by way of a share for share exchange. This was completed through a two step transaction, which took place on the 4th November and 20th November.

87,438,509 of Company's shares were exchanged for the entire issued share capital of CliniCann Ltd at an average value of A\$0.02 (£0.01) per share. CliniCann owns 100% of the share capital of Health House Holding Ltd, which in turn holds 100% share capital of Health House International Pty Ltd.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	£
Ordinary shares issued	994,960

The fair value of the 87,438,509 shares issued as the consideration paid for CliniCann Ltd was based on an independently valued share price of A\$0.02 (£0.01).

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value £
Cash	312,611
Fixed assets	58,542
Trade receivables	93,960
Other debtors	22,736
Inventory	31,716
Trade payables	(196,088)
Lease liabilities	(59,012)
Other creditors	(20,275)
Net identifiable assets acquired	<u>244,190</u>
Goodwill	750,770
Net assets acquired	<u><u>994,960</u></u>

The goodwill is attributable to the expected profitability of the acquired business. It will not be deductible for tax purposes.

CliniCann Ltd made a loss of £555,340 during the year ended 30 June 2020, of which £259,927 has been included in the Group results, relating to the period 4 November 2019, the date of acquisition, to 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

16. Property, plant and equipment

	Computer Equipment	Office equipment	Plant & Machinery	Right Of Use Asset	Total
	£	£	£	£	£
Cost					
Balance as at 1 July 2019	-	-	-	-	-
Additions	11,594	2,200	20,000	62,263	96,057
Balance as at 30 June 2020	11,594	2,200	20,000	62,263	96,057
Accumulated depreciation					
Balance as at 1 July 2019	-	-	-	-	-
Charge for the year	966	658	3,278	29,947	34,849
Balance as at 30 June 2020	966	658	3,278	29,947	34,849
Net book value as at 30 June 2020	10,628	1,542	16,722	32,316	61,208
Net book value as at 30 June 2019	-	-	-	-	-

The Group leases buildings, the average lease term of which is 2.5 years. None of the leases held by the Group expired in the current financial year.

Plant & Machinery of £20,000 acquired during the year ended 30 June 2020 relates solely to the assets acquired from P&D Pharmaceuticals Limited.

17. Inventory

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Finished goods	358,466	-	-	-

Inventories recognised as an expense during the year ended 30 June 2020 amounted to £1,730,550. These were included in cost of sales.

18. Trade and other receivables

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Trade receivables	417,623	-	-	-
Prepayments	60,147	-	26,070	-
Other receivables	23,674	-	21,950	-
VAT receivable	100,013	-	2,799	-
Amounts from group companies	1,000	-	641,370	-
	602,457	-	692,189	-

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****18. Trade and other receivables (continued)****Group**

Other receivables are non-trade receivables, and are non-interest bearing. The above amounts do not bear interest and the Directors consider that the carrying amount is equivalent to their fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's primary customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. There is no history of default, and therefore no expected losses against them. The other customer base relates to State customers, with no history of default, therefore, the lifetime expected losses are considered to be £nil.

Company

All amounts due from subsidiary undertakings are repayable on demand, and are non-interest bearing. No allowances for ECL's have been made during the year ended 30 June 2020 (2019: £Nil).

19. Other assets held at amortised cost

Financial assets at amortised cost include the following bonds held:

Current

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Bonds	136,452	-	-	-

On 2 June 2020, the Group entered into a loan agreement with the Ministry for Health Central Procurement and Supplies Unit of Malta. The bond is unsecured and bears no interest and is held in Euros. The bond is renewable on an annual basis.

20. Cash and cash equivalents

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Cash and cash equivalents	272,733	-	30,687	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

21. Trade and other payables

Amounts due within one year:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Trade payables	640,518	-	108,369	-
Amounts payable to Parent Entity	-	-	2,049	-
Other Creditors	251,771	-	14,646	1
Accruals	168,568	-	53,375	-
Social security and other taxes	30,686	-	17,744	-
	1,091,543	-	196,183	1

Amounts due after one year:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Deferred consideration	50,000	-	-	-
	50,000	-	-	-

Trade and other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are non-interest bearing. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is chargeable on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe. Due to the short-term nature of the trade payables the carrying amount approximates fair value.

Other payables are non-trade receivables, and are non-interest bearing. The above amounts do not bear interest and the Directors consider that the carrying amount is equivalent to their fair value.

Company

All amounts due to subsidiary undertakings are repayable on demand, and are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

22. Lease liabilities

Amounts recognised on the balance sheet

The balance sheet shows the following amounts relating to leases:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Right-of-use assets (included within property, plant and equipment)				
Property leases	32,316	-	-	-
Lease liabilities				
Property leases	33,564	-	-	-
Maturity analysis - contractual cash flows				
Less than one year	17,909	-	-	-
One to five years	18,106	-	-	-
More than five years	-	-	-	-
Total undiscounted lease liabilities	36,015	-	-	-
Less: future finance charges	(2,451)	-	-	-
Present value of lease liabilities	33,564	-	-	-
Disclosed as:				
Current lease liabilities	16,176	-	-	-
Non-current lease liabilities	17,388	-	-	-
	33,564	-	-	-

Amounts recognised in the statement of profit or loss:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Depreciation on property leases	29,947	-	-	-
Interest expense on lease liabilities	6,475	-	-	-

The total cash outflow for leases during the period was £35,175 (2019: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

23. Commitments under operating leases

At 30 June 2020 the Group and Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Not later than 1 year	28,500	-	28,500	-
Later than 1 year and not later than 5 years	16,625	-	16,625	-
	<u>45,125</u>	<u>-</u>	<u>45,125</u>	<u>-</u>

24. Borrowings

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Current				
<i>Secured</i>				
Loans	4,809	-	4,809	-
<i>Unsecured</i>				
Loans	246,944	-	7,698	-
Total	<u>251,753</u>	<u>-</u>	<u>12,507</u>	<u>-</u>

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Non-current				
<i>Secured</i>				
Loans	<u>6,878</u>	<u>-</u>	<u>6,878</u>	<u>-</u>

The unsecured loans primarily relate to the following:

On 2nd June 2020, the Group entered into a loan agreement with Gees Pharma Limited. This loan agreement is unsecured, and bears interest at a rate of 5% per annum, which is repayable at the end of the loan term. The loan is expected to be repaid by 31 March 2021, and as at 30 June 2020, the outstanding amount is £136,771.

On 11 March 2020, the Group entered into a loan agreement with Oakways Healthcare. This loan agreement is unsecured, and bears interest at a rate of 5% per annum, which is repayable at the end of the loan term. The loan is expected to be repaid by 31 March 2021, and as at 30 June 2020, the outstanding amount is £74,556.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****25. Financial instruments**

The Group and Company are exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group and Company for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Capital risk management

The Group and Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders. The Group and Company is funded by both of its shareholders through equity financing.

The capital structure of the Group and Company consists of cash and cash equivalents and equity, comprising issued capital and retained profits. Cash is held with banks rated A+.

The Group and Company has no externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies section of these financial statements.

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Trade and other payables;
- Cash and cash equivalents;
- Financial assets at amortised cost; and
- Borrowings

Categories of financial instruments

At 30 June 2020, the Group and Company held the following financial assets:

Financial assets

	Group	
	Amortised cost	Amortised cost
	30-Jun-20	30-Jun-19
	£	£
Trade and other receivables	433,666	-
Financial assets at amortised cost	136,452	-
Cash and cash equivalents	272,733	-
	842,851	-

Financial liabilities

	Group	
	Amortised cost	Amortised cost
	30-Jun-20	30-Jun-19
	£	£
Trade and other payables	962,131	1
Borrowings	258,631	-
	1,220,762	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

25. Financial instruments (continued)

Financial assets

	Company	
	Amortised cost	Amortised cost
	30-Jun-20	30-Jun-19
	£	£
Trade and other receivables	654,770	-
Cash and cash equivalents	30,687	-
	685,457	-

Financial liabilities

	Company	
	Amortised cost	Amortised cost
	30-Jun-20	30-Jun-19
	£	£
Trade and other payables	142,808	1
Borrowings	19,385	-
	162,193	1

Fair value measurements

The information set out below provides information about how the Group and Company determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments are defined as any contract that gives rise to both the recognition of a financial asset in one entity and a financial liability or equity instrument in another entity. The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in the market. For the purpose of estimating the fair value of financial assets maturing in less than one year, the Group uses the market value. For other investments, the Group uses quoted prices in the market. In relation to financial liabilities, since most loans are taken at variable rates or fixed rates that approximate to market rates, the fair value of loans approximates their carrying value.

Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk assessments. These risks include credit risk, currency risk and capital risk.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****25. Financial instruments (continued)****Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's trade receivables, other financial assets and its cash balances. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's primary customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. The other customer base relates to State customers, with no history of default, therefore, the lifetime expected losses are considered to be £nil.

The concentration of the Group's credit risk is considered by counterparty, geography and currency. The Group holds the majority of its cash with one bank in each country of operation.

There are no other significant concentrations of credit risk at the Statement of Financial Position date.

At 30 June 2020, the Group held no collateral as security against any financial asset. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. At 30 June 2020, there were no financial assets, other than trade receivables, that are not past their due date. As a result, there has been no impairment of other financial assets during the year.

The Group maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via both the annual budgetary process and the ongoing authorisation for expenditure process. At 30 June 2020, the Group had £272,733 (2019: £Nil) of cash reserves.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. There have been no changes to the Group's exposure to market risks or the manner in which these risks arise.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group 30-Jun-20			Group 30-Jun-19		
	EUR	AUD	USD	EUR	AUD	USD
	£	£	£	£	£	£
Trade and other receivables	320,678	79,346	-	-	-	-
Financial assets at amortised cost	136,452	-	-	-	-	-
Cash and cash equivalents	2,257	137,985	4,017	-	-	-
Trade and other payables	(2,876)	(442,683)	-	-	-	-
Borrowings	(136,772)	(27,917)	-	-	-	-
	319,739	(253,269)	4,017	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

25. Financial instruments (continued)

	Company 30-Jun-20		Company 30-Jun-19	
	EUR £	AUD £	EUR £	AUD £
Trade and other receivables	-	-	-	-
Financial assets at amortised cost	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade and other payables	-	-	-	-
Borrowings	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings (see note 1 for going concern statement).

26. Share capital

	30-Jun-20 £	30-Jun-19 £
Issued and fully paid:		
101,698,310 - Ordinary shares at £0.01 each	1,016,983	-

Reconciliation of movements during the year:

	30-Jun-20 Number Ordinary Shares of £0.01 each
1 Ordinary Share of £0.01 issued at £1 on incorporation	0.01
13,959,800 Ordinary Shares issued at £0.1 each on 02 September 2019 for cash	139,598
87,438,509 Ordinary Shares issued in exchange for 87,438,509 Ordinary Shares in CliniCann Ltd at a value of A\$0.076 each on 4th November and 20th November	874,385
300,000 Ordinary Shares issued at £0.1 each on 08 April 2020	3,000
	<u>1,016,983.01</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

27. Share premium

	30-Jun-20
	£
Balance at 1 July 2019	-
Issue of new shares	3,962,249
Less share issue costs	(83,039)
Balance at 30 June 2020	<u><u>3,879,210</u></u>

28. Reserves

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Other reserves	(2,558,291)	-	-	-
Translation reserve	8,170	-	-	-
Retained earnings	<u>(1,339,924)</u>	<u>-</u>	<u>(796,866)</u>	<u>-</u>

Nature and purpose of reserves

Other reserves

The other reserve was created as a result of the acquisition by the Company of the entire issued share capital of CliniCann Ltd. This acquisition was affected by a share-for-share exchange. In preparing consolidated financial statements, the amount by which the fair value of the shares issued exceeded their nominal value was recorded in an 'other' reserve on consolidation. This reserve is not considered to be distributable.

Translation reserve

The translation reserve is due to accumulated foreign exchange translation differences arising on translation of the Group's operations into a GBP presentational currency. This reserve is not considered to be distributable.

Retained earnings

This is the Group's accumulated profit/loss and is distributable.

29. Cash used in operations

	Group		Company	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	£	£	£	£
(Loss) before income tax	(1,339,924)	-	(796,866)	-
Adjustments for:				
Depreciation	34,849	-	-	-
Amortisation	183,072	-	2,105	-
Finance costs	28,453	-	1,566	-
Interest income	(337)	-	(17)	-
Change in operating assets and liabilities				
(Increase) in receivables	(485,762)	-	(692,190)	-
(Increase) in inventory	(326,751)	-	-	-
Increase in payables	875,180	-	215,568	-
Cash used in operations	<u><u>(1,031,218)</u></u>	<u><u>-</u></u>	<u><u>(1,269,834)</u></u>	<u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2020****30. Related party transactions****CPS**

On 2 September 2019, £90,454 commission was paid to CPS Capital Group Pty Ltd for brokerage services. CPS Capital Group Pty Ltd is a company owned by Jason Peterson, who is a Director of Health House Holdings Limited. All amounts were fully paid as at 30 June 2020.

CliniCann acquisitions

During the year ended 30 June 2020, the Company acquired 100% of CliniCann Ltd by way of a share for share exchange. At the date of acquisition, David Wheeler, who is a Director of Health House Holdings Limited, held an interest in CliniCann Ltd.

Key management compensation

Key management includes Directors (executive and non-executive) and senior management. The compensation paid to related parties in respect of key management for employee services during the period consisted of: £13,972 paid to CPS Capital Group Pty Ltd in respect of the fees of Jason Peterson (£Nil outstanding as at 30 June 2020); £59,882 paid to Pathways Corporate Ptd Ltd in respect of the fees of David Wheeler (£3,992 outstanding as at 30 June 2020). Other key management received £322,031.

31. Controlling party

There is no controlling party of the Group.

32. First time adoption of IFRS

The policies applied under the Group's previous accounting framework are not materially different to IFRS and have not impacted on equity or comprehensive income. The date of adoption of IFRS is the start of the comparative period, being 18 October 2018.

33. Post balance sheet events

On 1 September 2020, the Company, via its subsidiary, Health House Pharma Limited, purchased the trade and assets of Gees Pharmacy, a web-based pharmacy business in the UK, for £325,001. The provisional fair value of identifiable assets acquired and liabilities assumed are set out as follows:

	£
Plant and Equipment	30,000
Stock	70,000
Customer contracts	225,001
Total identifiable assets acquired and liabilities assumed	<u>325,001</u>
Goodwill	-
Total consideration transferred	<u><u>325,001</u></u>

On 7 October, the Company completed a fundraising whereby the Company raised a gross amount of £536,500 from new and existing investors.

Annexure B – UK legal opinion

The Directors
VPCL Ltd
Unit 36
38 Manchester Lane
Melbourne
Victoria 3000
Australia

Our Ref: 12019656.1.JKD.KFM
Doc Ref: 165895677.1
Date: 22 December 2020

Dear Sirs

English Legal Opinion

1 Introduction

- 1.1. We have been appointed as the English legal advisers to VPCL Ltd (**VPC** or the **Company**) in connection with its proposed re-admission to trading on the Australian Securities Exchange (**ASX**) and its proposed reverse takeover of Health House Holdings Limited (**HHH**) (the **Transaction** or **Re-Admission**).
- 1.2. We have been instructed by VPC in connection with its application for re-admission to the ASX and to provide a legal opinion in connection with the publication of a notice of general meeting and a prospectus. We have been asked to prepare our opinion in connection with the UK members of the HHH group, being, (i) HHH; (ii) Health House Pharma Limited (**HH Pharma**); and (iii) Health House Distribution UK Limited (**HH Distribution**).
- 1.3. This Opinion relates only to the laws of England and Wales and is given on the basis that it is to be governed by and construed in accordance with the laws of England and Wales, as currently in force and effect on the date of this Opinion. We express no opinion about the laws of any other jurisdiction or factual matters or about any changes to the laws of England and Wales (or to the interpretation or application thereof) which might occur after the date of this Opinion.

2 Definitions

- 2.1. Capitalised terms in this Opinion shall have the same meaning given to them in Schedule 1 ("**Definitions**") unless the context specifically requires a different interpretation.

hilldickinson.com

The Hill Dickinson Legal Services Group has offices in Liverpool, Manchester, London, Sheffield, Piraeus, Singapore, Monaco and Hong Kong.

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- 2.2. References in this Opinion to the “**Parties**” or a “**Party**” shall be to the parties or any party to the Documents (as the case may be). We have not examined any other documents or made any other enquiries.

3 Activities Undertaken by HHH

- 3.1. HHH is an international pharmaceutical distribution group which includes medicinal cannabis products. We understand that HHH is a holding company and is not engaged in any commercial activities.
- 3.2. HHH has two English subsidiaries, HH Pharma and HH Distribution. HH Distribution is a dormant subsidiary which has not traded. For the purposes of this legal opinion our review focuses on the current activities of HH Pharma described in paragraphs 3.3 to 3.5.
- 3.3. On 5 September 2019, HH Pharma acquired the trading business and assets of P&D, a pharmaceutical products distribution business operating in the UK. HH Pharma utilises a distribution network acquired from P&D to supply medicinal cannabis products to pharmacies, hospitals, government departments, veterinarians and wholesalers in the UK.
- 3.4. On 1 September 2020, HH Pharma acquired the trading business and assets of an established online pharmacy business operating with the trading name, Gee’s Pharmacy. Gee’s fulfils prescriptions for care homes as well as individuals and dispenses medicines to the National Health Service in England.
- 3.5. HH Pharma is engaged in the activity of supplying unlicensed medicinal products, including CBPMs, as a wholesale distributor within the UK. In accordance with UK law, HH Pharma is required to hold certain licences and authorisations to lawfully undertake those activities in the UK and these approvals are briefly described below:
- 3.5.1. a UK Controlled Drug Licence dated 15 October 2020 (due to expire on 14 October 2021) issued by the UK Home Office allowing the possession and supply of drugs in Schedules 2, 3 and 4 and the supply of drugs in Schedule 5 of the Misuse of Drugs Regulations 2001;
- 3.5.2. a Wholesale Distribution Authorisation issued by the MHRA dated 4 September 2019 allowing the distribution by way of wholesale dealing of medical products for human use and storage of these products on UK premises as specified; and
- 3.5.3. a certificate of Good Distribution Practice compliance of a wholesale distributor issued by the MHRA following an inspection on 7 September 2018,
- and as more particularly described in Schedule 3 of this Opinion. HH Pharma’s current Wholesale Distribution Authorisation and UK Controlled Drug Licence allows it to import CBPMs from within the EU. The Wholesale Distribution Authorisation authorises HH Pharma to export medicinal products by way of wholesale dealing to other countries within the EEA.
- 3.6. For the avoidance of doubt, we express no view as to the lawfulness of activities undertaken by HHH’s Australian subsidiaries or business operations.

4 Medicinal Cannabis Regulation in the UK

We understand that the Company requires an independent legal report providing a summary of medicinal cannabis regulation in the UK, as it relates to the current activities of

the HH UK Subsidiaries. A regulatory overview is set out at Schedule 2 of this Opinion. This summary is not intended to be exhaustive.

5 Medicinal Cannabis Licences and Authorisations held by each HH Pharma

5.1. We are of the opinion that as at the date of this Opinion:

- 5.1.1. the description of the Licences as set out in Schedule 2 are, subject to any qualification contained in this Opinion, complete and accurate;
- 5.1.2. HH Pharma holds directly the interest in the Licences;
- 5.1.3. so far as we are aware, based on reasonable enquiries of the Directors of the HH UK Subsidiaries there are currently no pending Licence applications;
- 5.1.4. so far as we are aware, based on reasonable enquiries, the Licences are current, valid and subsisting as at the date of this Opinion, are in full force and effect and have not been suspended or terminated;
- 5.1.5. HH Pharma's distribution of cannabis-based products for medicinal use from the Premises has been certified as being in compliance with GDP;
- 5.1.6. HH Pharma operates a pharmacy under the trading name "Gee's Pharmacy" and the pharmacy is recorded as "registered" on the register maintained by the General Pharmaceutical Council with the unique registration number 1113465. The registration is linked to the premises of HH Pharma at Unit 36, Woolmer Way, Bordon, Hampshire, GU35 9QF, UK; and
- 5.1.7. the circumstances of the Transaction will not result in the modification, termination, suspension or revocation of any of the Licences and or Authorisations considered as part of this Opinion.

6 Documents

For the purposes of this Opinion, we have examined the result of the Search and copies of the following documents provided to us by HHH and its Directors (the **Documents** and each a **Document**):

- (a) UK Controlled Drug Licence;
- (b) a copy of the Wholesale Distribution Authorisation;
- (c) a copy of the GDP Certificate; and
- (d) an extract of the register of General Pharmaceutical Council website as at the Search Date confirming that HH Pharma is licensed in the UK.

7 Assumptions

7.1. The Opinion is based on the following assumptions:

- 7.1.1. the genuineness of all signatures and seals on the Documents, the accuracy of all statements appearing in such Documents and the conformity to the originals of all Documents supplied to us and the authenticity of the originals of such Documents;

- 7.1.2. that all copies (whether certified, photocopied, faxed, electronic or otherwise) of the Documents are true and correct copies of the authentic original of which it is a copy and that both the original and the copies are complete;
 - 7.1.3. that the Documents have been duly authorised, executed and delivered by each Party;
 - 7.1.4. that the Documents are comprehensive and complete and constitute all of the documentation which is available and necessary to consider to render this Opinion (including, by way of example, all annexures and appendices relevant to each of the respective Licences);
 - 7.1.5. that (save as expressly referred to herein) any copies and all documents dated earlier than the date of this Opinion on which we have expressed reliance remain accurate, complete and in full force and effect at the date of this Opinion and that there have been no amendments or variations to or modifications to the Documents and/or of the terms thereof (including, without limitation, any waiver or forgoing of any breaches or defaults) and further that there have been no supplementary, additional or further terms or agreements effecting the same in any manner and that each of the Documents is the sole agreement (whether in writing, oral or otherwise) relating to its subject matter;
 - 7.1.6. that all Documents on which we have relied are, where appropriate, in the form reflected in the records of any relevant authority or agency and all Documents have been executed in the same forms as those examined by us; and
 - 7.1.7. that the information contained on the GPC website, pursuant to the Search, is up to date and accurate as at the Search Date.
- 7.2. We have not taken any steps to verify any of these above mentioned assumptions.

8 Conclusion

- 8.1. We have made such examination of the laws of England and Wales as in our judgement is necessary or appropriate for the purposes of this Opinion. We do not, however, purport to be qualified to advise upon, and express no opinion in this Opinion as to, the laws of any jurisdiction other than England and Wales.
- 8.2. On the foregoing basis and subject to the assumptions on which this Opinion is based, including the matters referred to in paragraph 7 (above) and the qualifications set out in paragraph 9, we are of the opinion that as at the date of this Opinion:
 - 8.2.1. HH Pharma holds all licences, authorisations and approvals (the “**Approvals**”) required to be able to undertake the Activities in England and Wales; and
 - 8.2.2. provided that the HH Pharma continues to maintain and ensure the renewal of such Approvals, it will continue to comply with local requirements based on the current regulatory framework in England and Wales.

9 Qualifications

- 9.1. Our opinion is subject to the following qualifications:
 - 9.1.1. this Opinion is given only with respect to English law in force as at the date of this Opinion, as applied by English courts;

- 9.1.2. no opinion is expressed or implied as to the laws of any jurisdiction other than England and Hill Dickinson LLP does not hold itself out to be an expert on, or even generally familiar with, any laws other than the laws of England and Wales;
- 9.1.3. the Approvals held by each HH UK Subsidiary (as applicable) are subject to ongoing compliance with their terms and conditions (including relevant legal and regulatory requirements). Failure to observe such requirements may result in their revocation, termination or suspension. No opinion is expressed as to HH Pharma's ability to comply with those requirements on an ongoing basis nor do we express any view as to the likelihood of the renewal of such licences or authorisations where an expiration date has been appointed;
- 9.1.4. no opinion is expressed or implied as to the possible commercial, technical, financial or tax consequences of any particular arrangement and/or agreement;
- 9.1.5. in basing the statements and opinions herein on matters of which we are aware, the words "so far as we are aware" or "we are not aware of" or similar expressions mean that in the course of our acting as solicitors to the HHH, no information has come to the attention of the solicitors of our practice who have worked on matters on behalf of HHH that would give us actual knowledge or actual notice that any such opinions or statements are not accurate; and
- 9.1.6. that the opinion is subject to any change of law or the interpretation or application thereof after the date of this Opinion.

10 Benefit

- 10.1. This Opinion has been provided solely for the benefit of VPCL Ltd (only) in connection with this Transaction. This Opinion may not (in whole or in part) be used, referred to in or relied upon for any other purpose, without the express written consent of Hill Dickinson LLP, except that reference may be made to this Opinion in any documentation reasonably required for the purposes of the Transaction (including, inter alia, the Prospectus and Notice).
- 10.2. This Opinion is strictly limited to the matters stated in it and does not apply by implication to other matters.

Yours faithfully



Hill Dickinson LLP

SCHEDULE 1

Definitions

Activities means a) the activity of supplying CBPMs, as a wholesale distributor within the UK under the terms of the Licences and b) the operation of an online pharmacy business operating with the trading name, Gee's Pharmacy, pursuant to its registration with the GPC, in England and Wales

CBPM means cannabis-based products for medicinal use

Documents means the documents referred to in paragraph 6 of this Opinion

EEA means the European Economic Area

EU means the European Union

GDP means the standards of good distribution practices in relation to the wholesale of medical products and active substances

GPC the General Pharmaceutical Council, who are responsible for maintaining a register of pharmacist, pharmacy technicians and pharmacies in England and Wales

HH Distribution means Health House Distribution UK Limited, a private limited company, incorporated in England with Company Number 11674356

HHH means Health House Holdings Limited, a private limited company incorporated in England with Company Number 11625145

HH Pharma means Health House Pharma Limited, a private limited company incorporated in England with Company Number 11974169

HH UK Subsidiaries means together, HH Pharma and HH Distribution, and each a "**HH UK Subsidiary**"

IMP means investigational medicinal products

Inspectorate means the inspectorate of the MHRA, which is responsible for licensing and inspecting all UK manufacturers, wholesale dealers and importers of medicines, clinical trials and toxicology laboratories

Licences means licenses held by HH Pharma and as are particularly summarised in Schedule 3 of this Opinion

MDA 1971 means the Misuse of Drugs Act 1971

MDR 2001 means the Misuse of Drugs Regulations 2001

MHRA means the Medicines and Healthcare products Regulatory Agency

MS Licence means Manufacturer's "Specials" Licence

Opinion means the opinions set out in paragraphs 5 and 8, subject to all assumptions and qualifications set out in this document

P&D means P&D Pharmaceuticals (now renamed Gees Pharma Limited), a private limited company, incorporated in England with Company Number 02701446

Premises means Units 36 and 38, Woolmer Way, Bordon, Hampshire GU35 9QF

Search means our search of the online GPC directory located at www.pharmacyregulation.org as at the Search Date

Search Date means 22 December 2020 at 01:14 a.m. (London time), being the last practicable date to conduct a search prior to the publication of this Opinion

Specials means a medicinal product meeting the special need exemption under Regulation 167 of the 2012 Regs

THC means tetrahydrocannabinol

UK Controlled Drug Licence means the controlled drug licence issued by the Home Office to HH Pharma and the terms of which are particularised in Part B of Schedule 3

Wholesale Distribution Authorisation means the wholesale distribution licence issued by the MHRA to HH Pharma and the terms of which are particularised in Part A of Schedule 3

2004 Regs means the Medicines for Human Use (Clinical Trials) Regulations 2004

2012 Regs means Human Medicines Regulations 2012

2015 Order means the Misuse of Drugs (Designation) (England, Wales and Scotland) Order 2015

2018 Regs means the Misuse of Drugs (Amendments) (Cannabis and Licence Fees) (England, Wales and Scotland) Regulations 2018

SCHEDULE 2

UK Regulatory Framework in relation to Cannabis and CBMPs

Set out below is an overview of the regulation of cannabis and CBMPs in the United Kingdom, and is not intended to be exhaustive.

UN Conventions and UK Framework in relation to Cannabis

The three important international UN Conventions in relation to narcotic drugs are the Single Convention on Narcotic Drugs 1961 (amended by the 1972 Protocol (the “**1961 Narcotics Convention**”), the Convention on Psychotropic Substances 1971, and the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988. The aim of such conventions are to advance the global objective of implementing measures to ensure that narcotic drugs are subject to appropriate restrictions and controls.

The United Kingdom is a signatory to all three conventions. The MDA 1971 was introduced in order to give effect to the provisions of the 1961 Narcotics Convention and the Convention on Psychotropic Substances 1971. The conventions require member states to establish and operate a domestic licensing regime. The Home Office acts as the National Cannabis Agency in the UK, as required by the UN Conventions for the control of narcotics, and is responsible for the operation of the domestic licensing regime.

Schedule 2 of the MDA 1971 designates drugs into three categories based upon their perceived risk to public health: Class A, B and C. Drugs placed into Class A (such as cocaine and heroin) are perceived as being the most harmful and drugs placed in Class C as the least harmful. Nevertheless, the unlawful use of drugs placed into each class are subject to strict criminal penalties, including long custodial sentences and heavy fines. Cannabis and its derivatives fall under Class B and undertaking certain activities in relation to Cannabis (including, inter alia, importation and exportation, production, supply, possession and cultivation of Cannabis) will be treated as a criminal offence subject to criminal penalties, unless such activities are undertaken pursuant to a licence granted by the Home Office.

MDR 2001 regulates the availability of controlled drugs that have a recognised and legitimate use, by putting them in 1 of 5 schedules to MDR 2001. The schedule to which a drug is allocated determines the nature of the controls on its production and use. Those drugs listed in Schedule 1 of the MDR 2001 are not considered to have a legitimate medicinal use and can only be cultivated, produced, possessed or supplied under a UK Controlled Drug License issued by the Home Office. Furthermore, pursuant to the MDA 1971 and the 2015 Order, activities in respect of certain designated drugs can only be lawfully carried out under a Home Office licence. As such, medical practitioners carrying out activities in relation to these drugs require a licence.

Legalisation of CBPMs in the UK

Drugs listed in Schedule 2 of the MDR 2001 can be prescribed by a medical practitioner without the need for a Home Office licence. The Secretary of State in exercise of its powers under section 7, 10, 22, 30 and 31 of MDA 1971, introduced the 2018 Regulations, which came into force on 1 November 2018 following consultation with the Advisory Council on the Misuse of Drugs. As from

1 November 2018, “Cannabis-based products for medicinal use in humans” (“CBPM”) - a defined category of cannabis, cannabis resin, cannabidiol and cannabidiol derivatives – are listed under Schedule 2 of the MDR 2001 meaning that CBPMs are capable of being prescribed to patients without the requirement of a Home Office licence. Any cannabis-based substance falling outside of this definition (for example, a cannabis-based substance classified as a medicine but produced for recreational use) will remain listed in Schedule 1 drug of the 2001 Regulations.

Licensed Medicines

A medicinal product placed on the market in the UK must be subject to marketing authorisation. A marketing authorisation means that the product is a licensed medicine, which has been approved by the MHRA. A product will only achieve marketing authorisation after undergoing stringent pre-clinical research and clinical trials to ensure that such products satisfy criteria for safety, quality and efficacy.

As at the date of this Opinion, two CBMPs produced by GW Pharmaceuticals have received marketing authorisation: Epidyolex (cannabidiol) oral solution and Sativex (nabiximols). In addition, the UK’s National Institute for Health and Care Excellence (“**NICE**”) has confirmed that these CBMP are each considered a cost-effective form of treatment capable of being reimbursed routinely by the National Health Service in the UK.

Unlicensed Medicines (“specials”)

Regulation 167 of the 2012 Regs provides an exemption from the requirement that a medicinal product has a marketing authorisation to be supplied, where (amongst other requirements) manufacturers and distributors satisfy the relevant conditions contained in Regulation 167. Such products are commonly referred to as “Specials” since they can only be supplied to meet the “special needs” of an individual patient. CBMPs can be supplied as “specials” where specific conditions contained in Regulation 167 are met.

In the UK, a patient can only be prescribed “specials” by a Specialist Doctor who is on the GMC’s Specialist Register. If a doctor is on the GMC Specialist Register, it will say so as part of their status on the medical register which can be checked online. An MS Licence must be obtained from the MHRA in order to lawfully manufacture “Specials”. We understand that HH Pharma is not involved in the manufacture and or assembly of “specials”.

UK Controlled Drugs Licence

Any person intending to possess, manufacture, produce or supply controlled drug(s) (which would include Cannabis) in England must apply to the Home Office for a UK Controlled Drugs Licence. Companies wanting to possess, manufacture, produce, supply, import or export CBPMs need such a licence. We understand that HH Pharma has obtained a controlled drugs licence for this purpose and the details of that licence are set out in Schedule 3. HH Pharma will be required to comply with and observe the conditions of its licence at all times.

Wholesale Distribution Authorisation

The MHRA regulates medicines, medical devices and blood components for transfusion in the UK and is responsible for ensuring their safety, quality and effectiveness in accordance with the 2012 Regs. The MHRA has established a regime for the authorisation of medicinal products for human use; including the manufacture, import, distribution and supplying of those products, and the labelling and advertising of them.

The MHRA is responsible for issuing, subject to applicants meeting a number of conditions and regulatory requirements, licences to manufacture and to distribute medicinal products. The MHRA is able to impose conditions in respect of the issuance of such a licence. Failure to comply with the provisions of the 2012 Regs is a criminal offence, subject to criminal sanctions (including, a custodial sentence).

In the UK, a person must hold a valid Wholesalers Distribution Authorisation (“**WDA**”) (also often referred to as ‘Wholesalers Dealer’s Licence’) if in the course of their business, they are engaged in (a) procuring, holding, supplying or selling medicinal products for human use sources in the UK or another EEA Member State, to anyone other than members of the public; (b) importing medicinal products from a non-EEA Member State for export to a non-EEA Member State; and (c) exporting medicinal products to a non-EEA Member State. The conditions to obtaining a WDA are set out in Regulations 43 to 45 of the 2012 Regulations and, in addition, compliance with EU Guidelines on Good Distribution Practices of Medicinal Products for Human Use (2013/C 343/01). The MHRA has provided guidance to applicants for a WDA (Guidance Note 6 “Notes for applicants and holders of a Wholesale Dealer’s License (WDA(H)) or Broker Registration” (the “**WDA Guidance Note**”)).

The holder of a WDA must only supply unlicensed medicinal products to (i) the holder of a WDA license relating to these products; (ii) the holder of an authorisation granted by the competent authority of another EEA member state authorising the supply of those products by way of wholesale dealing; (iii) any person who may lawfully supply medicinal products in circumstances corresponding to retail sale; or (iv) any person who may lawfully administer those products.

We understand that HH Pharma has been granted a WDA by the MHRA under the 2012 Regs’the terms and conditions of which are set out in Schedule 3. Under the terms of the WDA, HH Pharma is prohibited from importing licenced and “specials” from outside the EEA-area unless it applies for and obtains a manufacturing licence and or a manufacturers “specials licence” (as applicable). HH Pharma may, however, export medicinal products by way of wholesale dealings to other EEA member states.

GDP Certification

The GDP Inspectorate carries out regular and repeated inspections of wholesale distribution sites. Inspection enables the MHRA to confirm that the license holders are complying with the conditions of their license, the 2012 Regs and GDP requirements. Further details of the inspection procedures are summarised in paragraph 9 of the WDA Guidance Note. We note HH Pharma holds a valid GDP Certificate in respect of the Premises.

Schedule 3

Licences

Part A: Wholesale Distribution Authorisation

Description	Wholesale Distribution Authorisation
Licensors:	Medicines and Healthcare Products Regulatory Agency
Licensee	Health House Pharma Ltd
Premises	38 Woolmer Way, Bordon, Hampshire GU35 9QF
Responsible Persons:	Mr Ian James Greenep A variation application is submitted to add Mrs Susan Denyse Matthews as RP
Expiry date	Continues in force from the date of issue by the Licensing Authority unless cancelled, suspended, revoked or varied.
Licence details:	Authorising distribution within the EEA by way of wholesale dealing of medicinal products for human use by the authorisation holder named and storage of such products on the storage premises listed.
Conditions	<p>Holder must not sell or supply a medicinal product, or offer it for sale or supply unless:</p> <ul style="list-style-type: none">• There is a marketing authorisation, article 126a authorisation, certificate or registration or traditional herbal registration in force• The sale or supply or offer for sale or supply is in accordance with the authorisation• The sale or supply of the medicinal is pursuant to an exemption from the requirements to hold such authorisation (a special medicinal product), under the provisions of the human medicines regulations 2012 (SI 2012/1916). <p>The authorisation holder must inform the Licensing Authority no later than 28 days prior to the sourcing from the EEA of a special medicinal product.</p> <p>To import licensed medicinal products from outside the EEA an application for a manufactures licence that authorises import must be obtained.</p> <p>To import a special medicinal product from out the EEA into the UK, an application for a manufacturers "Specials licence" that authorises import must also be made and a licence granted.</p> <p>Manufacturing and/or assembly processes of medicinal products require a manufacturer's licence.</p>

Part B: UK Controlled Drug Licence (Schedule 1)

Description	UK Controlled Drug Licence
Licensor	Home Office Drugs & Firearms Licensing
Licensee	Health House Pharma Limited t/a P&D Pharmaceuticals
Premises	38 Woolmer Way GU35 9QF
Expiry Date	14 OCT 2021
Licence details	<p>Valid in respect of the following schedules to the Misuse of Drugs Regulations 2001 SI 2001/3998 to:</p> <p>Schedule 2</p> <ul style="list-style-type: none">• Possess• Supply <p>Schedule 3</p> <ul style="list-style-type: none">• Possess• Supply <p>Schedule 4 – Part 1</p> <ul style="list-style-type: none">• Possess• Supply <p>Schedule 4 – Part 2</p> <ul style="list-style-type: none">• Possess• Supply <p>Schedule 5</p> <ul style="list-style-type: none">• Supply
Conditions	<p><u>Security</u></p> <p>Stocks of drugs shall at all times be in the charge of the licensee or responsible person appointed by him and kept securely. All drugs subject to the 'safe storage' provisions specified in the Misuse of Drugs (Safe Custody) Regulations 1973 (those listed in schedule 1, 2 & certain Schedule 3 drug) shall be securely stored in accordance with those provisions.</p>

Record Keeping

The licensee shall keep records: in accordance with the record keeping requirements set out in the Misuse of Drugs Regulations 2001, unless the provisions set out in regulation 19(3) apply. Those records, which may be in (bound) hard copy or electronic form, must be retained at the premises to which they relate, for a period of at least two years from the date the last entry is made. Where specified by the Regulations, 'registers' must be maintained in accordance with those Regulations. You may be required to produce in paper form pages from your computerised record.

The licence and any stocks of drugs shall be produced for inspection when required by any person duly authorised under section 23 of the 1971 Act.

In the event of the licensee ceasing to require a licence or licence(s) above at the licensed premises, or if the authority of the licence is revoked by the Secretary of State, the licensee shall return the licence immediately to the address below. The licensee must provide full details in respect of the destruction of any residual stocks of controlled drugs.

Theft and Losses

The licensee must take reasonable precautions to safeguard theft or loss of any drugs in their possession. Thefts or losses should be notified immediately to the Police and the Home Office in writing.

Furnishing of information

The licensee must furnish the Secretary of State such information in relation to this licence as may be required, in accordance with the requirements set out in Regulation 26(1) to the Misuse of Drugs Regulations 2001.

In addition to the record keeping requirements detailed above, the licensee must provide the following information to the Head of Drug Licensing at the address below and where required, an 'Annual Statistical Return' by the last day in January each year at the latest of:-

- The amount of the drug in his possession or coming into his possession
- The amount of the drug supplied; and
- The amount of the drug used

Annexure C – Australian legal opinion



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Representing
Western Australians
for more than 120 years

22 December 2020

The Board of Directors
VPCL Ltd
Unit 36, 38 Manchester Lane
Melbourne VIC 3000

Legal Opinion on Compliance with Regulatory Regime for Medicinal Cannabis

Request for Legal Opinion

- 1 This legal opinion (**Opinion**) has been prepared for inclusion in a notice of meeting to be issued by VPCL Ltd (ACN 149 197 651) (**VPC**) in respect of the proposed acquisition of all of the shares in the capital of Health House Holdings Ltd (Company Number 116 251 145) registered in the United Kingdom (**HH**) (**Transaction**).
- 2 We are instructed that the proposed acquisition of HH by VPC includes the indirect acquisition by VPC of the following Australian HH subsidiary companies:
 - 2.1 CliniCann Limited (ACN 619 271 626) (**Clinicann**);
 - 2.2 Health House Australia Pty Ltd (ACN 626 641 290) (**HHA**) (formerly known as Health House Holdings Limited (ACN 626 641 290)); and
 - 2.3 Health House International Pty Ltd (ACN 161 601 083) (**HHI**),(collectively, the **Australian HH Group**).
- 3 We are further instructed that in relation to the Transaction, the ASX requires VPC to provide, amongst other things, an independent solicitors' report regarding medicinal cannabis, being a product, including but not limited to a substance, composition,

A full service Western Australian firm:

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Corporate, Commercial & Tax

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Litigation & Dispute Resolution
Media & Defamation
Mining & Resources

Planning & Environment
Private Wealth
Property & Leasing
Wills & Estates

Our values:

Commitment
Integrity

Lavan respectfully acknowledges the traditional owners of the land on which we live and work.

preparation or mixture, that contains, or is manufactured from, any part of the genus cannabis plant (**Medicinal Cannabis**) regulation in Australia.

- 4 For the purpose of this Opinion, we have considered the laws and regulations of Australia, including its States and Territories (**Relevant Jurisdictions**) which apply to the import, export, storage or supply of Medicinal Cannabis from within Australia (**Cannabis Operations**) in so far as they relate to the Activities (as defined in paragraph 5.2 of this Opinion) (**Relevant Laws**).

Cannabis Operations

- 5 We are instructed that:

5.1 Clinicann and HHA do not undertake any Cannabis Operations and act only as holding companies of HHI; and

5.2 HHI currently undertakes the following Cannabis Operations (**Activities**):

5.2.1 importing of Medicinal Cannabis which is classified as a “therapeutic good”¹ for human medical or scientific purposes (**Therapeutic Medicinal Cannabis**) from Authorised Entities (as defined in paragraph 50.11 of this Opinion) within Australia and overseas;

5.2.2 exporting of Therapeutic Medicinal Cannabis from Western Australia to Authorised Entities in overseas jurisdictions;

5.2.3 storing of Therapeutic Medicinal Cannabis at HHI’s secure facility (**HHI Secure Facility**); and

5.2.4 supplying of Therapeutic Medicinal Cannabis from Western Australia to Authorised Entities in all Relevant Jurisdictions.

- 6 We are further instructed that HHI does not currently undertake or propose to undertake any other Cannabis Operations.

Regulatory Framework

Overview

- 7 Within the Federal jurisdiction:

7.1 the Activities undertaken by HHI are primarily regulated by the following Relevant Laws:

7.1.1 *Australian Code of Good Wholesaling Practice for Medicines in Schedules 2, 3, 4 and 8* (at 1 April 2011) (**Wholesale Code**),

¹ *Therapeutic Goods Act 1989* (Cth) s 3 (definition of ‘therapeutic goods’).

which applies to most Cannabis Operations in Australia and includes policies, principles and practices in relation to facility, personnel, stock handling, transport and security requirements. The Wholesale Code is enforced through the Relevant Laws of each Relevant Jurisdiction;

- 7.1.2 *Biosecurity Act 2015 (Cth)*;
- 7.1.3 *Customs (Prohibited Imports) Regulations 1956 (Cth) (CPI Regs)*;
- 7.1.4 *Customs (Prohibited Exports) Regulations 1958 (Cth) (CPE Regs)*;
- 7.1.5 *Narcotic Drugs Act 1967 (Cth) (ND Act) and Narcotic Drugs Regulations 2016 (Cth) (ND Regs)*;
- 7.1.6 *Single Convention on Narcotic Drugs 1961*;
- 7.1.7 *Standard for the Uniform Scheduling of Medicines and Poisons (Poisons Standard)*; and
- 7.1.8 *Therapeutic Goods Act 1989 (Cth) (TG Act) and Therapeutic Goods Regulations 1990 (Cth) (TG Regs)*.

- 8 In addition to the Federal laws and regulations, each State and Territory regulates Cannabis Operations conducted within their own Relevant Jurisdictions.
- 9 We are instructed that the Activities are conducted by HHI from the HHI Secure Facility located within the Western Australian jurisdiction. Accordingly, in this Opinion we have referred to certificates, licences, consents, approvals, permits or authorisations (**Authorisation**) required under the Relevant Laws of Western Australia for conducting the Activities. Where a Relevant Jurisdiction other than Western Australia requires its own separate Authorisation, we have addressed the necessary Authorisations where they arise.
- 10 In Western Australia the Activities undertaken by HHI are regulated, in addition to the Federal laws and regulations, by the following Relevant Laws:
 - 10.1 *Medicines and Poisons Act 2014 (WA) (MP Act)*; and
 - 10.2 *Medicines and Poisons Regulations 2016 (WA) (MP Regs)*.

Importation of Medicinal Cannabis

- 11 At the Federal level, importation of Medicinal Cannabis is primarily regulated by the Office of Drug Control (**ODC**), a division of the Department of Health, under the CPI Regs.

- 12 Regulation 5 of the CPI Regs requires a person importing a schedule 4 “drug” (which includes cannabinoids, cannabis (including extracts and tinctures of cannabis), cannabis resin and tetrahydrocannabinols)² to obtain from the ODC:
- 12.1 a licence to import (**ODC Import Licence**); and
 - 12.2 permission to import (**ODC Import Permit**), which must be obtained at the time of each individual consignment and is valid for that specified consignment only.
- 13 An ODC Import Licence will only be granted where:
- 13.1 all information requested by the ODC has been furnished;
 - 13.2 the applicant and, where appointed or employed, each of its agents and employees is a fit and proper person; and
 - 13.3 the premises on which it is proposed to keep the drugs is secure.³
- 14 The granting of an ODC Import Licence is subject the holder’s compliance with:
- 14.1 keeping the drugs in in safe custody at all times;
 - 14.2 ensuring transport of the drugs is safely carried out;
 - 14.3 reasonable directions given by the ODC or Comptroller-General of Customs for ensuring no danger of loss or theft of any drugs;
 - 14.4 disposing the drugs solely for medical or scientific purposes only;
 - 14.5 the record keeping requirements set out under regulation 5(9) of the CPI Regs;
 - 14.6 producing any books, drugs or information to the ODC or Comptroller-General of Customs on request; and
 - 14.7 any additional conditions or requirements specified on the ODC Import Licence.⁴
- 15 An ODC Import Permit will only be granted where:
- 15.1 all information requested by the ODC has been furnished;

² *Customs (Prohibited Imports) Regulations 1956* (Cth) (‘CPI Regs’) sch 4.

³ *Ibid* reg 5(7).

⁴ *Ibid* reg 5(9).

- 15.2 if the drugs are for manufacture, the applicant holds the relevant manufacturer's licence under the ND Act and, if required, under a Relevant Law of the State or Territory in which the premises are located;
 - 15.3 if the drugs are required for sale or supply, the applicant, under a Relevant Law of the State or Territory in which the premises are, or from which the applicant conducts that business are situated, holds a licence authorising the sale or supply of the drugs from at or from those premises; and
 - 15.4 if neither paragraph 15.2 or 15.3 applies, the imported drugs are solely for medical or scientific purposes.⁵
- 16 In addition to the ODC Import Licence and ODC Import Permit:
- 16.1 a biosecurity import permit (**BICON Permit**) must be obtained from the Department of Agriculture and Water Resources allowing for the importation of Medicinal Cannabis;⁶
 - 16.2 where the imported product is Therapeutic Medicinal Cannabis:
 - 16.2.1 the BICON Permit must authorise the product as being for human purposes; and
 - 16.2.2 the product must be accompanied by a declaration form which declares that the Medical Cannabis Product conforms with the *Therapeutic Goods (Standard for Medical Cannabis) (TGO 93) Order 2017* (Cth) (**TGO 93**).
- 17 As set out at paragraph 15.3 of this Opinion, an ODC Import Licence will not be granted if HHI does not hold the relevant Western Australian Authorisations to conduct the Activities from the HHI Secure Facility. In relation to the Activities undertaken by HHI in Western Australia, HHI must obtain the Western Australian Authorisations to supply Medicinal Cannabis as detailed in paragraph 31 of this Opinion.

Exportation of Medicinal Cannabis

- 18 At the Federal level, exportation of Medicinal Cannabis is primarily regulated by:
- 18.1 the ODC under the CPE Regs, ND Act and ND Regs; and
 - 18.2 the Therapeutic Goods Administration (**TGA**) under the TG Act and TG Regs.
- 19 Regulation 10 of the CPE Regs requires a person exporting a schedule 8 “drug” (which includes cannabis, cannabis resin and tetrahydrocannabinols)⁷ to obtain:

⁵ CPI Regs reg 5(10).

⁶ Biosecurity Act 2015 (Cth) s 177.

- 19.1 a licence to export from the ODC (**ODC Export Licence**);⁸
 - 19.2 permission to export from the ODC (**ODC Export Permit**);⁹ and
 - 19.3 an authorisation from the appropriate governmental authority of the country to which the drug is to be exported, authorising the importation of the drug into that country.¹⁰
- 20 The granting of an ODC Export Licence is subject to the holder's compliance with:
- 20.1 the record keeping requirements set out under regulations 10B(1)(a) and 10B(1)(b) of the CPE Regs;
 - 20.2 producing any books or information to the ODC or Comptroller-General of Customs on request; and
 - 20.3 ensuring that there is no danger of loss or theft of a drug in the exporter's possession.¹¹
- 21 The holder of an ODC Export Permit must:
- 21.1 export the drug from Australia within 3 months of receiving the ODC Export Permit;
 - 21.2 ensure the drug is exported only to the country specified on the ODC Export Permit; and
 - 21.3 produce the ODC Export Permit to customs on request.¹²
- 22 In addition to the above Federal Authorisations:
- 22.1 all Medicinal Cannabis products exported from Australia must conform with TGO 93;¹³ and
 - 22.2 only the following Medicinal Cannabis may be exported from Australia:
 - 22.2.1 Medicinal Cannabis manufactured in Australia under a Licence to Manufacture Therapeutic Goods issued by the TGA;

⁷ *Customs (Prohibited Exports) Regulations 1958* (Cth) sch 8 pt 2.

⁸ *Ibid* reg 10(1)(a)(i).

⁹ *Ibid* reg 10(1)(a)(ii).

¹⁰ *Ibid* reg 10(3)(d).

¹¹ *Ibid* reg 10B(1).

¹² *Ibid* regs 10(1)(a)(iii)-(v).

¹³ *Therapeutic Goods Act 1989* (Cth) ('TG Act') ss 14-14A.

- 22.2.2 Medicinal Cannabis products registered on the Australian Register of Therapeutic Goods (**ARTG**) or listed as “export-only”; or
 - 22.2.3 extracts of cannabis (or cannabis resin) manufactured under a ND Act licence which are not in final dosage form.¹⁴
- 23 An ODC Export Licence will not be granted if HHI does not hold the relevant Western Australian Authorisations to conduct the Activities from the HHI Secure Facility. In relation to the Activities undertaken by HHI in Western Australia, HHI must obtain the Western Australian Authorisations to supply Medicinal Cannabis as detailed in paragraph 31 of this Opinion.

Storage of Medicinal Cannabis

- 24 All Relevant Jurisdictions regulate the storage of Medicinal Cannabis as a condition to granting and maintaining their relevant Authorisations to undertake the specified Cannabis Operations.
- 25 At the Federal level:
- 25.1 the ODC published the *Guideline: Security of Medicinal Cannabis (Security Guideline)* to assist in designing and meeting the security standards for undertaking certain Cannabis Operations;¹⁵ and
 - 25.2 the TGA published the Wholesale Code which prescribes additional policies and guidelines for, amongst other things, storing and securing Medicinal Cannabis.
- 26 In addition to the Federal Security Guideline and Wholesale Code, in Western Australia, storage of Medicinal Cannabis and poisons is regulated under the MP Regs. Each category of poison identified in the schedules to the Poisons Standard requires a different subset of storage and security requirements.

Supply of Medicinal Cannabis

- 27 At the Federal level, supply of Medicinal Cannabis is regulated by the TGA under the TG Act and TG Regs.
- 28 For the supply of Therapeutic Medicinal Cannabis, the TG Act and TG Regs provide a national system of controls and a framework for the States and Territories to adopt in the interests of a uniformed approach.¹⁶ It is an offence to supply Therapeutic

¹⁴ ‘Import and export’, *The Office of Drug Control* (Web Page, 20 April 2020) <<https://www.odc.gov.au/import-and-export>>; ‘Export of medicinal cannabis’, *The Office of Drug Control* (Web Page, 10 April 2018) <<https://www.odc.gov.au/publications/export-medicinal-cannabis>>.

¹⁵ ‘Guideline: Security of Medicinal Cannabis’, *The Office of Drug Control* (Web Page, 16 September 2020) <<https://www.odc.gov.au/publications/guideline-security-medicinal-cannabis>>.

¹⁶ *TG Act* s 4.

Medicinal Cannabis unless the product is approved by the TGA and registered on the ARTG. However, supply of unapproved Therapeutic Medicinal Cannabis may be permitted where supplied under:

- 28.1 the Authorised Prescriber Scheme;
- 28.2 the Special Access Scheme; or
- 28.3 a Clinical Trial Scheme,

(Unapproved Therapeutic Goods).¹⁷

- 29 The supplier of Medicinal Cannabis must ensure that the Medicinal Cannabis complies with all applicable quality standards, including TGO 93. Under the TG Act, it is both a civil and criminal offence to supply Medicinal Cannabis that does not comply with the applicable standards.¹⁸
- 30 In addition to the Federal laws and regulations, in Western Australia the supply of Medicinal Cannabis is regulated by the WA Department of Health under the MP Act and MP Regs.
- 31 A supplier of Medicinal Cannabis from a facility in Western Australia is required to:
 - 31.1 in relation to the supply of a substance listed in Schedules 2, 3, 4 and 8 of the Poisons Standard, obtain a WA Wholesale/Manufacture Licence;¹⁹ and
 - 31.2 in relation to the supply of a substance listed in Schedule 9 of the Poisons Standard, obtain a WA Schedule 9 Licence.²⁰
- 32 A WA Wholesale/Manufacture Licence must specify:
 - 32.1 the poison/poisons to which the licence applies; and
 - 32.2 the activities that are authorised.²¹
- 33 A WA Schedule 9 Licence may only authorise the supply or manufacture of a Schedule 9 poison for educational, experimental or research purposes, or for a purpose prescribed by the MP Regs.²²
- 34 The holder of a WA Wholesale/Manufacture Licence must:

¹⁷ *TG Act* ss 18, 19, 31A, 31B.

¹⁸ *Ibid* ss14-14A.

¹⁹ *Medicines and Poisons Act 2014 (WA)* s 34.

²⁰ *Ibid* s 35.

²¹ *Ibid* s 34.

²² *Ibid* s 35.

- 34.1 ensure that any supply is carried out by, or under the direction of, a responsible person;
 - 34.2 ensure that any supply of Schedule 4 or 8 poison is only to an authorised professional authority or appropriate licence holder; and
 - 34.3 ensure that records are kept and produced for inspection in accordance with regulations 78(3)-(6).²³
- 35 To supply Therapeutic Medicinal Cannabis from a facility located within Western Australia to another Relevant Jurisdiction, the supplier is not required to obtain separate wholesale/supply authorisations from any other Relevant Jurisdiction unless, if the substances are not Schedule 2, 3 or 4 substances listed under the Poisons Standard, however a separate wholesale licence from Tasmania may be required if the substances involved are declared restricted substances (Schedule 4D)²⁴ or Schedule 8 substances.

Opinion

Compliance with the Regulatory Regime for Medicinal Cannabis

- 36 We confirm that, subject to the qualifications and assumptions set out at paragraph 50, we are of the following opinion.

Importation of Therapeutic Medicinal Cannabis

- 37 HHI currently holds the following Authorisations under the Relevant Laws to import Therapeutic Medicinal Cannabis into Australia:
- 37.1 ODC Import Licence valid until 31 December 2020 to import drugs listed in Schedule 4 of the CPI Regs;
 - 37.2 ODC Import Licence valid until 31 December 2021 to import drugs listed in Schedule 4 of the CPI Regs;
 - 37.3 BICON Permits to:
 - 37.3.1 import specified Medicinal Cannabis products for human therapeutic use including for use in clinical trials valid until 17 April 2021; and
 - 37.3.2 import cannabis seeds from various countries valid until 5 June 2021 and 25 August 2021 respectively;

²³ *Medicines and Poisons Regulations 2016 (WA)* regs 76-78.

²⁴ *Poisons (Declared Restricted Substances) Order 2017 (Tas)* sch 1.

- 37.4 WA Wholesale/Manufacture Licence valid until 30 June 2021 to supply poisons listed in Schedules 2, 3, 4 and 8 of the Poisons Standard for human or veterinary use; and
- 37.5 WA Schedule 9 Licence valid until 30 June 2021 to possess and supply poisons listed in Schedules 9 of the Poisons Standard.
- 38 In addition to the above, HHI is listed publicly on the ODC website as licenced to import Medicinal Cannabis under regulation 5 of the CP Regs.
- 39 In relation to the importation of Therapeutic Medicinal Cannabis by HHI, subject to HHI:
 - 39.1 maintaining the ODC Import Licence;
 - 39.2 obtaining the requisite ODC Import Permit at the time of each consignment of Therapeutic Medicinal Cannabis;
 - 39.3 maintaining the relevant BICON Authorisations;
 - 39.4 maintaining the WA Authorisations;
 - 39.5 maintaining compliance with the Wholesale Code; and
 - 39.6 importing the substances specified on each of the relevant Authorisations only,

we are of the opinion that HHI is compliant with the Relevant Laws in relation to its Activities in so far as they relate to the importation of Therapeutic Medicinal Cannabis.

Exportation of Therapeutic Medicinal Cannabis

- 40 HHI currently holds the following Authorisations under the Relevant Laws to export Therapeutic Medicinal Cannabis from Australia:
 - 40.1 ODC Export Licence valid until 31 December 2020 to export drugs listed in Schedule 8 of the CPE Regs; and
 - 40.2 ODC Export Licence valid until 31 December 2021 to export drugs listed in Schedule 8 of the CPE Regs.
- 41 In relation to the exportation of Therapeutic Medicinal Cannabis, we are instructed that HHI currently exports a single Therapeutic Medicinal Cannabis product registered and listed on the ARTG as “export-only”.
- 42 Subject to HHI:
 - 42.1 maintaining the ODC Export Licence;

- 42.2 obtaining the requisite ODC Export Permit at the time of each consignment of Therapeutic Medicinal Cannabis; and
- 42.3 obtaining the requisite authorisation from the appropriate governmental authority of the country to which the drug is to be exported, authorising the importation of the drug into that country,

we are of the opinion that HHI is compliant with the Relevant Laws in relation to its Activities in so far as they relate to the exportation of Therapeutic Medicinal Cannabis.

Storage of Medicinal Cannabis

- 43 HHI is required to store Medicinal Cannabis securely in accordance with the Relevant Laws. Secure storage is a condition for granting and maintaining Authorisations from the Relevant Jurisdictions.
- 44 We have been provided with a copy of the security and vulnerability assessment report dated 2 September 2020 (**Security Report**) for the HHI Secure Facility and rely on the statements made therein as to HHI's compliance with the security requirements under the Relevant Laws.
- 45 In this regard, we note that the Security Report confirms that at the date of issue of the Security Report the HHI Secure Facility was sufficient and compliant under the Relevant Laws.
- 46 Subject to:
 - 46.1 reliance on and accuracy of the statements made in the Security Report; and
 - 46.2 HHI, maintaining the HHI Secure Facility's compliance with the Relevant Laws in relation to storage and security of Cannabis Products, including the Security Guideline, the Wholesale Code and the Relevant Laws of Western Australia,

we are of the opinion that HHI is compliant with the Relevant Laws in relation to its Activities in so far as they relate to the storage of Medicinal Cannabis.

Supply of Therapeutic Medicinal Cannabis

- 47 HHI currently holds the following Authorisations under the Relevant Laws to supply Therapeutic Medicinal Cannabis in Australia:
 - 47.1 WA Wholesale/Manufacture Licence valid until 30 June 2021 to supply poisons listed in Schedules 2, 3, 4 and 8 of the Poisons Standard for human or veterinary use;
 - 47.2 WA Schedule 9 Licence valid until 30 June 2021 to possess and supply poisons listed in Schedules 9 of the Poisons Standard; and

- 47.3 Qld Wholesale Approval valid until 9 April 2021 to supply “all forms of medicinal cannabis prepared for use for human therapeutic purposes” with the type Cannabidiol, Tetrahydrocannabinol or a ratio of both.
- 48 We are instructed that all Therapeutic Medicinal Cannabis products distributed by HHI within Australia are Unapproved Therapeutic Goods supplied under:
 - 48.1 the Special Access Scheme - Category B; and
 - 48.2 the Authorised Prescriber Scheme.
- 49 In relation to the supply of Therapeutic Medicinal Cannabis by HHI, subject to HHI:
 - 49.1 maintaining the WA Wholesale/Manufacture Licence and WA Schedule 9 Licence;
 - 49.2 maintaining the Qld Wholesale Approval;
 - 49.3 only supplying the substances specified on each Authorisation; and
 - 49.4 where a substance is classed as a Schedule 4D or Schedule 8 Substance that is being supplied to Tasmania, obtaining a separate Tasmanian wholesale licence,

we are of the opinion that HHI is compliant with the Relevant Laws in relation to its Activities in so far as they relate supply within the Relevant Jurisdictions.

Assumptions and qualifications

- 50 This Opinion is based on the following assumptions and qualifications:
 - 50.1 only HHI undertakes the Activities;
 - 50.2 this Opinion is based on the documentation, information, confirmations and responses provided by members of the Australian HH Group entities and their employees, officers, directors and agents during due diligence conducted by us for the purpose of this Opinion (**Due Diligence Material**);
 - 50.3 in respect of all factual matters (as distinct from matters of Australian law) relating to this Opinion, we have relied on the Due Diligence Material;
 - 50.4 all such factual matters stated in any Due Diligence Material provided to, and reviewed by, us for the purpose of this Opinion was when provided, and as at the date of this Opinion remain, true, accurate, correct and not misleading in all material respects and contain no material omissions (**Correct**);
 - 50.5 all statements made in respect of the operations of the Australian HH Group in the draft NOM provided to us by Blackwall Legal on 18 November 2020 are Correct;

- 50.6 the Australian HH Group's management have reviewed this Opinion and confirmed its factual accuracy;
- 50.7 the Authorisations and other documents to which we have referred in this Opinion remain accurate and in full force and effect, and there have been no variations to any such Authorisations or documents;
- 50.8 all copies of Authorisations and documents provided to us are true, accurate and complete and conform to the originals;
- 50.9 there has neither been historical non-compliance by any member of the Australian HH Group in respect of any Authorisations, nor has there been any breach by any member of the Australian HH Group of any other applicable law or regulations in respect of any of their operations or activities;
- 50.10 in respect of documents entered into by any member of the Australian HH Group with any individual, partnership, firm, company, government, joint venture, association, authority, corporation or other body corporate including, where applicable, that party's executors, administrators, substitutes, successors and permitted assigns (**Business Partner**), that document has neither been amended or suspended since its execution nor has there been a breach of any of the provisions of any such documents by any party thereto;
- 50.11 each Business Partner (other than a member of the Australian HH Group) has obtained and currently and validly holds the requisite certificates, licences, consents, approvals, permits, authorisations required to be held by it in respect of its conducting its business operations (**Authorised Entity**);
- 50.12 this Opinion is strictly limited to the Australian HH Group's compliance with the Relevant Laws for its Activities and does not apply by implication to any other matters;
- 50.13 this Opinion relates to the Relevant Laws in force at the date of this Opinion and is limited to matters of Australian law and practice as at the date of this Opinion. We neither express opinion as to (nor have we investigated) of the laws or practice of any other jurisdiction;
- 50.14 other than company searches for the Australian HH Group entities, we have not conducted any searches in any official registry or with any public authorities in relation to any matter in relation to the Australian HH Group and/or any of the Authorisations;
- 50.15 we give this Opinion in respect of the facts, law and policies (including as to interpretation) as of the date of this Opinion only and we disclaim any obligation to update this Opinion for any change in the facts or law occurring after the date of this Opinion, which might affect this Opinion;

- 50.16 the statements made in this Opinion are given only to the extent that a law firm, having the role described above, could reasonably be expected to have become aware of relevant facts and to have identified the implications of those facts; and
- 50.17 we give this Opinion in our capacity as Australian legal advisor to VPC in relation to the Transaction.

Yours faithfully

A handwritten signature in blue ink, appearing to read "KB" followed by a stylized flourish.

Krista Bates
Partner

Please notify us if this communication has been sent to you by mistake. If it has been, any privilege between solicitor and client is not waived or lost and you are not entitled to use it in any way.

Annexure D - independent expert's report



VPCL Limited

Independent Expert's Report and Financial Services Guide

24 December 2020

**The Proposed Transaction is fair and reasonable to the
Non-Associated Shareholders of VPCL Limited**

**Prepared by Moore Australia Corporate Finance (WA) Pty
Ltd. Australian Financial Services License No. 240773**



MOORE AUSTRALIA CORPORATE FINANCE (WA) PTY LTD
Australian Financial Services License No. 240773
FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to our Independent Expert's Report on the proposed issue of shares to Mr David Wheeler, a related party to VPCL Limited ("VPCL"). Our report has been prepared at the request of the Directors of VPCL for inclusion in the Notice of Meeting.

Moore Australia Corporate Finance (WA) Pty Ltd

Moore Australia Corporate Finance (WA) Pty Ltd ("MACF") has been engaged by the directors of VPCL to prepare an independent expert's report expressing our opinion as to whether or not the Proposed Transaction is "fair and reasonable" to the Shareholders of VPCL.

MACF holds an Australian Financial Services Licence – Licence No 240773.

Financial Services Guide

As a result of our report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial Services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the issue of securities of a company or other entities.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report as a retail client because of your connection with the matters on which our report has been issued. We do not accept instructions from retail clients and do not receive remuneration from retail clients for financial services.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this report.

General Financial Product Advice

Our report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives either financial or otherwise, your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments. An individual's decision in relation to the Offer may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We will charge fees for providing our report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on either a fixed fee or time cost basis. We estimate that our fees for the preparation of this report will be approximately \$20,000 plus GST.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of MACF or related entities but any bonuses are not directly in connection with any assignment and in particular are not directly related to the engagement for which our report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

MACF is the licensed corporate advisory arm of Moore Australia Perth, Chartered Accountants ("MAP"). The directors of MACF may also be partners in MAP. MAP is comprised of a number of related entities that provide audit, accounting, tax, and financial advisory services to a wide range of clients.

MACF's contact details are set out on our letterhead.

MACF and MAP have previously provided professional services to VPCL, Health House International Pty Ltd and Health House Aus Pty Ltd in the form of investigating accountant, valuation and taxation services.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, Moore Australia Corporate Finance (WA) Pty Ltd, PO Box 5785, St George's Terrace, Perth WA 6831.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Australian Financial Complaints Limited ("AFC"). AFC is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. MACF is a member of AFC. AFC may be contacted directly via the details set out below.

Australian Financial Complaints Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: 03 9613 6399
Email: info@fos.org.au

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24 December 2020

The Directors
VPCL Limited
c/o Blackwall Legal
Level 26, 140 St Georges Terrace
Perth WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

- 1.1 This Independent Expert's Report ("IER") has been prepared to accompany the Notice of Annual General Meeting to be provided to the shareholders of VPCL Limited ("VPCL" or "the Company") at which shareholder approval will be sought for the issue of 4,965,929 VPCL shares to Mr David Wheeler (and/or his associates) as consideration for his shares in Health House Holdings Limited ("HHH"). The issue of the VPCL shares to Mr David Wheeler is conditional the acquisition by VPCL of 100% of the shares in HHH. Due to the conditionality of the issue of shares to Mr David Wheeler, our report will consider all of the resolutions that must be approved in order for the VPCL shares to be issued to Mr David Wheeler.
- 1.2 Further details of the Proposed Transaction are set out in Section 3.

2. SUMMARY & OPINIONS

Opinion

- 2.1 We have considered the terms of the Proposed Transaction as outlined in the body of our report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of VPCL, as set out in Sections 11 and 12 of this Report.
- 2.2 In our opinion, the Proposed Transaction is fair because the range of values of a VPCL share prior to the Proposed Transaction, valued on a control basis, is within the assessed fair value range of a VPCL share following the Proposed Transaction on a minority basis.

Purpose of this Report

- 2.3 Moore Australia Corporate Finance (WA) Pty Ltd ('MACF') has been appointed by the Directors of VPCL to prepare an Independent Expert's Report ('our Report') expressing our opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of VPCL ('Shareholders').
- 2.4 Listing Rule 10.1 requires the approval of the Company's shareholders where it is proposed to acquire a "substantial asset" from, or dispose of a "substantial asset" to:
- A related party, or an associate of a related party of the Company; or
 - A subsidiary, or an associate of a subsidiary of the Company; or
 - A substantial shareholder, or an associate of a substantial shareholder of the company. A substantial shareholder is defined under ASX listing rules as a shareholder with a relevant interest at any time in the previous six months prior to the transaction, in at least 10% of the total votes attached to the voting securities in the entity.
- 2.5 A substantial asset includes those with a value greater than 5% of the total equity interests of the entity at the date of the last set of financial statements provided to the ASX. The Company's total equity interests as at the 30 June 2020 financial statements was \$4,173,266, with 5% of this value being

\$208,663. The value of the shares to be issued to Mr David Wheeler has been deemed as \$993,186 (4,965,929 x \$0.20 per share).

- 2.6 Mr David Wheeler is a director of VPCL. As such, he is a related party.
- 2.7 Shareholder approval under Listing Rule 10.1 is required, and an Experts Report is to be included in the Notice, stating whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders as it includes the acquisition of a substantial asset from a related party.

Approach

- 2.8 Our report has been prepared having regard to Australian Securities & Investments Commission (“ASIC”) Regulatory Guide 111 Content of Expert’s Reports (“RG 111”) and Regulatory Guide 112 Independence of Expert’s (“RG 112”).
- 2.9 RG 111 states that “where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction.” The issue of VPCL shares to Mr David Wheeler is conditional on the approval of the acquisition by VPCL of 100% of the shares in HHH. As such, our assessment of the Proposed Transaction must include the impact of the acquisition of 100% of HHH. Further, the acquisition of HHH will result in Shareholders reducing their interest in VPCL from 100% to 14%.
- 2.10 As a result of the Proposed Transaction, Shareholders will give up control of VPCL. As such, we have considered the Proposed Transaction and all the conditional resolutions as a control transaction.
- 2.11 In arriving at our opinion, we have assessed the terms of the Proposed Transaction, as outlined in the body of our report, by considering the following:
- How the value of a VPCL share prior to the Proposed Transaction on a control basis compares to the value of a VPCL share following the Proposed Transaction a minority basis;
 - Advantages and disadvantages of approving the Proposed Transaction;
 - The likelihood of a superior alternative Proposed Transaction being available to VPCL;
 - Other factors which we consider to be relevant to the shareholders of VPCL in their assessment of the Proposed Transaction; and
 - The position of the shareholders of VPCL should the Proposed Transaction not be successful.
- 2.12 Further information on the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 4 of this Report.
- 2.13 Our assessment of the Proposed Transaction relies on financial information and instructions provided by the Company and the Directors. We have critically analysed the information provided to us, but we have not completed any audit or due diligence of the information which has been provided for the entities which have been valued. This report does not contain any accounting or taxation advice.
- 2.14 Furthermore, our report is based on information, assumptions and economic conditions relevant at the date of our report. Any changes or variations in future information, assumptions or economic conditions have not been factored into our report.

Fairness

2.15 In Section 11 we determined how the value of a VPCL share prior to the Proposed Transaction compares to the value of a VPCL share following the Proposed Transaction, as detailed below:

Assessed values	Ref	Low	High
		A\$	A\$
Assessed Fair Value of a VPCL share prior to the Proposed Transaction on a Control Basis	9	\$0.218	\$0.240
Assessed Fair Value of a VPCL share following the Proposed Transaction on a Minority Basis	10	\$0.169	\$0.303

Source: Moore Australia's analysis

2.16 The above assessment indicates that, in the absence of any other relevant information, the Proposed Transaction is considered to be fair to the Shareholders of VPCL as the range of values of a VPCL share prior to the Proposed Transaction, valued on a control basis, is within than the assessed fair value range of a VPCL share following the Proposed Transaction on a minority basis.

Reasonableness

2.17 RG 111 establishes that a Proposed Transaction is reasonable if it is fair. It may also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the Proposed Transaction in the absence of a higher bid before the Proposed Transaction closes. We have considered the analysis in Section 12 of this report, in terms of both:

- Advantages and disadvantages of the Proposed Transaction;
- Other considerations, including the level of control of VPCL if the Proposed Transaction is successful and the position of shareholders of VPCL if the Proposed Transaction is not successful.

2.18 In our opinion, if the Proposed Transaction is successful, the position of the Shareholders of VPCL is more advantageous than their position if the Proposed Transaction is not successful. Accordingly, in the absence of a superior Proposed Transaction, and any other relevant information, we believe that the Proposed Transaction is reasonable for the Shareholders of VPCL. In particular, we note that VPCL would most likely be delisted from the ASX if the Proposed Transaction is not approved.

2.19 The advantages and disadvantages considered are summarised below:

Advantages

- The Proposed Transaction is fair.
- The Proposed Transaction is conditional to the reinstatement of VPCL on the Australian Securities Exchange ("ASX"), which would increase the liquidity of VPCL shares.
- The Proposed Transaction will make raising capital more accessible to the Company.
- VPCL will be exposed to the growing medicinal cannabis market via a low risk business model when compared to cultivating cannabis or designing cannabis related pharmaceuticals.
- The investment community has shown previous appetite for cannabis related listed companies.

Disadvantages

- The change in the nature and scale of the company's activities may not be in line with the risk profile and investment objectives of all shareholders.
- VPCL shareholders will have their interest significantly diluted after the shares are issued in consideration for HHH, the capital raise and to advisors.

- On completion of the Proposed Transaction, the business intends to expand in the UK/Europe and the Asia Pacific and acquire complementary businesses. The success of VPCL will be dependent on successful expansion through organic and inorganic investments.
- HHH is loss making.

3. SUMMARY OF THE TRANSACTION

- 3.1 VPCL and HHH have entered into a Heads of Agreement to facilitate VPCL's acquisition of 100% of HHH's issued capital in exchange for the issue of 115,298,743 VPCL shares.
- 3.2 If the Proposed Transaction proceeds, HHH will become a wholly owned subsidiary of VPCL.
- 3.3 The Proposed Transaction involves the following:
- The consolidation of existing share capital of VPCL on a ratio of 1-for-50;
 - The acquisition of 100% of the issued shares in HHH through the issue of 115,298,743 VPCL shares to HHH vendors (post-consolidation basis);
 - VPCL raising at least \$2,500,000 through the issue of 12,500,000 shares at \$0.20 per share (with any additional capital to be raised to be determined by consulting with CPS);
 - A change in the Company name to Health House International Limited;
 - A change in the nature and scale of the Company's activities to those of HHH; and
 - The issue of a total of 1,152,987 shares each to the respective corporate advisor's CPS Capital Group Pty Ltd, Merchant Group and Mr Fabio Pannuti.

Key conditions of the Proposed Transaction

- 3.4 The Proposed Transaction is a conditional upon a number of conditions precedent, including:
- VPCL receiving conditional approval to be re-instated to the ASX;
 - 60% of HHH shares entering into the HHH share purchase agreement in relation to all of their shares and those not entering the agreement being successfully "dragged".

Rationale for the Proposed Transaction

- 3.5 On completion of the Proposed Transaction, VPCL is expected to be reinstated on the ASX. This will provide an increase in liquidity for VPCL shareholders, and also provide access to working capital through future capital raisings to fund the growth and development of HHH. The Proposed Transaction is conditional on the reinstatement of the securities trading on the ASX.

Impact of the Proposed Transaction on VPCL's Capital Structure

- 3.6 100% of the share capital on issue in HHH will be controlled by VPCL post the Proposed Transaction. The table below illustrates the change in capital structure after the Proposed Transaction.

Share structure of VPCL prior to and post the Proposed Transaction

	Pre Transaction	%	Post Transaction	%
Shares currently on issue in VPCL (post consolidation)	22,616,922	100%	22,616,922	14.7%
Consideration to HHH Vendors	-	-	115,298,743	74.9%
Shares to Advisors	-	-	3,458,961	2.2%
Public Offer	-	-	12,500,000	8.1%
	22,616,922	100%	153,874,626	100%

Source: Company Estimates

- 3.7 The Proposed Transaction is conditional on the consolidation of share capital at a ratio of 1-for-50. The shares currently on issue number is represented on a post consolidation basis.
- 3.8 Consideration to HHH vendors includes the 4,965,929 shares issued to Mr David Wheeler.
- 3.9 1,152,987 shares are issued to each respective advisor. Namely CPS Capital Group, Merchant Group and Mr Fabio Pannuti.

4. SCOPE OF THE REPORT

Regulatory guidance

- 4.1 Neither the Listing Rules nor the Corporations Act defines the meaning of ‘fair and reasonable’. In determining whether the Proposed Transaction is fair and reasonable; we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.
- 4.2 This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.
- 4.3 In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to the shareholders of VPCL.

Adopted basis of evaluation

- 4.4 RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. RG 111 requires the value of a VPCL share prior to the Proposed Transaction to be valued on a control basis, and the value of a VPCL share following the Proposed Transaction to be valued on a minority basis.
- 4.5 Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for Shareholders to accept the Proposed Transaction in the absence of any higher bid.
- 4.6 Having regard to the above, MACF has completed this comparison as follows:
- A comparison between the value of a VPCL share prior to the Proposed Transaction on a control basis (post consolidation), and the value of an VPCL share post the Proposed Transaction on a minority basis (post consolidation) (fairness – see Section 11 – Assessment of Fairness); and
 - An investigation into other significant factors to which the VPCL Shareholders might give consideration, prior to accepting the Proposed Transaction, after reference to the value derived above (reasonableness – see Section 12 - Assessment of Reasonableness).

5. PROFILE OF VPCL

Background

- 5.1 VPCL is a public company which was incorporated in Australia in 2011 and listed on the Australian Securities Exchange (ASX:VPC). VPCL was officially listed on the ASX on 28 July 2011.
- 5.2 VPCL currently has no significant operations. It formerly operated as a software-as-a-service learning management platform in Australia.
- 5.3 The Company's shares have been suspended from the ASX since the 19th of November 2018.

Sale of Velpic

- 5.4 In October 2019, VPCL received their deferred consideration which marked the completion of the sale of their Velpic business to Damstra. The Velpic business was a learning management solution including video content creation, eLearning course scheduling and management, training needs analysis, reporting and course creation.
- 5.5 The sale included the Velpic customer book and the Velpic platform IP for \$1,000,000 upfront and circa \$2,800,000 in deferred consideration. The sale price was 3.5x of the revenue received by Damstra.

Board of Directors

- 5.6 The current Board of Directors are:

Name	Title	Experience
Leanne Graham	Executive Chairperson	Ms Graham has over 30 years in the software sector. She has assisted technology companies with her broad experience and SaaS expertise. She was awarded the New Zealand Order of Merit for her services to the software industry and formerly served as the New Zealand General Manager of Xero.
David Wheeler	Independent Non-Executive Director	Mr Wheeler has more than 30 years executive management experience across a range of companies, industries and countries. David is a Fellow of the Institute of Company Directors.
Christopher Mews	Company Secretary & Director	Mr Mews has been in financial services for over 20 years and has experience in financial operation, governance and compliance of Managed Investment Schemes, ASX listed companies and unlisted companies. Mr Mews is currently on the board of AusCann Group Holdings.

Historical Financial Information

5.7 The information below provides a summary of the audited consolidated financial performance of VPCL for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

Statement of Profit & Loss		30-Jun-18	30-Jun-19	30-Jun-20
	Ref	A\$	A\$	A\$
Revenue		-	-	-
Other income		239,413	771,744	64,655
Total revenue	i	239,413	771,744	64,655
Expenses				
Production costs		(1,195)	-	-
Employee benefit expense		(6,132)	(180,659)	15,131
Rent and utilities		-	(212,586)	(52,834)
Marketing expenses		(28,673)	-	-
Directors' fee		(162,698)	(172,949)	(156,000)
Professional and consulting fees	ii	(196,227)	(415,989)	(361,939)
Travel expenses		(10,852)	(12,129)	(425)
Doubtful debts expense		(58,768)	-	-
Reversal of doubtful debt provision		-	-	15,160
Impairment of receivables		-	-	(359,471)
Share based payment expense		(20,100)	111,669	-
Other expenses		(64,180)	(91,912)	(46,901)
Depreciation and amortization		(625)	(43)	-
Fair value loss		-	-	(400,000)
Currency translation gain(loss)		-	72,344	7,758
Compliance expenses		(86,888)	(47,341)	(45,663)
Finance charges on damstra early settlement		-	-	(92,313)
Earnings before taxes		(396,925)	(177,851)	(1,412,842)
Earnings of discontinued operations	iii	(7,699,631)	3,087,737	-
Net income (loss)		(8,096,556)	2,909,886	(1,412,842)

Source: The consolidated financial information has been prepared based on financial information extracted from the audited financial statements of VPCL for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

5.8 We note the following in relation to VPCL's consolidated financial performance:

- i. Revenue in 2019 is earned from fair value gain on investment, interest income and Gain on sale of their NowForce business as well as other income. In 2020, revenue is earned from interest income and other income.
- ii. Consulting and professional fees include legal expenses, accounting fees, audit costs and other professional fees.
- iii. This account is income generated from the operations and disposal of their Software as a service business and their brand technology agency.

5.9 The information below provides a summary of the audited consolidated financial position of VPCL as at 30 June 2018, 30 June 2019 and 30 June 2020.

Financial Position	Ref	30-Jun-18 A\$	30-Jun-19 A\$	30-Jun-20 A\$
Current assets				
Cash and cash equivalents	i	1,947,980	2,204,998	3,343,249
Receivables	ii	392,427	1,251,051	342,912
Other current assets		84,836	13,614	28,211
Investments, held for sale	iii	-	-	500,000
Total current assets		2,425,243	3,469,663	4,214,372
Non-current assets				
Property, plant and equipment		53,470	-	-
Investments	iii	1,282,338	900,000	-
Receivables	ii	-	1,309,248	-
Intangible assets		23,662	-	-
Total assets		3,784,713	5,678,911	4,214,372
Current liabilities				
Trade and other payables		931,853	92,803	41,106
Provisions		64,968	-	-
Total current liabilities		996,821	92,803	41,106
Total liabilities		996,821	92,803	41,106
Net assets		2,787,892	5,586,108	4,173,266
Equity				
Common stock - par value		33,216,771	33,216,771	33,216,771
Accumulated losses		(32,861,021)	(29,951,135)	(31,363,977)
Reserves		2,432,141	2,320,472	2,320,472
Total shareholders' equity		2,787,891	5,586,108	4,173,266

Source: The consolidated financial information has been extracted from the audited financial statements for the year ended 30 June 2018, 30 June 2019 and 30 June 2020.

5.10 We note the following in relation to the consolidated financial position of VPCL as at 30 June 2018, 30 June 2019 and 30 June 2020:

- VPCL has a strong cash position, able to fund working capital and foster future investment post acquisition.
- The decrease in receivables is from receiving the deferred consideration from the sale of their Velpic business to Damstra.
- The Company is invested in Lumi Financial Holdings, they completed a sale of its shares to existing shareholders on 24 July 2020 at a price of \$0.10 per share to net total proceeds of \$500,000.

Capital Structure

5.11 At the date of this report, VPCL has 1,130,846,123 ordinary shares on issue.

Options

5.12 At the date of this report, VPCL did not have any options on issue.

6. PROFILE OF HHH

Background

6.1 Health House Holdings Limited (“HHH”) is a private company incorporated in the UK on 16 October 2018. HHH was incorporated with the intention of pursuing opportunities in the medicinal cannabis market. They are now an independent international distributor of medicinal cannabis and pharmaceutical products operating out of Australia and the UK.

Board of Directors

6.2 The current Board of Directors are:

Name	Title	Experience
David Wheeler	CEO and Interim Chairman	Mr Wheeler has more than 30 years executive management, corporate advisory and directorship experience across a range of companies, industries and countries. Mr Wheeler is a Fellow of the Institute of Company Directors.
Paul Mavor	Executive Director (Operations)	Mr Mavor is an Australian and UK registered pharmacist with an interest in medicinal cannabis. Mr Mavor is the founder of Health House International Pty Ltd and Health House Holdings Limited, which was granted the first medicinal cannabis import licence in Australia. Over the last three years Mr Mavor has focussed on researching medicinal cannabis and has been a speaker and attendee at a number of medicinal cannabis conferences across the world.
Robert Beenstock	Non-Executive Director (Finance)	Mr Beenstock is a qualified accountant and an investment banker with over 15 years of corporate finance experience and is the founder of RHB Capital in London. He has been involved in a number of corporate transactions including listings, fundraisings, takeovers, etc.
Mike Rann	Independent Non-Executive Director	The Hon Mike Rann AC CNZM is the former Premier of South Australia and resides in London. Mr Rann has served as a politician in Australia for over 26 years which included ambassador roles in both the UK and Italy. Mr Rann is the CEO of his consultancy business, Rann Strategy Group.
Jason Peterson	Non-Executive Director	Mr Peterson is a Director, major shareholder and Managing Director at boutique stock broking and corporate finance firm, CPS Capital Group Pty Ltd (10 years established). He has more than 24 years experience in the financial advisory sector, which he obtained by working in both local and international stockbroking companies. He specialises in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies and reverse takeovers
Baroness Finn	Non-executive Director	In 2016 Baroness Finn co-founded FMAP Limited, which advises governments around the world on efficiency and public sector reform. Baroness Finn previously worked in the UK Government, joining in 2010 as the Coalition Government’s industrial relations adviser. She was a Special Adviser to Francis Maude and helped to implement efficiency reforms while also working on the civil service reform agenda.
Rakesh Uppal	Non-executive Director	Rakesh runs a tertiary cardiac surgical practice at Barts Heart Centre and leads on surgical research at the Centre. He is helping to develop a new life sciences cluster (www.bartslifesciences.org) in London. The cluster is

predicated around discovery, diversity and delivery. It will help to translate basic science from bench to the bedside at scale. It is using AI and big data including omics data to predict and prevent disease and undertake precision medicine. These interactions between industry, the NHS and academia underpin the new industrial strategy.

Tony Samios Executive Director

Tony is a start-up and operations specialist with over 20 years of senior leadership experience and track record of successful management and commercial achievement. Tony has managed various companies from start up to exit. Prior to joining Health House, Tony was European MD of New Frontier Data the premier global data and industry reporting firm in the legal cannabis and hemp industry. Previous roles include senior consulting roles in med tech start-ups, Global SVP of Operations at Karhoo, COO of Caliber Interactive and formerly Group COO of Steak Media & Head of Operations at Esporting.

The Historical Financial Information

- 6.3 The information below provides a summary of the audited consolidated profit and loss statement of HHH at year ended 30 June 2020.

Profit and Loss Statement		30 June 2020
For the Periods Ended	Ref	A\$
Revenue	i	5,713,130
Cost of sales		(4,430,680)
Gross profit	ii	1,282,450
Administrative expenses	iii	(3,694,575)
Other income		56,964
Operating loss		(2,355,161)
Finance income		605
Finance costs		(51,948)
Loss before taxation		(2,406,504)
Other comprehensive income		14,673
Total comprehensive income for the period		(2,391,830)

The financial information in the historical statements have been translated from the British Pound (GBP) to Australian dollars (AUD) at the prevailing rate the statements were reported:

30 June 2020: GBP/AUD= 1.7960

- 6.4 We note the following in relation to HHH's financial performance:
- The revenue in HHH is generated from the distribution of pharmaceutical products and medical supplies to pharmacies, hospitals, government departments, veterinarians, and other wholesalers.
 - The gross profit percentage was 22%.
 - Administrative expenses were mainly composed of employee salaries, depreciation and amortisation, legal and professional fees, consulting fees and audit and accountancy fees.

6.5 The information below provides a summary of the financial position of HHH for the year and 30 June 2020. As with the profit and loss statement, financial information is only prepared for the year 2020.

Financial Position		30 June 2020
	Ref	A\$
Current assets		
Cash and cash equivalents		489,828
Financial assets at amortised costs		245,068
Trade and other receivables		1,082,013
Inventory		643,805
Total current assets		2,460,714
Non-current assets		
Intangible assets	i	1,811,392
PP&E		109,930
Total non-current assets		1,921,321
Total assets		4,382,035
Current liabilities		
Trade and other payables		89,800
Lease liabilities		31,229
Borrowings		12,353
Total current liabilities		133,382
Lease liabilities		29,052
Borrowings		452,148
Trade and other payables		1,960,411
Total non-current liabilities		2,441,612
Total liabilities		2,574,993
Net assets		1,807,042
Equity		
Share capital		1,826,501
Share premium		6,967,061
Other reserves		(4,594,691)
Translation reserve		14,673
Retained earnings		(2,406,504)
Total shareholder equity		1,807,042

The financial information in the historical statements have been translated from the British Pound (GBP) to Australian dollars (AUD) at the prevailing rate the statements were reported:

30 June 2020: GBP/AUD= 1.7960

6.6 We note the following in relation to HHH's financial position:

- i. Intangible assets is composed of goodwill and acquisition of contracts.

Group Structure

6.7 The HHH Group includes the following subsidiaries:

Name	Proportion (% of ownership interest) 30 June 2020
Health House Pharma Limited*	100
CliniCann Ltd**	100
Health House Distribution UK Limited***	100

* incorporated on 1 May 2019

**Acquired on 20th of November 2019

***incorporated on 13 November 2018

Capital Structure

6.8 At the date of this report, HHH has 115,298,743 ordinary shares on issue.

7. INDUSTRY ANALYSIS

Cannabis

- 7.1 HHH holds licences to store, import, export, wholesale and distribute medicinal cannabis products in Australia. The import and export of medicinal cannabis to Australia is tightly controlled, with stringent compliance requirements.

Cannabis Industry in Australia

- 7.2 In February 2016, the Narcotics Amendment Bill 2016 was passed by the Australian Federal government. The Bill allows for the legalisation of the cultivation and import of medicinal cannabis for patients with certain medical conditions. Medicinal cannabis is undergoing clinical trials but is widely regarded as being beneficial in the treatment of a wide range of medical conditions. There is also a growing peripheral products market involving cosmetics, food supplements etc. In 2018 legislation was passed which now allows for the legal exportation of restricted cannabis products. In the ACT, a bill was introduced that would legalize the use of marijuana for recreational purposes. It also allows people to possess up to 50 grams of flower and grow up to four plants outdoors per residence, or two per person. The bill will take effect in January 2020, though some industry experts say it conflicts with the overarching Commonwealth legislation which could be a challenge.
- 7.3 Given the recent changes in legislation, the legal cannabis market in Australia (and globally) is still very young. Given the anticipated wide range of medical cannabis, the potential market is considered to be significant.

Cannabis Industry in the UK

- 7.4 In November 2018, the UK government reclassified cannabis derived medicinal products to a Class B controlled drug under Part II, Schedule 2, of the Misuse of Drugs Act 1971, to allow doctors to legally prescribe cannabis derived medicinal products. It remains unlawful to possess, supply, produce, import or export Cannabis and Cannabis based products except under a Home Office licence.
- 7.5 As in Australia, the medicinal cannabis market in the UK is still very young, having only been legalised for a short period of time, which has meant patients have found it difficult to access, with entities looking to import medicinal cannabis requiring a special licence to do so. The market is beginning to gain traction however, with the medicinal cannabis market in the UK forecast to be worth €8.8bn by 2028 according to Prohibition Partners¹.

Pharmaceutical Wholesaling

- 7.6 Through the acquisition of P&D in September 2019, HHH began to operate in the distribution of wholesale pharmaceuticals to hospitals, veterinarians, retail outlets, pharmacies etc. in Europe. The industry is heavily regulated with the distribution of prescription products restricted to licenced operators.
- 7.7 Revenue generated in the wholesale of pharmaceutical goods grew an average of 5% per annum over the period 2014 to 2019² totalling £42.7bn in 2017³.
- 7.8 Demand for pharmaceuticals strongly correlates with an ageing population and an increase in health consciousness in the community. An expected ageing population in the UK and Australia coupled with greater emphasis on a healthy lifestyle is likely to lead to an increase in demand for pharmaceuticals generally.

¹ The European Cannabis Report. July 2018 by Prohibition Partners

² <https://www.ibisworld.co.uk/industry-trends/market-research-reports/wholesale-retail-trade/except-of-motor-vehicles-motorcycles/pharmaceutical-wholesaling.html>

³ <https://www.statista.com/statistics/292493/pharmaceutical-goods-number-of-wholesalers-in-the-united-kingdom-uk/>

8. VALUATION APPROACH

Definition of Value

- 8.1 RG 111 states that a transaction is fair if the value of the consideration is greater than the value of the securities being acquired. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Valuation Approach Adopted

- 8.2 There are a number of methodologies which can be used to value a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market approach method (Comparable market transactions)

- 8.3 A summary of each of these methodologies is outlined in Appendix B.

Value of a VPCL Share prior to the Proposed Transaction (control basis)

- 8.4 In assessing the value of a VPCL share prior to the Proposed Transaction we have utilised the net asset value method on a going concern basis as our primary method. We have considered all other valuation methodologies but, in our opinion, no other methodology is appropriate. We note that the net assets valuation is inclusive of a premium for control. We set out our reasoning below:

- VPCL shares have been suspended from the ASX since the 19th of November 2018, as such there is no current observable market data for them.
- Given the non-trading nature of VPCL, we do not consider the DCF or FME methodologies to be appropriate.

Value of a VPCL share following the Proposed Transaction (minority basis)

- 8.5 In assessing the value of an VPCL share following the Proposed Transaction, we have utilised a market based methodology where we have valued the HHH business, combined it with the existing net debt of VPCL and factored in any other impacts of the Proposed Transaction.

- 8.6 Our combined entity valuation methodology for HHH and VPCL was selected on the following basis:

- The transaction essentially has the effect of listing HHH on the ASX. We have treated the entity following the transaction as if HHH was listed, taking into account the net debt figures of both entities and other relevant variables which affect the final equity value after the Proposed Transaction.

- 8.7 When valuing HHH, we have utilised the market approach method as our primary methodology. The market approach method involves observing the values of other companies with medicinal cannabis exposure and subjectively comparing those values to the business of HHH. We also utilised the prior capital raising prices for HHH as a secondary valuation method. We have considered all other valuation methodologies but, in our opinion, no other methodology is appropriate.

- 8.8 In assessing the value of VPCL and HHH with the market approach method as our primary method, we employed the following reasoning:

- There are a number of comparable companies operating in the cannabis space within Australia that we believe provide a meaningful comparison due to the similar exposure to end users and their exposure to a nascent and niche market.

- Due to the early nature of the industry HHH is targeting, it does not have a history of profitable earnings and its historical financial performance does not provide an accurate representation of its potential future earnings or value. Therefore, an FME valuation is not considered appropriate.
- Given HHH's early stage in its life cycle and the emerging nature of the sector in which it operates, there are no reliable forecasts on which to base a DCF valuation.
- HHH is a service business and has few significant assets (taking into account intangible assets which amount to \$1.8m of \$4.3m of total assets) recognised on its balance sheet and, as such, we do not consider a net asset value to be a reliable indicator of value.
- HHH's shares are not listed and therefore there is no quoted market price for its securities. The business has been funded by some recent capital transactions and as such we will use this information to form a secondary valuation methodology.

8.9 Our valuation of a VPCL share post the Proposed Transaction has been performed on a minority basis.

9. VALUATION OF A VPCL SHARE PRIOR TO THE PROPOSED TRANSACTION

- 9.1 As stated in paragraph 8.4 we have assessed the value of a VPCL share prior to the Proposed Transaction using the net assets on a going concern basis.

Net Asset Valuation of VPCL on a Going Concern Basis

- 9.2 We have assessed the value of a VPCL share on a control basis to be between \$0.218 and \$0.240 per share based on the net assets on a going concern method, as summarized in the table below.

VPCL Share Prior to The Transaction		Low	High
	Ref	A\$	A\$
NET ASSETS/(LIABILITIES)		4,173,266	4,173,266
Add: value of listed shell	9.4	750,000	1,250,000
NET VALUE		4,923,266	5,423,266
Number of shares on issue at the date of this report (Post Consolidation)		22,616,922	22,616,922
Value of a VPCL share prior to the Proposed Transaction		\$0.218	\$0.240

- 9.3 The net assets of VPCL have been extracted from the audited financial statements of VPCL as at 30 June 2020.
- 9.4 In the 'high' valuation we have added an estimated A\$1,250,000 to the net assets calculation to include a value for VPCL as a listed shell. For the 'low' valuation we added a value of A\$750,00 for the fact that VPCL is a listed shell.

Control Premium

- 9.5 Subject to satisfaction of the conditions of the agreement, VPCL will acquire 100% of the issued HHH shares from HHH shareholders. Therefore, the value of the target's shares must be calculated as if 100% control were being obtained. This is outlined in RG 111, which is then supplemented by RG 111.13 which states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 12.
- 9.6 The net asset value method implies a premium for control has already been factored into the value. Therefore, our calculation of fair market value of VPCL share has been prepared on a control basis. In our opinion, we consider the net assets on a going concern basis methodology provides the most reliable indicator of the fair value of a VPCL.
- 9.7 Our assessed value of an ordinary VPCL share on a control basis prior to the Proposed Transaction, as calculated using the net assets on a going concern basis methodology noted above between \$0.2177 and \$0.2398.

10. VALUATION OF A VPCL SHARE FOLLOWING THE PROPOSED TRANSACTION

10.1 For our primary valuation of a VPCL share following the Proposed Transaction, we have used the market approach methodology. We have prepared a secondary valuation by considering the previous capital raisings undertaken by HHH.

Primary Valuation – Market Approach

10.2 In selecting appropriate comparable companies to value HHH we have considered listed companies based on the following criteria (the criteria are not all inclusive):

- Listed companies on the ASX;
- Operations in Australia and/or developed European countries;
- Companies exposed to the medicinal cannabis market and, where possible, the pharmaceutical/medical distributing/wholesaling industry at the time of listing;
- Companies with a start-up nature of operations at the time of listing; and
- Market capitalisation at the time of listing below A\$50m.

Comparable Companies

10.3 The table below sets out a summary of the comparable companies and their estimated enterprise values. A more detailed summary of these companies is included in Appendix C.

Company Name	Ticker	EV as at 23 December 2020 \$m
Cann Group Limited	ASX:CAN	150.9
Creso Pharma Limited	ASX:CPH	134.5
Zelira Therapeutics Limited	ASX:ZLD	109.2
Althea Group Holdings Limited	ASX:AGH	99.1
Little Green Pharma Ltd	ASX:LGP	76.7
MGC Pharmaceuticals Limited	ASX:MXC	43.4
Bod Australia Limited	ASX:BDA	41.3
THC Global Group Limited	ASX:THC	39.4
AusCann Group Holdings Ltd	ASX:AC8	38.0
MMJ Group Holdings Limited	ASX:MMJ	25.4
CannPal Animal Therapeutics Limited	ASX:CP1	13.9
eSense-Lab Ltd	ASX:ESE	8.6
Cronos Australia Limited	ASX:CAU	3.0
Average		60.26
Median		41.28

10.4 Based on the table above, the estimated enterprise value of companies listing on the ASX in the medicinal cannabis sector on a minority basis is between A\$41.3m and A\$60.3m.

Business specific risk

10.5 Business specific risk is a subjective adjustment applied to account for the differences between the comparable companies identified in the table above and HHH.

10.6 When assessing the business specific risk adjustment for HHH, we have considered the following:

- Many of the comparable companies offer a broader range of services than HHH, in particular, the cultivation and development of the medicinal cannabis product itself. Whilst the comparable companies identified all operate in the medicinal cannabis sector, none of them are involved purely in import, export and distribution. All of the comparable companies either cultivate, research, trial or manufacture medicinal cannabis products. HHH therefore has a lack of exposure to potentially high returns through investment in its own medicinal cannabis products and therefore the risk of earnings shock, both positive and negative, is likely to be lower.
- As HHH is not engaged in the cultivation and manufacture of its own medicinal cannabis products, the Company has a much lower requirement to invest heavily in clinical trials and research.
- The barriers to entry for an existing company in the pharmaceuticals industry to apply and be granted a licence to import and distribute medicinal cannabis in Australia includes strict compliance around qualifications, reputation, professional experience and the provision of secure facilities, amongst others. There are a number of companies operating in the pharmaceuticals industry that have expertise and facilities to be granted their own licence if they chose to apply for one.
- HHH's operations are considered more conservative than that of the comparable companies identified. As HHH does not develop its own products and acts as the distributor of medicinal cannabis, it is not exposed to similar high and low risks and returns that are possible in the medicinal cannabis sector.
- HHH has developed a network of contacts along the supply line for medicinal cannabis worldwide.
- HHH is an unlisted company.
- HHH is in the early stages of trading with an unproven track record.
- The business of HHH is generating significant revenue when compared to the comparable companies.
- The business of HHH has exposure to the distribution of traditional pharmaceuticals which provides some diversity to its business.

10.7 Based on our analysis of business specific risk, we are of the opinion that HHH carries a more moderate risk profile than the comparable companies used in our analysis. We have arrived at this conclusion on the basis that, on balance, HHH offers a less diversified range of services with limited exposure to the upside potential of the medicinal cannabis industry. However, the benefit of HHH's business model is that profits should be more easily achieved and more predictable. As such, we consider that it is reasonable to apply a business specific risk discount of between 40% and 50%.

10.8 The table below shows how we have applied the business specific discount to the range of enterprise values for comparable companies identified.

Combined Entity Valuation	Ref	Low A\$	High A\$
Estimated enterprise value based on comparable companies on a minority basis	10.4	41,276,050	60,263,034
Business risk discount	10.7	50%	40%
Estimated enterprise value of HHH on a control basis		20,638,025	36,157,820
Control premium		20%	30%
Enterprise value of HHH on a control basis		24,765,630	47,005,166
Plus HHH cash as at 30 June 2020	10.9	489,828	489,828
Plus: VPCL cash as at June 2020	10.9	3,343,249	3,343,249
Plus: Planned minimum capital raising (less costs of the issue)	10.10	1,985,000	1,985,000
Plus: Cash from sale of VPCL investments	10.11	500,000	500,000
Plus: VPCL loan settlement	10.11	325,000	325,000
Plus: Cash raised by HHH since 30 June 2020	10.12	3,524,614	3,524,614
Less: Payment by HHH for a new acquisition		(583,702)	(583,702)
Less: HHH debt as at 30 June 2020	10.9	(464,501)	(464,501)
Combined Equity Value		33,760,118	56,124,655
Minority discount ¹		23%	17%
Value of the combined entity post the Proposed Transaction on a minority basis		25,995,291	46,583,464
Number of shares on issue in VPCL post the Proposed Transaction		153,874,626	153,874,626
Value of a VPCL share post the Proposed Transaction on a minority basis		\$0.169	\$0.303

10.9 We have adjusted for the net debt position of HHH as at 30 June 2020 of \$25,327 and the net cash position of VPCL of 3,343,249 as at 30 June 2020.

10.10 We have included the proposed minimum capital raising of \$2.5 million that is conditional of the Proposed Transaction. The amount of funds raised has been adjusted by the expected costs of the capital raising.

10.11 VPCL settled the sale of its investment in Lumi Financial Holdings Ltd for \$500,000. We have included this amount as a cash adjustment. In addition, VPCL settled an amount owing from Pro 9 Global Ltd for \$200,000 in cash and \$125,000 in shares. We have included the full value of the settlement in our high valuation but have assumed the shares in Pro 9 Global Ltd are worth nil in our low valuation, due to Pro 9 Global Ltd being an unlisted company with limited liquidity.

10.12 We have adjusted cash for subsequent capital raisings undertaken by HHH since 30 June 2020. HHH has raised a total of approximately £2.0 million, which we have converted to AUD at a rate of 1.796.

10.13 HHH recently acquired a new business and paid £325,001. The impact of the acquisition on our valuation is to decrease cash. There is no other impact as the earnings and assets of the acquisition are included in the enterprise value calculated prior to the equity adjustments.

10.14 We are of the opinion that the value of a VPCL share following the Proposed Transaction is between A\$0.169 and A\$0.303. We note that there is investor interest in the cannabis sector at the moment.

Some of this interest is speculative on future market acceptance and widespread commercial use. Should investor interest in the cannabis sector decline, it could have a material impact on the value of VPCL.

Primary valuation summary and conclusion

- 10.15 In our opinion, we consider the comparable market data methodology provides the most reliable indicator of the Fair Value of a VPCL Share prior to the Proposed Transaction
- 10.16 Our assessed value of an ordinary VPCL Share on a minority interest basis following the Proposed Transaction, as calculated using the comparable market data methodology noted above, is between A\$0.169 and A\$0.303.

Secondary Valuation Methodology

- 10.17 For our secondary valuation of a VPCL share following the Proposed Transaction we have considered previous capital raisings undertaken by HHH. When using previous capital raisings as a guide to value, we consider the following:
- Whether the capital raisings were arms' length;
 - Whether the quantum of funds raised is sufficient to be reflective of a fair value; and
 - Whether anything has changed in the business since the capital raising.
- 10.18 Prior to the Proposed Transaction, HHH had the following recent capital transactions:
- In July 2020, HHH raised A\$2,592,710 through the issue of 14,259,801 fully paid ordinary shares at A\$0.182 per share; and
 - In October 2020, HHH raised A\$975,461 through the issue of 10,730,000 fully paid ordinary shares at A\$0.09 per share.
- 10.19 We note that the business of HHH is relatively similar to the business at the time of each of the above capital raisings.
- 10.20 Each of the recent capital raisings were arms' length. Given the relatively recent arm's length transactions noted above, the average share price of the capital raisings above, being A\$0.1425 per share, is considered to be a reliable indicator of the value of HHH prior to the Proposed Transaction. This share price is below the valuation range we identify as fair value outlined in Section 10.14 above. However, we consider that the prior capital raisings support our primary valuation because HHH is unlisted and there was no guarantee of a listing at the time the funds were raised. As such, our preferred valuation reflects the upside of value in listed shares that are easily tradeable.

Valuation summary and conclusion

- 10.21 In our opinion, we consider the methodology used provides the second most reliable indicator of the fair value of VPCL entity following the Proposed Transaction.
- 10.22 Our assessed value of the combined entity's shares following the Proposed Transaction on a minority basis is between \$0.169 and \$0.303.

11. IS THE PROPOSED TRANSACTION FAIR TO VPCL SHAREHOLDERS?

11.1 Our assessed value of a VPCL share prior to the Proposed Transaction, and a VPCL share following the Proposed Transaction, are summarised in the table and figure below.

Assessed values prior to, and following, the Proposed Transaction

Assessed values	Ref	Low A\$	High A\$
Assessed Fair Value of a VPCL share prior to the Proposed Transaction on a Control Basis	9	0.218	0.240
Assessed Fair Value of a VPCL share following the Proposed Transaction on a Minority Basis	10	0.169	0.303

Source: Moore Australia's analysis

11.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with Listing Rule 10.1, we consider the Proposed Transaction to be fair to the shareholders of VPCL because the range of values of a VPCL share prior to the Proposed Transaction, valued on a control basis, is within the assessed fair value range of a VPCL share following the Proposed Transaction on a control basis.

12. IS THE PROPOSED TRANSACTION REASONABLE?

12.1 RG 111 establishes that a Proposed Transaction is reasonable if it is fair. If a Proposed Transaction is not fair it may still be reasonable after considering the specific circumstances applicable to it. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of VPCL if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the shareholders of VPCL as a consequence of the Proposed Transaction proceeding.

Future prospects of VPCL if the Proposed Transaction does not proceed

12.2 If the Proposed Transaction does not proceed then the Company will endeavour to seek new opportunities capable of bringing value to its shareholders and VPCL may choose to list through another RTO or IPO. In our opinion, there is currently significantly positive market sentiment toward companies with exposure to the medicinal cannabis market. This positive sentiment may not always exist. If VPCL shareholders do not approve the Proposed Transaction, it is possible that positive market sentiment could decline and impact the likelihood of securing an alternative listing. It is also very likely that if this Proposed Transaction does not proceed, VPCL will be delisted due to being suspended from quotation for too long of a period.

Stated Intentions of VPCL in relation to the Proposed Transaction

12.3 Stated intentions of the use of the funds include:

- Business development in the Europe and the Asia Pacific regions;
- Online platform development;
- Acquisition of complementary businesses;
- Listing expenses; and
- Working capital.

Advantages and disadvantages

12.4 In assessing whether the shareholders of VPCL are likely to be better off if the Proposed Transaction proceeds than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the VPCL shareholders.

Advantages of approving the Proposed Transaction

Advantage 1 – The Proposed Transaction is fair

RG 111 suggests that a transaction is reasonable if it is fair.

Advantage 2 – VPCL won't be delisted

It is likely that if the Proposed Transaction does not go through, VPCL will be delisted.

Advantage 3 – Marketability of HHH

As of the date of this report, VPCL has no significant operations, if it acquire HHH it will acquire an established business which is exposed to positive market sentiment of medicinal cannabis.

Advantage 4 – Liquidity

The Proposed Transaction is expected to lead to the listing of HHH on the ASX after becoming a subsidiary of VPCL, which would significantly increase the liquidity of HHH shares. Receiving conditional approval by the ASX to reinstate VPCL's securities is a condition of the Proposed Transaction.

Advantage 5 – Easier access to capital

The Proposed Transaction will make raising capital more accessible to the Company and therefore provide easier access to working capital to facilitate the growth and development of the HHH business. HHH is expected to complete a capital raising of up to \$3.5m. Following the proposed capital raising, VPCL will have significant cash reserves.

Disadvantages of approving the Proposed Transaction

Disadvantage 1 – Change in nature and scale of activities

The Proposed Transaction will change the nature and scale of the Company's activities which may not be in line with the risk profile and investment objectives of all shareholders.

Disadvantage 2 – Dilution of Shareholdings

In the event that the Proposed Transaction is successful, VPCL shareholders will end up with 14.7% of the issued capital within VPCL due to the consideration issued to HHH and shares issued under the capital raising (14.2% if \$3.5 million is raised). The Proposed Transaction will therefore have a dilutive effect on the voting interest of the existing shareholders of VPCL. There is also risk that a further dilution will happen in future capital raisings in order to fund the development of the entity.

Disadvantage 3 – Expansion Uncertainty

On completion of the Proposed Transaction, the business intends to expand in UK/Europe and the Asia Pacific and acquire complementary businesses. The success of VPCL will be dependent on successful expansion through organic and inorganic investments.

Disadvantage 4 – HHH is not profitable

Whilst HHH generates a positive gross profit, it is not profitable after overheads are taken into account. This means that HHH will need to continue to grow revenue before there will no longer be a definite need to raise additional capital at some point in the future.

Alternative Proposal

- 12.5 We are not aware of any alternative proposal at the current time which might provide the Shareholders of VPCL a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

- 12.6 In our opinion, the position of the VPCL Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is reasonable for the shareholders of VPCL. In particular, we note that VPCL is likely to be delisted from the ASX if the Proposed Transaction is not approved.
- 12.7 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

13. INDEPENDENCE

Moore Australia Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$20,000, excluding GST and reimbursement of out of pocket expenses for the preparation of this report. Except for this fee Moore Australia Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

Moore Australia Perth, a related entity of Moore Australia Corporate Finance (WA) Pty Ltd, has provided investigative accountant, taxation and valuation services to VPCL, HHI and HHAus in the last two years. The expert responsible for the preparation of this report, Mr Peter Gray, is independent of any audit services provided.

Prior to accepting this engagement Moore Australia Corporate Finance (WA) Pty Ltd has considered its independence with respect to HHH and VPCL, and any of their respective associates with reference to RG 112, Independence of Expert's Reports. It is the opinion of Moore Australia Corporate Finance (WA) Pty Ltd that it is independent of HHH and VPCL and their respective associates.

Moore Australia Corporate Finance (WA) Pty Ltd and Moore Australia Perth have not had at the date of this report any relationship which may impair their independence.

We have held discussions with management of VPCL regarding the information contained in this report. We did not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

14. QUALIFICATIONS

Moore Australia Corporate Finance (WA) Pty Ltd is a professional practice company, wholly owned by the Perth practice of Moore Australia, Chartered Accountants. The firm is part of the National and International network of Moore Global independent firms and provides a wide range of professional accounting and business advisory services.

Moore Australia Corporate Finance (WA) Pty Ltd holds an Australian Financial Services License to provide financial product advice on securities to retail clients (by way of experts reports pursuant to the listing rules of the ASX and the Corporations Act) and its principals and owners are suitably professionally qualified, with substantial experience in professional practice.

The director responsible for the preparation and signing of this report is Mr Peter Gray who is a director of Moore Australia Corporate Finance (WA) Pty Ltd. Mr Gray is a Chartered Accountant and is RG146 compliant. Mr Gray has approximately 15 years' experience in capital markets and corporate finance and has significant experience in the preparation of independent expert's reports, valuations, valuation methodology and related advice.

At the date of this report neither Mr Gray, nor any member or Director of Moore Australia Corporate Finance (WA) Pty Ltd, has any interest in the outcome of the Proposed Transaction.

15. DISCLAIMERS AND CONSENTS

Moore Australia Corporate Finance (WA) Pty Ltd has been requested to prepare this report, to be included in the Notice of Meeting which will be sent to VPCL's shareholders.

Moore Australia Corporate Finance (WA) Pty Ltd consents to this report being included in the Notice of Meeting to be sent to shareholders of VPCL. This report or any reference thereto is not to be included in, or attached to any other document, statement or letter without prior consent from Moore Australia Corporate Finance (WA) Pty Ltd.

Moore Australia Corporate Finance (WA) Pty Ltd has not conducted any form of audit, or any verification of information provided to us, and which we have relied upon in regard to VPCL, however we have no reason to believe that any of the information provided, is false or materially incorrect.

The statements and opinions provided in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

Neither Moore Australia Corporate Finance (WA) Pty Ltd nor Mr Gray take any responsibility for, nor have they authorised or caused the issue of, any part of this report for any third-party other than the shareholders of HHH in the context of the scope and purpose defined in Section 4 of this report.

With respect to taxation implications it is recommended that individual shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own specific circumstances. The advice provided in this report does not constitute legal or taxation advice to shareholders of VPCL or any other party.

The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Transaction.

In regard to any projected financial information noted in this report, no member or director of Moore Australia Corporate Finance (WA) Pty Ltd has had any involvement in the preparation of the projected financial information.

Furthermore, we do not provide any opinion whatsoever as to any projected financial or other results prepared for VPCL or HHH, and in particular do not provide any opinion as to whether or not any projected financial results referred to in the report will or will not be achieved.

Yours faithfully



Peter Gray
Director
Moore Australia Corporate Finance (WA) Pty Ltd

APPENDIX A – SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Notice of Meeting Draft dated 19th December 2020;
- Heads of Agreement between HHH and VPCL dated August 2020;
- Audited financial statements of HHH for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- Audited financial statements of VPCL for years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- Information in the public domain;
- IBISWorld;
- Oanda.com;
- S&P Capital IQ database; and
- Discussions with directors and management of both HHH and VPCL.

We have considered which valuation methodology is the most appropriate in light of all the circumstances and information available. We have considered the following valuation methodologies and approaches:

- Discounted cash flow methodology ('DCF');
- Capitalisation of future maintainable earnings methodology ('FME');
- Net assets value method ('NAV');
- Quoted market price methodology ('QMP'); and
- Market approach method (Comparable market transactions)

Valuation Methodologies and Approaches

Discounted Cash Flow Method

Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to their net present value. These methods are appropriate where a forecast of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Capitalisation of Maintainable Earnings Method

The capitalisation of maintainable earnings method estimates "fair market value" or "enterprise value", by estimating a company's future maintainable earnings and dividing this by a market capitalisation rate. The capitalisation rate represents the return an investor would expect to earn from investing in the company which is commensurate with the individual risks associated with the business.

It is appropriate to apply the capitalisation of maintainable earnings method where there is an established and relatively stable level of earnings which is likely to be sustained into the foreseeable future.

The measure of earnings will need to be assessed and can include, net profit after taxes (NPAT), earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortisation (EBITDA).

The capitalisation of maintainable earnings method can also be considered a market based methodology as the appropriate capitalisation rate or 'earnings multiple' is based on evidence of market transactions involving comparable companies.

An extension of the capitalisation of maintainable earnings method involves the calculation of share value of an entity. This process involves the calculation of the enterprise value, which is then adjusted for the net tangible assets of the entity.

Net Assets Value Method (Orderly Realisation of Assets)

The net assets value method (assuming an orderly realisation of assets) estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

Liquidation of assets - The Liquidation method is similar to the orderly realisation of asset method except the liquidation method assumes the assets are sold in a shorter time frame.

Net assets – The net assets method is based on the value of the assets of a business less certain liabilities at book values, adjusted to a market value.

The asset based approach, as a general rule, ignores the possibility that a company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements, and goodwill.

The asset based approach is most appropriate when companies are not profitable, a significant proportion of assets are liquid, or for asset holding companies.

Cost Based Approach - The cost based approach involves determining the fair market value of an asset by deducting the accumulated depreciation from the asset's replacement cost at current prices.

Like the asset based approach, the cost based approach has a number of disadvantages, primarily that the cost of an asset does not necessarily reflect the assets ability to generate income. Accordingly, this approach is only useful in limited circumstances, usually associated with intangible asset valuation.

Quoted Market Price Methodology

The method relies on the pricing benchmarks set by sale and purchase transactions in a fully informed market the ASX which is subject to continuous disclosure rules aimed at providing that market with the necessary information to make informed decisions to buy or to sell.

Consequently, this approach provides a “fair price”, independently determined by a real market. However, the question of a fair price for a particular transaction requires an assessment in the context of that transaction taken as a whole.

In taking a quoted market price based assessment of the consideration to both parties to the Proposed Transaction, the overall reasonableness and benefits to the non-participating shareholders must be carefully evaluated.

Market Approach Method

The market based approach estimates a company’s fair market value by considering the market prices of transactions in its shares or the market value of comparable assets.

This includes, consideration of any recent genuine offers received by the target for an entire entity’s business, or any business units or asset as a basis for the valuation of those business units or assets, or prices for recent sales of similar assets

APPENDIX C – COMPARABLE COMPANIES FOR HHH VALUATION

Comparable company trading multiple analysis

All figures in \$AUD (m)

Company Name	Ticker	Market Cap	EV	LTM Revenue	FY19 Revenue	FY20 Revenue	LTM EBITDA	FY19 EBITDA	FY20 EBITDA	Business Description
Cann Group Limited	ASX:CAN	143.1	150.9	1.6	2.6	1.6	-14.6	-10.8	-10.8	Cann Group Limited engages in research and development, cultivation and production, manufacturing, clinical evaluation, processing, packaging, and distribution and supply of medicinal cannabis for various diseases and medical conditions in Australia. The company was founded in 2014 and is based in Bundoora, Australia.
Creso Pharma Limited	ASX:CPH	130.4	134.5	4.2	3.6	0.0	-10.8	-9.6	-9.6	Creso Pharma Limited develops, registers, and commercializes pharmaceutical-grade cannabis and hemp-based nutraceutical products and treatments for human and animal health in Europe, the Middle East, and the Asia Pacific. The company is involved in hemp growing operations, outsourced CBD extraction, and cannabidiol (CBD) product sales activities, as well as the development and commercialization of its therapeutic products. Its products include anibidiol, a natural complementary feed product for companion animals; and cannaQIX, a nutraceutical product containing organic hemp extract with CBD vitamins and zinc to reduce stress and support mental and nervous functions in humans, as well as topical and skin care products. The company also offers various nutraceutical products, such as cannaQIX®nite to aid sleep; cannaPEAL to introduce various markets to the benefits of hemp seed oil-based products; and cannaDOL to provide relief to athletes in the form of a topical application. In addition, it imports and sells its medicinal cannabis product, cannaQIX50 to patients in Brazil. Creso Pharma Limited has a strategic collaboration agreement with Hempmate AG Switzerland and Burleigh Heads Cannabis Pty Ltd. The company was incorporated in 2015 and is headquartered in Sydney, Australia.

All figures in \$AUD (m)

Company Name	Ticker	Market Cap	EV	LTM Revenue	FY19 Revenue	FY20 Revenue	LTM EBITDA	FY19 EBITDA	FY20 EBITDA	Business Description
Zelira Therapeutics Limited	ASX:ZLD	110.2	109.2	1.0	0.8	1.0	-6.5	0.0		Zelira Therapeutics Limited, a bio-pharmaceutical company, engages in the development of cannabinoid-based formulations for the treatment of various medical conditions in Australia. The company is involved in a human clinical trial program focused on insomnia, autism, and opioid reduction; and a pre-clinical research program to examine the effect of cannabinoids in breast, brain, and pancreatic cancer, as well as the potential for cannabinoid formulations to treat diabetes-associated cognitive decline. It has a strategic partnership with CannPal Pty Ltd; and St Vincent's Hospital on opioid reduction study. The company was formerly known as Zelda Therapeutics Limited and changed its name to Zelira Therapeutics Limited in December 2019. Zelira Therapeutics Limited is based in Perth, Australia.
Althea Group Holdings Limited	ASX:AGH	106.5	99.1	5.1	0.8	5.1	-11.7	-8.8		Althea Group Holdings Limited cultivates, produces, supplies, imports, and exports pharmaceutical grade medicinal cannabis in Australia, the United Kingdom, and Canada. It also offers a range of education, access, and management services to support eligible patients, healthcare professionals, and pharmacies in navigating medicinal cannabis treatment pathways through Concierge, an online service, as well as Medic, an online education. Althea Group Holdings Limited was founded in 2017 and is based in Melbourne, Australia.
Little Green Pharma Ltd	ASX:LGP	79.3	76.7	2.2	0.2	2.2	-6.9	-5.1		Little Green Pharma Ltd engages in the research and development, cultivation, production, manufacturing, and distribution of medicinal cannabis products in Australia and internationally. It offers a range of medical cannabis preparations in oil formulation under the LGP Natural and LGP Advanced names. The company was founded in 2016 and is headquartered in West Perth, Australia.
MGC Pharmaceuticals Limited	ASX:MXC	43.4	43.4	2.1	0.7	2.1	-11.0	-8.5		MGC Pharmaceuticals Limited, together with its subsidiaries, produces and supplies phytocannabinoid derived medicines in Australia and Slovenia. It provides pharmaceutical products, such as Tetrinol for the treatment of cachexia; MXOT01GB01 to treat glioblastoma; MXOT02ME01 for the treatment of melanoma cancer; MXOT03PC01 to treat prostate cancer; TopiCann for the topical treatment of eczema and inflamed skin; and InCann, a biactive capsule to treat Chron's and IBS. The company's products under development include CannEpil, which is in Phase IIb clinical trial for the treatment in children and adolescents with refractory epilepsy; CogniCann that is in Phase II clinical trial to treat dementia and Alzheimer's diseases; and ArtemiC, which is in Phase II

All figures in \$AUD (m)

Company Name	Ticker	Market Cap	EV	LTM Revenue	FY19 Revenue	FY20 Revenue	LTM EBITDA	FY19 EBITDA	FY20 EBITDA	Business Description
										clinical trial for the treatment COVID-19. It has strategic collaborative partnership agreements Epilepsy Action Australia, Royal Melbourne Institute of Technology, the University of Notre Dame in Western Australia, as well as the National Institute of Biology & University Medical Centre, Ljubljana Slovenia. The company was formerly known as Erin Resources Limited and changed its name to MGC Pharmaceuticals Limited in December 2015. MGC Pharmaceuticals Limited was founded in 2014 and is headquartered in West Perth, Australia.
Bod Australia Limited	ASX:BDA	47.7	41.3	5.9	1.3	5.9	-4.9	-7.6		Bod Australia Limited engages in the development and manufacture of cannabidiol (CBD) and hemp products in Australia, the United Kingdom, and internationally. The company operates through three segments: Medical, OTC CBD/Hemp, and OTC Herbals. It also develops, manufactures, and distributes therapeutics medicinal cannabis products. The company was incorporated in 2014 and is based in Double Bay, Australia.
THC Global Group Limited	ASX:THC	43.6	39.4	6.1	4.8	0.0	-10.0	-9.3		THC Global Group Limited provides medicinal cannabis products to patients in Australia and internationally. The company operates through two segments, Manufacture and Distribution of Hydroponics Equipment, Materials and Nutrients; and Development and Delivery of Medicinal Cannabis. Its hydroponics products include lighting and power supplies, lighting relays and climate controls, ventilation and trimming products, extraction bags, plant rotation systems, eyewear, nutrients and accessories, etc. THC Global Group Limited has a strategic alliance with BOL Pharma-Israel; strategic partnership with Ascent Industries Corp—Canada, Sinapse and Pharma programs, and Anspec; distribution agreement with Endoca-Europe; and partnership with Medicinal Cannabis Industry Australia. The company was formerly known as The Hydroponics Company Limited and changed its name to THC Global Group Limited in November 2018. THC Global Group Limited was founded in 2016 and is based in Sydney, Australia.
AusCann Group Holdings Ltd	ASX:AC8	57.1	38.0	1.2	0.7	1.2	-6.9	-6.4		AusCann Group Holdings Ltd, a pharmaceutical company, researches, develops, cultivates, produces, and distributes cannabinoid-based pharmaceuticals in Australia and internationally. It offers hard-shell capsules using Neuvis technology for the treatment of chronic neuropathic pain. The company is based in West Perth, Australia.

All figures in \$AUD (m)

Company Name	Ticker	Market Cap	EV	LTM Revenue	FY19 Revenue	FY20 Revenue	LTM EBITDA	FY19 EBITDA	FY20 EBITDA	Business Description
MMJ Group Holdings Limited	ASX:MMJ	26.4	-15.8	-41.5	33.2	-41.5	-43.1	31.1		MMJ Group Holdings Limited operates as a cannabis investment company worldwide. It owns a portfolio of cannabis sector investments. The company was formerly known as MMJ PhytoTech Limited. MMJ Group Holdings Limited was incorporated in 2014 and is based in Sydney, Australia.
CannPal Animal Therapeutics Limited	ASX:CP1	15.8	13.9	0.7	0.3	0.7	0.0	0.0		CannPal Animal Therapeutics Limited, an animal health company, engages in the research and development of plant-based therapeutic products for pets in Australia. It develops CPAT-01, a cannabis-derived pharmaceutical product to provide veterinarians and pet owners to treat pain and inflammation in dogs. The company was incorporated in 2016 and is based in Double Bay, Australia.
eSense-Lab Ltd	ASX:ESE	9.2	8.6	0.0	0.0	0.0	-1.7	-1.7		eSense-Lab Ltd, a life sciences research and development company, specializes in the commercialization of phytochemical profiling of plants. It focuses on the development and manufacturing of terpene profiles of the cannabis plant for use in various applications, such as concentrates, medicine, topical treatments, e-liquids, beverages, personalized medicine, cosmetics, and food additives. The company was incorporated in 2016 and is based in Nes Tziona, Israel.
Cronos Australia Limited	ASX:CAU	15.5	3.0	0.1	0.0	0.1	-4.1	-2.9		Cronos Australia Limited operates as a medicinal cannabis company in Australia and Asia. The company operates through Medicinal Cannabis and Clinics segments. It distributes PEACE NATURALS brand medicinal cannabis products; develops and sells medicinal cannabis products; and operates medicinal cannabis clinics. The company was incorporated in 2018 and is headquartered in South Yarra, Australia.
Cann Group Limited	ASX:CAN	143.1	150.9	1.6	2.6	1.6	-14.6	-10.8		Cann Group Limited engages in research and development, cultivation and production, manufacturing, clinical evaluation, processing, packaging, and distribution and supply of medicinal cannabis for various diseases and medical conditions in Australia. The company was founded in 2014 and is based in Bundoora, Australia.

Source: S&P's Capital IQ and Moore Australia analysis

APPENDIX D - GLOSSARY

In this report, unless the context requires otherwise:

Term	Meaning
A\$	Australian Dollar
£ or GBP	British Pound
HHAus	Health House Aus Pty Ltd (ACN: 626 641 290)
HHDUK	Health House Distribution UK Limited (UK company number 11674356)
HHH	Health House Holdings Limited (UK company number 116255145)
HHI	Health House International Pty Ltd (ACN: 161 601 083)
HH Pharma	Health House Pharma Ltd (UK company number 11974169)
Proposed Transaction	The acquisition of 100% of the share capital of HHH by VPCL
Act	Corporations Act 2001
ASIC	Australian Securities and Investments Commission
Board	The Board of Directors of HHH Group Limited
CBD	Cannabidiol, a non-psychoactive chemical produced from the cannabis plant
Company	HHH Limited (ACN: 619 271 626)
Control basis	Assuming the shareholder/s have control of the entity in which equity is held
HHH	HHH Limited (ACN: 619 271 626)
Directors	The Directors of HHH Limited
Directors in Common	Directors of both HHH and HHH (Mr David Wheeler and Mr Paul Mavor)
FME	Future Maintainable Earnings
IER	This Independent Experts Report
Income Tax Assessment Act	the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997
LTM	Last twelve months
Moore Australia or MACF	Moore Australia Corporate Finance (WA) Pty Ltd
MAP	Moore Australia Perth, Chartered Accountants
Shareholders	Shareholders of VPCL
Register	the register of members of HHH shareholders or option holders, as the case requires
RG111	ASIC Regulatory Guide 111 <i>Content of Experts Reports</i>
S&P Capital IQ	Third party provider of company and other financial information
THC	Tetrahydrocannabinol, a chemical produced by the cannabis plant
VPCL	VPCL Limited

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LODGE YOUR VOTE



ONLINE

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BY FAX

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BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: +61 1300 554 474

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00AM (WST) on Wednesday, 27 January 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

QR Code



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's Share Registry or online at www.linkmarketservices.com.au.

NAME SURNAME
ADDRESS LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5
ADDRESS LINE 6



X99999999999

PROXY FORM

I/We being a member(s) of VPCL Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00AM (WST) on Friday, 29 January 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The meeting will be held at the offices of Blackwall Legal, Level 26, 140 St Georges Terrace Perth WA and virtually by logging in online at <https://agmlive.link/VPCL20> (refer to details in the Virtual Annual General Meeting Online Guide).

Important for Resolutions 1, 8, 10 and 11: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 8, 10 and 11, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Approval for the issue of shares under the public offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Ms Leanne Graham as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Approval for the issue of offer shares to a related party – Mr David Wheeler	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Mr David Wheeler as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Approval for the issue of offer shares to a related party – Mr Chris Mews	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Election of Hon. Mike Rann as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Approval for the issue of broker shares to CPS (or its nominees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval for change to nature and scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Approval for the issue of broker shares to Merchant Group (or its nominees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14 Approval for the issue of broker shares to Mr Fabio Pannuti (or his nominees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval for the issue of consideration shares to HHH vendors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15 Change of company's name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval for the issue of consideration shares to a related party – Mr David Wheeler	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

VPC PRX2101N