

NOTICE OF GENERAL MEETING

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

This *notice of 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 *resolutions 2, 3 and 5* concludes that the proposed issues of *performance shares* are **FAIR AND REASONABLE** to non-associated *shareholders*.

If you wish to discuss this *notice of general meeting* or the accompanying documents, please do not hesitate to contact the *company secretary* on +61 8 6558 0886.

General Meeting to be held at the offices of Blackwall Legal, Level 26, 140 St Georges Terrace Perth WA on Friday, 30 July 2021 at 10.00am WST

Health House International Limited

ACN 149 197 651

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Key dates

<i>28 July 2021</i>	snapshot date for eligibility to vote
<i>28 July 2021</i>	last day for receipt of <i>proxy forms</i> *
<i>30 July 2021</i>	<i>general meeting</i>
<i>11 August 2021</i>	completion of <i>acquisition</i> and issue of new <i>securities</i> (anticipated)

* *proxy forms* received after 10.00am WST will be disregarded.

Notice of general meeting

Notice is hereby given that a *general meeting* of Health House International Limited ACN 149 197 651 will be held at the offices of Blackwall Legal, Level 26, 140 St Georges Terrace Perth WA on **Friday, 30 July 2021 at 10.00am 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 *schedule 1* of the *explanatory statement*.

Agenda

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

1 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 18,000,000 consideration shares to the CanPharma vendors is approved for the purposes of listing rule 7.1.

resolution Approval for the issue of *performance shares* to the *CanPharma vendors*

2 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 18,000,000 performance shares to the CanPharma vendors is approved for the purposes of listing rules 6.1 and 7.1.

Independent expert's report: *Shareholders* should carefully consider the *independent expert's report* prepared by Moore Australia Corporate Finance (WA) Pty Ltd for the purposes of *shareholder* approval in relation to *resolution 2*. The *independent expert's report* comments on the fairness and reasonableness of the issue of *performance shares* under this *resolution* to the *CanPharma vendors*. The *independent expert* has determined that the issue of *performance shares* to the *CanPharma vendors* is **FAIR AND REASONABLE** to non-associated *shareholders*.

resolution Approval for the issue of *performance shares* to the *CanPharma management*

3 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 18,000,000 performance shares to the CanPharma management is approved for the purposes of listing rules 6.1 and 7.1.

Independent expert's report: *Shareholders* should carefully consider the *independent expert's report* prepared by Moore Australia Corporate Finance (WA) Pty Ltd for the purposes of *shareholder* approval in relation to *resolution 3*. The *independent expert's report* comments on the fairness and reasonableness of the issue of *performance shares* under this *resolution* to the *CanPharma management*. The *independent expert* has determined that the issue of *performance shares* to the *CanPharma management* is **FAIR AND REASONABLE** to non-associated *shareholders*.

resolution **Approval for the issue of *advisor shares* to *Gemelli Nominees***

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 approved, the issue of 450,000 advisor shares to Gemelli Nominees is approved for the purposes of listing rule 7.1.

resolution **Approval for the issue of *performance shares* to *Gemelli Nominees***

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 issue of 900,000 performance shares to Gemelli Nominees is approved for the purposes of listing rules 6.1 and 7.1.

Independent expert's report: *Shareholders* should carefully consider the *independent expert's report* prepared by Moore Australia Corporate Finance (WA) Pty Ltd for the purposes of *shareholder* approval in relation to *resolution 5*. The *independent expert's report* comments on the fairness and reasonableness of the issue of *performance shares* under this *resolution* to *Gemelli Nominees*. The *independent expert* has determined that the issue of *performance shares* to *Gemelli Nominees* is **FAIR AND REASONABLE** to non-associated *shareholders*.

resolution **Election of Dr Henrik Sprengel as a director**

6 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 Dr Henrik Sprengel as a director is approved under and for the purposes of clause 14.3 of the constitution.

By order of the board of directors

Tim Slate
Company Secretary
25 June 2021

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 **10.00am WST on Wednesday, 28 July 2021** being not later than 48 hours before the commencement of the *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 Health House International 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 *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 8 6558 0886 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 *general meeting* or at the registration desk on the day of the *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 *general meeting*, *shares* will be taken to be held by the persons who are registered as holding the *shares* at **5.00pm WST on Wednesday, 28 July 2021**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the *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	Approval for the issue of <i>consideration shares</i> to the <i>CanPharma vendors</i>	The <i>CanPharma vendors</i> or any person who will obtain a material benefit as a result of the proposed issue of <i>consideration shares</i> , and any <i>associates</i> of those persons.
2	Approval for the issue of <i>performance shares</i> to the <i>CanPharma vendors</i>	The <i>CanPharma vendors</i> or any person who will obtain a material benefit as a result of the proposed issue of <i>performance shares</i> , and any <i>associates</i> of those persons.
3	Approval for the issue of <i>performance shares</i> to the <i>CanPharma management</i>	The <i>CanPharma management</i> or any person who will obtain a material benefit as a result of the proposed issue of <i>performance shares</i> , and any <i>associates</i> of those persons.
4	Approval for the issue of <i>advisor shares</i> to <i>Gemelli Nominees</i>	<i>Gemelli Nominees</i> or its nominee(s) or any person who will obtain a material benefit as a result of the proposed issue of <i>advisor shares</i> , and any <i>associates</i> of those persons.
5	Approval for the issue of <i>performance shares</i> to <i>Gemelli Nominees</i>	<i>Gemelli Nominees</i> or its nominee(s) or any person who will obtain a material benefit as a result of the proposed issue of <i>performance shares</i> , and any <i>associates</i> of those persons.

Explanatory statement

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

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

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

All of the proposed *resolutions* relate to the *company's* proposed acquisition of CanPharma GmbH (*CanPharma*).

Information relevant to particular *resolutions* is set out below. A summary of the proposed transactions, including the business of *CanPharma* and the effect of the proposed transactions on holders of *existing shares*, is set out in *Schedule 2*.

1. APPROVAL FOR THE ISSUE OF CONSIDERATION SHARES TO THE CANPHARMA VENDORS

1.1. Background

- 1.1.1. In consideration for the acquisition of 100% of the issued capital in *CanPharma* (***sale shares***), the *company* has agreed conditionally to issue *consideration shares* to the *CanPharma vendors*. One of the conditions to the *acquisition* and the issue of the *consideration shares* is the passing of the other *transaction resolutions*.
- 1.1.2. More detail in respect of the *acquisition*, including details of the *consideration shares*, and the *sale shares* in consideration for which *consideration shares* are to be issued, is included in *Schedule 2*.
- 1.1.3. *Resolution 1* seeks *shareholder* approval for the issue of 18,000,000 *consideration shares* to the *CanPharma vendors* on the terms set out in *Schedule 2*.
- 1.1.4. *Resolution 1* takes effect subject to the passing of the other *transaction resolutions*.

1.2. Requirement for shareholder approval

- 1.2.1. 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 the exceptions.
- 1.2.2. 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*.

- 1.2.3. If *resolution 1* 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*.
- 1.2.4. If *resolution 1* is not passed, the *company* will not issue any *consideration shares* and the *acquisition* will not proceed.

1.3. Required information – listing rule 7.3

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 1*:

- (a) the *consideration shares* will be issued to the *CanPharma vendors*; none of the *CanPharma vendors* to be issued *consideration shares* under *resolution 1* are *related parties* of the *company* except to the extent that they may become *related parties* of the *company* by reason of the *acquisition*;
- (b) the maximum number of *consideration shares* to be issued to the *CanPharma vendors* is 18,000,000 *shares*;
- (c) the *consideration shares* 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*;
- (d) 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* on the same date;
- (e) the *consideration shares* will be issued at a deemed issue price of \$0.20 per *share*;
- (f) no funds will be raised by the issue of the *consideration shares*;
- (g) the *consideration shares* will be issued to the *CanPharma vendors* in accordance with the terms of the *share sale agreement*, a summary of the material terms of which are set out in paragraph 2.2 of *Schedule 2*; and
- (h) a voting exclusion statement is set out on page 6 of the *notice*.

1.4. Directors' recommendation

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

2. APPROVAL FOR THE ISSUE OF PERFORMANCE SHARES TO THE CANPHARMA VENDORS

2.1. Background

- 2.1.1. *Resolution 2* seeks *shareholder* approval for the issue of 18,000,000 *performance shares* to the *CanPharma vendors* on the terms set out in *Schedule 3*.
- 2.1.2. *Resolution 2* takes effect subject to the passing of the other *transaction resolutions*.

2.2. Requirement for shareholder approval

- 2.2.1. 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 *performance shares* does not fit within any of these exceptions.
- 2.2.2. Whilst a proportion of the *performance 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 *performance 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*.
- 2.2.3. If *resolution 2* is passed, the issue of the *performance 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*.
- 2.2.4. If *resolution 2* is not passed, the *company* will not issue any *performance shares* and the *acquisition* will not proceed.

2.3. Required information – listing rule 7.3

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 2*:

- (a) the *performance shares* to be issued under *resolution 2* will be issued to the *CanPharma vendors*; none of the *CanPharma vendors* to be issued *performance shares* under *resolution 2* are *related parties* of the *company* except to the extent that they may become *related parties* of the *company* by reason of the *acquisition*;
- (b) the maximum number of *performance shares* to be issued to the *CanPharma vendors* is 18,000,000, comprised of:
- (i) 12,000,000 *tranche A performance shares*; and
- (ii) 6,000,000 *tranche B performance shares*;
- (c) the terms of issue of the *performance shares* are set out in schedule 3; *shares* issued on vesting of the *performance shares* 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*;
- (d) the date of issue of the *performance shares* will be not more than 3 months after the date of the *meeting* and it is intended to issue all *performance shares* under *resolution 2* on the same date;
- (e) the *performance shares* to be issued under *resolution 2* will be issued for nil cash consideration;
- (f) the *performance shares* will be issued to the *CanPharma vendors* in accordance with the terms of the *share sale agreement*, a summary of the material terms of which are set out in paragraph 2.2 of *Schedule 2*; and
- (g) a voting exclusion statement is set out on page 6 of the *notice*.

2.4. Independent expert's report

- 2.4.1. In circumstances where shareholder approval is sought for the issue of performance securities, *ASX* may require an independent expert's report to be provided to shareholders where the quantum of performance securities is such that, if converted to shares, those shares would comprise more than 10% of issued capital.
- 2.4.2. 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 2*.
- 2.4.3. The *independent expert* has concluded that the proposed issues of *performance shares* to the *CanPharma vendors* is FAIR AND REASONABLE to non-associated *shareholders*.
- 2.4.4. The *independent expert's report* accompanies the *notice* as Annexure A. In summary, the *independent expert* considers the issue of *performance shares* to the *CanPharma vendors* to be:
- (a) fair, because the value of a *share* after the issue of the *performance shares* is higher than the fair value of a *share* before the issue of the *performance shares*; and
 - (b) reasonable, because:
 - (i) the issue of the *performance shares* to the *CanPharma vendors* is fair; and
 - (ii) the position of the non-associated *shareholders* if the proposed issues of *performance shares* are approved is more advantageous than the position if they are not approved.

2.5. Listing rule 6.1 and guidance note 19

- 2.5.1. The *company* is proposing to issue *performance shares* to the *CanPharma vendors*. As is its usual practice, *ASX* has imposed a requirement under *listing rule 6.1* and Guidance Note 19 Performance Securities (**GN 19**) that the *company* obtain *shareholder* approval to the issue of the *performance shares* to the *CanPharma vendors*.
- 2.5.2. *Resolution 2* seeks the required *shareholder* approval to the issue of the *performance shares* to the *CanPharma vendors* under and for the purposes of the *listing rules*.
- 2.5.3. If *resolution 2* is passed, the *company* will be able to proceed with the issue of the *performance shares* to the *CanPharma vendors* and, subject to the other *transaction resolutions* being passed and the *conditions precedent* being satisfied or waived, the *acquisition* will proceed.
- 2.5.4. If *resolution 2* is not passed, the *company* will not be able to proceed with the issue of the *performance shares* to the *CanPharma vendors* and the *acquisition* will not proceed.

2.6. Required information – guidance note 19

Pursuant to *GN 19*, the following information is provided in respect of *resolution 2*:

- (a) the *company* considers that the provision of performance-based consideration is an appropriate strategy for the acquisition of a business where the future operational performance of the business, and the contribution it makes to the *company's* future financial performance, is uncertain;
- (b) the number of *performance shares* to be issued to the *CanPharma vendors* has been determined based on an assessment of the value of *CanPharma* in the event that it achieves the respective *milestones*;
- (c) the *company* considers that the number of *performance shares* to be issued to the *CanPharma vendors*, and the number of *shares* into which they will convert if *milestones* are achieved, is appropriate and equitable for the purposes of *GN 19* as:
 - (i) the number of *shares* into which the *performance shares* will convert is fixed and allows investors to readily understand and have reasonable certainty as to the impact on the *company's* capital structure if the *milestones* are achieved;
 - (ii) there is an appropriate link between the *milestones* and the purpose for issuing the *performance shares* as they align the value of the consideration paid to the *CanPharma vendors* with *CanPharma's* operational and financial performance post-*acquisition*; and
 - (iii) the *milestones* are objective and measurable which allows investors to readily understand the circumstances in which the *milestones* will be satisfied.

2.7. Directors' recommendation

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

3. APPROVAL FOR THE ISSUE OF PERFORMANCE SHARES TO THE CANPHARMA MANAGEMENT

3.1. Background

- 3.1.1. *Resolution 3* seeks *shareholder* approval for the issue of 18,000,000 *performance shares* to the *CanPharma management* on the terms set out in *Schedule 3*.
- 3.1.2. *Resolution 3* takes effect subject to the passing of the other *transaction resolutions*.

3.2. Requirement for shareholder approval

- 3.2.1. 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 *performance shares* does not fit within any of these exceptions.

- 3.2.2. Whilst a proportion of the *performance 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 *performance 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*.
- 3.2.3. If *resolution 3* is passed, the issue of the *performance 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*.
- 3.2.4. If *resolution 3* is not passed, the *company* will not issue any *performance shares* and the *acquisition* will not proceed.

3.3. Required information – listing rule 7.3

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 3*:

- (a) the *performance shares* to be issued under *resolution 3* will be issued to the *CanPharma management*; none of the *CanPharma management* to be issued *performance shares* under *resolution 2* are *related parties* of the *company* except to the extent that they may become *related parties* of the *company* by reason of the *acquisition*;
- (b) the maximum number of *performance shares* to be issued to the *CanPharma management* is 18,000,000, comprised of:
- (i) 6,000,000 *tranche B performance shares*; and
- (ii) 12,000,000 *tranche C performance shares*;
- (c) the terms of issue of the *performance shares* are set out in schedule 3; *shares* issued on vesting of the *performance shares* 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*;
- (d) the date of issue of the *performance shares* will be not more than 3 months after the date of the *meeting* and it is intended to issue all *performance shares* under *resolution 3* on the same date;
- (e) the *performance shares* to be issued under *resolution 3* will be issued for nil cash consideration;
- (f) the *performance shares* will be issued to the *CanPharma management* in accordance with the terms of the *share sale agreement*, a summary of the material terms of which are set out in paragraph 2.2 of *Schedule 2*; and
- (g) a voting exclusion statement is set out on page 6 of the *notice*.

3.4. Independent expert's report

See *Section 2.4* above.

3.5. Listing rule 6.1 and guidance note 19

- 3.5.1. The *company* is proposing to issue *performance shares* to the *CanPharma management*. As is its usual practice, *ASX* has imposed a requirement under *listing rule 6.1* and *GN 19* that the *company* obtain *shareholder* approval to the issue of the *performance shares* to the *CanPharma management*.
- 3.5.2. *Resolution 3* seeks the required *shareholder* approval to the issue of the *performance shares* to the *CanPharma management* under and for the purposes of the *listing rules*.
- 3.5.3. If *resolution 3* is passed, the *company* will be able to proceed with the issue of the *performance shares* to the *CanPharma management* and, subject to the other *transaction resolutions* being passed and the *conditions precedent* being satisfied or waived, the *acquisition* will proceed.
- 3.5.4. If *resolution 3* is not passed, the *company* will not be able to proceed with the issue of the *performance shares* to the *CanPharma management* and the *acquisition* will not proceed.

3.6. Required information – guidance note 19

Pursuant to *GN 19*, the following information is provided in respect of *resolution 3*:

- (a) the *company* considers that the provision of performance-based remuneration is an appropriate strategy where the future operational performance of the *business*, and the contribution it makes to the *company's* future financial performance, is substantially dependent on the performance of the *business's* senior executives;
- (b) the number of *performance shares* to be issued to the *CanPharma management* has been determined based on an assessment of the value of *CanPharma* in the event that it achieves the respective revenue *milestones*;
- (c) the *company* considers that the number of *performance shares* to be issued to the *CanPharma management*, and the number of *shares* into which they will convert if milestones are achieved, is appropriate and equitable for the purposes of *GN 19* as:
- (i) the number of *shares* into which the *performance shares* will convert is fixed and allows investors to readily understand and have reasonable certainty as to the impact on the *company's* capital structure if the *milestones* are achieved;
- (ii) there is an appropriate link between the *milestones* and the purpose for issuing the *performance shares* as they align the value of the remuneration incentive to the *CanPharma management* with *CanPharma's* operational and financial performance post-*acquisition*; and
- (iii) the *milestones* are objective and measurable which allows investors to readily understand the circumstances in which the *milestones* will be satisfied.

3.7. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 3*. *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.

4. APPROVAL FOR THE ISSUE OF SECURITIES TO GEMELLI NOMINEES

4.1. Background

- 4.1.1. On 21 February 2021, the *company* entered into a corporate advisory mandate agreement with *Gemelli Nominees* (**advisor mandate**) whereby *Gemelli Nominees* was retained as the *company's* corporate adviser with a focus on identifying and securing merger and acquisition opportunities in Germany in particular. The material terms of the *advisor mandate* are set out in paragraph 2.3 of *schedule 2* and include the issue of the *securities* the subject of *resolutions 4* and *5* as a fee (**introduction fee**).
- 4.1.2. *Resolution 4* seeks *shareholder* approval for the issue of 450,000 *advisor shares* to *Gemelli Nominees*.
- 4.1.3. *Resolution 5* seeks *shareholder* approval for the issue of 900,000 *performance shares* on the terms set out in *Schedule 3* to *Gemelli Nominees*.
- 4.1.4. *Resolutions 4* and *5* take effect subject to the passing of the other *transaction resolutions*.

4.2. Requirement for shareholder approval

- 4.2.1. 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 *advisor shares* does not fit within any of these exceptions.
- 4.2.2. Whilst the *advisor 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 *advisor 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*.
- 4.2.3. If *resolutions 4* and *5* are passed, the issue of the *advisor shares* and *performance shares* to *Gemelli Nominees* 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*.
- 4.2.4. If *resolutions 4* and *5* are not passed, the *company* will not issue any *advisor shares* or *performance shares* to *Gemelli Nominees* and will pay the *introduction fee* in cash (subject to the other *transaction resolutions* having been approved).

4.3. Required information – listing rule 7.3

- 4.3.1. Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolutions 4 and 5*:
- (a) the *advisor shares* and *performance shares* to be issued under *resolutions 4 and 5* will be issued to *Gemelli Nominees*;
 - (b) the maximum number of:
 - (i) *advisor shares* to be issued to *Gemelli Nominees* is 450,000; and
 - (ii) *performance shares* to be issued to *Gemelli Nominees* is 900,000 *performance shares* (comprised of 3 equal tranches of *tranche A*, *tranche B* and *tranche C performance shares*);
 - (c) the terms of issue of the *performance shares* are set out in schedule 3; the *advisor shares* to be issued, and the *shares* to be issued on vesting of the *performance shares*, 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*;
 - (d) the *advisor shares and performance shares* to be issued to *Gemelli Nominees* 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 *advisor shares and performance shares* to *Gemelli Nominees* on the same date;
 - (e) the *advisor shares* will be issued at a deemed issue price of \$0.20 per *advisor share*;
 - (f) the *performance shares* to be issued under *resolution 4* will be issued for nil cash consideration;
 - (g) no funds will be raised by the issue of the *advisor shares and performance shares* under *resolutions 4 and 5*;
 - (h) the *advisor shares and performance shares* to be issued to *Gemelli Nominees* are to be issued pursuant to the *advisor mandate*, the material terms of which are set out in paragraph 2.3 of *schedule 2*; and
 - (i) a voting exclusion statement is set out on page 6 of the *notice*.

4.4. Independent expert's report

See *Section 2.4* above.

4.5. Listing rule 6.1 and guidance note 19

- 4.5.1. The *company* is proposing to issue *performance shares* to *Gemelli Nominees*. As is its usual practice, *ASX* has imposed a requirement under *listing rule 6.1* and *GN 19* that the *company* obtain *shareholder* approval to the issue of the *performance shares* to *Gemelli Nominees*.
- 4.5.2. *Resolution 5* seeks the required *shareholder* approval to the issue of the *performance shares* to *Gemelli Nominees* under and for the purposes of the *listing rules*.
- 4.5.3. If *resolution 5* is passed, the *company* will be able to proceed with the issue of the *performance shares* to *Gemelli Nominees* and, subject to the other *transaction resolutions*

being passed and the *conditions precedent* being satisfied or waived, the *acquisition* will proceed.

- 4.5.4. If *resolution 5* is not passed, the *company* will not be able to proceed with the issue of the *performance shares* to *Gemelli Nominees* and will pay the *introduction fee* in cash (subject to the other *transaction resolutions* having been approved).

4.6. Required information – guidance note 19

Pursuant to *guidance note 19*, the following information is provided in respect of *resolution 5*:

- (a) the *company* considers that the provision of performance-based consideration for services rendered is an appropriate strategy for the acquisition of a business where the future operational performance of the business, and the contribution it makes to the *company's* future financial performance, is uncertain;
- (b) the number of *performance shares* to be issued to *Gemelli Nominees* has been determined based on the contractual obligations of the *company* under the *advisor mandate*;
- (c) the *company* considers that the number of *performance shares* to be issued to *Gemelli Nominees*, and the number of *shares* into which they will convert if *milestones* are achieved, is appropriate and equitable for the purposes of *GN 19* as:
 - (i) the number of *shares* into which the *performance shares* will convert is fixed and allows investors to readily understand and have reasonable certainty as to the impact on the *company's* capital structure if the *milestones* are achieved;
 - (ii) there is an appropriate link between the *milestones* and the purpose for issuing the *performance shares* as they align the value of the consideration payable for services rendered by *Gemelli Nominees* with *CanPharma's* operational and financial performance post-*acquisition*; and
 - (iii) the *milestones* are objective and measurable which allows investors to readily understand the circumstances in which the *milestones* will be satisfied.

4.7. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolutions 4* and *5*. *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.

5. ELECTION OF DIRECTOR – DR HENRIK SPRENGEL

5.1. Introduction

- 5.1.1. Under the terms of the *share sale agreement*, Dr Henrik Sprengel, managing director of *CanPharma*, is to be appointed as a *director* effective from *completion*. Dr Sprengel 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 6* seeks *shareholder* approval for the appointment of Dr Sprengel.
- 5.1.4. *Resolution 6* takes effect subject to the passing of the other *transaction resolutions*.

5.2. Qualifications and other material directorships

Dr Sprengel is co-founder of both *CanPharma* and *Kalapa Clinic* where he has gained extensive experience in the field of medicinal cannabis. Before founding *CanPharma*, he was CEO of the company builder Grupo HS3, which successfully launched several international projects across a number of industries, with a focus on internet and technology. Henrik started his career as a lawyer at Clifford Chance; he later held several international senior management positions in global media publishing company Bertelsmann, and as country manager for Spain and Mexico for a German media and tech company. Henrik holds postgraduate degrees in law (LLM, PhD) and an MBA (INSEAD, Fontainebleau/Singapore).

Dr Sprengel does not hold any directorships of other listed companies.

5.3. Independence

Dr Sprengel will not be considered independent as, if elected, he will be employed as an executive of the *company*.

5.4. Directors' recommendation

The current *directors* support the election of Dr Sprengel as a *director* and unanimously recommend *shareholders* vote in favour of *resolution 6*.

Schedule 1 – Glossary

<i>acquisition</i>	the acquisition by the <i>company</i> of the <i>sale shares</i> from the <i>CanPharma vendors</i> as described in <i>Schedule 2</i> .
<i>advisor mandate</i>	has the meaning given to that term in <i>section 4.1.1</i> of the <i>explanatory statement</i> .
<i>advisor shares</i>	has the meaning given to that term in paragraph 2.3 of <i>Schedule 2</i> .
<i>associate</i>	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.
<i>ASIC</i>	the Australian Securities and Investments Commission.
<i>ASX</i>	ASX Limited ACN 008 624 691, or where the context requires, the Australian Securities Exchange which it runs.
<i>board</i>	the board of <i>directors</i> .
<i>business day</i>	a day (other than a Saturday or a Sunday) on which banks in Perth, Western Australia are open for business.
<i>CanPharma</i>	CanPharma GmbH HRB 12309 Neuruppin, a limited liability company registered in Germany.
<i>CanPharma management</i>	Dr Henrik Sprengel, Dr Holger Sprengel, and Mr Stefan Jacker.
<i>CanPharma vendors</i>	has the meaning given to that term in paragraph 2.1 of <i>Schedule 2</i> .
<i>chairman</i> or <i>chair</i>	the chairman of the <i>meeting</i> .
<i>closely related party</i>	has the meaning given to that term in section 9 the <i>Corporations Act</i> .
<i>company</i>	Health House International Limited ACN 149 197 651, a public company registered in Australia and listed on <i>ASX</i> .
<i>company secretary</i>	the company secretary of the <i>company</i> .
<i>completion</i>	completion of the sale and purchase of the <i>sale shares</i> .
<i>completion date</i>	the date on which <i>completion</i> occurs.
<i>conditions precedent</i>	has the meaning given in paragraph 2.2(a) of <i>schedule 2</i> .
<i>consideration shares</i>	18,000,000 <i>shares</i> to be issued to the <i>CanPharma vendors</i> on the terms set out in 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>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>euro or €</i>	the lawful currency for the time being of certain member states of the European Union, including Germany.
<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 general meeting</i> .
<i>Gemelli Nominees</i>	Gemelli Nominees Pty Ltd ACN 107 999 388, a proprietary company registered in Australia.
<i>general meeting or meeting</i>	the general meeting of <i>shareholders</i> convened by the <i>notice of general meeting</i> , or any meeting adjourned thereof.
<i>glossary</i>	this glossary of terms.
<i>GN 19</i>	has the meaning given in <i>Section 2.4</i> of the <i>explanatory statement</i> .
<i>independent expert</i>	Moore Australia Corporate Finance (WA) Pty Ltd.
<i>independent expert's report</i>	means the report prepared by the <i>independent expert</i> , and accompanying the <i>notice</i> as Annexure A, in which the <i>independent expert</i> comments on the fairness and reasonableness of the issues of <i>performance shares</i> under <i>resolutions 2, 3</i> and <i>5</i> to non-associated <i>shareholders</i> .
<i>listing rules</i>	the official listing rules of <i>ASX</i> from time to time.
<i>notice of general meeting or notice</i>	this notice of general meeting.
<i>milestones</i>	the performance milestones to be satisfied for <i>performance shares</i> to convert to <i>shares</i> , being: <ul style="list-style-type: none"> (a) in respect of <i>tranche A performance shares</i>, <i>CanPharma</i> achieving cumulative revenues of €5,000,000 over 24 months from the <i>completion date</i>; (b) in respect of <i>tranche B performance shares</i>, <i>CanPharma</i> achieving cumulative revenues of €10,000,000 over 24 months from the <i>completion date</i>; and (c) in respect of <i>tranche C performance shares</i>, <i>CanPharma</i> achieving cumulative revenues of €15,000,000 over 24 months from the <i>completion date</i>.
<i>performance share</i>	a <i>security</i> issued with a right to convert to a <i>share</i> on satisfaction of specified performance milestones.
<i>proxy form</i>	the proxy form accompanying this <i>notice of general meeting</i>
<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>resolution</i>	a resolution set out in the <i>notice</i> .
<i>sale shares</i>	has the meaning given in <i>Section 1.1.1</i> of the <i>explanatory statement</i> .
<i>schedule</i>	a schedule to 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 sale agreement</i>	the agreement dated 2 June 2021 between the <i>company</i> and the <i>CanPharma vendors</i> , pursuant to which the <i>company</i> has agreed to buy, and the <i>CanPharma vendors</i> have agreed to sell, 100% of the issued capital of <i>CanPharma</i> .
<i>shareholders</i>	the holders of <i>shares</i> in the <i>company</i> from time to time.
<i>terms sheet</i>	the binding agreement dated 9 May 2021 between the <i>company</i> and <i>CanPharma</i> setting out the terms and conditions of the <i>acquisition</i> .
<i>tranche A performance share</i>	has the meaning given in Schedule 3.
<i>tranche B performance share</i>	has the meaning given in Schedule 3.
<i>tranche C performance share</i>	has the meaning given in Schedule 3.
<i>transaction resolutions</i>	each of <i>resolutions 1 to 6</i> as set out in the <i>notice</i> .
<i>WST</i>	Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 – Details of proposed acquisition

1. CANPHARMA

1.1. *Capital structure*

- (a) *CanPharma's* capital structure is comprised of 73,012 fully paid ordinary shares.
- (b) As at the date of this *notice*, *CanPharma* has:
 - (i) 19 shareholders holding the *sale shares*, legally and/or beneficially; and
 - (ii) three creditors owed an aggregate of €799,608, each of which has agreed to swap its debt for equity in *Health House*,
(together, ***CanPharma vendors***).

1.2. *CanPharma business model and strategy*

CanPharma is a medicinal cannabis sales and distribution company focused on Europe's largest medicinal cannabis market, Germany. Germany has a population of over 80 million, however German medicinal cannabis patients per capita are still low compared to more developed markets. *CanPharma* is ideally positioned to access the continued growth in the sector in Germany.

CanPharma holds the highest level of pharmaceutical licences from German regulators allowing it to import, manufacture and distribute cannabinoid-based products both in flower and oil extract form. In addition, *CanPharma* owns Kalapa Clinic (***Kalapa***) with headquarters in Barcelona, the first medicinal cannabis consultancy in Europe. *Kalapa* provides specialist advice to health care professionals and patients around the appropriate use of cannabis-based medicines in treating a range of conditions.

CanPharma currently imports and distributes third-party dried flower into Germany as well as selling and distributing a number of *CanPharma*-branded flower and oil extract products.

CanPharma considers that medicinal cannabis is a pharmaceutical product that will be sold and distributed in the same manner as other pharma-products and a sector that will evolve in tandem with the wider pharma-sector.

- *CanPharma* deploys a holistic sales strategy that supports key decision makers across pharmacies, patient groups, doctors and insurers leveraging the sales teams of its pharma-company partners.
- In 2021, *CanPharma* is focusing on the growing segment of cannabis extracts whilst educating doctors and patients through the expansion of *Kalapa* into Germany.
- In the medium-term, *CanPharma* will introduce other pharma-industry sales and distribution best-practices, extend its tele-medicine offering, introduce digital technologies to accompany the patient and position to be the trusted distributor of new product lines and, eventually, finished medicaments.

The acquisition of *CanPharma* provides a number of benefits including:

- strengthening *Health House's* medicinal cannabis distribution platform by adding a strong presence in Europe's largest medicinal cannabis market
- expanding *Health House's* access to patients, deepening the understanding of patients' needs through generation of data

- addition of European-based senior management with extensive industry experience
- expansion and diversification of other potential revenue streams across the group
- providing German doctors and patients with a wider range of products from the *Health House* portfolio of products
- expanding medicinal cannabis education in Germany, and other European countries like Spain, France, and Italy.
- positioning for other expansion opportunities in Europe

Completion of the *acquisition* will allow the consolidated *Health House* group to fully exploit one of the world's fastest growing pharmaceutical sectors. With revenue streams from multiple countries including Australia, the United Kingdom and Germany, the acquisition will assist *Health House* to provide *shareholders* with leverage to the growth in the global medicinal cannabis sector.

2. BACKGROUND TO TRANSACTION

2.1. Transaction

On 11 May 2021, the *company* announced the execution of a binding terms sheet with *CanPharma* for the acquisition of 100% of the issued capital in *CanPharma* (***sale shares***).

2.2. On 2 June 2021, the *company* announced the execution of a binding share sale agreement (***share sale agreement***) with the *CanPharma vendors* - the material terms of the *share sale agreement* are as follows:

- (a) **conditions precedent:** completion of the sale and purchase of the *sale shares* is conditional on:
 - (i) **(CanPharma group restructure)** *CanPharma* disposing of its shares in Global Group Kalapa SL (***GGK***) and reorganising the Kalapa Clinic business by *GGK*'s sale of Kalapa Clinic S.L. to *CanPharma*;
 - (ii) **(debt restructure)** *CanPharma*'s external debt arrangements being restructured as agreed with *CanPharma*'s external debt holders;
 - (iii) **(shareholder approvals)** the *company* obtaining all legal, regulatory and shareholder approvals necessary to undertake the *acquisition*, including shareholder approvals for:
 - A. the issue of *consideration shares* to the *CanPharma vendors*;
 - B. the issue of *performance shares* to the *CanPharma vendors* and the *CanPharma management*;
 - C. the issue of the *advisor securities* to *Gemelli*;
 - D. the appointment of Dr Henrik Sprengel as a director of *Health House*; and
 - E. the establishment of an employee incentive plan.
 - (iv) **(vendor approvals)** *CanPharma* obtaining all legal, regulatory, shareholder and debtholder approvals necessary to undertake the *acquisition*,
 - (v) **(ASX waivers)** receipt of any waivers and approvals required from ASX in order to effect the transactions contemplated by the *share sale agreement*;
 - (vi) **(escrow agreements)** receipt by *Health House* of escrow agreements in a form required by *ASX* from each holder of *consideration shares* and *performance shares*, which

agreements to specify that the escrow period for *consideration shares* and *shares* issued on conversion of *performance shares* shall expire on:

- A. key management and *Gemelli* - 16 April 2023
- B. other recipients of *consideration shares* and *performance shares* – 12 months after *completion*;

(vii) **(no material adverse change)** there having been no material and adverse change in the financial condition or operations of *CanPharma* or *Health House* prior to *completion*, with the exception of planned activities previously disclosed prior to exchange, and with the *parties* agreeing that the term “material adverse change” will be subject to a more extensive definition in the *share sale agreement*; and

(viii) **(no breach)** neither *Health House* nor the *CanPharma vendors* being in material breach of the terms of the *share sale agreement* (including but not limited a material breach of any warranty) provided no *party* can rely on its own breach to prevent *completion*.

(together, ***conditions precedent***); and

(b) **consideration:** the consideration payable to each *CanPharma vendor* varies according to the number of *sale shares* they hold, but the *company* will be acquiring the *sale shares* for the combined total consideration of:

- (i) 18,000,000 *shares*; and
- (ii) 18,000,000 *performance shares*,

subject to *completion* occurring.

In addition, the *company* will issue 18,000,000 *performance shares* to the *CanPharma management* as an incentive.

2.3. *Facilitation*

- (a) Under the *advisor mandate*, *Gemelli Nominees* was engaged to identify, evaluate and introduce potential acquisition targets in the European medicinal cannabis market.
- (b) The terms of the *advisor mandate* included:
 - (i) the payment of a monthly retainer of \$10,000 plus GST for a period of 4 months from the date of execution of the *advisor mandate*;
 - (ii) a payment of \$25,000 plus GST as a success fee in the event that the *company* executed a binding agreement to acquire a relevant asset; and
 - (iii) a requirement that the *company* issue *securities* to *Gemelli Nominees* or its nominee(s) in the event that the *company* concluded a successful transaction in the nature of the *acquisition*, with the number of *securities* to be issued to be calculated by reference to a value that represents 2.5% of the value of the successful transaction, and in the case of the *acquisition*, that number equates to:
 - (1) 2.5% of 18,000,000 *consideration shares* = 450,000 *shares* (***advisor shares***); and
 - (2) 2.5% of 36,000,000 *performance shares* = 900,000 *performance shares*.
- (c) The *advisor mandate* otherwise contains terms and conditions considered standard for agreements of this nature.

3. EFFECT OF THE ACQUISITION ON THE COMPANY

3.1. *Projected revenues, expenditure and profit*

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

The funding for *CanPharma's* future activities will be generated from *CanPharma's* revenues, augmented as required by existing cash reserves and cash flows derived from ongoing operations of *Health House* until such time as *CanPharma's* business becomes profitable.

3.2. *Capital structure*

The capital structure of the *company* following the *acquisition* and the associated issues of *securities* under the *transaction resolutions* is as follows:

	shares	performance shares	% (fully diluted)*
existing shareholders	158,874,622	-	74.16%
CanPharma vendors*	18,000,000	18,000,000	16.81%
management	-	18,000,000	8.40%
advisors	450,000	900,000	0.63%
Totals	177,324,622	36,900,000	100.00

(* assumes all *performance milestones* are achieved and all *performance shares* vest)

Schedule 3 - terms of performance shares

definitions For the purpose of these terms and conditions, italicised terms not defined in this section of *schedule 5* have the meaning given in the *terms sheet*.

change of control event means

- (a) the occurrence of:
 - (i) the offeror under a takeover offer in respect of all *shares* announcing that it has achieved acceptances in respect of 50.1% or more of the *shares*; and
 - (ii) that takeover bid has become unconditional; or
- (b) the announcement by the *company* that:
 - (i) *shareholders* have at a Court-convened meeting of *shareholders* voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all *shares* are to be either:
 - A. cancelled; or
 - B. transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement.

expiry date has that meaning given to it in item (b) in the row below.

holder means a holder of a *performance share*.

milestone means a performance milestone set out in items (a)(i) to (a)(iii) in the row below.

conversion of performance shares

- (a) Milestones

The *performance shares* will vest, and be convertible into *shares*, on the achievement of the following *milestones* and in the following amounts:

 - (i) (**tranche A performance shares**) 12,000,000 performance shares vesting on *CanPharma* achieving cumulative revenues of €5,000,000 over 24 months from the date of *completion (completion date)*;
 - (ii) (**tranche B performance shares**) 12,000,000 performance shares vesting on *CanPharma* achieving cumulative revenues of €10,000,000 over 24 months from the *completion date*;
 - (iii) (**tranche C performance shares**) 12,000,000 performance shares vesting on *CanPharma* achieving cumulative revenues of €15,000,000 over 24 months from the *completion date*.
 - (b) Conversion notice

A *performance share* may be converted by the *holder* giving written notice to the *company (conversion notice)* prior to the date that is 30 months from the date of issue of the *performance share (expiry date)*.

No payment is required to be made for conversion of a *performance share* to a *share*.
 - (c) Lapse

To the extent that the *performance shares* have not converted into *shares* on or before the *expiry date*, then all such unconverted *performance shares* held by each *holder* will automatically lapse.
 - (d) Issue of shares

The *company* will issue a *share* on conversion of a *performance share* within 10 *business days* following the conversion or such period required by the *listing rules*.
 - (e) Holding statement
-

The *company* will issue the *holder* with a new holding statement for any *share* issued on conversion of a *performance share* within 10 *business days* following the issue of the *share*.

(f) Ranking of shares

Each *share* into which the *performance shares* will convert will, on issue:

- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued *shares*;
- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

***conversion
on change of
control***

If there is a *change of control event* in relation to the *company* prior to the conversion of the *performance shares*, then the *milestones* will be deemed to have been achieved by the *date of the change of control event*, and each *performance share* will automatically and immediately convert into *shares*.

***takeover
provisions***

- (a) If the conversion of *performance shares* under these terms and conditions would result in any person being in contravention of section 606(1) of the *Corporations Act* then the conversion of each *performance share* that would cause the contravention will be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1) of the *Corporations Act*. Following a deferment under this paragraph, the *company* will at all times be required to convert that number of *performance shares* that would not result in a contravention of section 606(1) of the *Corporations Act*.
- (b) The *holders* will give notification to the *company* in writing if they consider that the conversion of *performance shares* under these terms and conditions may result in the contravention of section 606(1) of the *Corporations Act*, failing which the *company* will assume that the conversion of *performance shares* under these terms and conditions will not result in any person being in contravention of section 606(1) of the *Corporations Act*.
- (c) The *company* may (but is not obliged to) by written notice request the *holders* to give notification to the *company* in writing within seven days if they consider that the conversion of *performance shares* under these terms and conditions may result in the contravention of section 606(1) of the *Corporations Act*. If the *holders* do not give notification to the *company* within seven days that they consider the conversion of *performance shares* under these terms and conditions may result in the contravention of section 606(1) of the *Corporations Act* then the *company* will assume that the conversion of *performance shares* under these terms and conditions will not result in any person being in contravention of section 606(1) of the *Corporations Act*.

***rights
attaching to
performance
shares***

- (a) Notice of satisfaction of milestone
 - (i) The *company* will give written notice to the *holder* (***milestone notice***) promptly following satisfaction of a *milestone* or lapse of a *performance share* where the *milestone* is not satisfied.
 - (ii) Where the *milestone notice* gives notice of lapse of a *performance share*, the *milestone notice* must include information on how and when the *company* determined whether or not a *milestone* had been achieved.
 - (iii) Where a *holder* disputes the *company's* finding that a *milestone* has not been achieved and *performance shares* have lapsed, the *parties* may appoint an independent auditor to review that decision. In the event that the *parties* cannot agree on an independent auditor, an independent expert will be appointed by the Resolution Institute.

- (iv) Should an independent auditor or an independent expert be appointed in accordance with paragraph (a)(iii) and subsequently find in favour of the *holder*, the *expiry date* shall be extended from the date of communication of the final finding by the auditor/expert to allow the *holder* reasonable and sufficient time to give a *conversion notice*.
- (b) Entitlement
- Each *performance share* entitles the *holder* to subscribe for one *share* in the capital of the *company* upon satisfaction of the *milestone* and issue of the *conversion notice* by the *holder*.
- (c) No voting rights
- A *performance share* does not entitle a *holder* to vote on any resolutions proposed at a general meeting of shareholders of the *company*.
- (d) No dividend rights
- A *performance share* does not entitle a *holder* to any dividends.
- (e) No right to surplus profits or assets
- A *performance share* does not entitle a *holder* to participate in the surplus profits or assets of the *company* upon winding up of the *company*.
- (f) No right to a return of capital
- A *performance share* does not entitle a *holder* to a return of capital, whether upon winding up of the *company*, upon a reduction of capital or otherwise.
- (g) Not transferable
- A *performance share* is not transferable.
- (h) Reorganisation of capital
- If there is a reorganisation (including, without limitation, consolidation or sub-division, but excluding a return of capital) of the issued capital of the *company*, the rights of a *holder* will be varied (as appropriate) in accordance with the *listing rules* which apply to reorganisation of capital at the time of the reorganisation, so long as the reorganisation does not prejudice the holder.
- (i) Quotation of shares on conversion
- An application will be made by the *company* to *ASX* for official quotation of the *shares* issued upon the conversion of each *performance share* within the time period required by the *listing rules*.
- (j) Participation in entitlements and bonus issues
- A *performance share* does not entitle a *holder* to participate in new issues of capital offered to holders of *shares*, such as bonus issues and entitlement issues.
- (k) No other rights
- A *performance share* does not give a *holder* any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
-

Annexure A - independent expert’s report



Health House International Limited

Independent Expert's Report and Financial Services Guide

31 May 2021

The Proposed Transaction is fair and reasonable

**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 36 million performance shares to the vendors of CanPharma GmbH ("CanPharma") ("Proposed Transaction"). Our report has been prepared at the request of the Directors of Health House International Limited ("HHI") for inclusion in a Notice of Meeting to be dated on or around 30 June 2021.

Moore Australia Corporate Finance (WA) Pty Ltd

Moore Australia Corporate Finance (WA) Pty Ltd ("MACF") has been engaged by the directors of HHI 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 HHI.

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 proposed transaction 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 \$25,000 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 Stephens Perth, Chartered Accountants. The directors of MACF may also be partners in Moore Stephens Perth Chartered, Accountants.

Moore Australia (WA), Chartered Accountants 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 IER, valuation, taxation services and investigating accountants report.

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 Stephens, 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 Services Authority Limited ("AFCA"). AFCA 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 AFCA. AFCA may be contacted directly via the details set out below.

Australian Financial Services Authority Limited
 GPO Box 3
 Melbourne VIC 3001
 Toll free: 1800 931 678
 Facsimile: 03 9613 6399
 Email: info@afca.org.au

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31 May 2021

The Directors
Health House International Limited
165 Fleet Street
LONDON, GREATER LONDON, EC4A 2DY
UNITED KINGDOM

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

- 1.1 This Independent Expert's Report ("IER") has been prepared to accompany the Notice of Meeting ("Notice of Meeting") to be provided to shareholders for a General Meeting of Health House International Limited ("HHI" or "the Company"), at which shareholder approval will be sought for the proposed issue of performance shares.
- 1.2 On 11 May 2021, HHI announced the proposed acquisition of CanPharma GmbH ("CanPharma"). As part of the acquisition, HHI will issue the vendors of CanPharma 36.9 million performance shares ("Performance Shares") with the following terms:
- a) 12 million Class A performance shares to the vendors of CanPharma and 300,000 Class A performance shares to Gemelli Nominees that will convert to ordinary shares if €5 million or more in revenue is generated by CanPharma over a 24 month period from Completion Date ("Class A Performance Shares").
 - b) 12 million Class B performance shares to the vendors of CanPharma and 300,000 Class B performance shares to Gemelli Nominees that will convert to ordinary shares if €10 million in revenue is generated by CanPharma over a 24 month period from Completion Date ("Class B Performance Shares").
 - c) 12 million Class C performance shares to the vendors of CanPharma and 300,000 Class C performance shares to Gemelli Nominees that will convert to ordinary shares if €15 million in revenue is generated by CanPharma over a 24 month period from Completion Date ("Class C Performance Shares").
- ("Proposed Transaction")
- 1.3 The Performance Rights represent approximately 17.2% of the diluted ordinary issued capital of HHI (assuming no existing options are exercised).
- 1.4 The Directors of the Company have requested Moore Australia Corporate Finance (WA) Pty Ltd ("MACF"), being independent and qualified for the purpose, to express an opinion as to whether the Proposed Transaction is fair and reasonable to the Shareholders.

2. SUMMARY AND OPINION

Purpose of the Report

- 2.1 We have had regard to ASX's updated Guidance Note 19 "Performance Securities" ("GN19"), where it requires that a listed entity must obtain an independent expert's report in a situation where a proposed issue of performance securities will convert into greater than 10% of the issued capital of a company if the applicable milestone is achieved.
- 2.2 The Directors of HHI have appointed Moore Australia Corporate Finance (WA) Pty Ltd ("MACF") to prepare an Independent Expert's Report ("IER" or the "Report") to provide an opinion on whether the issue of shares in HHI upon conversion of the Performance Rights is fair and reasonable to non-participating security holders of HHI.
- 2.3 The IER has been prepared in accordance with ASX GN19, the Australian Securities and Investment Commission ("ASIC") Regulatory Guide ('RG') 111 Content of expert's reports ('RG 111') and RG 112 Independence of experts ('RG 112').
- 2.4 We have not been engaged to form an opinion on the acquisition of Can Pharma. As such, we have not analysed nor provided an opinion on the acquisition of CanPharma. Our report relates only to the issue of the Performance Rights.

Approach

- 2.5 Our report has been prepared having regard to ASIC RG 111, RG 112 and ASX GN19.
- 2.6 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;
- A comparison of the value of a HHI share assuming the relevant performance milestones attached to the Performance Shares are not met to the value of a HHI share assuming that the relevant performance milestones of the Performance Shares have been met;
 - Advantages and disadvantages of approving the Proposed Transaction;
 - The likelihood of a superior alternative Proposed Transaction being available to HHI;
 - Other factors which we consider to be relevant to the shareholders of HHI in their assessment of the Proposed Transaction; and
 - The position of the shareholders of HHI should the Proposed Transaction not be successful.
- 2.7 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.

Opinion

- 2.8 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 Non-Associated Shareholders of HHI, as set out in sections 11 and 12 of this Report.

Fairness

- 2.9 In Section 11 we determined the value of HHI shares before the Proposed Transaction (assuming the Performance Shares are not converted) and the value of HHI shares following the Proposed Transaction (assuming the Performance Shares are converted), as detailed below:

		Section	Low \$	High \$
Pre Proposed Transaction	Assessed Fair Value of a HHI share prior to the Proposed Transaction	10	0.119	0.203
Post Proposed Transaction	Assessed Fair Value of a HHI share post the Proposed Transaction	11	0.146	0.299

Source: Moore Australia Corporate Finance (WA) Pty Ltd analysis

- 2.10 The above assessment indicates that, in the absence of any other relevant information, the Proposed Transaction is fair to the Non-Associated Shareholders of HHI because the value of a HHI share following the Proposed Transaction is within or greater than the range of values of a HHI share prior to the Proposed Transaction.

Reasonableness

- 2.11 RG 111 establishes that an offer 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; and
- Other considerations and the position of shareholders of HHI if the Proposed Transaction is not successful.

- 2.12 In our opinion, if the Proposed Transaction is successful, the position of Non-Associated Shareholders of HHI is more advantageous than their position if the Proposed Transaction was 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 Non-Associated Shareholders of HHI.

- 2.13 The advantages and disadvantages considered are summarised below;

Advantages and Disadvantages of the Proposed Transaction are:

Section	Advantages	Section	Disadvantages
12	The Proposed Transaction is fair	12	An increase in revenue does not guarantee a profit
12	Consideration will be deferred and contingent on achieving results	12	Management could be incentivised to increase revenue to the cost of the broader business
		11	HHI will use its own capital to fund the growth of CanPharma

3. SUMMARY OF THE PROPOSED TRANSACTION

Overview

- 3.1 On 11 May 2021, HHI announced the acquisition of 100% of the issued capital of CanPharma.
- 3.2 The key terms of the acquisition of CanPharma are set out below:
- a) HHI will issue 11,753,061 fully paid ordinary shares to the vendors of CanPharma;
 - b) HHI will issue 36 million Performance Shares; and
 - c) HHI will issue 6,246,939 fully paid ordinary shares to settle certain debts owed by CanPharma to related parties of CanPharma.
- 3.3 In addition to the securities issued above, HHI will issue 0.9 million Performance Shares and 0.45 million fully paid ordinary shares to Gemelli Nominees Pty Ltd (“Gemelli”) as an introduction fee related to the Proposed Transaction.

Performance Shares

- 3.4 A total of 36.9 million Performance Shares will be issued, as follows:

	Vendors of CanPharma	Gemelli Nominees
Class A Performance Shares	12,000,000	300,000
Class B Performance Shares	12,000,000	300,000
Class C Performance Shares	12,000,000	300,000

- 3.5 The terms of the Performance Shares are set out below:

	Revenue Hurdle	Type of Revenue	Period of Revenue
Class A Performance Shares	€5,000,000	Cumulative	2 years
Class B Performance Shares	€10,000,000	Cumulative	2 years
Class C Performance Shares	€15,000,000	Cumulative	2 years

- 3.6 Based on the table above, the Performance Shares will convert to ordinary fully paid shares if CanPharma generates cumulative revenue over a 2 year period from the Completion Date. The Completion Date is the date of approval by HHI shareholders.
- 3.7 The Performance Shares do not have rights to any of the following:
- a) Voting rights in HHI;
 - b) Dividend rights in HHI;
 - c) No rights to surplus profits or assets;
 - d) No right to a return of capital;
 - e) The Performance Shares are non-transferrable; and
 - f) No right to participate in entitlements and bonus issues.
- 3.8 The Performance Shares do contain a “change of control” provision which means if there is a change of control event for HHI then the milestones will be deemed to have been met and the Performance Shares will automatically convert into shares at the date of the change in control event.

Rationale for the Proposed Transaction

- 3.9 Of the Performance Shares being issued, 36 million relate to consideration payable to the vendors of CanPharma. Payment of Performance Shares means that the potential dilution to HHI shareholders as a result of the acquisition is linked to the performance of CanPharma. This is preferable to an upfront issue of fully paid ordinary shares in HHI which would not require any financial hurdles to be met.
- 3.10 Likewise, the introductory fee to Gemelli Nominees Pty Ltd is partly dependent on the performance of CanPharma. This is preferable to an upfront issue of fully paid ordinary shares.

Impact of Proposed Transaction on HHI Capital Structure

- 3.11 The table below sets out a summary of the capital structure of HHI prior to and post the Proposed Transaction:

	Assuming Performance Shares Don't Convert		Assuming Performance Shares Do Convert	
	Number of Shares	% holding of HHI	Number of Shares	% holding of HHI
Shares on issue:				
Prior to the acquisition of CanPharma	158,874,622	89.6%	158,874,622	74.2%
Shares issued to CanPharma vendors	18,000,000	10.2%	18,000,000	8.4%
Shares issued to Gemelli Nominees Pty Ltd	450,000	0.3%	450,000	0.2%
Conversion of Performance Shares	-	0.0%	36,900,000	17.2%
Total Shares on issue	177,324,622	100.0%	214,224,622	100.0%
Outstanding Performance Shares	36,900,000		-	

Source: Moore Australia Corporate Finance (WA) Pty Ltd analysis

The above analysis is based on the following assumptions:

1. For the purpose of our analysis, we have assumed that the acquisition of CanPharma is approved and the issue of ordinary shares in relation to the acquisition have been issued. This is to ensure our analysis of the impact of the Performance Shares on the value of a HHI share only captures the Performance Shares.

4. SCOPE OF THE REPORT

ASX Listing Rules

- 4.1 Pursuant to ASX GN19, a company that issues performance securities that could, in aggregate, convert into more than 10% of the number of ordinary shares in the company proposed to be on issue as at the date of the issue of the performance securities, requires an independent expert report to be presented to non-participating shareholders.
- 4.2 When considering the number of ordinary shares on issue as at the date of issue of the performance securities, any shares being issued in connection with the same transaction should be taken into account. As such, the total number of shares proposed to be on issue as at the date of the issue of the performance shares is 177,324,622 (which is the current number of ordinary shares on issue plus the ordinary shares to be issued as part of the acquisition of CanPharma).
- 4.3 The aggregate of Performance Shares to be issued as a result of the Proposed Transaction is 36.9 million. This includes the Performance Shares issued to the vendors and management of CanPharma plus the Performance Shares issued to Gemelli. Although there are a number of different classes of Performance Shares, GN 19 requires all classes to be included when considering the potential dilution impact on the ordinary shares.
- 4.4 Based on the details above, the Performance Shares could convert into 17.2% of the issued capital of HHI. This forms the basis of our Report.

Regulatory Guidance

- 4.5 GN 19 states that an independent expert report comply with the requirement of ASIC Regulatory Guide 111 *Content of expert reports* (RG 111).
- 4.6 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.

Adopted Basis of Evaluation

- 4.7 GN 19 states that the ASX expects an independent expert to assume that the relevant performance milestones have been met, assess the impact that would have on the value of the entity compared to the situation if the relevant performance milestones were not met, and then determine whether the resulting number of ordinary shares to be issued by the entity to the holder of the performance shares is fair and reasonable in the circumstances.
- 4.8 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 non-participating shareholders to accept the Proposed Transaction.
- 4.9 Having regard to the above, MACF has completed this comparison in two parts:
- A comparison between the value of a HHI share prior to the conversion of the Performance Shares to the value of a HHI share following conversion of the Performance Shares (fairness – see Section 11 – Assessment of Fairness); and
 - An investigation into other significant factors to which non-participating shareholders might give consideration, prior to accepting the Proposed Transaction, after reference to the value derived above (reasonableness – see Section 12 - Assessment of Reasonableness).
- 4.10 The other significant factors to be considered include:
- Other prospects of the Company if the Proposed Transaction does not proceed; and
 - Any other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.11 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. PROFILE OF HEALTH HOUSE INTERNATIONAL LIMITED

Background

- 5.1 HHI is predominantly a distributor of medicinal cannabis products. Its operations cover Australia and the UK, with intentions to expand into Europe. HHI intends to continue to grow its operations and expand into other countries. It operates a number of subsidiaries.
- 5.2 The company provides the following general services:
- a) Warehouse management – Health House enters all products into a warehouse management system for accurate inventory management;
 - b) Controlled drugs storage – Health House has special access areas and procedures in place to deal with controlled drugs. Regular inventory checks are made to ensure secure storage;
 - c) Delivery – Health House conducts daily deliveries made through secure logistics companies and couriers;
 - d) Pharmacy support – Health House provides inventory management and support logistics solutions to empower pharmacists to focus on patients and remain competitive in the market;
 - e) Efficiency – Health House creates efficiency in the healthcare system. Pharmacists do not need to order separately from multiple manufacturers nor manage inventory, saving time and costs; and
 - f) Safety & security – Health House ensures that medicines are properly and securely handled, stored and delivered (g) reliability – Health House ensures its medicines are delivered in a time-efficient manner to a range of pharmacies, care homes and clinics.

HHI (Australia) Pty Ltd

- 5.3 HHI (Australia) Pty Ltd has an Australian licence to import, export and distribute medicinal cannabis products. The import and export of medicinal cannabis to Australia is tightly controlled, with stringent compliance requirements. The subsidiary was established in 2016.
- 5.4 It has entered into a number of exclusive and non-exclusive agreements with companies involved in the manufacture of medicinal cannabis products for the distribution of their products in Australia and for some agreements, to the wider Australasia area.

Health House Pharma Limited

- 5.5 Health House Pharma Limited is an international pharmaceutical distribution business. Its principal activity is the wholesale distribution of pharmaceuticals and medical supplies to pharmacies, hospitals, government departments, veterinarians, and other wholesalers. The business is predominantly United Kingdom focussed.

Board of Directors

- 5.6 The current Board of Directors are:

Name	Title	Experience
David Wheeler	Executive Chairman	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.
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.

Board of Directors (continued)

Name	Title	Experience
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. He also holds the positions of CEO to his London based business consultancy, Rann Strategy Group.

Historical Financial Information

- 5.7 The table below summarises the financial performance of Health House Holdings Limited, which is the entity that was acquired by VPCL Limited. We have analysed the Health House Holdings Limited financial performance because, in our opinion, it is the entity relevant to HHI's ongoing operations and is the best reflection of performance for HHI. The information is provided for the year ended 30 June 2020 ("FY20") and the half year ended 31 December 2020 ("HY21").

	FY20 \$	HY21 \$
Revenue	5,980,400	4,353,048
Cost of Sales	(4,637,955)	(3,475,331)
Gross Profit	1,342,445	877,717
Other expenses	(3,861,529)	(2,641,972)
Profit/(Loss) before tax	(2,519,084)	(1,764,255)

Source: HHI financial statements (audited FY20, reviewed HY21)

- 5.8 We note the following in relation to the financial performance of HHI:
- The financial statements for FY20 were converted from GBP to AUD at an average rate of 1.88 and the financial statements for HY21 were converted at an average rate of 1.81.
 - HY21 revenue indicates and extrapolated revenue of \$8.7 million for the full year. This is a 46% increase from FY20. However, the FY20 revenue of Health House Holdings Limited was heavily weighted to the second half. We have provide a comparison of the last three half years' revenue figures for Health House Holdings Limited below:

	1H20 \$	2H20 \$	1H21 \$
Revenue	1,500,658	4,479,742	4,353,048

The table above indicates that revenue declined, half on half, from 2H20 to 1H21. Last 12 month revenue is approximately \$8.8 million.

- Gross profit margins for FY20 was 22%. Gross profit margin for HY21 was 20%. There has been a decline in gross profit margin over the last six months.
- Administration and other expenses have increased on an annualised basis as a result of pursuing the ASX listing and establishing itself as a listed company.

5.9 The table below sets out a summary of the proforma Statement of Financial Position of HHI included in the Prospectus dated 21 January 2021. We have considered the proforma Statement of Financial Position because it includes the impact of the capital raising pursuant to the Prospectus.

	Pro-forma 30 June 2020
Current Assets	
Cash and cash equivalents	9,760,812
Receivables	1,505,921
Inventories	775,441
Other current assets	400,272
Total Current Assets	12,442,446
Non-Current Assets	
Property, plant and equipment	164,995
Intangible assets	1,826,127
Total Non-Current Assets	1,991,122
Total Assets	14,433,568
Current Liabilities	
Trade and other payables	1,740,002
Other current liabilities	485,115
Total Current Liabilities	2,225,117
Non-Current Liabilities	
Other non-current liabilities	134,467
Total Non-Current Liabilities	134,467
Total Liabilities	2,359,584
Net Assets	12,073,984

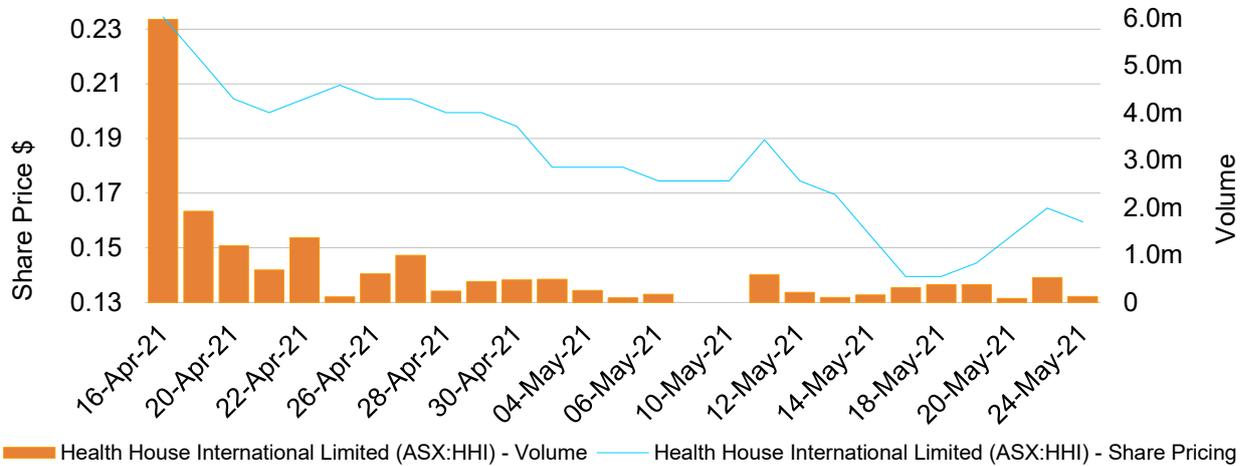
Source: HHI Prospectus.

5.10 We note the following in relation to HHI's financial position:

- Intangible assets mostly comprise goodwill on acquisition of subsidiaries.
- HHI's major asset is cash, which it intends to use to grow its operations both organically and through acquisition. We note that the latest quarterly report for HHI reflects a cash position of approximately \$7.0 million.

Capital Structure

5.11 HHI was only recently listed. The chart below summarises HHI's share price history from its listing date.



5.12 After raising money at \$0.20 per share, HHI listed on 16 April 2021, closing at \$0.23. The share price has declined since listing, with a close on 24 May 2021 of \$0.16.

5.13 Given the recent listing of HHI, we have not analysed the volume of share trading. However, we note that volume following the listing has been “light”, with an average of 280,000 shares traded on a daily basis in May. The daily value of shares traded in May has ranged between \$10,000 and \$100,000 which indicates a marketable parcel of shares of \$10,000 could be traded with limited impediment, although it is unlikely to be traded instantly without impacting the bid/ask spread.

5.14 There have been a number of announcements in relation to distribution arrangements in Australia in relation to new contracts. However, these announcements have not had a materially significant impact on the share price of HHI.

6. PROFILE OF CANPHARMA GMBH

Background

- 6.1 CanPharma is a Germany based pharmaceutical distribution business focussed on medicinal cannabis. CanPharma is a licenced manufacturer, pharmaceutical wholesale company and a licenced narcotic drug dealer under German legislation. CanPharma also has an office in Barcelona.
- 6.2 The company distributes cannabis flowers and extracts and provides expertise for testing and analysing medicinal cannabis products. It currently has a low volume of sales as set out below.

Financial Performance

- 6.3 The table below sets out the financial performance of CanPharma for the years ended 31 December 2019 and 2020. The information is based on the management accounts of CanPharma.

	FY19 AUD	FY20 AUD
Revenue	454,434	667,209
Cost of Sales	(310,700)	(725,115)
Gross Profit	143,734	(57,906)
Other expenses	(2,193,987)	(2,768,902)
Profit/(Loss) before tax	(2,050,254)	(2,826,808)

- 6.4 The table above is reflective of the early stage of the CanPharma business. Revenue is minimal and, in FY20, cost of sales were more than sales. We have been provided with revenue to April 2021 and note that sales indicate a similar trend to FY20.
- 6.5 We note that HHI will assume €2.6 million in debt as part of the acquisition of CanPharma. We do not expect CanPharma will have a material amount of cash upon acquisition.

7. INDUSTRY BACKGROUND

Cannabis

- 7.1 HHI 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, in January 2020, a bill was passed that decriminalises the use of cannabis for recreational purposes. It also allows people to possess up to 50 grams of dried cannabis and grow up to four plants outdoors per residence, or two per person. 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, 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/>

Cannabis Industry in Germany

- 7.9 Medicinal cannabis was legalised in Germany in March 2017 on a prescription basis. Subsequent to legalisation, demand rose quickly and is now relatively widespread with approximately 142,000 prescriptions issued in 2018, with the German Cannabis Association (“DHV”) estimating that there were 50,000-60,000 private and statutory health insurance patients in Germany in March 2019⁴. Prohibition Partners estimate that around 60% of prescriptions are reimbursed by health insurance in Germany⁵. As of January 2017, public health insurers were required to reimburse for the costs of up to 5 ounces of cannabis medication (subject to certain criteria). This makes Germany one of the most sought after medicinal cannabis markets in Germany, estimated to be worth EUR7.7bn by 2028².
- 7.10 Patient demand exceeds supply in Germany, creating a significant reliance on imported products. Currently Germany imports medicinal cannabis from a relatively small selection of countries and suppliers, mainly from the Netherlands and Canada, subject to strict restrictions and quotas. Subsequent to April 2019, Germany authorised medicinal cannabis imports from select companies in Europe and Australia. During 2018, Germany imported 4,400kg of medicinal cannabis flower². In the first half of 2019, 2,498kg of medicinal cannabis flower was imported into Germany².
- 7.11 In order to alleviate the supply shortage, the first few licences for domestic cultivation in Germany were granted in April 2019 which allows the growth of up to 10,400kg over the next 4 years⁶. The first domestically produced harvests are expected by the end of 2020. This level of domestic growth is not sufficient to meet domestic demand however, suggesting that in the absence of the issue of further cultivation licences in the future, Germany will continue to rely on imported product. Domestic supply is likely to provide some downward pressure on the medicinal cannabis price in Germany going forward (the cost of medicinal cannabis in Germany is significantly higher than in other European countries, averaging between EUR20 and EUR25 per gram for flower²). However, with heavy reliance on imports, prices are likely to remain high for the foreseeable future.
- 7.12 Operators in the medicinal cannabis sector in Germany are subject to a strict regulatory environment, requiring distribution or cultivation licences, import permits, wholesale licences etc as well as authorisation of all imports and exports of medicinal cannabis from the Federal Institute for Drugs and Medical Devices (“BfArM”). In order to import medicinal cannabis into Germany the product must be able to be traced back to the cultivation site, which are subject to strict regulations.
- 7.13 All suppliers of medicinal cannabis to Germany require EU – Good Manufacturing Practice (“EU-GMP”) certification. EU-GMP is the minimum manufacturing standard that a supplier must meet for pharmaceutical grade cannabis to be approved for import into Germany. This involves strictly controlled environments for growing including purified soil, air and water. Australia has been likened to having EU-GMP equivalence.

⁴ <https://www.thelocal.de/20190308/two-years-since-legalization-germans-still-face-hurdles-accessing-medical-marijuana>

⁵ The Germany Cannabis Report, Prohibition Partners

⁶ <https://prohibitionpartners.com/2019/04/05/germany-awards-domestic-cultivation-licences-to-aphria-aurora-and-demecan/>

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. We have prepared our valuations on this basis.

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');

Valuation Approach Adopted (continued)

- Net asset value ('NAV'); and
 - Market approach method ('Comparable market transactions').
- 8.3 A summary of each of these methodologies is outlined in Appendix B.

Value of a HHI Share prior to the Proposed Transaction

- 8.4 In assessing the value of a HHI share prior to the Proposed Transaction we have utilised the multiple of revenue valuation methodology. We have considered all other valuation methodologies but, in our opinion, no other methodology is appropriate. We set out our reasoning below:
- The medicinal cannabis sector is a young industry where companies are yet to produce consistent profits which can be used to prepare a valuation using EBIT or EBITDA.
 - Revenue is the only consistent measure that could be used across companies within the medicinal cannabis sector. It is also not uncommon for revenue multiples to be used as a measure of value in early stage industries.
 - The performance measure of the Performance Shares is based on revenue. As such, the impact of an increase in revenue will be reflected in a valuation based on a multiple of revenue.
 - A net asset valuation will not capture the impact of an increase in revenue.
 - We have prepared a cross check to our valuation by assessing the quoted market price of a HHI share.

Value of a HHI Share following the Proposed Transaction

- 8.5 In assessing the value of HHI following the Proposed Transaction we have also utilised the multiple of revenue valuation methodology, for the reasons set out in Section 8.4 above.

9. VALUATION OF HHI PRIOR TO THE PROPOSED TRANSACTION

9.1 As stated in Section 8.4 we have assessed the value of a HHI share prior to the Proposed Transaction on a multiple of revenue basis.

Multiple of Revenue Valuation

9.2 Our assessed value is summarised in the table below.

	Ref	Low \$	High \$
Revenue			
HHI - LTM	5.8 ii	8,832,790	8,832,790
CanPharma	6.3	667,209	667,209
Total Revenue	9.3	9,500,000	9,500,000
Multiple	9.4 – 9.10	2	3
Enterprise Value		18,999,999	28,499,999
Add net cash	9.11	2,082,678	2,082,678
Equity Value		21,082,677	30,582,676
Shares on issue	3.11	177,324,622	177,324,622
Value per share		0.119	0.172

Source: Moore Australia Analysis

9.3 Revenue has been determined based on the most recent reported 12 month information for both HHI and CanPharma, being the 12 months to 31 December 2020. We have obtained more recent sales data and we consider \$9.5 million to be reflective of current sales.

9.4 In order to estimate an appropriate revenue multiple, we have reviewed a number of listed medicinal cannabis companies with revenue greater than \$1 million, less than \$1 billion and with activities in the medicinal cannabis sector. We selected a universe of 15 listed companies with exposure to medicinal cannabis.

9.5 We note that not all companies in our universe are directly comparable to HHI. More specifically, we note the majority of the companies in our universe either cultivate cannabis or own a retail distribution network. However, we believe that these companies are still comparable to HHI because the activity of manufacturing and distributing medicinal cannabis is similar to wholesaling and reselling medicinal cannabis. In our opinion, the risk of selling an own brand product but owning the entire supply chain is comparable to the risk of only acting as a reseller but having access to a broader range of products.

9.6 One key differentiating factor is that some of the comparable companies operate in the recreational cannabis sector in the USA. This is an area that could be argued derives a larger multiple due to the market size and diversification away from medicinal use.

9.7 The universe of comparable companies is set out below. More detailed analysis of the comparable companies is included in Appendix C.

Company	Ticker	Enterprise Value \$m	Total Revenue (LTM) \$m	EV/Revenue Multiple (x)
MedMen Enterprises Inc.	CNSX:MMEN	271.8	170.6	1.6
MariMed Inc.	OTCPK:MRMD	500.7	89.4	5.6
Cosmos Holdings Inc.	OTCPK:COSM	145.7	72.4	2.0
Vibe Growth Corporation	CNSX:VIBE	101.6	31.4	3.2
VIVO Cannabis Inc.	TSX:VIVO	38.3	30.6	1.3
Plus Products Inc.	CNSX:PLUS	37.8	20.6	1.8
Next Green Wave Holdings Inc.	CNSX:NGW	129.9	16.4	7.9
Seach Medical Group Ltd	TASE:SEMG	71.1	13.3	5.3
Canada House Wellness Group Inc.	CNSX:CHV	39.7	9.2	4.3
Althea Group Holdings Limited	ASX:AGH	92.4	8.3	11.1
Bod Australia Limited	ASX:BDA	29.1	7.2	4.0
Epsilon Healthcare Limited	ASX:EPN	26.1	7.0	3.8
Cann Group Limited	ASX:CAN	94.2	6.2	15.1
Little Green Pharma Ltd	ASX:LGP	112.3	5.3	21.4
PharmaCielo Ltd.	TSXV:PCLO	229.0	2.7	84.8
Average		128.0	32.7	11.6
Median		94.2	13.3	4.3

9.8 The table above demonstrates a broad range of revenue multiples in the medicinal cannabis sector.

9.9 We note that the volatility in revenue multiples increases as company revenue declines. For the purposes of our analysis, we have excluded the bottom three companies from our assessment as they appear to be significant outliers.

9.10 Our review of the companies above identified Cosmos Holdings Inc as a directly comparable company to HHI on the basis that it supplies third party medicinal cannabis products to the pharmaceutical and medical field. As such, we consider a revenue multiple of 2x to be appropriate. Given the quantum of multiples above 2x, we have determined a range between 2x and 3x.

9.11 We have relied on a net cash balance as determined below:

	Ref	\$
HHI cash from Appendix 4C	9.12	7,001,000
HHI debt from Appendix 4C	9.12	(767,000)
Estimate debt of CanPharma	9.13	<u>(4,151,322)</u>
Total net debt		2,082,678

9.12 We have used the cash balance and debt balance as disclosed in the March 2021 quarterly financial statement announced by HHI.

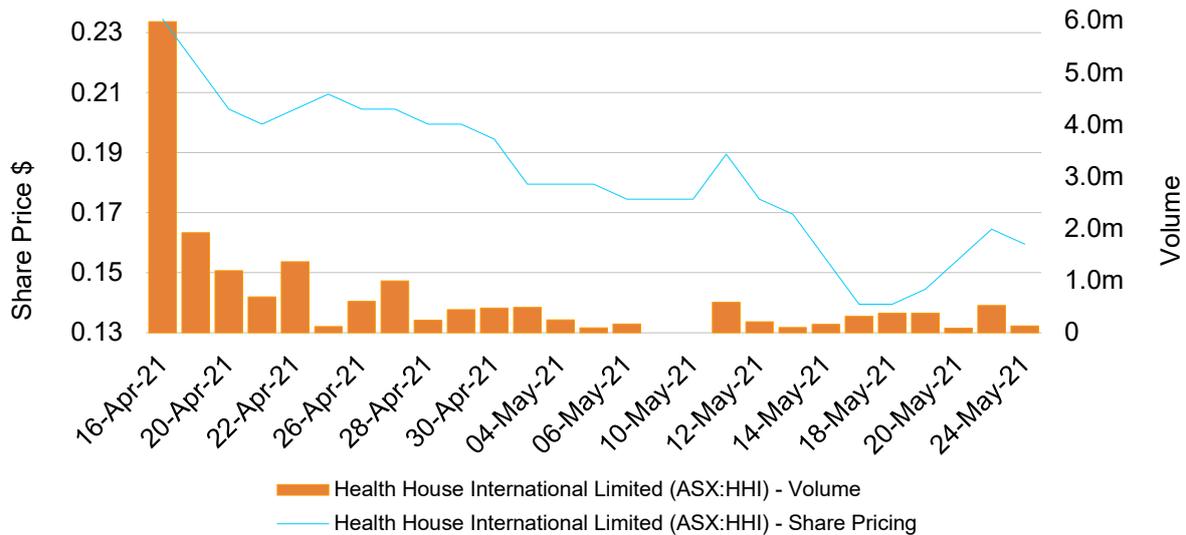
9.13 CanPharma will have approximately €2.6 million in debt upon acquisition by HHI. We have converted this debt to AUD using a rate of 1.58.

Quoted Market Price of a HHI Share

9.14 In order to provide a comparison and cross check to our revenue multiple valuation of a HHI share, we have considered the recent quoted market price for HHI.

Analysis of recent trading in HHI Shares

9.15 The figure below sets out a summary of the closing share price and the volume of a HHI share traded since listing on 16 April 2021 to 24 May 2021.



Source: S&P Capital IQ

9.16 We note the following with regard to trading in HHI shares:

- The shares have only been listed for 27 trading days.
- The shares have trended downwards since listing on declining volumes.
- The shares have traded every day except for two, since listing.
- Approximately 104.8 million are currently under escrow.

9.17 To provide further analysis of the quoted market price for HHI shares, we have considered the VWAP over a number of trading day periods ending 24 May 2021. An analysis of the trading volume in trading in HHI's shares for the 1, 5, 10 and 27 day trading periods is set out in the table below.

Trading Days	1 Day	5 Day	10 Day	27 Day
VWAP	0.16	0.15	0.16	0.20
Total Volume (millions)	0.1	1.5	2.9	17.9
Total Volume as % of Total Shares	0.1%	0.9%	1.8%	11.3%
Low Price A\$	0.16	0.13	0.13	0.13
High Price A\$	0.17	0.17	0.19	0.28

9.18 The table above shows a range of values between \$0.15 to \$0.20 for the quoted market price of a HHI share.

9.19 We note that to rely on the quoted market price for the valuation of HHI there is a requirement for the security to trade in a ‘deep’ market. RG111.69 indicates that a ‘deep’ market should reflect a liquid and active market. In our opinion, characteristics synonymous with a deep market are:

- Regular trading in a company’s securities;
- An average of 1% of a company’s securities traded on a weekly basis;
- Non-significant bid/ask spread of the stock;
- A significant spread of ownership of the securities (i.e. the top 10 shareholders do not control more than 50% of the company); and
- There are not regular unexplained movements in the share price

9.20 For a security to be considered ‘deep’ it should fit with all the above characteristics. Though if it does fail to meet all of the above characteristics it does not automatically characterise the shares as irrelevant for valuation purposes, it means that they should not purely be relied upon.

9.21 We note in the case of HHI that we consider there to be a modest market for the Company’s shares due to the regular trading volume.

Valuation summary and conclusion

9.22 A summary of our assessed values of a HHI share, pre- the Proposed Transaction, derived under the two methodologies, is set out in the table below.

	Ref	Low Value \$	High Value \$
Revenue multiple valuation		0.119	0.172
Quoted market price valuation		0.148	0.203
Preferred value		0.119	0.203

9.23 In our opinion, both the revenue multiple valuation and the quoted market price valuation are similar. As such, we have determined our preferred value range based on utilising both valuation as guidance.

9.24 In our opinion, the Fair Value of a HHI prior to the Proposed Transaction is between \$0.12 and \$0.20.

10. VALUATION OF HHI FOLLOWING THE PROPOSED TRANSACTION

- 10.1 In order to assess the impact on the value of a HHI share if the Performance Shares are converted to ordinary shares in HHI, we have factored in the required increase in revenue for each class of Performance Share. We have then applied this change in revenue to our previously estimated revenue multiple to derive a value of a HHI share following the Proposed Transaction. This is summarised in the table below:

	Ref	Class A Performance Shares		Class B Performance Shares		Class C Performance Shares	
		Low \$	High \$	Low \$	High \$	Low \$	High \$
Pre Proposed Transaction Revenue	9.2	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000
Hurdle Revenue Required	10.4	3,276,156	3,276,156	7,219,521	7,219,521	11,162,886	11,162,886
Post Proposed Transaction Revenue		12,776,155	12,776,155	16,719,521	16,719,521	20,662,886	20,662,886
Multiple	10.5	2	3	2	3	2	3
Enterprise Value		25,552,311	38,328,466	33,439,041	50,158,562	41,325,771	61,988,657
Add net cash	10.6	2,082,678	2,082,678	2,082,678	2,082,678	2,082,678	2,082,678
Equity Value		27,634,989	40,411,144	35,521,719	52,241,239	43,408,449	64,071,335
Shares on issue	3.11	177,324,622	177,324,622	177,324,622	177,324,622	177,324,622	177,324,622
Shares issued on conversion of Performance Shares	10.7	12,300,000	12,300,000	24,600,000	24,600,000	36,900,000	36,900,000
Post Proposed Transaction shares on issue		189,624,622	189,624,622	201,924,622	201,924,622	214,224,622	214,224,622
Value per share		0.146	0.213	0.176	0.259	0.203	0.299

Source: Moore Australia Analysis

- 10.2 The table above indicates that in every scenario, the value of a share in HHI following the Proposed Transaction is greater than the value of a HHI share prior to the Proposed Transaction.
- 10.3 The pre Proposed Transaction revenue was taken from the revenue included in section 9.
- 10.4 The hurdle revenue is measured over a 24 month period. A revenue multiple is applied to an annual revenue figure. As such, we have assumed that revenue will be generated equally over the 24 month period. Therefore, annual revenue has been assumed to reflect half of the required revenue hurdle. We have converted the EUR revenue required at a spot rate of 1.58, as follows:

	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares
24 Month Revenue Hurdle Required (EUR)	5,000,000	10,000,000	15,000,000
Average 12 Month Revenue Hurdle (EUR)	2,500,000	5,000,000	7,500,000
AUD/EUR	1.58	1.58	1.58
Hurdle Revenue Required (AUD)	3,943,365	7,886,730	11,830,095
Less existing CanPharma revenue	(667,209)	(667,209)	(667,209)
Additional Revenue Required (AUD)	3,276,156	7,219,521	11,162,886

- 10.5 The multiple is derived in section 9. We do not consider it necessary to adjust the multiple in the case of the increased revenue because it is still comparable to the companies used to derive our preferred multiple range.



- 10.6 Net cash is assumed to be the same as the valuation prior to the conversion of the Performance Shares. We note that this is a key assumption in our analysis because it is likely that net debt will change before the revenue hurdles are achieved.
- 10.7 The number of shares issued as a result of the conversion of the Performance Shares is 12.3 million for each class that convert, as per the terms of the Performance Shares.

11. IS THE PROPOSED TRANSACTION FAIR TO HHI SHAREHOLDERS?

11.1 In assessing whether we consider the Proposed Transaction to be fair to the Shareholders, we have valued a HHI Share prior to the Proposed Transaction and compared it to the value of a HHI Share after the Proposed Transaction.

11.2 Our assessed values of a HHI share are summarised in the table and figure below.

		Section	Low \$	High \$
Pre Proposed transaction	Assessed Fair Value of a HHI share prior to the Proposed Transaction	10	0.119	0.203
Post Proposed transaction	Assessed Fair Value of a HHI share post the Proposed Transaction	11	0.146	0.299

Source: Moore Australia Corporate Finance (WA) Pty Ltd analysis

11.3 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of GN 19, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of HHI as the value of a HHI share following the Proposed Transaction is with the range or greater than the value of a HHI share prior to the Proposed Transaction, in every case.

12. IS THE PROPOSED TRANSACTION REASONABLE?

12.1 RG111 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 HHI if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future Prospects of HHI if the Proposed Transaction Does Not Proceed

12.2 If the Proposed Transaction does not proceed, then HHI would not acquire CanPharma. CanPharma has certain licences that allow it to operate in certain locations within Europe. Expanding in Europe could prove to be lucrative in the future. If HHI does not acquire CanPharma, it will need to apply for its own licences and build relationships already established by CanPharma.

Advantages and Disadvantages

12.3 In assessing whether the Non-Associated Shareholders 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 Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Advantages	Description
The Proposed Transaction is fair	RG111 states that a transaction is reasonable if it is fair. We have found the Proposed Transaction to be fair for each class of Performance Share.
Consideration is deferred and contingent on achieving results	If CanPharma does not generate the required revenue hurdles, then the HHI will only have issued 18.45 million shares to acquire CanPharma.

Disadvantages of approving the Proposed Transaction

Disadvantages	Description
No guarantee of profits	A revenue hurdle is no guarantee that CanPharma will generate a profit. Further, an incentive to grow revenue could come at the cost of generating profits because unprofitable decisions could be made deliberately to simply grow revenue.
CanPharma revenue could be generated by HHI funding	HHI has approximately \$7 million in cash. If HHI uses its cash reserves to grow CanPharma revenue, then it is actually the reserves of HHI that have generated the revenue growth, rather than purely the business of CanPharma.
Incentive to grow CanPharma revenue above other initiatives	Given some of the holders of the Performance Shares will become directors and management of HHI, they will be incentivised to grow the revenue of CanPharma over and above any other initiatives. This may not necessarily result in the best allocation of time and resources for HHI.

Conclusion on Reasonableness

12.4 In our opinion, the position of the Non-Associated 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 Proposed Transaction, we consider that the Proposed Transaction is reasonable for the Non-Associated Shareholders of HHI.



12.5 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 \$25,000, excluding GST and reimbursement of out of pocket expenses. 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 Corporate Finance (WA) Pty Ltd has also been engaged to prepare an Investigating Accountants Report and independent Expert Reports related to the business of HHI over the last two years.

Neither Moore Australia Corporate Finance (WA) Pty Ltd nor other related practice entities of Moore Australia Corporate Finance (WA) Pty Ltd, currently provide any services to HHI. The expert responsible for the preparation of this report, Mr Peter Gray, is independent of HHI.

Prior to accepting this engagement Moore Australia Corporate Finance (WA) Pty Ltd has considered its independence with respect to HHI, 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 HHI and their respective associates.

Moore Australia Corporate Finance (WA) Pty Ltd and Moore Australia Chartered Accountants have not had at the date of this report any relationship which may impair their independence.

We have held discussions with management of HHI and CanPharma 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 Western Australia practice of Moore Australia, Chartered Accountants. The firm is part of the National and International network of Moore Global Network 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 20 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 General Meeting which will be sent to HHI's shareholders.

Moore Australia Corporate Finance (WA) Pty Ltd consents to this report being included in the Notice of General Meeting to be sent to shareholders of HHI. 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 HHI or Smart Auto, 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 HHI 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 HHI 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 HHI or Smart Auto, 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 – SOURCE OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Term Sheet in relation to HHI's acquisition of CanPharma;
- Draft Notice of Meeting;
- Prospectus for HHI;
- Unaudited management accounts for CanPharma for the year ended 31 December 2020;
- Unaudited management accounts of CanPharma for the 2 months ended 28 February 2021;
- Sales summary for CanPharma for the 2 months ended 30 April 2021;
- Publicly available information in relation to HHI, including ASX announcements;
- Information in the public domain;
- S&P Capital IQ database; and
- Discussions with directors and management of both HHI and CanPharma.

APPENDIX B – VALUATION METHODOLOGIES

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

Comparable company trading multiple analysis

Company Name	Ticker	Market Cap	EV	Total Revenue (LTM)	Total Revenue (FY20)	Total Revenue (FY19)	EV/Revenue Multiple (x)	Net Assets	Gross Profit	EBITDA (LTM)
MedMen Enterprises Inc. (CNSX:MMEN)	CNSX:MMEN	242.9	271.8	170.6	229.3	171.0	1.6	(291.5)	77.4	(101.8)
MariMed Inc. (OTCPK:MRMD)	OTCPK:MRMD	437.4	500.7	89.4	66.0	64.9	5.6	29.6	52.1	30.0
Cosmos Holdings Inc. (OTCPK:COSM)	OTCPK:COSM	107.5	145.7	72.4	71.8	56.5	2.0	(5.39)	10.3	1.38
Vibe Growth Corporation (CNSX:VIBE)	CNSX:VIBE	101.4	101.6	31.4	31.4	17.9	3.2	13.1	11.1	3.35
VIVO Cannabis Inc. (TSX:VIVO)	TSX:VIVO	51.7	38.3	30.6	33.3	27.2	1.3	149.7	6.1	(13.1)
Plus Products Inc. (CNSX:PLUS)	CNSX:PLUS	26.1	37.8	20.6	20.6	19.7	1.8	0.065	7.29	(9.95)
Next Green Wave Holdings Inc. (CNSX:NGW)	CNSX:NGW	131.8	129.9	16.4	16.4	0.4	7.9	22.0	7.99	4.95
Seach Medical Group Ltd (TASE:SEMG)	TASE:SEMG	81.9	71.1	13.3	0	11.9	5.3	19.3	8.28	4.13
Canada House Wellness Group Inc. (CNSX:CHV)	CNSX:CHV	22.0	39.7	9.2	5.8	5.2	4.3	5.59	4.89	(4.14)
Althea Group Holdings Limited (ASX:AGH)	ASX:AGH	98.4	92.4	8.3	5.1	0.8	11.1	48.0	4.65	(11.1)
Bod Australia Limited (ASX:BDA)	ASX:BDA	39.7	29.1	7.2	5.9	1.3	4.0	4.81	2.19	(4.8)
Epsilon Healthcare Limited (ASX:EPN)	ASX:EPN	27.9	26.1	7.0	7.0	4.8	3.8	25.3	2.34	(9.66)
Cann Group Limited (ASX:CAN)	ASX:CAN	120.9	94.2	6.2	1.6	2.6	15.1	61.1	5.59	(11.6)
Little Green Pharma Ltd (ASX:LGP)	ASX:LGP	115.2	112.3	5.3	2.2	0.2	21.4	12.3	3.17	(4.17)
PharmaCielo Ltd. (TSXV:PCLO)	TSXV:PCLO	234.5	229.0	2.7	2.7	0.9	84.8	26.7	(6.1)	(32.6)

APPENDIX C – COMPARABLE COMPANIES (continued)

Company Name	Ticker	Business Description
MedMen Enterprises Inc. (CNSX:MMEN)	CNSX:MMEN	MedMen Enterprises Inc., through its subsidiaries, operates as a cannabis company in the United States. The company cultivates, produces, distributes, and retails recreational and medicinal cannabis under the [statemade], LuxLyte, and MedMen Red brand names. It operates 25 retail stores in 6 states. MedMen Enterprises Inc. was founded in 2010 and is headquartered in Culver City, California.
MariMed Inc. (OTCPK:MRMD)	OTCPK:MRMD	MariMed Inc. engages in cultivation, production, and dispensing of medicinal and recreational cannabis in the United States and internationally. It offers cannabis genetics produce flowers and concentrates under the Nature's Heritage brand; cannabis-infused products in the form of chewable tablets and drink powder mixes under the brand Kalm Fusion; and natural fruit chews under the Betty's Eddies brand, and cannabidiol formulations under the Florance brand. It also licenses its brands and product formulations, as well as leases cannabis facilities. MariMed Inc. was incorporated in 2011 and is based in Norwood, Massachusetts.
Cosmos Holdings Inc. (OTCPK:COSM)	OTCPK:COSM	Cosmos Holdings Inc., through its subsidiaries, operates as a pharmaceutical wholesaler primarily in the European Union. It imports, exports, and distributes branded pharmaceutical products, generic pharmaceutical products, prescription and non-prescription derivatives of cannabis products, over-the-counter medicines, cosmetics, nursery, dietary products, and vitamin supplements. It also develops nutraceutical products under the Sky Life Premium brand name. The company provides its products to wholesale drug distributors, hospitals, pharmacies, governmental agencies, and wholesalers and retail healthcare providers. It operates in Greece, Germany, the United Kingdom, Hungary, the Netherlands, Ireland, Libya, Poland, Italy, France, Denmark, Croatia, Turkey, Jordan, Indonesia, Georgia, Belgium, and Cyprus. The company was formerly known as Prime Estates and Developments, Inc. and changed its name to Cosmos Holdings Inc. in November 2013. Cosmos Holdings Inc. was incorporated in 2009 and is based in Chicago, Illinois.
Vibe Growth Corporation (CNSX:VIBE)	CNSX:VIBE	Vibe Growth Corporation engages in the cultivation, production, retail, and distribution of cannabis for recreation and medicinal use in the United States, Canada, and internationally. It operates three dispensaries and a cannabis greenhouse cultivation, as well as sells its products online under the Vibe By California brand. The company was formerly known as Vibe Bioscience Ltd. and changed its name to Vibe Growth Corporation in October 2020. Vibe Growth Corporation was incorporated in 2011 and is headquartered in Vancouver, Canada.
VIVO Cannabis Inc. (TSX:VIVO)	TSX:VIVO	VIVO Cannabis Inc. cultivates, produces, and sells cannabis products for the medical and adult-use markets in Canada, Germany, and Australia. The company offers dried cannabis flower products, pre-rolls and cannabis oils, and other cannabis-derived products; and cannabis-infused chocolates, vapes, kief, live rosin, bubble hash, brick hash, and shatter and wax solvent extracts under the Canna Farms, Beacon Medical, Fireside, Fireside-X, Lumina, and Canadian Bud Collection brands. The company also operates a network of medical cannabis clinics under the Harvest Medicine name. It serves customers through direct and retail sale; and HMED Connect telemedicine platform, an online medical cannabis platform. The company is headquartered in Napanee, Canada.
Plus Products Inc. (CNSX:PLUS)	CNSX:PLUS	Plus Products Inc. develops, manufactures, and sells cannabis products in California. It offers cannabis-infused edibles to the regulated medicinal and adult-use, or recreational markets. The company sells products under the PLUS brand to dispensaries and delivery service customers. Plus Products Inc. was incorporated in 2018 and is headquartered in Vancouver, Canada.
Next Green Wave Holdings Inc. (CNSX:NGW)	CNSX:NGW	Next Green Wave Holdings Inc. cultivates and distributes medicinal and recreational cannabis in California. It is also involved in the processing, production, and packaging of dry flower, cannabis oils, and concentrates. The company offers its products under the Loki the Dog, Carey Hart, King Louie, Sketchy Tank, Junkyard, SD Cannabis, Thorn St. Brewing, Toy Machine Co, and Junkyard brands. The company was formerly known as Crossgate Capital Corporation and changed its name to Next Green Wave Holdings Inc. in August 2018. Next Green Wave Holdings Inc. was incorporated in 2011 and is based in Vancouver, Canada.

APPENDIX C – COMPARABLE COMPANIES (continued)

Company Name	Ticker	Business Description
Seach Medical Group Ltd (TASE:SEMG)	TASE:SEMG	Seach Medical Group Ltd. cultivates, processes, produces, and manufactures medicinal and cannabis products. The company is based in Hod Hasharon, Israel.
Canada House Wellness Group Inc. (CNSX:CHV)	CNSX:CHV	Canada House Wellness Group Inc., through its subsidiaries, provides medical grade cannabis products in Canada. The company offers cannabinoid therapy products and services to patients, as well as owns and operates medicinal cannabis clinics; and a licensed dispensary. It also provides a cloud-based software that links physicians, providers, and patients to data that supports treatment with medical cannabis. The company is headquartered in Pickering, Canada.
Althea Group Holdings Limited (ASX:AGH)	ASX:AGH	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.
Bod Australia Limited (ASX:BDA)	ASX:BDA	Bod Australia Limited operates as a cannabis centric healthcare company in Australia, the United Kingdom, and internationally. The company operates through three segments: Medical, OTC CBD/Hemp, and OTC Herbals. It offers medicinal cannabis, cannabidiol (CBD), and hemp healthcare products. The company has a collaboration agreement with Drug Science UK to assess the efficacy of its medicinal cannabis, MediCabilis in managing symptoms associated with the long term impact of SARS-CoV-2. Bod Australia Limited was incorporated in 2014 and is based in Double Bay, Australia.
Epsilon Healthcare Limited (ASX:EPN)	ASX:EPN	Epsilon Healthcare Limited operates as a healthcare and pharmaceuticals company primarily in Australia and Canada. It engages in the manufacture and distribution of hydroponics equipment, materials, and nutrients; and development and delivery of medicinal cannabis, as well as provides turnkey cultivation solutions. The company was formerly known as THC Global Group Limited and changed its name to Epsilon Healthcare Limited in February 2021. Epsilon Healthcare Limited was incorporated in 2016 and is based in Sydney, Australia.
Cann Group Limited (ASX:CAN)	ASX:CAN	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.
Little Green Pharma Ltd (ASX:LGP)	ASX:LGP	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.
PharmaCielo Ltd. (TSXV:PCLO)	TSXV:PCLO	PharmaCielo Ltd., together with its subsidiary, cultivates, processes, produces, and supplies medicinal-grade cannabis oil extracts, tetrahydrocannabinol, and related products to pharmacies, medical clinics, and cosmetic companies. The company also offers telemedicine software. It serves in Canada, Colombia, Italy, and Mexico. The company has a strategic alliance with AssuredTrans Inc. PharmaCielo Ltd. is headquartered in Toronto, Canada.

APPENDIX D – GLOSSARY

In this report, unless the context requires otherwise:

Term	Meaning
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange or ASX Limited ACN 008 624 691
BfArM	Federal Institute of Drugs and Medical Devices
Business Day	has the meaning given in the Listing Rules
CanPharma	CanPharma GmbH
Class A Performance Shares	12.3 million Performance Shares that convert to ordinary shares in HHI if CanPharma achieves £5,000,000 in revenue over a 24 month period
Class B Performance Shares	12.3 million Performance Shares that convert to ordinary shares in HHI if CanPharma achieves £10,000,000 in revenue over a 24 month period
Class B Performance Shares	12.3 million Performance Shares that convert to ordinary shares in HHI if CanPharma achieves £15,000,000 in revenue over a 24 month period
Company	Health House International Limited
DHV	German Cannabis Association
EU-GMP	EU – Good Manufacturing Practice
FSG	Financial Services Guide
FY20	Year ended 30 June 2020
Gemelli	Gemelli Nominees Pty Ltd
GN 19	Guidance Note 19
HHI	Health House International Limited
HY21	Six months ended 31 December 2020
IER	This Report
Income Tax Assessment Act	the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>
Listing Rules	the official listing rules of ASX and includes the business rules of ASX
Moore Australia or MACF	Moore Australia Corporate Finance (WA) Pty Ltd
Notice of Meeting	The Notice of Meeting of HHI where shareholders will be asked to vote on the Proposed Transaction
Performance Shares	Class A, Class B and Class C Performance Shares
Proposed Transaction	The conversion of Performance Shares into ordinary shares in HHI

Term	Meaning
Report	This Report
RG 111	Regulatory Guide 111 Content of Expert Reports
RG 112	Regulatory Guide 112 Independence of Experts

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PROXY FORM

I/We being a member(s) of Health House International 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 of the person or body corporate you are appointing as your proxy

STEP 1

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 General Meeting of the Company to be held at **10:00am (WST) on Friday, 30 July 2021 at Blackwall Legal, Level 26, 140 St Georges Terrace, Perth WA (the Meeting)** and at any postponement or adjournment of the Meeting.
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 .

STEP 2

Resolutions	For	Against	Abstain*		For	Against	Abstain*
1 Approval for the issue of consideration shares to the CanPharma vendors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval for the issue of performance shares to Gemelli Nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval for the issue of performance shares to the CanPharma vendors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Election of Dr Henrik Sprengel as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval for the issue of performance shares to the CanPharma management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval for the issue of advisor shares to Gemelli Nominees	<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 show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual) <input style="width: 100%; height: 20px;" type="text"/>	Joint Securityholder 2 (Individual) <input style="width: 100%; height: 20px;" type="text"/>	Joint Securityholder 3 (Individual) <input style="width: 100%; height: 20px;" type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

STEP 3

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder'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).



HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities 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 of that individual or body corporate in Step 1. A proxy need not be a securityholder 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.

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 securities 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 securities 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 security 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 securities 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 securityholder 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 produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (WST) on Wednesday, 28 July 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, securityholders 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 securityholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Health House International Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**