



June 2021 Quarterly Update

29 July 2021

Key highlights:

- **Strategic CanPharma acquisition provides access to Europe's largest and fastest growing medicinal cannabis market: Germany**
- **Health House continues to expand its product range through the execution of multiple Distribution Agreements**
- **Strong Quarterly cash receipts of A\$2,045,000**

Health House International Ltd (ASX:HHI) (Health House or the Company), an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe, is pleased to provide its operational update alongside its Appendix 4C for the three months ended 30 June 2021 (Q4 FY21).

Health House Internationals Executive Chairman, Mr David Wheeler commented:

"The quarter saw us commence the integration of the CanPharma business and team into the Health House group. With all regulatory requirements met, and subject to shareholder approval at the upcoming general meeting we anticipate completion of the CanPharma acquisition on or around the 6 August 2021.

We continue to attract and sign global and local products to our distribution platform with several distribution agreements announced during the quarter. Revenues have remained consistent, with the group again producing in excess of \$2 million AUD in cash receipts for the quarter."

CanPharma Acquisition

In May 2021, Health House was delighted to announce the proposed strategic acquisition of CanPharma GmbH (**CanPharma**), a privately held company with operations in both Germany and Spain. Subject to approval from Health House shareholders, and all conditions of sale being met, Health House will acquire 100% of CanPharma through an all-scrip transaction (**Acquisition**).

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 offering a number of CanPharma-branded products. CanPharma is ideally positioned to access the continued growth in patient numbers throughout Germany.

Completion of the Acquisition will allow the consolidated 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, Health House will provide shareholders with leverage to the growth in the global medicinal cannabis sector.

As part of the Acquisition, CanPharma founder Dr Henrik Sprengel will remain CEO of CanPharma and be appointed as an executive director of Health House. CanPharma CFO Mr David Attwood will be appointed Group CEO of Health House, assuming overall responsibility for the combined group's activities including investor-facing functions.

On 2 June 21, Health House executed a share sale agreement with the shareholders of CanPharma.

A general meeting of Health House shareholders to approve the Proposed Acquisition will be held on 30 July 2021. Subject to approval from Health House shareholders, and all conditions of sale being met, Health House expects to complete the acquisition of CanPharma during August 2021

Cash receipts of A\$2,045,000 over the June 2021 quarter

Health House generated quarterly cash receipts of A\$2,045,000 in Q4 FY21. Cash receipts were mainly due to strong sales in Australia and the United Kingdom.

During the quarter, Health House further expanded its product offering through the execution of a number of distribution agreements in Australia and the United Kingdom including:

- DragonFly Biosciences Limited - makers of a leading, UK award winning, seed to shelf range of CBD oils and skincare products;
- Zyus Life Sciences Inc – a leading Canadian based life sciences company;
- Elixinol Wellness (Byron Bay) Limited; and
- Zelira Therapeutics Ltd (ASX:ZLD) - a leading global therapeutic medical cannabis company with access to the world's largest and fastest growing cannabis markets.

Operational Activities

Financial Snapshot

The Company's net cashflow used in operations for the quarter was \$1,012,000. The Company's operational expenses mainly comprised of inventory and operating costs (\$1,680,000), staff costs (\$611,000) and administrative and corporate costs (\$668,000).

Cash receipts included \$2,045,000 mainly generated from sales in Australia and the United Kingdom.

Listing Rule 4.7C.2

Below is a comparison of Health House's actual expenditure on the individual items in the "use of funds: statement of expenditure program since the date of admission, being 16 April 2021, against the estimated expenditure on those items in the "use of funds: statement on expenditure program in the prospectus.

Use of funds	During the quarter	Per Prospectus
Business development – UK/Europe ¹	1,262,000	2,300,000
Business development – Asia/Pacific ¹	874,000	1,650,000
Online platform development ²	-	900,000
Acquisitions of complementary businesses	305,000	1,750,000
Working capital	412,000	910,000
Expenses associated with the acquisition ³ (including expenses of the offers)	249,000	590,000
	3,102,000	8,100,000

Notes:

1. Business development is significantly funded by cash receipts from customers in each market.
2. Online platform development has not yet commenced, however remains a part of the Health House's future business activities.
3. Some expenses associated with the acquisition were incurred and settled prior to admission.

Listing Rule 4.7C.3

In item 6 of the attached Appendix 4C, HHI recorded payments to related parties during the quarter of approximately \$61,000 comprising Director Services of \$57,000 and Non-Director Services – serviced office expenses of \$4,000.

The Company closed the quarter with a strong cash position of \$5,215,000.

Forward Looking Activities

Health House looks forward to implementing plans to grow the company as outlined in the Public Offer prospectus, with a strong focus on growing revenues by expanding its core operations to become the leading international pharmaceutical distributor specialising in medicinal cannabis products.

Distribution and geographical expansion

Health House is focused on expanding its operations in key strategic markets including Australasia, South East Asia, the UK and Europe. It will do this by leveraging its existing and extensive industry relationships, to enter into new distribution agreements to build out its product range and supplier base.

Team and Marketing

To support its growing operations and expanding global footprint, Health House will strengthen its team to support customers and suppliers and to focus on product sales and marketing together with ongoing market development.

Acquisitive expansion

Health House's Board, management team and advisors have a proven track record of identifying and implementing strategic acquisitions and successfully integrating these into existing businesses.

Health House believes that it continues to be well placed to attract and identify potential acquisition targets in strategic markets to build out its business and expand its geographic distribution footprint.

This announcement has been approved and authorised for release by the board of Health House International Limited.

David Wheeler
Executive Chairman

About Health House (www.healthhouse.com.au)

Health House International is an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe.

The Company is a fully licenced and regulated specialised importer, exporter, consolidator and distributor of medicinal currently distributing 13+ medicinal cannabis products to pharmacies, prescribers, specialist medicinal cannabis clinics and researchers across Australasia. With its Wholesale Dealers and Controlled Drugs licences the Company supplies pharmacies, hospital, government departments, veterinarians and other wholesalers with medicinal cannabis and general pharmaceutical products in the UK and Europe.

Address

Level 3, 101 St Georges Tce

Perth WA 6000

AUSTRALIA

Tel: +61 8 6558 0886

Fax: +61 8 6316 3337

E: admin@healthhouse.com.au

W: www.healthhouse.com.au

ACN 149 197 651

Contact:

David Wheeler

+61 419 352 152

david@pathwayscorporate.com.au