



Health House International Limited (formerly VPCL Limited) and Controlled Entities

Appendix 4E

Preliminary Final Report

Year ended 30 June 2021

Name of entity
Health House International Limited and Controlled Entities

ABN or equivalent company reference

ABN 65 149 197 651

Year ended

30 June 2021
(Previous corresponding period: 30 June 2020)

Results for announcement to the market

				\$
Revenue for ordinary activities	Up	41.3%	to	8,449,564
Net loss attributable to members	Down	113.1%	to	(5,380,606)
Net loss after tax (from ordinary activities) for the period attributable to members	Down	110.2%	to	(5,307,296)

Net tangible assets per security

	30 June 2021 Cents	30 June 2020 Cents
Net tangible asset backing (per share)	(0.03)	(0.00)

• Net Tangible Assets (NTA) means the total assets of a business, less any intangible asset such as goodwill, patents, and trademarks, less all liabilities.

Distributions

No dividends have been paid or declared by the Company for the current financial year. No dividends were paid for the previous financial year.

Brief explanation of any of the figures reported above

Health House International Limited 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 cannabis products, currently distributing 14+ 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 across the UK and Europe.

Overview of results

For the year ended 30 June 2021 ("FY2021"), revenue increased by \$2,470,624 to \$8,449,564 or 41.3% when compared with the year ended 30 June 2020 ("FY2020") on a year-on-year basis.

On the other hand, net result changed from a net loss of \$2,524,776 in FY2020 to a net loss of \$5,307,296 in FY2021.

Financial Position

The net assets of the consolidated company increased by \$4,970,894 from \$1,819,535 at 30 June 2020 to \$6,790,429 at 30 June 2021. This change relates to a combination of the following factors:

- loss after tax attributable to members of \$5,322,572, which includes a listing expense arising under the reverse acquisition of \$1,845,000
- Successful ASX listing capital raising of \$3,500,000 before costs;

Notwithstanding the net loss and increase in cash utilised in operating activities, the company had a positive working capital ratio. The company's working capital has increased from \$(30,394) as at 30 June 2020 to \$5,299,573 as at 30 June 2021.

Audit Status

The preliminary report is based on financial statements that are in the process of being audited.



Chairman

David Wheeler

31 August 2021

Health House International Limited and Controlled Entities

ABN 65 149 197 651

**Preliminary Final Report For The Year Ended
30 June 2021**

Review of operations and activities

Operating results

The consolidated loss of the group after providing for income tax attributable to owners of the parent entity amounted to \$5,307,296 (2020: \$2,524,776).

Significant events

On 19 March 2021 Health House International Limited (**Health House** or **HHI**), formerly VPCL Limited completed the acquisition of Health House Holdings Limited, issuing 115,298,743 shares in the Company to the Health House vendors as consideration for the acquisition and 3,458,961 shares to advisors (the **Acquisition**). The Company changed its name to Health House International Limited following shareholder approval received at the Company's general meeting of shareholders held on 29 January 2021 and also changed its ASX name and code to Health House International Limited (ASX:HHI) effective from 24 March 2021.

Health House was reinstated to Official Quotation and commenced trading on the ASX on Friday, 16 April 2021, following its re-compliance with Chapters 1 and 2 of the ASX Listing Rules and successful completion of a public offer to raise \$3,500,000 (before costs).

Upon completion of the Acquisition, David Wheeler was appointed as Executive Chairman from Non-Executive Director, the Hon Michael Rann was appointed Non-Executive Director, with Chris Mews continuing as a Non-Executive Director. Chris Mews stepped down as Company Secretary with Tim Slate being appointed as Company Secretary. Leanne Graham stepped down as Non-Executive Director and Chair.

Since its reinstatement date, Health House further expanded its product offering through the execution of a number of distribution agreements in Australia and the United Kingdom.

Dividends Paid or Recommended

The Directors have recommended that no dividend be paid by the Company in respect of the financial year ended 30 June 2021.

After Balance Date Events

The following occurred after the Balance Date:

In May 2021, Health House announced the proposed strategic acquisition of CanPharma GmbH (**CanPharma**), a privately held company with operations in both Germany and Spain. Health House acquired 100% of CanPharma through an all-scrip transaction (**CanPharma Acquisition**).

On 2 June 21, Health House executed a share sale agreement with the shareholders of CanPharma, with Health House shareholders approving the CanPharma Acquisition at a general meeting of shareholders on 30 July 2021. On 8 August 2021, Health House completed the CanPharma Acquisition, issuing 18,000,000 shares and 18,000,000 performance shares to the CanPharma vendors as consideration for the CanPharma Acquisition. The Company has also issued a further 18,000,000 performance shares to CanPharma management as an incentive.

Upon completion of the CanPharma Acquisition, Dr Henrik Sprengel was appointed as a director of Health House, with Mr David Attwood becoming Health House's chief executive officer. Refer to Note 10 for further detail.

**Consolidated statement of comprehensive income
For the year ended 30 June 2021**

		2021	2020 Restated
	NOTE	\$	\$
Revenue from continuing operations			
Revenue	1	8,449,564	5,978,940
Interest revenue	1	3,031	337
Other revenue	1	53,828	59,614
Expenses			
Cost of Sales		(6,680,531)	(4,636,822)
Administration	1	(4,599,322)	(3,378,996)
Directors' fees		(116,837)	(62,602)
Depreciation and amortisation expense		(532,219)	(493,621)
Finance costs		(55,086)	(55,472)
Share based payment for reverse acquisition	7	(1,845,000)	-
(Loss) from continuing operations before income tax expense		(5,322,572)	(2,588,622)
Income tax expense		15,276	63,847
Net (Loss) after income tax		<u>(5,307,296)</u>	<u>(2,524,775)</u>
Other comprehensive income			
Foreign currency reclassified on conversion		(73,310)	101,759
Total Comprehensive (Loss) for the Year		<u>(5,380,606)</u>	<u>(2,423,016)</u>
(Loss) per share, attributable to the owners			
Basic and diluted (loss) per share (cents per share)		(0.03)	(0.00)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 30 June 2021

		2021	2020
	NOTE	\$	Restated \$
CURRENT ASSETS			
Cash and cash equivalents		5,224,961	494,924
Trade and other receivables	2	1,314,329	1,093,268
Financial assets at amortised cost		250,974	247,617
Inventory		297,985	650,504
TOTAL CURRENT ASSETS		<u>7,088,249</u>	<u>2,486,313</u>
NON-CURRENT ASSETS			
Property, plant and equipment		720,010	190,555
Investments		125,000	-
Intangible assets		2,050,588	1,917,512
TOTAL NON-CURRENT ASSETS		<u>2,895,598</u>	<u>2,108,067</u>
TOTAL ASSETS		<u>9,983,847</u>	<u>4,594,380</u>
CURRENT LIABILITIES			
Trade and other payables	4	1,607,646	1,980,805
Lease liabilities		181,030	79,050
Borrowings	3	493,031	456,852
TOTAL CURRENT LIABILITIES		<u>2,281,707</u>	<u>2,516,707</u>
NON-CURRENT LIABILITIES			
Trade and other payables		-	90,734
Lease liabilities		411,832	61,683
Borrowings	3	382,063	12,481
Deferred Tax Liability		117,816	93,240
TOTAL NON-CURRENT LIABILITIES		<u>911,711</u>	<u>258,138</u>
TOTAL LIABILITIES		<u>3,193,418</u>	<u>2,774,845</u>
NET ASSETS		<u>6,790,429</u>	<u>1,819,535</u>
EQUITY			
Share capital		19,236,538	8,885,038
Translation reserve		28,449	101,759
Other reserves		(4,642,487)	(4,642,487)
Accumulated losses		(7,832,071)	(2,524,775)
TOTAL EQUITY	6	<u>6,790,429</u>	<u>1,819,535</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**Consolidated statement of changes in equity
For the year ended 30 June 2021**

	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Other Reserves	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2019	-	-	-	-	-
Loss for the year	-	(2,524,775)	-	-	(2,524,775)
Other comprehensive income	-	-	101,759	-	101,759
Total comprehensive loss for the year	-	(2,524,775)	101,759	-	(2,523,016)
Issue of share capital	8,885,038	-	-	-	8,885,038
Consolidation adjustment	-	-	-	(4,642,487)	(4,642,487)
Balance at 30 June 2020 (Restated)	8,885,038	(2,524,775)	101,759	(4,642,487)	1,819,535
Balance as at 1 July 2020	8,885,038	(2,524,775)	101,759	(4,642,487)	1,819,535
Adjustment on initial application of new accounting standards	-	-	-	-	-
Loss for the year	-	(5,307,296)	-	-	(5,307,296)
Other comprehensive loss	-	-	(73,310)	-	(73,310)
Total comprehensive loss for the year	-	(5,307,296)	(73,310)	-	(5,380,606)
Shares issued during the year	2,028,353	-	-	-	2,028,353
Deemed Consideration of issue of ordinary shares by VPCL as purchase consideration of HH (UK)	5,215,176	-	-	-	5,215,176
Shares issued under prospectus	3,500,000	-	-	-	3,500,000
Transaction costs relating to issue of shares	(392,029)	-	-	-	(392,029)
Balance at 30 June 2021	19,236,538	(7,832,071)	28,449	(4,642,487)	6,790,429

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash flows
For the year ended 30 June 2021

	NOTE	2021	2020
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		9,220,642	5,065,923
Payments to suppliers and employees		(12,060,724)	(6,991,957)
Interest received		353	-
Interest paid		(8,978)	(885)
Other income		55,002	59,614
<i>Net cash used in operating activities</i>		<u>(2,793,705)</u>	<u>(1,867,305)</u>
Cash Flows from Investing Activities			
Purchase of bonds		-	(255,836)
Cash balance of subsidiary acquired		3,285,380	587,571
Purchase of tangible assets		(80,989)	(4,135)
Purchase of intangible assets		(2,053)	(772,253)
<i>Net cash from investing activities</i>		<u>3,202,338</u>	<u>(444,653)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares		928,953	2,524,140
Proceeds from issue of shares under prospectus		3,500,000	-
Issue costs associated with issue of shares		(392,029)	-
Proceeds from loans		611,993	422,127
Payments under financing arrangements		(216,244)	(66,114)
Payments of lease liabilities		(99,817)	(70,932)
<i>Net cash from financing activities</i>		<u>4,332,856</u>	<u>2,809,221</u>
Net increase in cash and cash equivalents		4,741,489	497,263
Effect of exchange rate fluctuations on cash held		(11,452)	(2,339)
Cash and cash equivalents at beginning of financial year		494,924	-
Cash and cash equivalents at end of financial year		<u>5,224,961</u>	<u>494,924</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Revenue and expenses

(a) Revenue

	2021	2020
	\$	\$
Sale of goods	<u>8,449,564</u>	<u>5,978,940</u>

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

(b) Other income and expenses

	2021	2020
	\$	\$
(a) Revenue		
Interest revenue	3,031	337
Other revenue:		
Sponsorship income	-	9,591
Government grants	53,828	50,023
	<u>53,828</u>	<u>59,614</u>
(b) Expenses		
Cost of sales:		
- Direct costs	6,611,065	4,573,677
- Registrations	64,470	49,635
- Commissions payable	4,996	13,510
	<u>6,680,531</u>	<u>4,636,822</u>
Administration expenses:		
- Salaries and other employee costs	2,482,743	1,493,772
- Audit and accountancy fees	286,238	211,625
- Legal and professional fees	111,380	249,388
- Consulting fees	649,541	908,963
- Reconciliation and acquisition	304,752	-
- Other administration expenses	764,668	515,248
	<u>4,599,322</u>	<u>3,378,996</u>

2 Trade and other receivables

Current	2021	2020
	\$	\$
Trade and other receivables	624,110	757,853
GST / VAT receivable	156,011	181,492
Prepayments	394,880	109,148
Other receivables	139,328	42,961
Other	0	1,814
	<u>1,314,329</u>	<u>1,093,268</u>

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

3 Borrowings

Current (secured)	2021	2020
	\$	\$
Bank overdraft	-	-
Bank loans	-	8,727
Current (unsecured)		
Bank overdraft	-	-
Bank loans	493,031	448,125
	<u>493,031</u>	<u>456,852</u>
Non-current (secured)		
Bank overdraft	-	-
Bank loans	382,063	12,481
	<u>382,063</u>	<u>12,481</u>

4 Trade and other payables

Current (unsecured)	2021	2020
	\$	\$
Trade payables	1,236,139	1,162,337
Other Creditors	68,195	456,886
Accruals	195,189	305,897
Employee related payables	108,123	55,685
	<u>1,607,646</u>	<u>1,980,805</u>
Non-current (unsecured)		
Deferred consideration	-	90,734
	<u>-</u>	<u>90,734</u>

Trade and other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are non-interest bearing. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is chargeable on the outstanding

balances at various interest rates. The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe. Due to the short-term nature of the trade payables the carrying amount approximates fair value.

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

5 Controlled entities

Transactions with subsidiary:

The consolidated financial statements include the financial statements of Health House International Limited and the subsidiaries in the following table.

	Country of Incorporation	% Equity Interest	
		2021	2020
HHI (Australia) Pty Ltd	Australia	100%	-
Health House Australia Pty Ltd	Australia	100%	-
CliniCann Limited	Australia	100%	-
Health House Pharma Limited	UK	100%	-
Health House Holdings Limited	UK	100%	-
Health House Distribution UK Limited	UK	100%	-
HHP Malta (P&D Pharma) Limited	Malta	100%	-

6 Issued Capital

			2021 \$	2020 \$
			19,236,538	8,885,038
	Year to 30 June 2021 No.	Year to 30 June 2020 No.	Year to 30 June 2021 \$	Year to 30 June 2020 \$
<i>Movements in ordinary shares on issue</i>				
At start of period	101,698,310	-	8,885,038	-
Share issued on incorporation	-	1	-	-
Ordinary shares issued for cash	13,600,433	14,259,800	2,028,353	7,298,306
Ordinary shares issued in exchange for shares in CliniCann	-	87,438,509	-	1,586,732
Movement in share premium	-	-	-	-
Share issue costs	-	-	-	-
Elimination of legal acquiree share capital on reverse acquisition	(115,298,743)	-	-	-
Recognition of legal acquirer share capital on reverse acquisition	1,130,846,123	-	-	-
Consolidation of capital 50 to 1	(1,108,229,201)	-	-	-
Shares issued to advisors – acquisition related costs	3,458,961	-	-	-
Consideration shares	115,298,743	-	5,215,176	-
Shares issued under prospectus	17,500,000	-	3,500,000	-
Transaction costs relating to issue of shares	-	-	(392,029)	-
Foreign exchange conversion	-	-	-	-
At end of period	158,874,626	101,698,310	19,236,538	8,885,038

7 Reverse Acquisition

Acquisition of Health House Holdings Limited

On 19 March 2021 VPCL Limited (now Health House International Limited, the legal parent entity) acquired 100% of the issued share capital of Health House Holdings Limited. Health House Holdings Limited is a UK incorporated entity which is an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe.

Under the terms of the transaction VPCL Limited issued 115,298,743 shares in the Company to the vendors of Health House Holdings Limited, along with 3,458,961 shares to advisors resulting in VPCL Limited acquiring 100% of the legal parent entity's issued capital. The Company changed its name to Health House International Limited following shareholder approval received at the Company's general meeting of shareholders held on 29 January 2021 and also changed its ASX code to HHI effective from 24 March 2021. Notwithstanding that the transaction took the format of a reverse acquisition as described in AASB 3 Business Combinations, the transaction was not deemed a business combination on the basis that VPCL Limited did not meet the definition of a business as noted in that standard.

The Group applied, by analogy, the guidance in AASB 3 on reverse acquisitions, resulting in Health House International Limited and Controlled Entities

Holdings Limited (the non-listed operating entity) being identified as the accounting acquirer and VPCL Limited (the listed non-operating entity) being identified as the accounting acquiree. As the transaction is not within scope of AASB 3, the transaction was treated as a share-based payment transaction accounted for in accordance with AASB 2 Share-based payments.

The Group consequently recognised a share-based payment of \$1,845,000 in its statement of profit and loss and other comprehensive income, representing the cost of the listing. The cost is calculated as the difference in the fair value of the shares deemed to have been issued by Health House Holdings Limited (the non-listed entity) and the fair value of the accounting acquiree's identifiable net liabilities.

Assets acquired and liabilities assumed:

	\$
Cash and cash equivalents	3,292,625
Trade and other receivables	212,096
Trade and other payables	(134,545)
Net Liabilities assumed	3,370,176
Share-based payment for reverse acquisition	1,845,000
Acquisition date fair value of the total consideration transferred	5,215,176

Net cash inflow arising on acquisition

	\$
Cash paid	-
Less: net cash acquired with the subsidiary	3,292,625
Net cash inflow	<u>3,292,625</u>

8 Going Concern

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

As disclosed in the financial statements, the Group incurred a loss of \$5,307,296 (2020: \$2,524,776) and had operating cash outflows of \$1,912,899 for the year ended 30 June 2021 (2020: \$1,938,237). As at 30 June 2021, the Group's held cash and cash equivalents of \$5,224,961 (2020: \$494,924). These conditions indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the entity to continue as a going concern is dependent on Health House continuing to secure distribution agreements within Australia, the UK and Germany, successfully commercializing CanPharma branded extracts and flower product, securing supply contracts with the National Health Service in the United Kingdom and the Malta government or securing additional funding through capital raising activities to continue its operational and marketing activities. Should these be unsuccessful, there is a material uncertainty relating to the Group's ability to continue as a going concern.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to generate sufficient revenue or secure funds to meet its commitments.

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- whether the Group is able to generate sufficient revenue within Australia;
- whether the Group is able to generate sufficient revenue within the United Kingdom;
- whether the Group is able to generate sufficient revenue from CanPharma operations;
- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

9 Correction of Error

The financial report has been prepared based on an adjustment for the correction of prior period errors for the year ended 30 June 2020. The errors relate to intangible assets, property plant and equipment, lease liabilities and deferred tax.

Restated Statement of Profit and Loss and Other Comprehensive Income (extract):

	2020	Adjustment Correction of Error	2020 Restated
	\$	\$	\$
Revenue from continuing operations			
Revenue	5,978,940	-	5,978,940
Interest revenue	337	-	337
Other revenue	59,614	-	59,614
Expenses			
Cost of Sales	(4,636,822)	-	(4,636,822)
Administration	(3,396,495)	17,499	(3,378,996)
Directors' fees	(62,602)	-	(62,602)
Depreciation and amortisation expense	(407,076)	(86,545)	(493,621)
Finance costs	(54,364)	(1,108)	(55,472)
(Loss) from continuing operations before income tax expense	(2,518,468)	(70,154)	(2,588,622)
Income tax expense	-	63,847	63,847
(Loss) for the year	(2,518,468)	(6,307)	(2,524,775)
Total Comprehensive (Loss) for the Year	(2,518,468)	(6,307)	(2,524,775)

Statement of financial position of comparative period (extract):

	2020	Adjustment Correction of Error	2020 Restated
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	494,924	-	494,924
Trade and other receivables	1,093,268	-	1,093,268
Financial assets at amortised cost	247,617	-	247,617
Inventory	650,504	-	650,504
TOTAL CURRENT ASSETS	2,486,313	-	2,486,313
NON-CURRENT ASSETS			
Property, plant and equipment	111,072	79,483	190,555
Intangible assets	1,830,236	87,276	1,917,512
TOTAL NON-CURRENT ASSETS	1,941,308	166,759	2,108,067
TOTAL ASSETS	4,427,621	166,759	4,594,380
CURRENT LIABILITIES			
Trade and other payables	1,980,805	-	1,980,805
Lease liabilities	29,354	49,696	79,050
Borrowings	456,852	-	456,852
TOTAL CURRENT LIABILITIES	2,467,011	49,696	2,516,707
NON-CURRENT LIABILITIES			
Trade and other payables	90,734	-	90,734
Lease liabilities	31,554	30,129	61,683
Borrowings	12,481	-	12,481
Deferred Tax Liability	-	93,240	93,240
TOTAL NON-CURRENT LIABILITIES	134,769	123,369	258,138
TOTAL LIABILITIES	2,601,780	173,066	2,774,845
NET ASSETS	1,825,841	6,307	1,819,535
EQUITY			
Share capital	8,885,038	-	8,885,038
Translation reserve	101,759	-	101,759
Other reserves	(4,642,487)	-	(4,642,487)
Accumulated losses	(2,518,468)	(6,307)	(2,524,775)
TOTAL EQUITY	1,825,842	(6,307)	1,819,535

10 Events subsequent to reporting date

Acquisition

On 11 May 2021, Health House International Limited announced the acquisition of 100% of the issued capital of CanPharma.

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.

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.

The transaction was completed on 8 August 2021.

Dr Henrik Sprengel was appointed as Executive Director and Mr David Attwood was appointed as Chief Executive Officer.

Consideration transferred

The key terms of the acquisition of CanPharma are set out below:

- (a) Health House International Limited will issue 11,753,061 fully paid ordinary shares to the vendors of CanPharma;
- (b) Health House International Limited will issue 36 million Performance Shares; and
- (c) Health House International Limited will issue 6,246,939 fully paid ordinary shares to settle certain debts owed by CanPharma to related parties of CanPharma.

On 20 August 2021, Health House International Limited issued 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

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

	Management CanPharma	Consideration Vendors of CanPharma	Introduction Fee Gemelli Nominees
Class A Performance Shares	-	12,000,000	300,000
Class B Performance Shares	6,000,000	6,000,000	300,000
Class C Performance Shares	12,000,000	-	300,000

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

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 Health House International Limited shareholders.

The Performance Shares do not have rights to any of the following:

- a) Voting rights in Health House International Limited;
- b) Dividend rights in Health House International Limited;
- 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.

The Performance Shares do contain a “change of control” provision which means if there is a change of control event for Health House International Limited 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.

The Group has recognised the fair values of the identifiable assets and liabilities of CanPharma based upon the best information available as of the reporting date.

Provisional business combination accounting is as follows:

	\$
Fair value of identifiable net assets	(4,555,505)
Unallocated purchase price	<u>8,695,505</u>
Total consideration	<u><u>4,140,000</u></u>

Net cash outflow arising on acquisition

	\$
Cash paid	-
Less: net cash acquired with the subsidiary	<u>304,662</u>
Net cash inflow	<u><u>304,662</u></u>