



International Distributor of
Medicinal Cannabis

ASX ANNOUNCEMENT

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Zelira Therapeutics Ltd to acquire Health House

Key highlights:

- Health House International Limited has signed a binding term sheet with Zelira Therapeutics Ltd for Zelira to acquire Health House
- Agreement is conditional upon Zelira's completion of satisfactory due diligence on Health House and the parties entering into a formal Scheme Implementation Deed, amongst other standard conditions.
- The acquisition will be undertaken by a Scheme of Arrangement pursuant to Part 5.1 of the Corporations Act 2001 (Cth).
- Zelira has agreed to provide a \$1.5 million loan facility to Health House to assist with its working capital requirements prior to implementation of the Scheme.
- CPS acting as corporate advisor for Health House

Health House International Ltd (ASX:HHI) (Health House or the Company), an international pharmaceutical distributor specialising in the distribution of medicinal cannabis products across Australasia, the United Kingdom and Europe, is pleased to announce that it has entered into a binding term sheet with Zelira Therapeutics Limited (ASX: ZLD) (**'Zelira'**), under which it is proposed that Zelira will acquire 100% of the shares in Health House by way of a Scheme of Arrangement to be undertaken by Health House (the **'Scheme'**). The Scheme will be subject to shareholder and Court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth).

Under the Scheme, Zelira will issue shares to Health House shareholders giving Health House parties a 19.45% interest in the expanded capital of Zelira.

The proposed merger of Health House with Zelira will create a global organisation with strong medicinal cannabis product and distribution capabilities.

Zelira is a leading global biopharmaceutical development and commercialization company marketing cannabinoid-based medicines. Zelira owns a portfolio of proprietary revenue-generating products and a pipeline of candidates undergoing clinical development that are positioned to access the world's largest and fastest-growing markets.

Zelira is focused on developing and clinically validating branded cannabinoid-based medicines for the treatment of a variety of medical conditions in its Rx business, including insomnia, autism and chronic non-cancer pain as well as offering over-the-counter (OTC) products.

Zelira is also generating revenue in Australia and Germany from its proprietary and patented Zenivol® - a leading cannabinoid-based medicine for treatment of chronic insomnia. Zelira has partnered with SprinJene® Natural to develop and commercialise natural and organic oral care products under the SprinjeneCBD brand, as part of Zelira's OTC business.

CPS Capital Group Pty Ltd is acting as Health House's corporate advisor for the proposed merger.

Health House Founder & Chairman David Wheeler said: "The proposed merger is a strategic vertical opportunity to increase margins and save costs given:

- Health House currently distribute Zelira's Rx formulations in Australia and have an agreement in place to distribute the SprinjeneCBD toothpaste in the United Kingdom.
- Manufacturing to be completed in house to further improve margins for the combined groups products and providing stronger control of product life cycle.
- Zelira's research team and Health House's European based Kalapa Clinic will provide an opportunity to materially improve the speed at which these products can obtain clinical validation, while improving the cost of such clinical trials.

The \$1.5 million short-term loan facility assist Health House with its short-term working capital requirements."

Structure of proposed acquisition

Zelira and Health House have executed a binding term sheet pursuant to which they will undertake the steps required to enter into a formal Scheme Implementation Deed ('SID'), subject to satisfactory due diligence by Zelira on Health House.

The SID will be subject to the conditions precedent set out in Annexure 1.

Facility Deed

To assist Health House with its short-term working capital requirements, Zelira has agreed to provide a \$1.5 million short-term loan facility to Health House on the following terms:

- the maximum amount of the facility is \$1.5 million and may be drawn down in a single drawdown or in a series of drawdowns.

- The facility may only be used for Health House's short-term working capital requirements.
- The facility is unsecured.
- The facility is repayable on the earlier of:
 - the date that Zelira and Health House agree after Health House becomes a wholly-owned subsidiary of Zelira as a result of the Scheme;
 - the date that is 2 months after the date the parties' current confidentiality deed between the parties is terminated or expires without the SID being executed;
 - the date that is 2 months after the date the SID is terminated; and
 - the date that is 2 months after the Scheme is implemented.

Debt to Equity swap

To provide further support and reduce the working capital requirements of the combined group, Health House will seek shareholder approval for the issue of shares as repayment of approx. \$1.5 million owing to CanPharma lenders (**debt consideration shares**), which shares will be Scheme shares for the purposes of the Scheme.

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

David Wheeler

Chairman

About Health House

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

The Group is a fully licenced and regulated specialised importer, exporter and distributor currently distributing medicinal cannabis products from 14 producers to pharmacies, prescribers, specialist medicinal cannabis clinics and researchers across Australasia. In the UK and Germany, the Group holds all relevant licences (including GMP manufacturing), Wholesale Dealers and Controlled Drugs licences. The Group supplies pharmacies, hospitals, government departments and other wholesalers with medicinal cannabis and general pharmaceutical products in the UK and Europe. The Group also integrates education of patients and healthcare professionals in the use of medicinal cannabis as a core part of its activities and is developing digital tools to enable a holistic understanding of usage.

For more information, please visit www.healthhouse.com.au

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ANNEXURE 1 – CONDITIONS PRECEDENT TO SCHEME IMPLEMENTATION DEED

<p>Conditions precedent</p>	<p>(a) The <i>parties'</i> obligation to enter into the <i>scheme implementation deed</i> is conditional on:</p> <p>(i) <i>Zelira</i> being satisfied with its due diligence investigations in respect of <i>Health House</i> to its sole satisfaction.</p> <p>(b) <i>Zelira's</i> obligation under the <i>scheme implementation deed</i> to issue the <i>new Zelira shares</i> at <i>implementation</i> will be conditional on:</p> <p>(i) (regulatory approvals) before 8.00am on the <i>second court date</i> (as defined in the timetable at Schedule 2), ASIC and ASX issue or provide such consents, approvals, modifications or waivers as are necessary or which <i>Zelira</i> and <i>Health House</i> agree are desirable to implement the <i>scheme</i>, either unconditionally or on conditions that do not impose unduly onerous obligations upon either <i>party</i> (acting reasonably), and such consent, approval or other act has not been withdrawn, cancelled or revoked as at 8.00am on the <i>second court date</i>;</p> <p>(ii) (other approvals) before 8:00am on the <i>second court date</i> all regulatory approvals other than those referred to in clause 7(b)(i) which are necessary, or which the parties agree are desirable, to implement the <i>scheme</i> have been issued or received (as applicable) either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably) and such regulatory approvals remain in full force and effect in all respects and have not been withdrawn, cancelled or revoked as at 8.00am on the <i>second court date</i>;</p> <p>(iii) (no restraints) no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other government agency of competent jurisdiction remains in effect as at 8.00am on the <i>second court date</i> that prohibits, materially restricts, makes illegal or restrains the completion of the <i>scheme</i>;</p> <p>(iv) (FIRB) Before the determined delivery time on the <i>second court date</i>, either:</p>
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	<p>a. <i>Zelira</i> has received a written notice under the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth) (FATA) from the Treasurer (or his delegate) stating that, or to the effect that, the Commonwealth Government does not object to the acquisition of all the <i>scheme shares</i> by <i>Zelira</i> pursuant to the <i>scheme</i>, either without condition or on terms that are acceptable to <i>Zelira</i> (acting reasonably); or</p> <p>b. following notice of the proposed acquisition of all the <i>scheme shares</i> by <i>Zelira</i> pursuant to the <i>scheme</i> having been given by <i>Zelira</i> to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Part 3 of FATA;</p> <p>(v) (debt-to-equity) the <i>debt consideration shares</i> having been issued prior to <i>implementation</i>;</p> <p>(vi) (Health House shareholder approval) <i>Health House shareholders</i> agree to the <i>scheme</i> at a general meeting of <i>Health House</i> (scheme meeting) by the requisite majorities under the <i>Corporations Act</i>;</p> <p>(vii) (independent expert's report) an independent expert's report concludes that the <i>scheme</i> is in the best interests of <i>Health House shareholders</i> and, upon consideration of all available relevant information from time to time, the independent expert does not change that conclusion or withdraw its report prior to 8.00am on the <i>second court date</i>;</p> <p>(viii) (Court approval of the scheme) the Court makes orders under section 411(4)(b) of the <i>Corporations Act</i> approving the <i>scheme</i> and any conditions imposed by the Court under section 411(6) of the <i>Corporations Act</i> are acceptable to the <i>parties</i> acting reasonably;</p> <p>(ix) (no Health House prescribed event) from the date of the <i>scheme implementation deed</i> until 8.00am on the <i>second court date</i>, no <i>Health House</i> prescribed event occurs;</p> <p>(x) (no Zelira prescribed event) from the date of the <i>scheme implementation deed</i> until 8.00am on the <i>second court date</i>, no <i>Zelira</i> prescribed event occurs;</p> <p>(xi) (no material adverse change) there having been no material and adverse change in the financial condition or</p>
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	<p>operations of <i>Zelira</i> or <i>Health House</i> prior to <i>implementation</i>, with the exception of planned activities previously disclosed prior to exchange, and with the <i>parties</i> agreeing that the term “material adverse change” will be subject to a more extensive definition in the <i>scheme implementation deed</i>; and</p> <p>(xii) (no breach) neither <i>Zelira</i> nor <i>Health House</i> being in material breach of the terms of the <i>scheme implementation deed</i> (including but not limited a material breach of any warranty) provided no <i>party</i> can rely on its own breach to prevent <i>implementation</i>.</p> <p>(together, <i>conditions precedent</i>).</p> <p>(c) The <i>parties</i> must take all reasonable steps to procure the satisfaction of these <i>conditions precedent</i> as soon as possible and in any event by 30 June 2022 or such other date as the <i>parties</i> agree in writing (<i>CP deadline date</i>).</p> <p>(d) The <i>scheme implementation deed</i> may contain additional conditions precedent which are customary for a transaction of this nature.</p>
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