

Appendix 4D

1. Company Details

Name of Entity

Health House International Limited		
ABN	Half year ended ("current period")	Half year ended ("previous period")
65 149 197 651	31 December 2021	31 December 2020

2. Results for announcement to the market

			AUD \$
2.1 Revenues from ordinary activities	Up	71% to	7,558,914
2.2 Profit / (loss) from ordinary activities after tax attributable to members - 31 December 2020: loss of (\$1,763,892)	Up	598% to	(12,305,920)
2.3 Net profit / (loss) for the period attributable to members - 31 December 2020: loss of (\$1,773,213)	Up	575% to	(11,962,951)
2.4 Dividends	Amount per security	Franked amount per security	
Interim dividend declared	N/A	N/A	
2.5 Record date for determining entitlements to the dividend	N/A		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood			
<p>On 19 March 2021 Health House International Limited (Health House or HHI), formerly VPCL Limited completed the acquisition of Health House Holdings Limited, which included the successful completion of a public offer to raise \$3,500,000 (before costs), the period 1 July 2021 to 31 December 2021 represents the first full six-month period of trading since the commencement of trading on the ASX.</p> <p>Furthermore, following shareholder approval in July 2021, on 10 August 2021, the group completed on the acquisition of CanPharma, a German medicinal cannabis sales, distribution and manufacturing company. This represents the start of the implementation of a growth strategy to build a leading presence in Europe, the global region with the highest potential for medicinal cannabis sales.</p>			
3. Net tangible assets per security	31 December 2021	31 December 2020	
Net tangible asset backing per ordinary security	(0.0174)	0.0411	

4. Details of entities over which control has been gained or lost

4.1. Control gained over entities

On 10 August 2021, the group completed on the acquisition of CanPharma, a German medicinal cannabis sales, distribution and manufacturing company. This represents the start of the implementation of a growth strategy to build a leading presence in Europe, the global region with the highest potential for medicinal cannabis sales.

4.2. Control lost over entities

N/A

5. Dividends

Individual dividends per security

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:				
Current year	N/A	N/A	N/A	N/A
Previous year	N/A	N/A	N/A	N/A

6. Dividend reinvestment plans

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans.

N/A

7. Details of associates and joint entities

N/A

8. Foreign entities

N/A

9. If the accounts are subject to audit dispute or qualification, details are described below.

N/A

Sign here:



Chairman

Date:

28 February 2022

Print Name:

David Wheeler

HEALTH HOUSE INTERNATIONAL LIMITED
ABN 65 149 197 651

Half-Year Financial Report
31 December 2021

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All announcements and financial reports are available on our website: www.healthhouse.com.au.

CORPORATE DIRECTORY

NON-EXECUTIVE DIRECTORS

Christopher Mews
Hon Michael Rann

EXECUTIVE DIRECTORS

David Wheeler
Dr Henrik Sprengel

COMPANY SECRETARY

Tim Slate

PRINCIPAL & REGISTERED OFFICE

Level 3, 101 St Georges Terrace
PERTH WA 6000
AUSTRALIA
Telephone: +61 8 6558 0886

AUDITORS

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
PERTH WA 6000
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SHARE REGISTER

Link Market Services
Central Park Level 4
152 St Georges Terrace
PERTH WA 6000
AUSTRALIA
Telephone: +61 8 6160 4455

SECURITIES EXCHANGE LISTING

Securities of Health House International Limited are listed on the Australian Securities Exchange.
ASX Code: HHI

BANKERS

Westpac Banking Corporation
109 St George Terrace
PERTH WA 6000
AUSTRALIA

ATTORNEYS

Blackwall Legal LLP
Level 26, 140 St Georges Terrace
PERTH WA 6000
AUSTRALIA

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated:

David Wheeler	Executive Chairman
Christopher Mews	Non-Executive Director
Hon Michael Rann	Non-Executive Director
Dr Henrik Sprengel	Executive Director (Appointed 10 August 2021)

PRINCIPAL ACTIVITIES

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 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.

Health House also has supply agreements in place with several pharmaceutical grade Good Manufacturing Practice (GMP) certified manufacturers and producers of high-quality medicinal cannabis products. It holds an EU GMP licence issued by the German authorities under the framework of the European Commission (one of the world's leading regulatory authorities for the production and manufacturing of pharmaceutical grade medicinal products).

REVIEW OF OPERATIONS**Operating results**

The consolidated loss of the group after providing for income tax attributable to owners of the parent entity amounted to \$12,305,920 (2020: \$1,763,892).

Following shareholder approval in July 2021, on 10 August 2021, the group completed on the acquisition of CanPharma, a German medicinal cannabis sales, distribution and manufacturing company. This represents the start of the implementation of a growth strategy to build a leading presence in Europe, the global region with the highest potential for medicinal cannabis sales.

Highlights of the CanPharma acquisition include:

- CanPharma provides a path to the patient in the only European medicinal cannabis market of scale: Germany
- One of the few German companies specialising in medicinal cannabis to hold a GMP manufacturing licence enabling repackaging, branding and release of product into the EU
- Led by a team of seasoned entrepreneurs and pharma-industry veterans

DIRECTORS' REPORT

- CanPharma is a sales and distribution company that is integrating pharma-industry best practice to build brand and educate doctors and patients
- Has been distributing medicinal cannabis in Germany since 2019 and has recently launched its own branded range of extracts in May 2021
- Owns Kalapa Clinic, the pioneer medicinal cannabis consultancy in the EU, with online services available in six languages. In addition to patient consultancy activities, Kalapa also provides educational training to health care professionals
- Based in Spain, the Kalapa Clinic provides a strong position from which to expand into the Spanish market when legislation allows.

Australia

Health House Australia continued to be one of the leading sources of education to doctors and patients. Health House considers its education as a key driver to grow both the Australian medicinal sector as well as strengthening the Health House brand to increase sales.

Health House Australia expanded its activities in Victoria to provide direct support to pharmacists to obtain the right product for their customers. This is in addition to its well-established activities in Queensland, Western Australia and New South Wales. Furthermore, Health House Australia has expanded its range of products to enhance a “one-stop-shop” offering to pharmacists.

Germany

CanPharma has continued scaling its operations and implementing its strategy, which includes:

- Continuing the building out of its sales force in key strategic regions in Germany: this team will market CanPharma branded and third-party products direct to doctors
- Selling extracts under own brand and flower from Bedrocan
- Re-started direct import of own-brand flowers
- Developing regulatory pathways in order to bring a number of innovative products into the German market
- Started with build out of “pharma-focused” strategy to differentiate within the market:
 - Implemented an observational trial into the effect of CanPharma brand extracts on patients’ quality of life and doctors’ prescribing habits
 - Took and minority stake in the Patient Support Programme (PSP – pharma industry best practice to support patients and drive adherence to prescription) Provider that had helped design CanPharma’s PSP
 - Agreed to provide training courses to doctors within the region of North Rhine as a pilot for wider collaboration across the country
 - Becoming a preferred supplier to a statutory insurance company for the supply of extracts

United Kingdom

The UK continued to see growth across its customer base. Health House UK continued to collaborate with its EU based customers as they ensuring supply met demand while navigating the post-BREXIT regulatory framework.

DIRECTORS' REPORT**Corporate**

Dr Henrik Sprengel was appointed as a director and Mr David Attwood as the chief executive officer of the Company. Mr Attwood and Dr Sprengel are both based in Europe and will focus initially on growing the Company's European business.

The Company issued the following securities:

- Under the terms of the CanPharma Acquisition
 - 18,000,000 shares and 18,000,000 performance shares to the CanPharma vendors as consideration.
 - 18,000,000 performance shares to CanPharma management as an incentive.
 - 450,000 fully paid ordinary shares and 900,000 Performance Shares to Gemelli Nominees Pty Ltd.
- 666,666 fully paid ordinary shares to a consultant as part consideration for business and development services; and
- 233,333 fully paid ordinary shares to a consultant as part consideration under the terms of asset purchase agreement entered into with Gees Pharmacy; and
- 5,000,000 unquoted options (Options), as partial compensation for employment services

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Subsequent to the year end, on 24 February 2022 it was announced that 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). 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.

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.

There were no significant changes in the state of affairs other than that disclosed above.

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Directors of Health House International Limited with an Independence Declaration in relation to the review of the financial report. A copy of that declaration is included on page 6 of the half-year financial report.

On behalf of the Board



David Wheeler
Chairman

Perth, 28 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Health House International Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
28 February 2022



D I Buckley
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	NOTE	6 months to 31 Dec 2021	6 months to 31 Dec 2020
		\$	\$
Revenue from continuing operations			
Revenue	3	7,417,233	4,352,151
Interest revenue	4	4,796	1,277
Other revenue	4	136,885	55,257
Expenses			
Cost of Sales	4	(5,830,233)	(3,474,615)
Administration	4	(4,696,212)	(1,658,872)
Directors' fees		(81,000)	(71,805)
Depreciation and amortisation expense		(272,773)	(296,183)
Finance costs		(42,113)	(34,498)
Impairment	12	(8,779,251)	-
Share based payment		(191,989)	(636,604)
(Loss) from continuing operations before income tax		(12,334,657)	(1,763,892)
Income tax benefit		28,737	-
Net (Loss) after income tax		(12,305,920)	(1,763,892)
Other comprehensive income / (loss)		342,969	(9,321)
Total Comprehensive (Loss) for the Half-Year		(11,962,951)	(1,773,213)
(Loss) per share, attributable to the owners			
Basic and diluted (loss) per share		(7.11)	(2.91)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	NOTE	31 Dec 2021	30 June 2021
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	1,419,865	5,224,961
Trade and other receivables	6	2,610,691	1,314,329
Financial assets at amortised cost		253,670	-
Inventory	7	419,677	297,985
TOTAL CURRENT ASSETS		4,703,903	6,837,275
NON-CURRENT ASSETS			
Property, plant and equipment		633,289	720,010
Financial assets at amortised cost		-	250,974
Other financial assets		125,000	125,000
Intangible assets	15	1,941,847	2,050,588
TOTAL NON-CURRENT ASSETS		2,700,136	3,146,572
TOTAL ASSETS		7,404,039	9,983,847
CURRENT LIABILITIES			
Trade and other payables	8	3,603,405	1,607,646
Lease liabilities		150,066	181,030
Borrowings	9	1,893,299	493,031
TOTAL CURRENT LIABILITIES		5,646,770	2,281,707
NON-CURRENT LIABILITIES			
Trade and other payables		-	-
Lease liabilities		351,608	411,832
Borrowings	9	2,480,449	382,063
Deferred tax liability		90,344	117,816
TOTAL NON-CURRENT LIABILITIES		2,922,401	911,711
TOTAL LIABILITIES		8,569,171	3,193,418
NET ASSETS / (LIABILITIES)		(1,165,132)	6,790,429
EQUITY			
Share capital	10	21,464,938	19,236,538
Translation reserve		371,418	28,449
Reserves	11	(2,863,497)	(4,642,487)
Accumulated losses		(20,137,991)	(7,832,071)
TOTAL EQUITY / (DEFICIENCY)		(1,165,132)	6,790,429

The accompanying notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Reserves (Note 11)	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2020	8,885,038	(2,524,775)	101,759	(4,642,487)	1,819,535
Loss for the half-year	-	(1,763,892)	-	-	(1,763,892)
Other comprehensive loss	-	-	(9,321)	-	(9,321)
Total comprehensive loss for the half-year	-	(1,763,892)	(9,321)	-	(1,773,213)
Issue of share capital	1,775,603	-	-	-	1,775,603
Balance at 31 December 2020	10,660,641	(4,288,667)	92,438	(4,642,487)	1,821,925
Balance as at 1 July 2021	19,236,538	(7,832,071)	28,449	(4,642,487)	6,790,429
Loss for the half-year	-	(12,305,920)	-	-	(12,305,920)
Other comprehensive income	-	-	342,969	-	342,969
Total comprehensive loss for the Half-year	-	(12,305,920)	342,969	-	(11,962,951)
18,000,000 Ordinary Shares issued on the acquisition of CanPharma	2,070,000	-	-	-	2,070,000
Shares issued for consultancy services	68,400	-	-	-	68,400
Shares issued for introduction fees	90,000	-	-	-	90,000
Issue of options for employment services	-	-	-	43,309	43,309
Issue of 12,000,000 Class A performance shares to CanPharma vendors as part of the acquisition	-	-	-	1,242,000	1,242,000
Issue of 6,000,000 Class B performance shares to CanPharma vendors as part of the acquisition	-	-	-	345,000	345,000
Performance shares issued for employment incentives and introduction fees	-	-	-	148,681	148,681
Balance at 31 December 2021	21,464,938	(20,137,991)	371,418	(2,863,497)	(1,165,132)

The accompanying notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

NOTE	31 Dec 2021	31 Dec 2020
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	6,583,202	4,778,184
Payments to suppliers and employees	(9,309,524)	(5,990,618)
Interest received	308	1,277
Interest paid	(30,048)	(34,498)
Other income	75,945	55,257
CanPharma acquisition costs	(362,893)	-
<i>Net cash used in operating activities</i>	<u>(3,043,010)</u>	<u>(1,190,398)</u>
Cash Flows from Investing Activities		
Cash acquired - Gees Pharmacy	-	47,555
Loans to CanPharma prior to completion of the acquisition	(484,221)	-
Cash acquired as part of CanPharma acquisition	305,588	-
Purchase of property, plant and equipment	(1,048)	(5,782)
Purchase of intangible assets	-	(1,833)
Purchase of other non-current assets	(59,244)	-
Proceeds from the disposal of investments	7,809	-
<i>Net cash (used in) / from investing activities</i>	<u>(231,116)</u>	<u>39,940</u>
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	910,882
Proceeds from loans	281,028	600,088
Repayment of loans	(695,428)	-
Payments of lease liabilities	(91,188)	(57,917)
<i>Net cash (used in) / from financing activities</i>	<u>(505,588)</u>	<u>1,453,053</u>
Net (decrease) / increase in cash and cash equivalents	(3,779,714)	302,595
Effect of exchange rate fluctuations on cash held	(25,382)	(6,442)
Cash and cash equivalents at beginning of financial half-year	5,224,961	492,609
Cash and cash equivalents at end of financial half-year	<u>1,419,865</u>	<u>788,762</u>

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Reporting basis and conventions

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied where relevant.

The financial statements are presented in Australian dollars which is Health House International Limited's functional and presentation currency.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Standards and Interpretations applicable to 31 December 2021

In the half-year ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet effective

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet effective for the half-year ending 31 December 2021. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet effective on the Group and therefore no material change is necessary to Group accounting policies.

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 \$12,305,920 (2020: \$1,763,892) and had operating cash outflows of \$3,043,010 for the period ended 31 December 2021 (2020: \$1,190,398). As at 31 December 2021, the Group's held cash and cash equivalents of \$1,419,865 (30 June 2021: \$5,224,961).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

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, or merger 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 and be able to realise its assets and extinguish its liabilities in the normal course of business.

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.

Subsequent to the year end, on 24th February 2022 it was announced that 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). 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.

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.

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;
- if the proposed merger does not proceed, whether the Company will be able to raise equity in this current market

2. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into three operating segments based on geographic location of operations: Australia United Kingdom and Germany/Spain. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. OPERATING SEGMENTS (CONT.)

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

31 Dec 2021

Segment Revenue	Australia	UK	Europe	Total
	\$	\$	\$	\$
Sale of goods	2,904,344	4,153,350	359,539	7,417,233
Interest revenue	142	1,671	2,983	4,796
Other revenue	-	75,814	61,071	136,885
Total revenue	2,904,486	4,230,835	423,593	7,558,914

Segment Result	Australia	UK	Europe	Total
	\$	\$	\$	\$
Loss after income tax expense	(9,545,247)	(1,096,976)	(1,663,697)	(12,305,920)

Segment assets and liabilities	Australia	UK	Europe	Total
	\$	\$	\$	\$
Total assets	1,352,088	4,909,437	1,142,514	7,404,039
Total liabilities	(1,264,340)	(2,574,724)	(4,730,107)	(8,569,171)
Net assets (liabilities)	87,748	2,334,713	(3,587,593)	(1,165,132)

31 Dec 2020

Segment Revenue	Australia	UK	Europe	Total
	\$	\$	\$	\$
Sale of goods	1,703,634	2,648,517	-	4,352,151
Interest revenue	3	1,274	-	1,277
Other revenue	50,554	4,703	-	55,257
Total revenue	1,754,191	2,654,494	-	4,408,685

Segment Result	Australia	UK	Europe	Total
	\$	\$	\$	\$
Profit after income tax expense	(170,501)	(1,593,391)	-	(1,763,892)

Segment assets and liabilities	Australia	UK	Europe	Total
	\$	\$	\$	\$
Total assets	1,848,031	4,047,537	-	5,895,568
Total liabilities	(704,192)	(3,369,453)	-	(4,073,645)
Net assets	1,143,839	678,084	-	1,821,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
3. REVENUE

	31 Dec 2021	31 Dec 2020
Revenue from contracts with customers	\$	\$
Sale of goods	<u>7,417,233</u>	<u>4,352,151</u>
	31 Dec 2021	31 Dec 2020
Timing of revenue recognition	\$	\$
Goods transferred at a point in time	<u>7,417,233</u>	<u>4,352,151</u>

The disaggregation of revenue from contracts with customers is as follows:

Consolidated -31 Dec 2021

Geographical regions	Australia	UK	Europe	Total
	\$	\$	\$	\$
Sale of goods	<u>2,904,344</u>	<u>4,153,350</u>	<u>359,539</u>	<u>7,417,233</u>

Consolidated -31 Dec 2020

Geographical regions	Australia	UK	Europe	Total
	\$	\$	\$	\$
Sale of goods	<u>1,703,634</u>	<u>2,648,517</u>	<u>-</u>	<u>4,352,151</u>

4. OTHER INCOME AND EXPENSES

	31 Dec 2021	31 Dec 2020
	\$	\$
(a) Revenue		
Interest revenue	<u>4,796</u>	<u>1,277</u>
Other revenue:		
Sponsorship income	-	4,721
Government grants	83,311	50,536
Other	<u>53,574</u>	<u>-</u>
	<u>136,885</u>	<u>55,257</u>
(b) Expenses		
Cost of sales:		
- Direct costs	(5,821,380)	(3,416,623)
- Registrations	(8,853)	(52,999)
- Commissions payable	-	(4,993)
	<u>(5,830,233)</u>	<u>(3,474,615)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME AND EXPENSES(CONT.)

	31 Dec 2021	31 Dec 2020
	\$	\$
Administration expenses:		
- Salaries and other employee costs	(1,903,011)	(596,110)
- Audit and accountancy fees	(226,050)	(40,623)
- Legal and professional fees	(567,549)	(32,881)
- Consulting fees	(496,246)	(523,202)
- Other administration expenses	(1,503,356)	(466,056)
	(4,696,212)	(1,658,872)

5. CASH AND CASH EQUIVALENTS

	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
Cash at bank and on hand	1,419,865	5,224,961

Cash at bank earns interest at fixed and floating rates based on daily bank and term deposit rates.

6. TRADE AND OTHER RECEIVABLES

	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
Trade and other receivables	1,449,778	624,110
GST / VAT receivable	398,094	156,011
Prepayments	602,177	394,880
Other receivables	160,642	139,328
	2,610,691	1,314,329

Group

The above amounts do not bear interest and the Directors consider that the carrying amount is equivalent to their fair value.

7. INVENTORIES

	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
Finished goods – at cost	419,677	297,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**8. TRADE AND OTHER PAYABLES**

Current (unsecured)	31 Dec 2021	30 Jun 2021
	\$	\$
Trade payables	2,941,285	1,236,139
Other Creditors	283,131	68,195
Accruals	180,800	195,189
Employee related payables	198,189	108,123
	<u>3,603,405</u>	<u>1,607,646</u>

The above amounts do not bear interest and the Directors consider that the carrying amount is equivalent to their fair value.

All amounts due to group companies are repayable on demand and are non-interest bearing.

9. BORROWINGS

Current (secured)	31 Dec 2021	30 Jun 2021
	\$	\$
Other loans ¹	542,718	-
Current (unsecured)		
Other loans ²	1,350,581	493,031
	<u>1,893,299</u>	<u>493,031</u>
Non-current (secured)		
Other loans	-	382,063
Non-current (unsecured)³		
Other loans	2,480,449	-
	<u>2,480,449</u>	<u>382,063</u>

Details of the loans are as follows:

3. Gees Pharmacy, Amount: \$402,177 Interest rate: 5%, Maturity date: at call of HHI, Secured or unsecured: Unsecured
3. Department of Health and Social care, Amount: \$19,625, Interest Rate: Nil, Maturity date: March 2022, Secured or unsecured: Unsecured
3. Coronavirus Business Interruption Loan Scheme, Amount: \$237,334, Interest rate: 12.22%, Maturity date: August 2023, Secured or unsecured: Unsecured
3. Investitionsbank des Landes Brandenburg, Amount: \$1,005,130, Interest rate: 7% Maturity date: 30 September 2026, Secured or unsecured: Unsecured
- 2,3 Multiple private lenders, Amount: \$2,148,190, Interest rate: 4.12% (Euribor plus 5%) Maturity date: 1 July 2023, Secured or unsecured: Unsecured
1. Rolling debtor financing facility, Amount \$542,718. Secured over sales invoices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. BORROWINGS (CONT.)

The fair value of borrowings approximate their carrying amount at balance date.

10. ISSUED CAPITAL

Issued Capital	Six months to 31 December 2021		Year to 30 June 2021	
	No.	No.	\$	\$
			21,464,938	19,236,538
	Six months to 31 December 2021	Year to 30 June 2021	Six months to 31 December 2021	Year to 30 June 2021
	No.	No.	\$	\$
<i>Movements in ordinary shares on issue</i>				
At start of period	158,874,626	101,698,310	19,236,538	8,885,038
Ordinary shares issued	-	13,600,433	-	2,028,353
Ordinary Shares issued on the acquisition of CanPharma	18,000,000	-	2,070,000	-
Ordinary shares issued for consultancy services	899,999	-	68,400	-
Ordinary shares issued for introduction fees	450,000	-	90,000	-
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	178,224,625	158,874,626	21,464,938	19,236,538

At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER RESERVES

Performance Shares Reserve

This reserve is used to record the value of performance shares provided to employees, Directors and consultants as part of their remuneration or for the acquisition consideration. Refer to Note 14 for further details of these plans

At 31 December 2021, the Company had the following reserve accounts:

	6 months to 31 December 2021		Year to 30 June 2021	
	Number	\$	Number	\$
Other reserve	-	(4,642,487)	-	(4,642,487)
Options	5,000,000	43,309	-	-
Performance shares	36,900,000	1,735,681	-	-
Balance at end of year	41,900,000	(2,863,497)	-	(4,642,487)

Options Reserve Movement

	6 months to 31 December 2021		Year to 30 June 2021	
	Number	\$	Number	\$
Movement of Company options:				
Balance at beginning of year	-	-	-	-
Options issued to Tony Samios	5,000,000	43,309	-	-
Balance at end of year	5,000,000	43,309	-	-

Performance Share Reserve Movement

	6 months to 31 December 2021		Year to 30 June 2021	
	Number	\$	Number	\$
<i>Movement of issued performance rights:</i>				
Balance at beginning of year	-	-	-	-
Brought to account during the year	36,900,000	1,735,681	-	-
Balance at end of year	36,900,000	1,735,681	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. ACQUISITIONS

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 10 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 issued 11,753,061 fully paid ordinary shares to the vendors of CanPharma;
- (b) Health House International Limited issued 36 million Performance Shares; and
- (c) Health House International Limited issued 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 were 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. ACQUISITIONS (CONT.)

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.

Assets acquired and liabilities assumed:

	\$
Cash and cash equivalents	305,588
Inventory	52,188
Intangibles	155,672
Property, plant and Equipment	45,221
Trade and other receivables	434,328
Trade and other payables	(6,115,248)
Net Liabilities assumed	<u>(5,122,251)</u>
Share-based payment	<u>(3,657,000)</u>
Acquisition date fair value of the total consideration transferred	<u>(8,779,251)</u>

Net cash inflow arising on acquisition

	\$
Cash paid	-
Less: net cash acquired with the subsidiary	<u>305,588</u>
Net cash inflow	<u><u>305,588</u></u>

Goodwill Acquired / impaired	8,779,251
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The goodwill has been fully impaired as internal reporting, including detailed budget and cashflow forecasts, indicate negative performance from the operations in Germany and Spain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with director related entities:

Pathways Corporate Pty Ltd, a company of which Mr David Wheeler is the CEO, charged the Group Rent of \$9,000 (2020: \$nil) during the year on normal commercial terms and conditions. At balance date \$1,500 (2020: \$nil) remained payable.

Grupo HS3 S.L., KSK Labs S.L., Lemongrass SL and Brank-worx SL, Spanish limited companies of which Dr. Henrik Sprengel has a relevant interest, since the acquisition of CanPharma has charged the Group \$71,640 for rent and professional services. At balance date (31 December 2021) \$22,937 remained payable.

During the period, Director Henrik Sprengel and his related parties received the following ordinary and performance shares in relation to the acquisition of CanPharma GmbH :

	#	Grant date fair value	Value
Equity and debt consideration shares	9,517,500	0.115	1,094,513
Performance Shares – Class A ¹	6,345,000	0.115	729,675
Performance Shares – Class B ²	5,572,500	0.115	640,838
Performance Shares – Class C ³	4,800,000	-	-
Total	26,235,000		2,465,025

¹ Conditions associated with class A shares were assessed as having 90% probability of being achieved.

² Conditions associated with class B shares were assessed as having 50% probability of being achieved.

³ Conditions associated with class C shares were assessed as having 0% probability of being achieved, no value has been allocated to this class.

14. SHARE BASED PAYMENTS

Options	Number	Grant date	Expiry date	Exercise Price	Fair value at balance date	Vesting date
				\$	\$	\$
Employee options	5,000,000	19 Oct 2021	24 Jun 2024	0.20 - 1.33	43,309	24 Jun 2024

The following share-based payment arrangements were in place during the period:

¹ Amounts relate to 6,000,000 Class B performance shares and 12,000,000 Class C performance shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE BASED PAYMENTS (CONT.)

Performance shares	Number	Grant date	Expiry date	Value at grant date	Fair value at balance date	Vesting date
				\$	\$	\$
Issue of CanPharma Acquisition – MGMT ¹	18,000,000	10 Aug 2021	10 Aug 2023	2,070,000	135,164	10 Aug 2023
Introductory services on CanPharma acquisition ²	900,000	10 Aug 2021	10 Aug 2023	103,500	13,516	10 Aug 2023

² Amounts relate to 300,000 Class A performance shares, 300,000 Class B performance shares and 300,000 Class C performance shares.

The fair value of performance shares was determined as the CanPharma acquisition date market price for HHI shares being \$0.115 per share.

The fair value of the options granted during the period are estimated as at the date of grant using an option pricing model taking into account the terms and conditions upon which the performance rights were granted as follows:

Dividend yield (%)	0%
Expected volatility (%)	67%
Risk-free interest rate (%)	0.95%
Expected life of option (years)	3
Exercise price (cents)	0.20 – 1.33
Grant date share price (cents)	0.105

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

15. INTANGIBLE ASSETS

	Website Costs	Customer Contracts	Goodwill	Total
Cost				
At 1 July 2021	77,036	1,439,687	1,365,034	2,881,757
Additions	39,045	-	-	39,045
Movement in FX rates	175	15,466	-	15,641
At 31 December 2021	116,256	1,455,153	1,365,034	2,936,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15. INTANGIBLE ASSETS (CONT.)**Amortisation**

At 1 July 2021	11,567	819,602	-	831,169
Charge for the year	3,314	143,840	-	147,154
Movement in FX rates	54	16,219	-	16,273
At 31 December 2021	14,935	979,661	-	994,596
Net book value as at 31 December 2021	101,321	475,492	1,365,034	1,941,847
Net book value as at 30 June 2021	65,469	620,085	1,365,034	2,050,588

The CGU to which goodwill relates to was measured for impairment on 30 June 2021, there are no indicators of impairment at 31 December 2021 therefore no impairment has been recorded.

16. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the year end, on 24th February 2022 it was announced that 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). 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.

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.

There were no significant changes in the state of affairs other than that disclosed above.

17. CONTINGENCIES

As at the 31 December 2021 the Company did not have any contingent liabilities.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Wheeler
Chairman

Dated at Perth this 28 day of February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Health House International Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Health House International Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Health House International Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2022



D I Buckley
Partner