



5 September 2022

Update on Health House International Limited transaction

Creso Pharma Limited (ASX: CPH, FRA: 1X8) ('Creso Pharma', 'Creso' or 'the Company') is pleased to provide the following update on its proposed acquisition of Health House International Limited (ASX: HHI), ("Health House" or "HHI"). As previously announced, the Company signed a non-binding term sheet to acquire HHI (refer to ASX announcement: 29 July 22).

Since then, Creso has significantly advanced its due diligence on the proposed acquisition. Among other investigations, work to date included an analysis of HHI's revenue base, following HHI's generation of A\$15.2m of cash receipts for the 12 months ended 30 June 2022 (refer HHI ASX announcement: 1 August 2022), as well as opportunities to restructure and reduce costs.

Following completion of preliminary due diligence, the Company has gained additional confidence in HHI and its operations. To advance the potential transaction, Creso Pharma has executed a Loan Facility Agreement with HHI, whereby Creso will provide a loan up to A\$700,000 to HHI for general corporate purposes and working capital (the "Facility").

A material use of proceeds from the Facility by HHI will be the drafting and completion of a Scheme Implementation Deed and Independent Expert's report. Creso Pharma has provided initial funding of A\$500,000 to HHI under the terms of the Loan Facility Agreement (set out below).

Commentary:

CEO and Managing Director Mr William Lay said: *"Our initial diligence investigations into HHI have reaffirmed the view that we have the opportunity to purchase strategically aligned, significant revenue at an attractive multiple, while being able to rein in costs with the aim being to accelerate a pathway to profitability. Subject to the completion of due diligence, we will now look to advance and execute definitive transaction agreements with HHI in the short term in order for the shareholders of both companies to benefit from the strategic opportunities of the proposed transaction."*

Terms of the Loan Facility Agreement:

The Loan Facility Agreement provides for up to A\$700,000 to HHI. The repayment date of the loan is 30 November 2022, which may be accelerated in an event of default or change of control. The Facility has been secured via a general security deed, however this security ranks second to the security held by Zelira Therapeutics Limited, a lender to HHI. Interest accrues on the Facility at a rate of 12% per annum. Pursuant to the Loan Facility Agreement, HHI must provide for approval to Creso a budget for the use of the loan on the final day of every month, beginning on 30 September. Upon Creso's approval, HHI is required to carry out effectively and efficiently the work in accordance with the budget. HHI has the ability to prepay the loan, by providing 5 business days' notice and a minimum prepayment amount of \$100,000. The Loan Facility Agreement contains representations and warranties of HHI that are customary for an agreement of this nature. Future drawdowns beyond the initial \$500,000 can be requested by HHI and are subject to a minimum drawdown of \$100,000.

-Ends-

**Authority and Contact Details**

This announcement has been authorised for release by the Board of Creso Pharma Limited.

For further information, please contact:

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About Creso Pharma

Creso Pharma Limited (ASX:CPH) brings the best of cannabis to better the lives of people and animals. It brings pharmaceutical expertise and methodological rigor to the cannabis world and strives for the highest quality in its products. It develops cannabis and hemp derived therapeutic, nutraceutical, and life style products with wide patient and consumer reach for human and animal health.

Creso Pharma uses GMP (Good Manufacturing Practice) development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. It has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids. To learn more please visit: www.cresopharma.com

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Forward Looking statements

This announcement contains forward-looking statements with respect to Creso and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Creso could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.



The cautionary statements qualify all forward-looking statements attributable to Creso and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Creso has no obligation to up-date such statements, except to the extent required by applicable laws.