

ASX ANNOUNCEMENT**ASX CODE: HHI****24 March 2023****Scheme booklet registered by ASIC**

Health House International Limited (ASX: HHI) (Health House or the Company) refers to its previous announcements:

- released on 21 November 2022 in relation to the execution of a scheme implementation deed with Creso Pharma Ltd (ASX: CPH) under which CPH proposed to acquire all the shares in Health House by way of a scheme of arrangement (**Scheme**); and
- released on 23 March 2023 in relation to the orders made by the Supreme Court of Western Australia that Health House convene a meeting of Health House shareholders to consider and vote on the Scheme (**Scheme Meeting**) and approving dispatch of an explanatory statement providing information about the Scheme, together with the Notice of Scheme Meeting (together, the **Scheme Booklet**), to Health House shareholders.

Scheme Booklet

Health House confirms that the Australian Securities and Investments Commission (ASIC) has today registered the Scheme Booklet. A copy of the Scheme Booklet is attached to this announcement and will also be made available on Health House's website at <https://healthhouse.com.au/>. For details on how you will receive your Scheme Booklet, please refer to Health House's announcement dated 23 March 2023.

Health House shareholders should carefully read and consider the Scheme Booklet in its entirety, including the materials accompanying it, before deciding how to vote at the Scheme Meeting. If after reading the Scheme Booklet you have any questions about the

Scheme Booklet or the Scheme, please contact Health House's company secretary on the information provided below.

Scheme Meeting

The Scheme Meeting will be held at the offices of Pathways Corporate at level 3, 101 St Georges Terrace, Perth WA at 1.30pm AWST on Tuesday, 2 May 2023. All Health House shareholders registered as at 5:00pm AWST on Sunday, 30 April 2023 will be eligible to vote at the Scheme Meeting and are encouraged to do so. Further information on how to participate in and vote at the Scheme Meeting is set out in the Scheme Booklet.

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

David Wheeler

Chairman

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

Health House International and the entities it controls (**the 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 Company 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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Health House International Limited

ACN 149 197 651

SCHEME BOOKLET

for the recommended scheme of arrangement in relation to the
proposed acquisition of all of your Health House Shares by
Creso Pharma Limited

A Notice of Scheme Meeting is included as Annexure E

Vote in favour

The Health House Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a superior proposal.

This is an important document and requires your immediate attention. You should read this Scheme Booklet in its entirety prior to deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with this Scheme Booklet, please consult your independent financial, legal or taxation adviser immediately. If you have sold all of your Health House Shares, please ignore this Scheme Booklet.

If you have any questions about this Scheme Booklet or the Scheme you should contact Health House on +61 8 6558 0886 between 8:30 am and 4:30 pm (AWST).

Legal Advisor to Health House



Legal Advisor to Creso



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Important notices

Date of Scheme Booklet

This Scheme Booklet is dated 23 March 2023.

General

Health House Shareholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in any doubt as to how to deal with this Scheme Booklet, please consult your independent financial, legal or taxation adviser immediately.

Purpose of this Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved), and to provide such information as is prescribed or otherwise material to the decision of Health House Shareholders whether or not to approve the Scheme. This Scheme Booklet includes the explanatory statement required by section 412(1) of the Corporations Act in relation to the Scheme. A copy of the proposed Scheme is set out in Annexure C.

Responsibility statement

The Health House Information (being all information contained in this Scheme Booklet, other than the Creso Information, Section 16 and the Independent Expert's Report) has been prepared by, and is the responsibility of, Health House. None of Creso, or its Related Bodies Corporate, or any of their directors, officers, employees and advisers, assumes any responsibility for the accuracy or completeness of the Health House Information.

The Creso Information (being the information contained in Section 12 and under the heading "Who is Creso?" on page 6 of this Scheme Booklet) has been prepared by, and is the responsibility of, Creso. None of Health House, or its Related Bodies Corporate, or any of their directors, officers, employees and advisers, assumes any responsibility for the accuracy or completeness of the Creso Information.

The Independent Expert's Report contained in this Scheme Booklet has been prepared by, and is the responsibility of, Moore Australia, the Independent Expert. The Independent Expert and its directors, officers and employees are not responsible for the accuracy and completeness of any other part of this Scheme Booklet. None of Health House or Creso, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report,

except in the case of Health House and Creso respectively, in relation to the information which it has provided to the Independent Expert.

Armada Accountants Pty Ltd (**Armada**) has prepared and is responsible for a letter to the Health House Directors included in Section 16. None of Health House or Creso, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of Section 16. Armada and its directors, officers and employees are not responsible for the accuracy and completeness of any other part of this Scheme Booklet.

ASIC and the ASX

A copy of this Scheme Booklet has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act. ASIC has reviewed a copy of this Scheme Booklet. Health House has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to the ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with the Court order under section 411(1) of the Corporations Act

The Court has ordered the convening of the Scheme Meeting pursuant to section 411(1) of the Corporations Act. The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Health House Shareholders should vote (on this matter Health House Shareholders must reach their own decision); or
- has prepared, or is responsible for, the content of this Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Not investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of Health House Shareholders or any other person. The information in this Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or Health House Shares. Health House Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Scheme.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Health House Shareholders, or a solicitation of an offer from Health House Shareholders, in any jurisdiction.

Forward looking statements

Certain statements in this Scheme Booklet, including any statements relating to Health House's or Creso's plans, intentions or expectations of future costs or revenues relate to the future and are forward-looking statements or information. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Health House to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, but are not limited to, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

Assumptions on which forward-looking statements in this Scheme Booklet are based include, without limitation, that Health House Shareholders will approve the Scheme, that the Court will approve the Scheme, and that all other Conditions to the Scheme will be satisfied or waived (as applicable). Many of these assumptions are based on factors and events that are not within the control of Health House and may not prove to be correct.

Factors that could cause actual results to vary materially from results anticipated by such forward looking statements include, but are not limited to, the satisfaction of the Conditions to the Scheme, including the receipt of Health House Shareholder approval and Court approval on the terms expected by Health House and Creso, the parties' ability to meet expectations regarding the timing of implementation of the Scheme, accounting and tax treatment and the factors identified in Section 13, as well as in Health House's recent annual and half-yearly

financial reports, which are available from Health House's website at <https://healthhouse.com.au>.

Without limiting the generality of the other provisions of this cautionary statement, the Independent Expert's Report set out in Annexure B may contain or refer to forward-looking information and is subject to certain assumptions, limitations, risks and uncertainties as described herein and therein.

Other than as required by law, neither Health House nor Creso nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur. Health House Shareholders are cautioned about relying on any such forward looking statements. The forward-looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Additionally, statements of the intentions of Creso in this Scheme Booklet reflect Creso's present intentions as at the date of this Scheme Booklet and may be subject to change. Forward-looking statements are made as at the date of this Scheme Booklet and neither Health House nor Creso undertakes to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

Estimates, targets and forecasts

Unless otherwise indicated, any references to estimates, targets and forecasts and derivatives of the same in this Scheme Booklet are references to estimates, targets and forecasts by the management of either Health House or Creso (as applicable). Management estimates, targets and forecasts are based on views held only as at the date of this Scheme Booklet, and actual events and results may be materially different from them.

Health House believes that any forecast attributed to it in this Scheme Booklet has been made on reasonable grounds and no forecast in this Scheme Booklet is attributable to Creso. However, readers are cautioned that the estimates, targets and forecasts are subject to a variety of factors that are likely to cause actual results to vary from them, and such variations may be material. Forward-looking information generally involves risks and uncertainties as described above, which are in many instances beyond Health House's or Creso's control, including amongst other things, global economic conditions, specific market conditions, regulatory developments and changes, exchange rates, litigation and interest rates. A description of certain risks is set out in Section 13. These risks could cause actual events and results to vary significantly from those included in or contemplated by such statements.

Any estimates, targets or forecasts reflect certain assumptions by Health House and/or Creso which may differ with respect to actual events, economic, competitive and regulatory conditions, financial market conditions and future business decisions, including a continuation of existing business operations on substantially the same basis as currently exists, all of which are difficult to predict and many of which are beyond Health House's and/or Creso's control. Accordingly, there can be no assurance that any estimate, forecast or target is indicative of Health House's or Creso's future performance or that actual events and results would not differ materially from them.

Privacy and personal information

Health House, Creso and the Share Registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses and other contact details, and details of the security holdings of Health House Shareholders, and the names of individuals appointed by Health House Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The personal information is collected for the primary purposes of assisting Health House to conduct the Scheme Meeting and to enable the Scheme to be implemented. The personal information may be disclosed to Health House's and Creso's share registries/transfer agents, securities brokers, print and mail service providers and any other service provider to the extent necessary to conduct the Scheme Meeting and implement the Scheme.

If the information outlined above is not collected, Health House may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Health House Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Share Registry on +61 1300 554 474 if they wish to exercise these rights.

Health House Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at a Scheme Meeting should inform such a person of the matters outlined above.

The privacy policy of Health House is available at <https://healthhouse.com.au/privacy-policy/> and contains information about how an individual may access personal information about the individual that is held by Health House, seek the correction of such information or

make a privacy-related complaint and how such a complaint will be dealt with.

The Privacy Policy of the Share Registry is available at https://www.linkgroup.com/docs/Link_Group_Privacy_Policy.pdf and contains information about how an individual may access personal information about the individual that is held by the Share Registry, seek the correction of such information or make a privacy-related complaint and how such a complaint will be dealt with.

Tax implications of the Scheme

If the Scheme becomes Effective and is implemented, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain on disposal of Health House Shares. Please refer to Section 16 for further details about the general Australian tax consequences of the Scheme for both Australian and foreign tax resident Scheme Shareholders. The tax treatment may vary depending on the nature and characteristics of each Scheme Shareholder and their specific circumstances. Accordingly, Health House Shareholders should seek independent taxation advice in relation to their particular circumstances.

Interpretation

Information contained in this Scheme Booklet is given as of 23 March 2023, unless otherwise stated to the contrary. Capitalised terms and certain abbreviations used in this Scheme Booklet have the defined meanings set out in Section 18. The documents reproduced or summarised in the Annexures to this Scheme Booklet may have their own defined terms, which are sometimes different from those in Section 18.

Figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding.

Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet. All references to times in this Scheme Booklet are references to time in Perth, Western Australia, Australia, unless otherwise stated. All dates in the timetable are indicative only and subject to change. All references in this Scheme Booklet to "\$", "A\$", "AUD", "Australian dollars" and "cents" are to Australian currency.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure E.

Notice of Second Court Hearing and if a Health House Shareholder wishes to oppose the Scheme

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any Health House Shareholder may appear at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. If

you wish to oppose in this manner, you must file with the Court and serve on Health House a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the Second Court Hearing. The notice of appearance and any affidavit must be served on Health House at its address for service at least one day before 4 May 2023. The address for service for Health House is c/- Blackwall Legal, Level 26, AMP Building, 140 St Georges Terrace, Perth WA 6000 (Reference: Jamie Ogilvie) Facsimile: +61 8 6169 2501 Email jamie.ogilvie@blackwall.legal

The Second Court Hearing is expected to be held on 4 May 2023 at the Supreme Court of Western Australia, Level 11, David Malcolm Justice Centre, 28 Barrack Street, Perth, Western Australia.

No internet site is part of this Scheme Booklet

Health House and Creso each maintain an internet website. The content of those websites does not form part of this Scheme Booklet. Any reference in this Scheme Booklet to a website is a contextual reference for information only and no information in any website forms part of this Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet outside of Australia may be restricted by law or regulation and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws or regulations. Health House and its Related Bodies Corporate and their

directors, officers, employees and advisers each disclaim all liabilities to such persons.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of jurisdictions other than Australia.

Health House Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside of Australia.

Questions and supplementary information

If you have any questions about this Scheme Booklet or the Scheme you should contact Health House on +61 8 6558 0886 between 8:30 am and 4:30 pm (AWST).

Health House Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Scheme.

In certain circumstances, Health House may provide additional disclosure to Health House Shareholders in relation to the Scheme after the date of this Scheme Booklet. To the extent applicable, Health House Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Scheme.

1. Important dates and expected timetable for the Scheme

Key events and the expected timing in relation to the approval and implementation of the Scheme are set out in the table below.

Event	Week ending
Latest time and date by which completed Proxy Forms for the Scheme Meeting must be received	1:30 pm (AWST) on 30 April 2023
Time and date for determining eligibility of registered Health House Shareholders to vote at the Scheme Meeting	5:00 pm (AWST) on 30 April 2023
Time and date of the Scheme Meeting	1:30 pm (AWST) on 2 May 2023
If the Scheme is approved by the Requisite Majorities, the expected timetable for implementation of the Scheme is:	
Second Court Hearing for approval of the Scheme	4 May 2023
Effective Date on which the Scheme comes into effect and is binding Court order lodged with ASIC and announcement to the ASX Last day of trading in Health House Shares on the ASX (with Health House Shares suspended from close of trading)	5 May 2023
Record Date for determining entitlements to Scheme Consideration	5:00 pm (AWST) on 9 May 2023
Implementation Date Payment of Scheme Consideration to be made to Scheme Shareholders	16 May 2023

All dates and times are references to the date and/or time in Perth, Western Australia (that is, Australian Western Standard Time), unless otherwise stated. This timetable is indicative only and all dates after the Scheme Meeting are subject to the Court approval process and the satisfaction or, where applicable, waiver of the Conditions. The outstanding Conditions are summarised in Annexure A and the Conditions are set out in full in clause 3.1 of the Scheme Implementation Deed.

Health House has the right to vary the timetable set out above subject to all necessary approvals. Any variation to the timetable set out above will be announced on Health House's website and on the ASX.

2. Health House Chairman's Letter

23 March 2023

Dear Health House Shareholder,

On 29 July 2022, Health House announced that it had signed a non-binding terms sheet with Creso Pharma Limited (**Creso**) for Creso to acquire Health House by way of a scheme of arrangement pursuant to Part 5.1 of the Corporations Act (**Scheme**).

On 21 November 2022, Health House announced that it had entered into the Scheme Implementation Deed with Creso, under which Creso agreed to acquire 100% of the issued share capital of Health House by way of the Scheme for scrip consideration of approximately 80,939,256 Creso Consideration Shares and 20,234,814 Creso Consideration Options (subject to adjustments based on Health House's debt levels as at the Implementation Date).

The implementation of the Scheme is subject to a number of customary conditions, including Health House Shareholder and Court approvals, the Independent Expert's Report concluding that the Scheme is in the best interests of Health House shareholders (and the Independent Expert not changing or publicly withdrawing that conclusion) and there being no material adverse change or prescribed occurrence.

If the Scheme is approved and implemented, Health House Shareholders will receive the Scheme Consideration of one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares held by them at the Record Date.

The Scheme Consideration values Health House's fully diluted equity at approximately \$805,790.¹

Health House Directors' recommendation

The Health House Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders. Each Health House Director intends to cause all Health House Shares in which he or she has a Relevant Interest to be voted in favour of the Scheme Resolution, subject to those same qualifications. Details of the interests of each Health House Director in Health House Shares are set out in Section 17.1.

The Health House Directors have concluded that the Scheme is compelling for Health House Shareholders for the following reasons:

- the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a superior proposal;
- the trading price of Health House Shares is likely to fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal;
- since the announcement of the Scheme, no Superior Proposal has emerged; and
- no brokerage or stamp duty will be payable by you for the transfer of your Health House Shares under the Scheme.

The Health House Directors acknowledge that there are some factors which you may consider as arguments against the Scheme, including:

- the number of Creso Consideration Shares to be issued as Scheme Consideration on implementation of the Scheme is not certain;
- Creso's auditor has identified a material uncertainty related to ongoing losses from operating activities that may cast significant doubt on whether Creso will continue as a going concern;
- you may believe that the Scheme is not in your best interests;
- you may find it difficult to identify or invest in an alternative business with similar characteristics to that of Health House; and

¹ Based on the closing price of Creso Shares and Creso Consideration Options on 23 March 2022, and assuming \$1.25 million owing under the Facility Agreement, as to which, see Section 9.2 below (page 23).

- you may consider that there is the potential for a Superior Proposal to emerge after the date of this Scheme Booklet.

For more information in relation to the reasons for the Board's recommendation to vote in favour of the Scheme, along with reasons why you may choose to vote against the scheme, refer to pages 18 to 19 of this Scheme Booklet.

Independent Expert

The Health House Board appointed Moore Australia as the Independent Expert to provide an opinion as to whether the Scheme is fair and reasonable and in the best interests of Health House Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a Superior Proposal. The Independent Expert has assessed the value of a Health House Share, inclusive of a premium for control, as nil. The Scheme Consideration of one (1) Creso Consideration Share and 0.25 Creso Consideration Options per approx. 2.9 Scheme Shares exceeds the Independent Expert's assessed value, based on the market price of Creso Consideration Shares and the value of Creso Consideration Options as at the date of the Scheme Booklet.

A full copy of the Independent Expert's Report is included as Annexure B. I encourage you to read it in full.

How to vote

For the Scheme to be approved by Health House Shareholders, votes in favour of the Scheme Resolution must be received from:

- unless the Court orders otherwise, a majority in number (more than 50%) of Health House Shareholders present and voting at the Scheme Meeting; and
- at least 75% of the total number of votes cast on the Scheme Resolution by Health House Shareholders.

Health House Shareholders who have elected to receive communications electronically will receive an email where they can download the Scheme Booklet and lodge their proxy vote online. Health House Shareholders who have not made such an election will be mailed a letter which contains these instructions and hard copy Proxy Forms for the Scheme Meeting. The Scheme Booklet will also be available for download from <https://www.healthhouse.com.au/scheme>.

Please refer to Section 10 for information setting out how to participate in and vote at the Scheme Meeting. The Scheme Meeting is being arranged to ensure all Health House Shareholders can participate, question the Health House Board and have their voices heard on this important decision for Health House Shareholders.

Your vote is important and we encourage you to vote on the Scheme at the Scheme Meeting to be held at 1:30 pm (AWST) on 4 May 2023.

Further information

This Scheme Booklet sets out important information relating to the Scheme, the reasons why the Health House Directors have recommended that Health House Shareholders vote in favour of the Scheme Resolution, and the Independent Expert's Report. It also sets out some of the reasons why Health House Shareholders may wish to vote against the Scheme Resolution.

Please read this document carefully and in its entirety. It will assist you in making an informed decision on how to vote. Health House Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Scheme.

If you have any questions about this Scheme Booklet or the Scheme you should contact Health House on +61 8 6558 0886 between 8:30 am and 4:30 pm (AWST).

On behalf of the Health House Board, I would like to take this opportunity to thank you for your ongoing support of Health House, and I look forward to your participation at the Scheme Meeting.

Yours sincerely,



David Wheeler
Chairman, Health House International Limited

3. Creso Chairman's Letter

Dear Health House Shareholders,

On behalf of the Board of Directors of Creso Pharma Limited ("Creso"), I am pleased to provide you with information regarding the Scheme under which Creso proposes to acquire Health House International Limited ("Health House"). The Proposed Acquisition outlined in this Scheme Booklet provides you with an opportunity to participate in the creation of a new Combined Group that will continue to progress as a leading global participant in the cannabis industry.

Creso (ASX:CPH) is a global producer and marketer in high growth market segments of plant based products which consist of ingredients derived from plants that include vegetables, fruits, whole grains, nuts, seeds and/or legumes. Creso benefits from geographic diversification in its operations. In Canada, Creso's subsidiary, Mernova Medicinal Inc., produces and markets high quality recreational cannabis products to consumers across Canada under the Ritual Green Brand. This brand is known for its craft focus and high THC products. In the United States, Creso's subsidiary, Sierra Sage Herbs, LLC, markets a variety of plant based products under the Green Goo, Southern Butter and Good Goo brands on a direct to consumer and brick and mortar basis. The plants used to create the Green Goo products consist of but not limited to eucalyptus and lavender. Sierra Sage Herbs products can be found in large US retailers such as CVS, Walgreens, and Publix, among many others. Creso's subsidiary, impACTIVE also offers a sports recovery focused, topical CBD product on a direct to consumer basis in the United States. Creso Pharma Switzerland researches and markets innovative CBD products from its base in Switzerland. Finally, Creso also has an applied sciences division in Canada, focused on a Phase II clinical trial to assess the safety and efficacy of psilocybin as a treatment for treatment resistant post-traumatic stress disorder.

Together, Creso and Health House will be well positioned to take advantage of the opportunities to create a seamless, fully integrated health and wellness entity; benefiting from high growth, plant based verticals across the globe.

The directors of Creso and Health House respectively believe that the Proposed Acquisition:

- represents an attractive opportunity to benefit from the complementary assets and synergies of both companies; and
- allows Health House Shareholders to benefit from being part of a larger company with a more diversified asset portfolio.

The Combined Group will have greater geographic diversification, more financial strength, better access to capital for future growth and an experienced management team.

Following implementation of the Proposed Acquisition:

- the Combined Group will increase its global footprint with a presence spanning North America, Switzerland, Europe, and Australia; and
- the Combined Group will be managed by a capable and experienced board of directors, as well as an executive management team that has significant development and operating experience in international markets.

The current Creso Pharma Board will continue to serve as the Board of the Combined Group. Mr. William Lay, the current CEO and Managing Director of Creso Pharma will continue in his role as CEO and Managing Director for the Combined Group.

Details of the Proposed Acquisition, including a profile of the Combined Group and Creso's intentions for the Combined Group, are contained in this Scheme Booklet, which I encourage you to read in full. The Independent Expert has concluded that the Share Scheme is fair and reasonable and therefore is in the best interest of Health House Shareholders.

On behalf of the Creso Board, I encourage Health House Shareholders to vote in favour of the Scheme.

As Chairman of the Creso Board, I am excited by the opportunities that lie ahead for the combined Health House and Creso businesses and believe the timing of the Proposed Acquisition coincides with a positive long-term outlook for the cannabis industry and other plant based industries. I look forward to welcoming you as a new shareholder of Creso as we create a growth orientated globally diversified plant based products company.

Yours sincerely,

Boaz Wachtel
Non- Executive Chairman, Creso Pharma Limited

4. Frequently Asked questions

This Scheme Booklet contains detailed information regarding the Scheme. This Section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet. It is not intended to address all relevant issues for Health House Shareholders. This Section should be read together with the other parts of this Scheme Booklet.

Question	Answer
Overview of the Scheme	
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a Health House Shareholder and you are being asked to vote on the Scheme.</p> <p>This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.</p>
What is the Scheme?	<p>The Scheme is a scheme of arrangement under Part 5.1 of the Corporations Act between Health House and the Scheme Shareholders. The Scheme involves Creso acquiring 100% of Health House Shares for the Scheme Consideration. On 21 November 2022, Health House announced details of the Scheme to ASX. A copy of the Scheme is set out in Annexure C.</p> <p>If the Scheme is implemented:</p> <ul style="list-style-type: none"> • Scheme Shareholders will receive the Scheme Consideration of one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares held on the Record Date; and • Health House will become a wholly-owned subsidiary of Creso and will apply to ASX for termination of official quotation of Health House Shares and to be removed from the official list of ASX on the Business Day following the Implementation Date. <p>Please refer to Section 9 for a summary of the Scheme.</p>
What is a “scheme of arrangement”?	<p>A “scheme of arrangement” is a statutory procedure that can be used as a means of implementing an acquisition of securities under the Corporations Act. To be implemented, a scheme of arrangement must be approved by at least 75% of the votes cast at a meeting of shareholders and by a majority in number (more than 50%) of the shareholders present and voting at that meeting (unless the Court orders otherwise), and also requires Court approval.</p>
Who is entitled to participate in the Scheme?	<p>You will be entitled to participate in the Scheme if you are registered as a Scheme Shareholder (holding Scheme Shares) on the Record Date.</p>
What happens if the Scheme is not implemented?	<p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> • Health House Shareholders will not receive the Scheme Consideration; and • Health House will continue to operate as a stand-alone entity, and remain listed on the ASX.

Question	Answer
Overview of Creso	
Who is Creso?	<p>Creso is an ASX-listed Australian company limited by shares, incorporated and registered in Western Australia on 20 November 2015.</p> <p>Please refer to Section 12 for further information in relation to Creso.</p>
The Scheme Consideration (Foreign Scheme Shareholders should refer to Section 9.14 for details of their entitlement to Scheme Consideration)	
What consideration will I receive if the Scheme is implemented?	<p>If the Scheme is implemented, you will receive the Scheme Consideration of one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares you hold on the Record Date (subject to adjustment based on Health House’s debt level as at the Implementation Date – see Section 9.2).</p> <p>Fractional entitlements to a Creso Consideration Share and a Creso Consideration Option under the Scheme Consideration will be rounded down to the nearest whole number.</p>
When will I receive the Scheme Consideration?	<p>If the Scheme becomes Effective, the Scheme Consideration will be paid on the Implementation Date, which is currently expected to occur on 16 May 2023.</p> <p>If the Conditions are not satisfied or waived (as applicable), the Scheme will not be implemented and the Scheme Consideration will not be paid.</p>
Will I have to pay brokerage fees or stamp duty?	<p>No brokerage or stamp duty will be payable on the disposal of your Health House Shares under the Scheme.</p>
How will I receive the Scheme Consideration?	<p>Section 9.7 describes how the Scheme Consideration will be issued.</p>
Am I eligible to receive the Scheme Consideration?	<p>If you hold Scheme Shares on the Record Date, you will participate in the Scheme and be paid any Scheme Consideration to which you are entitled under, and in accordance with, the terms of the Scheme.</p>
What are the tax consequences of the Scheme for me?	<p>Please refer to Section 16 for further details about the general Australian tax consequences for both Australian and foreign tax resident Scheme Shareholders. That Section is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Health House Shareholder.</p> <p>You should consult with your own tax adviser regarding the consequences of receiving the Scheme Consideration and disposing of your Health House Shares to Creso in accordance with the Scheme in light of current Tax Laws and your particular circumstances.</p>
Can I choose to receive cash instead of Creso Consideration Shares?	<p>No. There is no option to elect to receive cash instead of Creso Consideration Shares.</p>

Question	Answer
<p>Will I receive any dividends from Health House?</p>	<p>No dividends will be paid by Health House if the Scheme is implemented.</p>
<p>Scheme Meeting and voting</p>	
<p>When and where will the Scheme Meeting be held?</p>	<p>The Scheme Meeting will be held at 1:30 pm (AWST) on 2 May 2023.</p> <p>Due to the COVID-19 pandemic, in the interests of health and safety of Health House Shareholders and staff, Health House strongly encourages Health House Shareholders to consider lodging a directed proxy rather than attending the Scheme Meeting in person.</p> <p>Further details of the Scheme Meeting, including how to vote, are contained in Section 10. The Notice of Scheme Meeting is contained in Annexure E.</p>
<p>What am I being asked to vote on at the Scheme Meeting?</p>	<p>At the Scheme Meeting, you are being asked to vote on whether to approve the Scheme by voting in favour, or against, the Scheme Resolution.</p> <p>The text of the Scheme Resolution is contained in the Notice of Scheme Meeting set out in Annexure E.</p>
<p>What vote is required to approve the Scheme?</p>	<p>For the Scheme to be approved by Health House Shareholders, votes in favour of the Scheme Resolution must be received from:</p> <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (more than 50%) of Health House Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Health House Shareholders, by a duly appointed corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution by Health House Shareholders at the Scheme Meeting. <p>If the Scheme is approved by Health House Shareholders at the Scheme Meeting, the Scheme will still be subject to the approval of the Court and the other Conditions being satisfied or waived (as applicable).</p>
<p>What happens if the Scheme is approved by Health House Shareholders?</p>	<p>If the Scheme is approved by the Requisite Majorities at the Scheme Meeting, the Scheme will be implemented if the Scheme is approved by the Court and all other Conditions are satisfied or waived (as applicable).</p>
<p>Am I entitled to vote at the Scheme Meeting?</p>	<p>The time for determining eligibility of Health House Shareholders to vote at the Scheme Meeting is 5:00 pm (AWST) on 30 April 2023. Only those Health House Shareholders entered on the Health House Share Register at that time will be entitled to attend and vote at the Scheme Meeting.</p>
<p>How do I vote?</p>	<p>Please refer to Section 10 for detailed information on how to vote on the Scheme Resolution.</p>
<p>Should I vote at the Scheme Meeting?</p>	<p>Voting is not compulsory. However, the Health House Directors believe that the Scheme is important to all Health House Shareholders.</p> <p>The Health House Directors recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.</p>

Question	Answer
<p>What happens if I do not vote, or I vote against the Scheme?</p>	<p>The Scheme may not be approved at the Scheme Meeting by the Requisite Majorities of Health House Shareholders. If this occurs, the Scheme will not be implemented, you will not receive the Scheme Consideration and you will remain a Health House Shareholder.</p> <p>However, if you do not vote or if you vote against the Scheme, the Scheme will still become binding on all Scheme Shareholders if the Scheme is approved by the Requisite Majorities of Health House Shareholders, the Court approves the Scheme and all other Conditions are satisfied or waived (as applicable).</p> <p>This is so even if you did not vote at all or if you voted against the Scheme Resolution.</p>
<p>What happens if the Scheme Resolution is not approved at the Scheme Meeting?</p>	<p>In order for the Scheme to be implemented, the Scheme must be approved by Health House Shareholders.</p> <p>If the Scheme is not approved at the Scheme Meeting, the Scheme will not be implemented.</p> <p>If the Scheme is not implemented, Health House Shareholders will retain their Health House Shares, Health House will continue to operate as a stand-alone entity listed on ASX and Health House Shareholders will not receive the Scheme Consideration.</p> <p>In such circumstances, Health House will continue to focus on its current business plan and growth strategy. Health House Shareholders will remain exposed to the risks of Health House, as discussed in Section 13.</p> <p>If the Scheme is not implemented and if no Superior Proposal emerges, the trading price of Health House Shares is likely to fall in the near-term.</p>
<p>When will the results of the Scheme Meeting be available?</p>	<p>The results of the Scheme Meeting will be declared at the Scheme Meeting and will be announced publicly shortly after the conclusion of the Scheme Meeting.</p>
<p>Are any other approvals required?</p>	<p>For the Scheme to be implemented, the Scheme must be approved by the Court, and all other Conditions must be satisfied or waived (as applicable).</p> <p>If the Scheme is approved by the Requisite Majorities of Health House Shareholders at the Scheme Meeting, Health House will apply to the Court for approval of the Scheme.</p> <p>The Court hearing for approval of the Scheme is expected to be held on 4 May 2023.</p>
<p>Voting considerations</p>	
<p>Who are the Health House Directors and what do they recommend?</p>	<p>The Health House Directors are:</p> <ul style="list-style-type: none"> • Mr David Wheeler; • Mr Chris Mews; and • Hon Mike Rann <p>The Health House Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.</p>

Question	Answer
<p>How do your Health House Directors intend to vote?</p>	<p>Each Health House Director intends to cause any Health House Shares in which he or she has a Relevant Interest to be voted in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.</p> <p>As at the date of this Scheme Booklet, each Health House Director has a Relevant Interest in the following number of Health House Shares:</p> <ul style="list-style-type: none"> • Mr David Wheeler: 4,925,930 (2.80%); • Mr Chris Mews: 12,500 (< 0.001%); and • Hon Mike Rann: 226,085 (0.13%). <p>Please refer to Section 17 for further details of the interests of the Health House Directors.</p>
<p>What is the Independent Expert's conclusion?</p>	<p>The Independent Expert has concluded the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a Superior Proposal.</p> <p>A copy of the Independent Expert's Report, including the reasons for the Independent Expert's conclusion, is set out in Annexure B.</p> <p>The Health House Directors encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme Resolution.</p>
<p>What if the Independent Expert changes its opinion?</p>	<p>If the Independent Expert changes his opinion, this will be announced to ASX and the Health House Directors will carefully consider the Independent Expert's revised opinion and advise Health House Shareholders of their recommendation.</p>
<p>What are the reasons to vote in favour of the Scheme?</p>	<p>The reasons to vote in favour of the Scheme Resolution are set out in the "Reasons to vote in favour of the Scheme" Section on pages 16 to 17.</p>
<p>What are the possible reasons not to vote in favour of the Scheme?</p>	<p>The possible reasons not to vote in favour of the Scheme Resolution are set out in the "Reasons to vote against the Scheme" Section on pages 18 to 19.</p>
Conditions and implementation of the Scheme	
<p>Is the Scheme subject to any Conditions?</p>	<p>The implementation of the Scheme is subject to a number of conditions. The Conditions are summarised in Section 1.7 and Annexure A.</p> <p>As at the date of this Scheme Booklet, the outstanding Conditions (which must be satisfied or waived, as applicable) include:</p> <ul style="list-style-type: none"> • the Scheme being approved by Shareholders at the Scheme Meeting; • the Scheme being approved by the Court at the Second Court Hearing; • no Material Adverse Change occurring; and • no Prescribed Occurrence occurring.
<p>When will the Scheme become Effective?</p>	<p>The Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC. The Scheme is currently expected to</p>

Question	Answer
	become Effective on 5 May 2023.
When will the Scheme be implemented?	If the Scheme becomes Effective, the Scheme will be implemented on the Implementation Date (being the fifth Business Day after the Record Date), which is currently expected to be 16 May 2023.
What happens if the Scheme is approved at the Scheme Meeting, but is not approved by the Court?	<p>If the Scheme is approved at the Scheme Meeting but is not approved by the Court, the Scheme will not be implemented.</p> <p>This means that Health House Shareholders will retain their Health House Shares, Health House will continue to operate as a stand- alone entity listed on ASX and Health House Shareholders will not receive the Scheme Consideration.</p> <p>In such circumstances, Health House will continue to focus on its current business plan and growth strategy. Health House Shareholders will remain exposed to the risks of Health House, as discussed in Section 13.</p> <p>If the Scheme is not implemented and if no Superior Proposal emerges, the trading price of Health House Shares is likely to fall in the near-term.</p>
Other	
Can I keep my Health House Shares?	If the Scheme is implemented, your Health House Shares will be transferred to Creso. This will happen even if you did not vote at all or if you voted against the Scheme Resolution at the Scheme Meeting.
Can I sell my Health House Shares now?	<p>You can sell your Health House Shares on market at any time before close of trading on ASX on the Effective Date. However, if you do so you will receive the prevailing on-market price set at the time of sale, which may not be the same value as the Scheme Consideration, and you may be required to pay brokerage.</p> <p>Health House intends to apply to ASX for Health House Shares to be suspended from official quotation on ASX from close of trading on the Effective Date. You will not be able to sell your Health House Shares on market after this time.</p>
What choices do I have as a Health House Shareholder?	<p>As a Health House Shareholder you have the following choices:</p> <ul style="list-style-type: none"> • support the Scheme by voting in favour of the Scheme Resolution at the Scheme Meeting; • not support the Scheme by voting against the Scheme Resolution at the Scheme Meeting; • sell your Health House Shares on ASX; or • do nothing.
What do I do if I oppose the Scheme?	<p>If you, as a Health House Shareholder, oppose the Scheme, you should:</p> <ul style="list-style-type: none"> • attend the Scheme Meeting and vote against the Scheme Resolution; and/or • if Health House Shareholders approve the Scheme at the Scheme Meeting and you wish to appear at the Second Court Hearing and oppose the approval of the Scheme, file with the Court and serve on Health House a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. Please refer to the “Important notices” section for further details under the heading “Notice of Second Court Hearing and if a Health House Shareholder wishes to

Question	Answer
	oppose the Scheme” on page iii.
When will Health House Shares cease trading on the ASX?	Provided the Scheme becomes Effective, suspension of trading in Health House Shares on ASX is expected to occur from close of trading on the Effective Date. This is currently expected to occur on 5 May 2023.
What are the potential risks associated with Health House if the Scheme is not implemented?	If the Scheme is not implemented, the risks outlined in Section 13 will continue to be relevant to the future operating and financial performance of Health House and the value of Health House Shares.
Do I need to sign anything to transfer my Scheme Shares?	No. If the Scheme becomes Effective, Health House will automatically have authority to sign a transfer on your behalf, and the Scheme Consideration will be issued to you.
Am I required to give any assurances by participating in the Scheme?	<p>Under the Scheme, you are deemed to have warranted to Creso that:</p> <ul style="list-style-type: none"> • all your Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of transfer of them to Creso, be fully paid and free from all Security Interests and from any restrictions on transfer of any kind; and • you have full power and capacity to sell and to transfer your Health House Shares together with any rights and entitlements attaching to such shares to Creso under the Scheme. <p>Please refer to Section 14.2 for further information on this warranty.</p>
What will happen to the Health House Performance Shares?	<p>As contemplated by the Scheme Implementation Deed, the Health House Performance Shares will vest and convert into Health House Shares on the Scheme becoming Effective..</p> <p>Please refer to Section 9.12 for further details about the treatment of Health House Performance Shares.</p>
Under what scenarios can Health House or Creso terminate the Transaction?	The Transaction can be terminated by Health House or Creso in certain circumstances, which are summarised in Annexure A and set out in full in clause 13 of the Scheme Implementation Deed.
Is there a break fee payable by Health House?	Yes, a break fee of \$100,000 is payable by Health House to Creso in certain circumstances, which are summarised in Annexure A and set out in full in clause 14 of the Scheme Implementation Deed.
Is there a break fee payable by Creso?	Yes, a break fee of \$100,000 is payable by Creso to Health House in certain circumstances, which are summarised in Annexure A and set out in full in clause 15 of the Scheme Implementation Deed.
What happens if Health House is approached in relation to a Competing Proposal?	<p>If Health House is approached in relation to a Competing Proposal, the Health House Directors will carefully consider the proposal having regard to Health House’s obligations under the Scheme Implementation Deed and advise Health House Shareholders of their recommendation.</p> <p>Health House is required to notify Creso of any approach in connection with a Competing Proposal in accordance with the Scheme Implementation Deed.</p>
What happens if a Superior	If a Superior Proposal emerges, this will be announced to ASX and the Health House Directors will carefully reconsider the Scheme and advise Health House

Question	Answer
Proposal emerges?	<p>Shareholders of their recommendation.</p> <p>Under the Scheme Implementation Deed, Health House has granted Creso notification and matching rights, which are summarised in Annexure A and set out in full in clause 16 of the Scheme Implementation Deed.</p>
What is a Superior Proposal?	<p>Under the terms of the Scheme Implementation Deed, a Superior Proposal is a bona fide Competing Proposal (other than an acquisition of a Relevant Interest of more than 20% of Health House Shares) which the Health House Board, acting in good faith and after receiving written legal advice from external legal advisers and written financial advice from external financial advisers, considers:</p> <ul style="list-style-type: none"> • to be reasonably capable of being completed in a reasonable timeframe; and • that would, if completed substantially in accordance with its terms, be more favourable to Health House Shareholders than the Scheme (and, if applicable, that the Transaction as amended or varied following application of the matching right set out in clause 16.8 of the Scheme Implementation Deed), <p>in each case taking into account all aspects of the Competing Proposal, the price and financial value of the Competing Proposal, timing considerations and any other matters relevant to the Competing Proposal being contemplated.</p>
What are the prospects of receiving a Superior Proposal?	<p>Since the initial announcement of the Scheme on 29 July 2022 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Health House Directors are not aware of any Superior Proposal that is likely to emerge.</p> <p>Health House Shareholders should be aware that Health House has agreed to certain exclusivity and break fee provisions in favour of Creso, which are summarised in Annexure A and contained in clauses 14 and 15 of the Scheme Implementation Deed.</p>
What if I have other questions?	<p>If you have any questions about this Scheme Booklet or the Scheme you should contact Health House on +61 8 6558 0886 between 8:30 am and 4:30 pm (AWST).</p> <p>For information about your individual financial or taxation consequences, please consult your independent financial, legal or taxation adviser.</p>

5. What you should do

Step 1: Read this Scheme Booklet

You should read this Scheme Booklet carefully in its entirety, including the reasons to vote in favour of or against the Scheme Resolution, before making any decision on how to vote on the Scheme Resolution.

Answers to various “Frequently Asked Questions” about the Scheme are set out in Section 4.

Step 2: Vote on the Scheme Resolution at the Scheme Meeting

Vote on the Scheme Resolution at the Scheme Meeting by doing one of the following:

- (a) **Vote in person** - a Health House Shareholder can vote in person by attending the Scheme Meeting on 2 May 2023 at 1:30 pm (AWST).
- (b) **Vote by proxy** - a Health House Shareholder can vote by proxy by completing and returning the Proxy Form in accordance with the instructions set out on the Proxy Form so that it is received by the Share Registry by no later than 1:30 pm (AWST) on 30 April 2023.
- (c) **Vote by corporate representative** - a Health House Shareholder or proxy which is a body corporate may vote at the Scheme Meeting by having their corporate representative attend the Scheme Meeting and vote on their behalf. The appointment must comply with the requirements of section 250D of the Corporations Act. If a representative of a Health House Shareholder or proxy which is a body corporate is to participate in the meeting, you will need to provide the appropriate “Appointment of Corporate Representative” to Health House’s Share Registry or Health House. A form may be obtained from Link Market Services. Health House Shareholders who wish to appoint a corporate representative for the Scheme Meeting should, if they have not already presented an appropriate appointment, deliver to Health House’s Share Registry or Health House an original or certified copy of the appointment by no later than 5.00pm (AWST) on 24 April 2023.
- (d) **Vote by attorney** - a Health House Shareholder may vote at the Scheme Meeting by having their fully authorised attorney attend the Scheme Meeting and vote on their behalf. A Health House Shareholder wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Health House, deliver to the Share Registry the original instrument appointing the attorney or a certified copy of it by 5.00pm (AWST) on 24 April 2023.

In order for the Scheme to be approved by the Requisite Majorities of Health House Shareholders, votes in favour of the Scheme Resolution must be received from:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Health House Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Health House Shareholders, by a duly appointed corporate representative); and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution by Health House Shareholders at the Scheme Meeting.

If the Scheme is not approved by the Requisite Majorities of Health House Shareholders at the Scheme Meeting, the Scheme will not be implemented.

Please refer to Section 10 for further information on how to vote at the Scheme Meeting.

Step 3: Participate in the Scheme

If you are eligible and wish to participate in the Scheme, you will need to ensure that you do not sell your Health House Shares prior to the Record Date, which is currently expected to be 5:00 pm (AWST) on 9 May 2023. Otherwise, and assuming the Scheme is approved and all other Conditions are satisfied or waived (as applicable), you do not need to do anything to participate in the Scheme.

Further information

Further information relating to the Scheme Resolution is contained in the Notice of Scheme Meeting (which is set out in Annexure E).

If you have any additional questions about this Scheme Booklet or the Scheme, please consult your financial, legal or other professional adviser or contact Health House on +61 8 6558 0886 between 8:30 am and 4:30 pm (AWST).

Health House Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Scheme.

The Health House Directors consider that there are a number of advantages for Health House Shareholders if the Scheme is implemented, which are outlined below.

Reasons to vote in favour of the Scheme

- The Health House Directors have assessed the merits of the Scheme and unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.
- The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a superior proposal.
- If the Scheme proceeds, you will continue to be able to participate in the future financial performance and possible growth of the Health House business as part of the Creso structure.
- If the Scheme is not implemented, and no Superior Proposal emerges, the trading price of Health House Shares is likely to fall.
- Since the announcement of the Scheme, no Superior Proposal has emerged.
- No brokerage or stamp duty will be payable by you for the transfer of your Health House Shares under the Scheme.

These reasons are discussed in more detail on pages 16 to 17.

In addition, the Scheme has certain disadvantages and risks which may affect Health House Shareholders in different ways depending on their individual circumstances.

Reasons to vote against the Scheme

- The value of the Scheme Consideration represents a significant discount relative to Health House's closing price of \$0.012 on the last day that Health House Shares traded prior to the announcement of the Scheme and the 20 and 60 trading day VWAPs up to and including that date.
- Creso's auditor has identified a material uncertainty related to ongoing losses from operating activities that may cast significant doubt on whether Creso will continue as a going concern.
- The number of Creso Consideration Shares to be issued as Scheme Consideration on implementation of the Scheme is not certain.
- You may disagree with the unanimous recommendation of the Health House Directors, the Independent Expert's conclusion, or both, and believe that the Scheme is not in your best interests.
- If the Scheme proceeds, your interest in the future financial performance and possible growth of the Health House business will substantially diluted.
- You may find it difficult to identify or invest in an alternative business with similar characteristics to that of Health House.
- You may consider that there is the potential for a Superior Proposal to emerge after the date of this Scheme

Booklet (noting that no Superior Proposal has been received as at the date of this Scheme Booklet).

The taxation implications of the Scheme may not be suitable to your financial circumstances or position.

These reasons are discussed in more detail on pages 16 to 19.

6. Reasons to vote for the Scheme

The Health House Directors believe that Health House Shareholders should take into consideration the following potential advantage and reasons to vote for the Scheme Resolution.

- (a) **The Health House Directors have assessed the merits of the Scheme and unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.**

In reaching their recommendation, the Health House Directors have considered the advantages and disadvantages of the Scheme, including the information contained in:

- this “Reasons to vote in favour of the Scheme” Section;
- the “Reasons to vote against the Scheme” Section;
- Section 13 (Risks) and Section 16 (Tax implications of the Scheme); and
- Annexure B (Independent Expert’s Report).

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders, each of the Health House Directors intends to cause all the Health House Shares in which he or she has a Relevant Interest to be voted in favour of the Scheme Resolution.

Details of the interests of the Health House Directors are contained in Section 17.

- (b) **The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a superior proposal.**

Health House appointed Moore Australia as the Independent Expert to provide an opinion as to whether the Scheme is in the best interests of Health House Shareholders and to prepare the Independent Expert’s Report.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a superior proposal. The Independent Expert has assessed the value of a Health House Share, inclusive of a premium for control, to be nil. The Scheme Consideration of one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares exceeds the Independent Expert’s assessed value.

A full copy of the Independent Expert’s Report is included as Annexure B. The Health House Directors encourage you to read the Independent Expert’s Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme Resolution.

- (c) **The scrip consideration offered under the Scheme delivers continuing participation in the Health House business model.**

The offer from Creso is a 100% scrip offer, which offers Health House Shareholders continuing participation in the fortunes of Health House as part of the Creso Group. More specifically, if the Scheme is implemented, Health House Shareholders will receive the Scheme Consideration in Creso scrip for each Scheme Share held by them at the Record Date, to be issued on the Implementation Date.

- (d) **The trading price of Health House Shares is likely to fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal.**

On the last trading day prior to the announcement of the proposed Scheme, the trading price of Health House Shares was \$0.012. Since then, it has decreased by 42% to \$0.007 per Health House Share on the Last Practicable Date.

During the 3-month period prior to the Last Practicable Date, the trading price of Health House Shares has ranged between \$0.007 and \$0.013.

Source: ASX as at 22 March 2023

If the Scheme is not implemented and in the absence of a Superior Proposal, the Health House Directors believe that it is likely that the trading price of Health House Shares will fall from current levels.

(e) Since the announcement of the Scheme, no Superior Proposal has emerged.

Since the initial announcement of the Scheme on 29 July 2022 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Health House Directors are not aware of any Superior Proposal that is likely to emerge.

However, there remains the possibility that a third party may make a Superior Proposal prior to the Scheme Meeting.

The Scheme Implementation Deed includes terms which prevent Health House from seeking a Competing Proposal in certain circumstances (see Annexure A for more details).

The Scheme Implementation Deed does not prevent a third party from making a Competing Proposal and does not prevent the Health House Directors from responding to a bona fide Competing Proposal in certain circumstances (provided that the Competing Proposal was not solicited, invited, initiated or encouraged by Health House or its Representatives in contravention of clause 16.2 of the Scheme Implementation Deed and was not otherwise brought about as a result of any breach by Health House of its exclusivity obligations under the Scheme Implementation Deed).

The Health House Board will notify Health House Shareholders if a Superior Proposal is received before the Scheme Meeting.

(f) No brokerage or stamp duty will be payable by you for the transfer of your Health House Shares under the Scheme.

You will not incur any brokerage or stamp duty on the transfer of your Health House Shares to Creso under the Scheme. It is possible that such charges may be incurred if you transfer your Health House Shares other than under the Scheme.

7. Reasons to vote against the Scheme

The Health House Directors believe that Health House Shareholders should take into consideration the following potential disadvantages and reasons to vote against the Scheme Resolution.

Having identified these potential disadvantages, the Health House Directors consider that they are outweighed by the potential advantages of the Scheme set out in the “Reasons to vote in favour of the Scheme” Section on pages 16 to 17. This assessment has led to the Health House Directors unanimously recommending that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.

(a) The value of the Scheme Consideration represents a significant discount relative to Health House’s closing price of \$0.012 on the last day that Health House Shares traded prior to the announcement of the Scheme and the 10 and 60 trading day VWAPs up to and including that date

If the Scheme is implemented, you will receive one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares that you own on the Record Date (on the assumptions set out in Section 9.2 below, which are subject to variation).

On the Last Practicable Date:

- the closing price of Creso Shares was \$0.010; and
- the value of a Creso Consideration Option based on the closing price at the last trade is \$0.0010.

Accordingly, the value to be received by Scheme Shareholders for each Scheme Share is estimated to be approx. \$0.0035 (assuming there is no material change in the price or value of Creso securities between the Last Practicable Date and the Implementation Date).

The Scheme Consideration represents a significant discount of:

- 70% to the closing price of Health House Shares on 17 June 2022 (being the last day that Health House Shares traded prior to the announcement of the proposed Scheme) of \$0.012;
- 75% to the 20-day VWAP to close of trading on 17 June 2022 of \$0.014; and
- 82% to the 60-day VWAP to close of trading on 17 June 2022 of \$0.02.

The Health House Directors note that the closing price of Health House Shares on the Last Practicable Date was \$0.007.

(b) Creso’s auditor has material uncertainty related to ongoing losses from operating activities that may cast significant doubt on whether Creso will continue as a going concern

Creso’s auditor has identified a material uncertainty related to ongoing losses from operating activities that may cast significant doubt on whether Creso will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and in the amounts stated in its financial report.

(c) The number of Creso Consideration Shares to be issued as Scheme Consideration on implementation of the Scheme is not certain

The exact number of Creso Consideration Shares to be issued to each individual Health House Shareholder as Scheme Consideration on implementation of the Scheme is not certain as it will depend upon the amount outstanding under the Facility Agreement (excluding \$1,750,000 advanced as repayments to Zelira Therapeutics and Celtic Capital) as at the Implementation Date – see Section 9.2 for worked examples of how the Scheme Consideration may vary.

This exposes Health House Shareholders to the risk that the effective value they receive for their Scheme Shares may be less than the total value of the Scheme Consideration as at the date of this Scheme Booklet.

(d) You may disagree with the unanimous recommendation of the Health House Directors, the Independent Expert's conclusion or both and believe that the Scheme is not in your best interests

Despite the unanimous recommendation of the Health House Directors and the conclusion of the Independent Expert, you may believe that the Scheme is not in your best interests. In reaching their decision, the Health House Directors have made various judgements and assumptions based on future business conditions, circumstances and events, which cannot be predicted with certainty and which may prove to be positively or negatively inaccurate.

There is no obligation for Health House Shareholders to agree with the unanimous recommendation of the Health House Directors, or agree with the conclusion of the Independent Expert.

A full copy of the Independent Expert's Report is set out in Annexure B.

(e) If the Scheme proceeds, your interest in the future financial performance and possible growth of the Health House business will be substantially diluted

If the Scheme is approved and implemented, you will cease to be a Health House Shareholder and your ability to participate in any potential upside of the Health House business will be diluted to the extent of the existing Creso Consideration Shareholders' "ownership" of a substantial proportion of that business. This means that you will not fully participate in the future financial performance and possible growth of Health House, and your exposure to the value that could be created by Health House for Health House Shareholders in the future will be reduced accordingly.

(f) You may find it difficult to identify or invest in an alternative business with similar characteristics to that of Health House

You may prefer to keep your Health House Shares to maintain your investment in a public company with Health House's specific characteristics, including but not limited to risk, return and liquidity characteristics. You may consider that it would be difficult to identify and invest in alternative investments that have a similar profile to Health House.

In addition, despite the risks relevant to Health House's future operations as a stand-alone entity (including those in Section 13), you may consider that Health House may be able to generate greater returns for its assets as a stand-alone entity, or by exploring alternative corporate transactions in the future.

(g) You may consider that there is the potential for a Superior Proposal to emerge

You may believe that there is the potential for a Superior Proposal to be made in the foreseeable future, such as a takeover bid more favourable to Health House Shareholders as a whole. However, as at the date of this Scheme Booklet, no Superior Proposal has emerged and the Health House Directors are not aware of any Superior Proposal that is likely to emerge.

If a Superior Proposal emerges, this will be announced to the ASX and the Health House Directors will carefully reconsider the Scheme and inform Health House Shareholders of their recommendation.

(h) The taxation implications of the Scheme may not be suitable to your financial circumstances or position

If the Scheme is implemented, there will be tax consequences for Scheme Shareholders, which may include tax being payable on any gain on disposal of Scheme Shares. Please refer to Section 16 for further details about the general Australian tax consequences for both Australian and foreign tax resident Scheme Shareholders. That Section is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Health House Shareholder.

8. Other considerations relevant to your vote on the Scheme

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme Resolution.

(a) The Scheme may be implemented even if you vote against the Scheme Resolution

The Scheme will be implemented if the Scheme is approved by the Requisite Majorities, is approved by the Court, and all other Conditions are satisfied or waived (as applicable), irrespective of whether you do not vote or you vote against the Scheme Resolution at the Scheme Meeting.

If the Scheme is implemented, all Scheme Shares you hold on the Record Date will be transferred to Creso and you will receive the Scheme Consideration to which you are entitled under the Scheme.

(b) If the Scheme is not implemented, you will not receive the Scheme Consideration

If the Scheme is not approved or all outstanding Conditions are not satisfied or waived (as applicable), the Scheme will not be implemented. In such circumstances, you will not receive the Scheme Consideration, Health House will continue to operate as it does currently and Health House Shares will remain listed on ASX.

If the Scheme is not implemented, the advantages of the Scheme described in the “Reasons to vote in favour of the Scheme” Section on pages 16 to 17 will not be realised.

(c) Conditionality of the Scheme

The implementation of the Scheme is subject to a number of Conditions, including

- ASIC and ASX issue or provide such consents or approvals as are necessary;
- no Health House Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Second Court Date;
- no Creso Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Second Court Date;
- the Health House Warranties being true and correct in all material respects on the date of the Scheme Implementation Deed and the Second Court Date;
- the Creso Warranties being true and correct in all material respects on the date of the Scheme Implementation Deed and the Second Court Date;
- the Scheme is approved by Health House Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably);
- no Material Adverse Change occurs between the date of the Scheme Implementation Deed and the Second Court Date;
- no judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency of competent jurisdiction in Australia remains in effect as at the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme; and
- all consents, approvals or waivers of rights by parties other than Health House under any Material Contracts are necessary or desirable are obtained in a form and subject to conditions acceptable to Creso (acting reasonably), and such consents, approvals or waivers have not been withdrawn, cancelled or revoked before the Second Court Date.

The outstanding Conditions are summarised in Annexure A and the Conditions are set out in full in clause 3.1 of the Scheme Implementation Deed.

If the Conditions are not satisfied or waived (as applicable), the Scheme will not be implemented and you will not receive the Scheme Consideration to which you are entitled under the Scheme.

(d) Exclusivity and break fees

Health House and Creso have entered into certain arrangements which restrict the ability of Health House to enter into discussions with potential rival bidders (subject to various exceptions) and require Health House to provide Creso with certain notification and matching rights in respect of matching any alternative offers, if they arise. The exclusivity provisions are summarised in Annexure A and set out in full in clause 16 of the Scheme Implementation Deed.

In addition, Health House and Creso have agreed to pay a break fee of \$100,000 to the other party in certain circumstances. The break fees are summarised in Annexure A and set out in full in clauses 14 and 15 of the Scheme Implementation Deed.

9. Summary of the Scheme

9.1. Background

On 29 July 2022, Health House announced that it had entered into a non-binding terms sheet with Creso, under which it was proposed that Creso would acquire 100% of the issued share capital of Health House by way of a scheme of arrangement.

On 21 November 2022, Health House announced that it had entered into the Scheme Implementation Deed to effect the Scheme.

A “scheme of arrangement” is a statutory procedure that can be used as a means of implementing an acquisition of securities under the Corporations Act. To be implemented, a scheme of arrangement must be approved by 75% of the votes cast at a meeting of shareholders and by a majority in number (more than 50%) of the shareholders present and voting at that meeting (unless the Court orders otherwise), and also requires Court approval.

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration and Health House will become a wholly-owned subsidiary of Creso. Health House will apply for termination of the official quotation of Health House Shares on ASX and to be removed from the official list of the ASX with effect from the Business Day following the Implementation Date.

If the Scheme is not approved by Health House Shareholders (or all other Conditions are not satisfied or waived, as applicable), the Scheme will not be implemented and Health House will continue as a stand-alone entity listed on ASX (please refer to Section 9.13).

A summary of the Scheme Implementation Deed is set out in Annexure A and a copy of the Scheme is set out in Annexure C.

9.2. Scheme Consideration

Under the terms of the Scheme Implementation Deed, each Health House Shareholder will receive “X” new Creso Consideration Shares for the transfer of each Scheme Share to be calculated using the following formula:

$$X = N / \text{Total Scheme Shares at Record Date}$$

and:

$$N = \frac{4,630,388 - FA}{SP}$$

where:

N = the number of Creso Shares issuable in aggregate as Creso Consideration Shares;

FA = the amount outstanding under the Facility Agreement (excluding \$1,750,000 advanced as repayment to Zelira Therapeutics and Celtic Capital) as at the Implementation Date; and

SP = the closing price of Creso Shares trading on ASX on the day that Creso Shares next traded following the announcement of the Scheme to ASX (being \$0.043 on 4 August 2022).

As at the date of this Scheme Booklet, the Health House Directors’ best estimate of the likely value of FA on the Implementation Date is \$1,250,000. However, as the Facility Agreement provides for advances of up to \$1,650,000 in aggregate to support Health House’s working capital requirements, it is possible that the value of FA may be materially higher on the Implementation Date, in which case the number of Creso Consideration Shares (and Creso Consideration Options) issuable as Scheme Consideration will be correspondingly lower.

Set out below are some worked examples of the Scheme Consideration depending on the value of FA as at the Implementation Date.

Value of FA	No. of Creso Consideration Shares issuable	No. of Creso Consideration Options issuable	One Creso Consideration Share and 0.25 Creso Consideration Options for every...
\$1,000,000	84,427,628	21,106,907	2.71 Scheme Shares

Value of FA	No. of Creso Consideration Shares issuable	No. of Creso Consideration Options issuable	One Creso Consideration Share and 0.25 Creso Consideration Options for every...
\$1,250,000	78,613,674	19,653,419	2.91 Scheme Shares
\$1,500,000	72,799,721	18,199,930	3.14 Scheme Shares
\$1,650,000	69,311,349	17,327,837	3.30 Scheme Shares

Health House intends to publish weekly updates on the ASX Market Announcements Platform describing the anticipated number of Creso Consideration Shares to be issued to Health House Shareholders as Scheme Consideration, based on the value (or anticipated value) of “FA” as at the date of each announcement.

9.3. Health House Directors’ recommendation

The Health House Directors believe that the Scheme is in the best interests of Health House Shareholders and unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.

9.4. Voting intentions of the Health House Directors

Each Health House Director intends to cause any Health House Shares in which he or she has a Relevant Interest to be voted in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.

Details of the interests of each Health House Director in Health House Shares are set out in Section 17.1.

9.5. Independent Expert’s conclusion

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Health House Shareholders in the absence of a Superior Proposal.

The Independent Expert has assessed the value of a Health House Share, inclusive of a premium for control, as nil. The Scheme Consideration of one (1) Creso Consideration Share and 0.25 Creso Consideration Options per approx. 2.9 Health House Shares exceeds the Independent Expert’s assessed value, based on the Creso share price as at the date of this Scheme Booklet.

A full copy of the Independent Expert’s Report is set out in Annexure B. The Health House Directors encourage you to read this report in its entirety before making a decision as to whether or not to vote in favour of the Scheme Resolution.

9.6. Scheme Consideration to be received if the Scheme is implemented

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration of one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares held by them at the Record Date. This is subject to movement in the value attributed to “FA”, the amount outstanding under the Facility Agreement (excluding \$1,750,000 advanced as repayment to Zelira Therapeutics and Celtic Capital) as at the Implementation Date, in the Scheme Consideration formula.

If the number of Scheme Shares held by a Scheme Shareholder on the Record Date is such that the aggregate entitlement of that Scheme Shareholder to Scheme Consideration results in a fractional entitlement to a Creso Consideration Share, then the entitlement of that Health House Shareholder must be rounded down to the nearest whole number.

9.7. Issue of the Scheme Consideration

All issues of Scheme Consideration will be made to Health House Shareholders in the same name and other details as applies to their Scheme Shares.

You should be aware that if the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issues of Scheme Consideration described above may also be delayed.

9.8. Conditions

A number of Conditions need to be satisfied or waived (as applicable) before the Scheme can be implemented. The outstanding Conditions include:

- (a) **Regulatory approvals:** all consents, waivers and approvals from a Regulatory Authority (including but not limited to, from ASIC and ASX) which Health House and Creso agree in writing are necessary or desirable to implement the Scheme are granted or obtained on or before 8:00 am on the Second Court Date, and if such consents, approvals or other acts are subject to conditions, those conditions must be acceptable to both Health House and Creso (acting reasonably);
- (b) **No Health House Prescribed Occurrence:** no Health House Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Delivery Time on the Second Court Date;
- (c) **No Creso Prescribed Occurrence:** no Creso Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Delivery Time on the Second Court Date;
- (d) **Health House Warranties:** the Health House Warranties being true and correct in all material respects on the date of the Scheme Implementation Deed and at the Delivery Time on the Second Court Date;
- (e) **Creso Warranties:** the Creso Warranties being true and correct in all material respects on the date of the Scheme Implementation Deed and at the Delivery Time on the Second Court Date;
- (f) **Shareholder approval:** the Scheme is approved by Health House Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (g) **Court approval:** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably);
- (h) **No Material Adverse Change:** no Material Adverse Change occurs between the date of the Scheme Implementation Deed and the Delivery Time on the Second Court Date;
- (i) **Restraining orders:** no judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency of competent jurisdiction in Australia remains in effect as at the Delivery Time on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme; and
- (j) **Third party consents:** all consents, approvals or waivers of rights by parties other than Health House under any Material Contracts are necessary or desirable are obtained in a form and subject to conditions acceptable to Creso (acting reasonably), and such consents, approvals or waivers have not been withdrawn, cancelled or revoked before the Delivery Time on the Second Court Date.

The outstanding Conditions are summarised in Annexure A and the Conditions are set out in full in clause 3.1 of the Scheme Implementation Deed. The Conditions set out in paragraphs (f) and (g) above cannot be waived.

As at the date of this Scheme Booklet, Health House is not aware of any circumstances that would cause the outstanding Conditions not to be satisfied or waived.

Health House intends to announce on the ASX the satisfaction or waiver (as applicable) of the Conditions.

If the Conditions are not satisfied or waived (as applicable) by the End Date, the Scheme Implementation Deed may be terminated, which will mean the Scheme will not be implemented.

9.9. Key agreements

The key agreements to implement the Scheme are as follows:

(a) Scheme Implementation Deed

The Scheme Implementation Deed sets out the obligations of Health House and Creso in connection with the implementation of the Scheme.

A summary of the key terms of the Scheme Implementation Deed is set out in Annexure A and provides details in relation to (among other things):

- the Conditions;
- the exclusivity provisions;
- the circumstances in which a break fee will be payable by Health House; and
- each party's termination rights.

A full copy of the Scheme Implementation Deed is attached to Health House's ASX announcement on 21 November 2022, which is available on Health House's website at <https://www.healthhouse.com.au/scheme> and on ASX's website at www.asx.com.au.

(b) Scheme

The Scheme contains the terms of the scheme of arrangement to effect the acquisition by Creso of 100% of Health House Shares. The Scheme is set out in Annexure C.

(c) Deed Poll

Creso has entered into the Deed Poll in favour of the Scheme Shareholders under which Creso has undertaken to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.

The Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms, despite the fact that they are not a party to it, and under the Scheme each Scheme Shareholder appoints Health House as its agent and attorney for the purpose of executing any document or form or doing any other act necessary to give effect to the Scheme and enforcing the Deed Poll against Creso.

The Deed Poll is set out in Annexure D.

9.10. Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- Health House Shareholders will vote on whether to approve the Scheme at the Scheme Meeting. Each person registered as a Health House Shareholder as at 5:00 pm (AWST) on 30 April 2023 is entitled to vote at the Scheme Meeting.
- If the Scheme is approved by the Requisite Majorities of Health House Shareholders at the Scheme Meeting, Health House will apply to the Court for orders approving the Scheme on the Second Court Date. Any Health House Shareholder may appear at the Second Court Hearing.
- If the Court approves the Scheme, and all Conditions to the Scheme have been satisfied or waived (as applicable), Health House will lodge with ASIC a copy of the Court orders approving the Scheme in accordance with section 411(10) of the Corporations Act and the Scheme will become Effective. Health House expects to lodge this with ASIC on 5 May 2023. Health House will, on the Scheme becoming Effective, give notice of that event to the ASX.
- It is expected that suspension of trading in Health House Shares on the ASX will occur from close of trading on the Effective Date.
- On the Implementation Date, Scheme Shareholders will receive the Scheme Consideration for every Scheme Share held on the Record Date.
- Health House will apply to the ASX for termination of official quotation of Health House Shares and to have itself removed from the official list of the ASX with effect from the close of trading on the Business Day following the Implementation Date.
- Please refer to Section 14 for further details on the implementation of the Scheme, including the approvals required in order for the Scheme to be implemented.

9.11. Your choices as a Health House Shareholder

As a Health House Shareholder you have the following four options in relation to your Health House Shares:

(a) Support the Scheme by voting in favour of the Scheme Resolution at the Scheme Meeting

The Health House Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.

The reasons for the Health House Directors' unanimous recommendation are set out in the "Reasons to vote in favour of the Scheme" Section on pages 16 to 17.

(b) Do not support the Scheme by voting against the Scheme Resolution at the Scheme Meeting

If, despite the Health House Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme Resolution at the Scheme Meeting.

However, you should be aware that if all of the Conditions to the Scheme are satisfied or waived (as applicable), including the Requisite Majorities of Health House Shareholders approving the Scheme, the Scheme will bind all Scheme Shareholders including those who vote against the Scheme Resolution at the Scheme Meeting and those who do not vote at all, and the Scheme will be implemented.

(c) Sell your Health House Shares on the ASX

You can sell your Health House Shares on ASX at any time before the cessation of trading of Health House Shares on ASX. If you sell your Health House Shares on ASX, you may incur brokerage or other costs. If the Scheme becomes Effective, trading in Health House Shares on ASX is expected to cease at the close of trading on the day on which the Scheme becomes Effective. This is expected to occur on 5 May 2023.

(d) Do nothing

If, despite the Health House Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should be aware that if all of the Conditions to the Scheme are satisfied or waived (as applicable), including the Requisite Majorities of Health House Shareholders approving the Scheme, the Scheme will bind all Scheme Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting and those who do not vote at all, and the Scheme will be implemented.

If you want to receive the Scheme Consideration, your vote is important.

If the Scheme is not approved by the Requisite Majorities of Health House Shareholders you will not receive the Scheme Consideration.

9.12. Treatment of Health House Performance Shares

Health House has in the past adopted a vendor compensation and management remuneration strategy involving the issue and vesting of Health House Performance Shares.

The issues of Performance Shares were approved by Health House Shareholders in general meeting. Under the terms of issue of the Performance Shares:

- Health House Performance Shares give its holder the right to be issued one Health House Share for each Health House Performance Share held, subject to the achievement of specified performance measures as provided in the terms of the offers of Performance Shares, for nil monetary consideration; and
- where Health House Shareholders approve a scheme of arrangement relating to Health House or an arrangement proposed for the purposes of a scheme for the amalgamation with any other company, Health House Performance Shares will automatically vest and convert into Health House Shares.

Under the terms of the Scheme Implementation Deed, the Health House Performance Shares will vest and convert into Health House Shares on the Scheme becoming Effective.

As at the Last Practicable Date, Health House had 36,900,000 Health House Performance Shares on issue. Of the total Health House Performance Shares on issue, none have vested in accordance with their terms of issue based on the performance measures having been achieved.

Subject to Health House Shareholders approving the Scheme Resolution, all outstanding Health House Performance Shares on issue immediately following the Scheme Meeting will automatically vest and convert into Health House Shares prior to the Record Date.

The Health House Shares issued to the holders of Health House Performance Shares will therefore participate in the Scheme, such that the holders will receive the Scheme Consideration in respect of those Health House Shares.

Further details about the Health House Performance Shares are set out in Section 11.5.

Details about the Health House Performance Shares held by or on behalf of the Health House Directors are set out in Section 17.1.

9.13. Treatment of Health House Options

As at the Last Practicable Date, Health House had 8,289,946 Health House Options on issue.

Health House and Creso have agreed with the holders of Health House Options that, subject to the Scheme becoming Effective, the Health House Options will be cancelled and the option holders will be issued with Creso Options of a reasonably equivalent value as set out in the table at Section 11.5(d).

9.14. Treatment of Foreign Scheme Shareholders

Creso will not issue any Creso Consideration Securities to Foreign Scheme Shareholders (being Scheme Shareholders whose address as shown in the Health House Share Register (as at the Record Date) as located in any place other than Australia and its external territories, New Zealand, the United Kingdom, Germany and Spain), and instead will issue the Creso Consideration Securities that would otherwise have been issued to the Foreign Scheme Shareholders to a nominee appointed by Creso. Creso will procure that the nominee sells those Creso Consideration Securities on-market and remits the proceeds from that sale (after deducting any selling costs and taxes) to Creso. Creso will then remit the proceeds it receives to the Foreign Scheme Shareholders in accordance with their entitlement.

9.15. If the Scheme is not implemented

If the Scheme is not implemented, Health House Shareholders will retain their Health House Shares and Health House will continue to operate as a stand-alone entity listed on ASX. Health House Shareholders will not receive the Scheme Consideration.

In such circumstances, Health House will continue to focus on its current business plan and growth strategy and Health House Shareholders will remain exposed to the risks of Health House, as discussed in Section 13. Further details on what will occur if the Scheme is not implemented are set out in Section 15.

9.16. Costs

If the Scheme is implemented, the costs incurred by Health House in relation to the Scheme will effectively be met by Creso as the ultimate controller of Health House following implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges and becomes effective, Health House will need to pay its own transaction costs.

9.17. Australian taxation implications

If the Scheme is implemented, there will be tax consequences for Scheme Shareholders, which may include tax being payable on any gain on disposal of Scheme Shares. Please refer to Section 16 for further details about the general Australian tax consequences for both Australian and foreign tax resident Scheme Shareholders. That Section is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Health House Shareholder.

9.18. No brokerage or stamp duty

No brokerage or stamp duty will be payable by Scheme Shareholders on the transfer of their Scheme Shares as a result of the Scheme.

9.19. Further information for Health House Shareholders

If you have any questions about this Scheme Booklet or the Scheme you should contact Health House on +61 8 6558 0886 between 8:30 am and 4:30 pm (AWST).

10. How to Vote

10.1. Scheme Meeting

The Scheme Meeting to approve the Scheme is scheduled to be held at Level 3, 101 St Georges Terrace, Perth WA on 2 May 2023 at 1:30 pm (AWST).

Further information about attending the Scheme Meeting online can be found in the Notice of Scheme Meeting in Annexure E.

If the Scheme is not approved by the Requisite Majorities of Health House Shareholders at the Scheme Meeting, the Scheme will not be implemented.

For the Scheme to be approved by the Requisite Majorities of Health House Shareholders, votes in favour of the Scheme Resolution must be received from:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Health House Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Health House Shareholders, by a duly appointed corporate representative); and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution by Health House Shareholders at the Scheme Meeting.

Details regarding the Scheme Meeting are contained in the Notice of Scheme Meeting set out in Annexure E to this Scheme Booklet.

10.2. Entitlement to vote

If you are registered as a Scheme Shareholder as at 5:00 pm (AWST) on 30 April 2023, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting.

10.3. Joint holders

In the case of Health House Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one Health House Shareholder votes in respect of jointly held Health House Shares, the vote of the Health House Shareholder whose name appears first on the Health House Share Register counts.

10.4. How to vote

Health House Shareholders can vote at the Scheme Meeting by doing one of the following:

(a) Vote in person

You can vote by attending the Scheme Meeting.

(b) Vote by proxy

You can appoint a proxy for the Scheme Meeting to attend the Scheme Meeting and vote on your behalf, such an appointment to be made either:

(i) Online:

Health House Shareholders who have elected to receive notices of meeting electronically will receive an email with a personalised link to the Link Market Services website at www.investorvote.com.au which can be used to appoint a proxy online by following the instructions on that website.

You will be taken to have signed a Proxy Form and appointed a proxy if you submit your proxy online in accordance with the instructions on the website. Please read the instructions for online proxy submissions carefully before you lodge your proxy.

The online proxy appointment must be received by Health House by no later than 1:30 pm (AWST) on 30 April 2023 to be effective. A proxy cannot be appointed using the online system if they are appointed under a power of attorney or similar authority.

(ii) Hard Copy:

Health House Shareholders who have not elected to receive notices of meeting electronically will receive a letter which includes a hard copy of the Proxy Form.

The signed Proxy Form (and an original or certified copy of any power of attorney under which it has been signed unless already provided) must be received by Health House or the Share Registry by no later than 1:30 pm (AWST) on 30 April 2023 to be effective.

Health House Shareholders who receive a hard copy Proxy Form may appoint a proxy by returning the Proxy Form to Health House or the Share Registry by either posting it in the reply-paid envelope provided (only for use in Australia) or by sending, delivering, faxing or lodging it online as follows:

Mail to: Health House International Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 AUSTRALIA

By hand (during business hours) Deliver it to:
Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Fax to: +61 2 9287 0309

Online: www.linkmarketservices.com.au
Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If:

- (i) a Health House Shareholder nominates the chairman of the Scheme Meeting as the Health House Shareholder's proxy; or
- (ii) a proxy appointment is signed by a Health House Shareholder but does not name the proxy or proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

the chairman of the Scheme Meeting will act as proxy under the appointment.

Proxy appointments in favour of the chairman of the Scheme Meeting which do not contain a direction will be voted in favour of the Scheme Resolution to be considered and voted on at the Scheme Meeting.

A Health House Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes. The Health House Shares represented by proxy will be voted for or against or withheld from voting in accordance with the instructions of the Health House Shareholder on any ballot that may be called for, and if the Health House Shareholder specifies a choice with respect to any matter to be acted upon, the Health House Shares will be voted accordingly.

A Health House Shareholder who has deposited a Proxy Form may revoke it prior to its use by giving written notice to Health House at least 48 hours before the commencement of the Scheme Meeting. A Health House Shareholder may also revoke a proxy in any other manner permitted by law.

(c) Vote by corporate representative (if you are a corporate Health House Shareholder)

You can vote by corporate representative at the Scheme Meeting if you are a Health House Shareholder or proxy which is a body corporate. Any such Health House Shareholder may appoint an individual to act as its representative at the Scheme Meeting and exercise any of the powers the body corporate may exercise at the Scheme Meeting. The appointment must comply with section 250D of the Corporations Act. If a

representative of a Health House Shareholder or proxy which is a body corporate is to participate in the meeting, you will need to provide the appropriate “Appointment of Corporate Representation” form to Health House’s Share Registry or Health House. A form may be obtained online at <https://www.linkmarketservices.com.au/corporate/resources/forms.html>.

Unless otherwise specified in the appointment, a representative acting in accordance with his or her authority, until it is revoked by the body corporate Health House Shareholder, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting or in voting on a resolution.

A corporation may appoint an individual as a representative to exercise its powers as a Health House Shareholder or as a Health House Shareholder’s proxy.

Health House Shareholders who wish to appoint a corporate representative for the Scheme Meeting should, if they have not already presented an appropriate appointment, deliver to Health House’s Share Registry or Health House an original or certified copy of the appointment by no later than 5.00pm (AWST) on 24 April 2023.

(d) Vote by attorney

You can vote by attorney at the Scheme Meeting. If you wish to do so, you must deliver to the Share Registry the instrument appointing the attorney or a certified copy of it by 5.00pm (AWST) on 24 April 2023 (if you have not already done so in the past).

Any power of attorney granted by a Health House Shareholder will, as between Health House and that Health House Shareholder, continue in force and may be acted on, unless written notice of its revocation has been received by Health House at least 48 hours before the commencement of the Scheme Meeting.

You will be counted as being present at the Scheme Meeting if you vote in any of the ways outlined above.

The Notice of Scheme Meeting is set out in Annexure E.

10.5. How to ask questions

Health House Shareholders who would like to ask questions at the Scheme Meeting are encouraged to do so in writing before the Scheme Meeting by emailing their question to the Company Secretary at tim.slate@healthhouse.com.au prior to 1:30 pm (AWST) on 24 April 2023.

11. Information on Health House

11.1. Introduction to Health House

Health House was registered in February 2011 and listed on ASX in July 2011 as International Coal Limited; it was renamed VPCL Limited in October 2015 following its acquisition of Velpic Limited, the owner of an online, cloud-based eLearning, training and induction platform. The Velpic business was sold in 2018 and Health House proceeded to consider alternative strategies.

In March 2019, now Health House subsidiary CliniCann Limited (**CliniCann**) acquired Health House Australia Pty Ltd (**HHA**), a business that was granted the first licence in Australia to import and distribute medicinal cannabis. HHA is a fully operational wholesale distribution business serving the expanding Australian market and is well positioned to expand into New Zealand and Southeast Asia.

In September 2019, UK-registered Health House Holdings Limited (**HHH**) completed the acquisition of P&D Pharmaceuticals a UK-based, speciality pharmaceutical wholesaler with a 30 year trading history and an experienced operating team. Now trading as Health House Pharma Limited, P&D Pharmaceuticals currently supplies a range of pharmaceutical products to pharmacies, hospitals, government departments, ambulance services and other wholesalers in the UK and EU.

In October 2019, HHH acquired CliniCann, the Australian holding company of HHA.

In September 2020, HHH acquired Gees Pharmacy, a direct to consumer, web-based pharmaceutical distributor which dispenses 9,000-10,000 general pharmaceutical prescriptions a month and delivers to about 400 patients their monthly prescriptions. It currently fulfils prescriptions for 40 UK care homes, holds Pharmaceutical Council and registered premises approvals as well as NHS contracts to dispense medicines to the NHS.

On 19 March 2021, Health House announced the completion of the acquisition of HHH and changed its name to Health House International Limited.

11.2. Overview of operations

Australia

In Australia, Health House acts as a distributor of medicinal cannabis products to pharmacies in accordance with the Australian government's Special Access Scheme. As at the date of this this Scheme Booklet, Health House:

- distributes 84 products (81 cannabis products + 2 devices + Syringes) from 18 producers and does not distribute any own brand products,
- imports cannabis-based products on behalf of 5 producers.

Health House also supplies pharmaceutical material (including, but not limited to, cannabis-based products) to 10 clinical trials in progress in Australia.

United Kingdom

In the UK, Health House supplies non-cannabinoid pharmaceutical products through:

- distribution of UK medicines and associated products to customers on a global basis; customers include pharmacies, hospitals, government departments, paramedics, events teams and other wholesalers; and
- fulfilling prescriptions and dispensing medicines to NHS care homes as well as individuals in England.

11.3. Strategy

Health House is focused in the short and medium term on:

- expanding its operations in key strategic markets including Australasia, the UK and Europe;
- strengthening its sales team to support customers and suppliers and to focus on product sales and marketing together with ongoing market development. As markets demand, it will bring pharma-industry best practice in sales and patient care;
- leveraging and expanding existing education activities into current and new geographies; and

- developing digital tools to order to generate data and loyalty along the patient journey.

Further information on Health House can be obtained from Health House’s website at <https://www.healthhouse.com.au>.

11.4. Health House Board and senior management

(a) Health House Board

As at the date of this Scheme Booklet, the Health House Board comprises:

Name	Position
David Wheeler	Non-Executive Chairman
Hon Mike Rann	Non-Executive Director
Chris Mews	Non-Executive Director

(b) Key management personnel

As at the date of this Scheme Booklet, the key management personnel of Health House comprises:

Name	Position
Susy Matthews	General Manager (UK operations)
Sidney Zabala	Joint operations manager (Australia)
Dunja Hadziomerovic	Joint operations manager (Australia)
Tim Slate	Company Secretary & CFO

11.5. Health House’s securities and capital structure

(a) Health House Shares on issue

As at the Last Practicable Date, Health House had 178,224,621 Health House Shares on issue.

(b) Health House Performance Shares on issue

As at the Last Practicable Date, Health House had 36,900,000 unlisted Health House Performance Shares on issue (all of which are held by vendors and management of former German subsidiary CanPharma GmbH). Each Health House Performance Share gives its holder the right to be issued one Health House Share dependent upon Health House achieving specified performance measures as provided in the terms of the offer.

Under the terms of issue of the Performance Shares, in the event of a change of control, all outstanding Health House Performance Shares on issue immediately following the Scheme Meeting which have not vested will automatically vest and convert into Health House Shares prior to the Record Date. The Health House Shares issued on vesting of Health House Performance Shares will represent approx. 16.1% of Health House’s issued capital on the Record Date.

Additional details regarding the treatment of Health House Performance Shares if the Scheme is implemented are set out in Section 9.12. Details about the Health House Performance Shares held by or on behalf of the Health House Directors are set out in Section 17.1.

(c) **CPS success fee**

Subject to the Scheme becoming Effective, the Company will issue 13,731,358 Health House Shares to CPS Capital Group Pty Ltd (**CPS**), Health House’s corporate advisor, as a success fee in accordance with the terms of corporate advisory mandate dated 1 December 2021 between Health House and CPS. The Health House Shares issued to CPS as a success fee will represent 6.0% of Health House’s issued capital on the Record Date.

Mr Jason Peterson, a substantial shareholder of Health House as set out at section 11.5(e) below, is a director of and has an indirect shareholding in CPS, and is an associate of Celtic Capital (as to which, see section 17.5 below).

(d) **Health House Options on issue**

As at the Last Practicable Date, Health House had 8,289,946 Health House Options on issue. Health House and Creso have agreed with the holders of Health House Options that, subject to the Scheme becoming Effective, the Health House Options will be cancelled and the option holders will be issued with Creso Options of a reasonably equivalent value as set out in the table below:

Health House Options			Creso Options		
No.	Ex. Price	Expiry date	No.	Ex. Price	Expiry date
1,250,000	\$0.20	24/06/2024	626,250	\$0.40	28/06/2024
1,250,000	\$0.67	24/06/2024	626,250	\$1.34	28/06/2024
1,250,000	\$1.00	24/06/2024	626,250	\$2.00	28/06/2024
1,250,000	\$1.33	24/06/2024	626,250	\$2.65	28/06/2024
3,289,946	\$0.01	28/06/2025	1,648,263	\$0.02	28/06/2025

It is noted that Health House has obtained a waiver of Listing Rule 6.23.2 to permit cancellation of the Health House Options for consideration without shareholder approval.

(e) **Substantial shareholders**

Health House has received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act:

Shareholder	No. of shares	%
Jason Peterson	17,336,651	9.7
Gemelli Nominees Pty Ltd	10,558,085	5.9
New Frontier Pty Ltd	9,214,573	5.2

11.6. Recent Health House share price performance

Health House Shares are listed on the ASX under the trading symbol “HHI”.

The closing price of Health House Shares on the ASX on 17 June 2022 (i.e. the last day on which Health House Shares traded prior to the announcement of the Scheme) was \$0.012.

The closing price of Health House Shares on ASX on the Last Practicable Date was \$0.007.

During the 3-month period prior to the Last Practicable Date, the trading price of Health House Shares has ranged between \$0.007 and \$0.013.

The chart below shows Health House’s share price performance over the 24 months to the Last Practicable Date.



Source: ASX as at 22 March 2023

The current price of Health House Shares on ASX can be obtained from the ASX's website at <http://www.asx.com.au>.

11.7. Financial information

This Section contains financial information relating to Health House for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022.

The full year financial statements from which the information has been extracted were audited by HLB Mann Judd (WA Partnership).

The financial information in this Section is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only.

Further detail about Health House's financial performance can be found in the annual report for the year ended 30 June 2022, which was announced to ASX on 22 December 2022 which can be found on ASX's website at <https://www.asx.com.au> and Health House's website at <https://www.healthhouse.com.au>.

(a) Basis of preparation

The historical financial information of Health House presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

Consequently, Health House considers that, for the purposes of this Scheme Booklet, the historical financial information presented is more meaningful to Health House Shareholders. The historical financial information of Health House has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The historical financial information in this Scheme Booklet is presented on a stand-alone basis and accordingly does not reflect any impact of the Scheme.

(b) Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table presents the historical consolidated statement of profit or loss and other comprehensive income for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022.

	FY 2022	FY 2021	FY2020
	\$	\$	
Revenue from continuing operations			
Revenue	15,644,524	8,449,564	5,978,940
Interest revenue	3,667	3,031	337
Other income	201,818	53,828	59,614
Expenses			
Cost of sales	(12,496,466)	(6,680,531)	(4,636,822)
Administration	(9,611,618)	(4,599,322)	(3,378,996)
Directors' fees	(219,400)	(116,837)	(62,602)
Depreciation and amortisation expense	(589,384)	(532,219)	(483,621)

Finance costs	(133,200)	(55,086)	(55,472)
Impairment	(8,779,251)	-	-
Share based payment for reverse acquisition	(1,027,259)	(1,845,000)	-
(Loss) from continuing operations before income tax expense	(17,006,569)	(5,322,572)	(2,588,622)
Income tax benefit	47,799	15,276	63,847
Net (loss) after income tax	(16,958,770)	(5,307,296)	(2,588,622)
Other comprehensive income / (loss)			
Foreign currency recognised on conversion	646,350	(73,310)	101,759
Total comprehensive (loss) for the period	(16,312,420)	(5,380,606)	(2,423,016)

(c) **Consolidated Statement of Financial Position**

The following table presents the historical consolidated statement of financial position as at 30 June 2022.

	FY 2022
	\$
Current assets	
Cash and cash equivalents	990,715
Trade and other receivables	1,755,229
Inventory	761,405
Total current assets	3,507,349
Non-current assets	
Property, plant and equipment	545,847
Financial assets at amortised cost	222,138
Investments	125,000
Intangible assets	1,839,900
Total non-current assets	2,732,885
TOTAL ASSETS	6,240,234
Current liabilities	
Trade and other payables	5,220,702
Lease liabilities	138,854
Borrowings	4,941,878
Total current liabilities	10,001,434
Non-current liabilities	
Lease liabilities	293,786
Borrowings	557,803
Deferred tax liability	66,502
Total non-current liabilities	918,091
TOTAL LIABILITIES	10,919,525
NET ASSETS / (LIABILITIES)	(4,679,291)
EQUITY	
Share capital	21,464,938
Translation reserve	674,799
Other reserves	(2,028,187)
Accumulated losses	(24,790,841)
TOTAL EQUITY	(4,679,291)

(d) **Consolidated Statement of Cash Flows**

The following table presents the historical consolidated statement of cash flows for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022.

	FY 2022	FY 2021	FY 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers	15,219,277	9,220,642	5,065,923
Payments to suppliers and employees	(18,914,545)	(11,627,461)	(7,050,719)
Interest received	589	353	-
Interest paid	(98,039)	(39,614)	(13,055)
Other income	75,945	55,002	59,614
CanPharma acquisition costs	(362,893)	-	-
Net cash from operating activities	(4,079,666)	(2,391,078)	(1,938,237)
Cash flows from investing activities			
Purchase of bonds	-	-	(255,836)
Cash acquired – Gees Pharmacy	-	(340,748)	-
Cash acquired – VPCL Limited	-	3,292,625	587,571
Cash acquired - CanPharma acquisition	305,588	-	-
Loans to CanPharma prior to acquisition	(484,221)	-	-
Purchase of property, plant and equipment	(1,048)	(80,989)	(4,135)
Purchase of intangible assets	(351)	(2,053)	(772,253)
Purchase of other non-current assets	(59,244)	-	-
Proceeds from disposal of property, plant & equipment	3,467	-	-
Proceeds from disposal of investments	7,809	-	-
Net cash from investing activities	(228,000)	2,868,799	(444,653)
Cash flows from financing activities			
Proceeds from issues of shares	-	4,468,078	2,524,140
Payment of share issue costs	-	(392,029)	-
Proceeds from loans	1,803,654	570,752	422,127
Repayment of loans	(1,514,588)	(148,732)	-
Payment of lease liabilities	(193,529)	(234,301)	(66,114)
Net cash flows used in financing activities	95,537	4,263,768	2,880,153
Net increase in cash and cash equivalents	(4,212,129)	4,741,489	497,263
Effect of exchange rate fluctuations on cash held	(22,117)	(11,452)	(2,339)
Cash and cash equivalents at beginning of period	5,224,961	494,924	-
Cash and cash equivalents at end of period	990,715	5,224,961	494,924

11.8. No material changes in Health House’s financial position

To the knowledge of the Health House Directors, other than expenditure in the ordinary course of business and as otherwise disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Health House, the financial position of Health House has not changed materially since 30 June 2022, being the date of the last balance sheet prepared in accordance with the Corporations Act before this Scheme Booklet was sent to Health House Shareholders.

11.9. Intention regarding the continuation of Health House’s business

If the Scheme is implemented, Creso will have 100% ownership and control of Health House. The current intentions of Creso with respect to these matters are set out in Section 12.

In the event that the Scheme is not implemented, the Health House Directors intend to continue to operate in the ordinary course of business and for Health House to remain listed on ASX.

11.10. Health House risk factors

Risk factors relating to Health House and its business are discussed in Section 13.

11.11. Public information available for inspection

As an ASX-listed company and a “disclosing entity” under the Corporations Act, Health House is subject to regular reporting and disclosure obligations. Among other things, these obligations require Health House to announce price sensitive information to ASX as soon as Health House becomes aware of information, subject to some exceptions under the Listing Rules. Further announcements concerning Health House will continue to be made available on Health House’s website after the date of this Scheme Booklet.

Under the Corporations Act, Health House is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the Health House Directors and an audit or review report respectively.

Copies of the documents filed with the ASX may be obtained from the ASX’s website at <http://www.asx.com.au>. Copies of the documents lodged with ASIC in relation to Health House may be obtained from ASIC through its website or relevant information brokers. Copies of these documents will also be made available free of charge following a request in writing to Health House at any time before the Second Court Hearing.

12. Information on Creso

The information contained in this Section 12 has been prepared by Creso. The information concerning Creso and the intentions, views and opinions contained in this Section 12 are the responsibility of Creso. Although Creso believes that the views reflected in this Section 12 have been made on a reasonable basis, no assurance can be given that such views will prove to be correct.

Health House and its officers and advisers do not assume any responsibility for the accuracy or completeness of the information in this Section 12.

12.1. Introduction to Creso

Creso (ASX:CPH) is a global producer and marketer in high growth market segments of plant based products which consist of ingredients derived from plants that include vegetables, fruits, whole grains, nuts, seeds and/or legumes. Creso benefits from geographic diversification in its operations. In Canada, Creso's subsidiary, Mernova Medicinal Inc., produces and markets high quality recreational cannabis products to consumers across Canada under the Ritual Green Brand. This brand is known for its craft focus and high THC products. In the United States, Creso's subsidiary, Sierra Sage Herbs, LLC, markets a variety of plant based products under the Green Goo, Southern Butter and Good Goo brands on a direct to consumer and brick and mortar basis. Sierra Sage Herbs products can be found in large US retailers such as CVS, Walgreens, and Publix, among many others. Creso's subsidiary, impACTIVE also offers a sports recovery focused, topical CBD product on a direct to consumer basis in the United States. Creso Pharma Switzerland researches and markets innovative CBD products from its base in Switzerland. Finally, Creso also has an applied sciences division in Canada, focused on a Phase II clinical trial to assess the safety and efficacy of psilocybin as a treatment for treatment resistant post-traumatic stress disorder. Creso has a world class management team and board, including Mr. Bruce Linton as a non-executive director. Mr. Linton co-founded Canopy Growth Corporation, and as Chairman and CEO grew it to a market capitalisation of over C\$20 billion. Further information on Creso can be obtained from Creso's website at <https://www.cresopharma.com/>.

12.2. Summary of operations

Creso is split into 5 key business units: Mernova Medicinal Inc., Sierra Sage Herbs, LLC, Creso Pharma Switzerland, impACTIVE, and Halucenex Life Sciences Inc.

Mernova Medicinal Inc. (Ritual)

Mernova is Creso Pharma's 100% owned Canadian Licensed Cannabis Producer (LP), with a 24,000 sq. ft. facility that has been purpose built to Health Canada GPP standard and is scalable to 200,000 sq. ft. Mernova has a license to cultivate, process, and sell cannabis to provincial and territorial markets, and for medical purposes. Mernova markets its products under its Ritual brand, comprising Ritual Green (dried flower), Ritual Sticks (pre-rolled joints), Ritual Gold (handheld vaporiser). Mernova's products typically contain a THC content of 25% or higher, making them some of the highest THC products available in the Canadian market. The company has a craft designation from the Ontario Cannabis Store and is focused on providing the highest quality craft cannabis experience to its loyal customers. Products are available in 5 provincial markets: Ontario, Saskatchewan, Nova Scotia, New Brunswick, and the Yukon. Mernova continues to advance discussions in order to bring the products to other markets. Mernova also recently launched its medical cannabis channel by partnering with established groups in this space. Under these partnerships, Mernova sells its cannabis products (dried flower, pre-rolled joints and electronic vaporizers) to the partner and the partner then sells them to their client base of medical consumers based on the prescriptions that each individual has for access to medical cannabis products. The first sales to this channel having been achieved.



Sierra Sage Herbs LLC

Sierra Sage Herbs LLC is the US developer of 'Green Goo' beauty and personal care products, utilising a proprietary plant based lipid infusion process. The plants used for the lipid infusion process are generally derived from eucalyptus, lavender, cannabis plants and many more. Sierra Sage also commercializes two other wholly owned brands, Southern Butter (Sexual Health and Wellness) and Good Goo (hemp-derived CBD products). The company has distribution in key retail outlets across the US, including Walgreens, Walmart, Target, Albertsons, and Whole Foods, among others. The company also has a direct to consumer customer base of over 150,000 consumers. The acquisition of Sierra Sage Herbs, closed in Q3 2022, and represents a significant growth opportunity for Creso Pharma, marking its maiden entry into the large and growing US CBD and plant based consumer product markets. Synergies are already being recognized between Sierra Sage Herbs and Creso Pharma Switzerland and impACTIVE, and are expected to increase over time.



Creso Pharma Switzerland

From 2016 through 2022, a team of experienced pharmaceutical industry professionals researched, developed and commercialised the Creso Pharma Switzerland portfolio of products. The team has set itself the goal of using the most modern science and research in the fields of cannabis and hemp in order to be able to offer innovative products to improve the life of animals and humans. Having developed a strong portfolio of products in 2022, the team was reshaped to focus specifically on sales and marketing with sustainable organisational cost structure. The products are certified Swiss-made, and produced in good manufacturing practices-certified facilities (**GMP**) (whenever required) which ensures the products are consistently produced and controlled according to quality standards. Following a GMP minimises the risk involved in any pharmaceutical production that cannot be eliminated through testing the final product. All the plants used are EU certified and are grown compliant with good agricultural practice (**GAP**) which ensures the quality and safety of the plants. Being GAP compliant confirms that the plants produced are considered safe and healthy while taking into account economic, social and environmental sustainability. Creso Pharma Switzerland's international product range includes:

- cannaQIX® products focused on supporting and optimising human health through hemp oil based supplements enriched with vitamins and minerals in a unique lozenge delivery system;
- anibidiol® products focused on improving animal health and well-being through hemp oil based animal feed supplements; and
- cannaDOL® which is a CBD Isolate and essential oils based functional topical to warm up and relax muscles and joints.

anibidiol® **cannaqix®** **cannadol**

impACTIVE

impACTIVE's mission is to provide high-performance athletes the highest quality hemp derived CBD products and redefine their recovery routine in a quick, safe, and natural way. impACTIVE recruited a strong roster of brand ambassadors prior to the direct to consumer launch of its product suite in Q3 2022. These ambassadors comprise: professional hockey player and co-founder, Kevin Tansey, retired NHL players, Mark Fraser and Matthew Barnaby,

CFL football player, Nathaniel Behar, professional hockey player, Colton Saucerman, female professional golfer, Kelly Whaley, male professional golfer, Will Wilcox, and professional performance coach, Troy Van Biezen.



Halucenex Life Sciences Inc

Halucenex Life Sciences Inc (“Halucenex”) is a clinical stage psychedelic drug development company that is well positioned to be a global leader in psychedelic medicines. Halucenex operates a 6,000 square foot Canadian medical facility, with 6 treatment rooms and a secure laboratory dedicated to performing psychedelic-assisted psychotherapy and clinical research. Halucenex has a Health Canada Controlled Drug and Substances Dealer’s License for following activities: possession, production, assembly, sale/provision, sending, transportation and delivery, related to the following psychedelic compounds: GHB, Harmaline, Ketamine, LSD, Mescaline, DMT, N METHYL 3,4 METHYLENEDIOXYAMPHETAMINE, Phencyclidine, Psilocin, Psilocybin, Salvia Divinorum , Salvinorin A. Halucenex began a Phase II clinical trial in Q4 2022 to test the effectiveness of treating treatment-resistant post-traumatic stress disorder with synthetic psilocybin.

12.3. Creso Board and senior management

Boaz Wachtel MA., Non-Executive Chairman

Mr Wachtel was Co-Founder and former Managing Director of MMJ-PhytoTech Ltd, Australia's first publicly traded Medical Cannabis Company. Co-founder of IMCPC – International Medical Cannabis Patient Coalition. He is an Israeli medical cannabis pioneer/activist, who formulated and assisted the Ministry of Health with the implementation of the National Medical Cannabis Program – one of only few national programs in the world. He is a frequent lecturer and adviser to governments, national committees, business and NGO's on medical cannabis program formulation, grow operations, international laws and UN drug convention compliance, as well as the founder (1999) and former Chairman of the Green Leaf Party, an Israeli political party for cannabis legalisation/medicalisation, human rights and ecology. Mr Wachtel is a certified clinical research manager and holds an MA in Management and Marketing from the University of Maryland.

William Lay B.Com (Hons.), Managing Director and Chief Executive Officer

Mr William Lay is an experienced cannabis executive and previously served as Executive Vice President – Strategy, Origination & Operations at Creso. Mr Lay began his career with leading Canadian full service financial investment bank, BMO Capital Markets through roles across Canada and London. During his time with BMO Capital Markets, Mr Lay participated in M&A, equity financing and debt financing transactions totalling >C\$3 bn in cumulative value.

Shortly after his time with BMO Capital Markets, Mr Lay joined Canopy Growth Corporation (TSE: WEED, NASDAQ: CGC) as an M&A Associate, before being promoted to Associate Director, M&A, in 2019. In this role, he assessed and effected multiple transactions locally and internationally, while concurrently progressing corporate strategy initiatives across the group. During his time at Canopy Growth, Mr Lay built a strong working relationship with Mr Linton, working on many high-profile initiatives together. Over the last four years, Mr Lay has managed and supported over C\$5 billion in cannabis M&A transactions, including leading Canopy Growth Corporation’s right to acquire 100% of the shares of Acreage Holdings, Inc valued at approximately US\$3.4 billion.

Jodi Scott M.Sc, Executive Director

Ms Scott is employed in the position of President, US operations by Sierra Sage Herbs LLC (“SSH”) and is responsible for all executive and management matters affecting SSH. Ms Scott has been imperative in establishing SSH, its leading brands and growing the group’s sales. Ms Scott holds an MS in Health Psychology from Texas State

University and prior to founding SSH worked in private practice of her own helping chronically ill, sufferers of traumatic brain injury, and impoverished patients.

She has also received ongoing industry recognition, with multinational professional services company Ernst & Young LLP (“EY”) announcing Ms Scott, as a finalist for the Entrepreneur Of The Year 2022 Mountain West Award.

Micheline MacKay M.Sc., B.Sc. (Hons.), PMP, Executive Director

Mrs MacKay has 22 years of experience in regulatory environments, including pharmaceuticals, medical devices, and government regulated industries. She has held leadership positions for many years in different areas with a strong focus on business improvements and product development from laboratory scale to commercial operations.

Mrs MacKay is currently the Corporate Manager of Creso’s wholly owned Canadian subsidiary, Mernova Medicinal Inc. (“Mernova”). She has been in the position for nearly three years and is responsible for multiple functions including HR, quality assurance, and regulatory affairs. Mrs MacKay is also the Health Canada designated Responsible Person in Charge at Mernova. Leveraging past experience, she has played a significant role in successfully growing Mernova and has implemented best industry standards. She has practical experience in managing a business through specified key performance indicators, managing budgets, conducting regular audits and performance management.

Bruce Linton BPA, Non-Executive Director

Mr Linton has a passion for entrepreneurship and making a positive difference in the world. He brings a wealth of experience in building strong technology-driven companies, developing world-class teams, and positioning his companies in sectors driven by waves of public policy change. Mr Linton is Founder and served as the Chairman and Chief Executive Officer of Canopy Growth Corporation (Nasdaq: CGC/TMX: WEED). As Chairman and Chief Executive Officer of Canopy Growth Corporation, Mr Linton led the Company through 31 acquisitions, and over 16 rounds of financing for a total of more than \$6 billion of capital raises, including a \$5 billion investment by Constellation Brands, the largest beer import company in the United States.

Mr Linton serves as the founding Executive Chairman of Gage Growth Corp. (CSE: GAGE); which recently announced its acquisition by leading North American MSO TerrAscend Corp (CSE: TER),(OTCQX: TRSSF) pending customary closing conditions. Mr Linton is the Chairman of the Advisory Board for Red Light Holland Corp., (CSE: TRIP), the psychedelics company whose focus is on premium brand ‘magic’ truffles and Advisor with Creso (ASX: CPH), and Above Foods. Co-Founder and Non-Executive Chairman of Óskare Capital, and an active investor with Slang Worldwide Inc. (CSE: SLNG) and with OG DNA Genetics Inc. Mr Linton is a Co-Chairman and former Chief Executive Officer of Martello Technologies Group Inc. (TSXV: MTLO). Mr Linton also sits on the Board of Directors of the Canadian Olympic Foundation and is an active member of The Ottawa Hospital Foundation, Campaign Executive Committee. In September 2021, Mr Linton stepped down from the board of Mind Medicine Inc. (NEO: MMED), where he was a founding Board of Director member and Chairman of the Governance and Compensation Committee. Mr Linton was also Chairman and Chief Executive Officer of Collective Growth Corporation; a special purpose acquisition company (SPAC) that went public on NASDAQ in May 2020 and completed its business combination transaction with Innoviz Technologies Ltd. (NASDAQ: INVZ) in March 2021.

Ben Quirin, Non-Executive Director

Mr Quirin is a leading senior executive, with over 20 years’ experience in the telecommunications, technology and pharmaceutical sectors. He has a strong track record of launching new products and leading business development initiatives in new and emerging markets, having established products and brands in Europe, the Middle East and Africa, as well as the Asia Pacific Region.

Mr Quirin has extensive expertise in the cannabis sector and previously held the position of Regional Managing Director for Canopy Growth Corporation (“Canopy Growth”) for APAC. In April 2019, Canopy Growth was the world’s largest cannabis company by market capitalisation, reaching a peak valuation of US\$24.95 billion.

During his time with Canopy Growth, Mr Quirin led the development and execution of the group’s regional strategy in new regulated markets, progressed M&A opportunities and also engaged in ongoing Australian government negotiations to secure major project status to boost the local medicinal cannabis industry.

Following his tenure with Canopy Growth, Mr Quirin became an executive and investor of Invert Inc., which specialises in emissions reduction and offsetting for corporate clients in Australia and international markets.

Peter Hatfull, Non-Executive Director

Peter Hatfull has over 40 years' experience in senior executive and board positions with Australian and international companies. He has an extensive skill set which covers business optimisation, strategic planning, corporate governance, capital raising and group restructuring capabilities.

He is a professional director and is currently an independent director and chairman of several listed and unlisted companies. Mr Hatfull graduated as chartered accountant in the United Kingdom, where he worked for Coopers and Lybrand (now PriceWaterhouse Coopers) and subsequently moved to Africa, where he spent eight years in Malawi prior to moving to Australia.

Creso will leverage Mr Hatfull's extensive expertise as it progresses its strategy of assembling a strategic portfolio of businesses and brands that have complementary strengths across manufacturing, processing, formulation, sales and distribution.

Chris Grundy B.Com. FCA. FGIA/FCIS. GAICD, Chief Financial Officer

Chris Grundy is a career CFO with more than 25 years' experience in the life sciences sector in Australia, including listed and large multi-national companies, in addition to early-stage, rapidly growing businesses. His previous experience includes roles as CEO and in marketing, including periods in the U.K. and Southern Africa. He qualified as a Chartered Accountant with Ernst & Young.

12.4. Creso's securities and capital structure

(a) Creso Shares on issue

As at the Last Practicable Date, Creso had 2,136,507,695 Creso Shares on issue.

Creso Shares are listed on the ASX under the trading symbol "CPH".

On the last trading day prior to the announcement of the proposed Scheme, the trading price of Creso Shares was \$0.022. Since then, it has decreased by 55% to \$0.010 per Creso Share on the Last Practicable Date.

During the 3-month period prior to the Last Practicable Date, the trading price of Creso Shares has ranged between \$0.010 and \$0.027.

Source: ASX as at 22 March 2023

(b) Creso Performance Shares on issue

As at the Last Practicable Date, Creso had 6,000,000 Creso Performance Shares on issue.

(c) Creso Performance Rights on issue

As at the Last Practicable Date, Creso had 14,549,000 Creso Performance Rights on issue.

(d) Creso Options on issue

As at the Last Practicable Date, Creso had 1,045,009,939 Creso Options on issue.

Creso Options on the terms of the Creso Consideration Options are listed on the ASX under the trading symbol "CPHOD".

Creso Options on the relevant terms were not trading prior to the announcement of the proposed Scheme. Creso Options on those terms last traded at \$0.001 per Creso Option on the Last Practicable Date.

During the 3-month period prior to the Last Practicable Date, the trading price of Creso Shares has ranged between \$0.001 and \$0.003.

Source: ASX as at 22 March 2023

(e) Creso Convertible Notes on issue

As at the Last Practicable Date, Creso had 2,040,850 Creso Convertible Notes on issue.

(f) Substantial shareholders

Based on publicly available information as at the Last Practicable Date, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Jodi Scott	209,364,678	9.80

12.5. Rights and liabilities attaching to Creso Consideration Shares

The Creso Consideration Shares to be issued as Scheme Consideration will be fully paid ordinary shares in the capital of Creso issued on the same terms and conditions as existing Creso Shares.

12.6. Rights and liabilities attaching to Creso Consideration Options

The following are the terms and conditions of the Creso Consideration Options:

(a) Entitlement

Each Creso Consideration Option will entitle the holder to subscribe for one Creso Share.

(b) Exercise price

Each Creso Consideration Option shall entitle the holder to acquire one Creso Share on payment of the sum of \$0.08 per Creso Consideration Option (**Exercise Price**) to Creso.

(c) Expiry Date

The Creso Consideration Options will expire at 5.00pm WST on 31 January 2027 (**Expiry Date**). A Creso Consideration Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Exercise Period

The Creso Consideration Options may be exercised at any time prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

The Creso Consideration Options may be exercised during the Exercise Period by notice in writing to Creso in the manner specified on the Creso Consideration Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Creso Consideration Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to Creso.

(f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Creso Consideration Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Creso Shares on exercise

Within five Business Days after the Exercise Date, Creso will:

- (i) issue the number of Creso Shares required under these terms and conditions in respect of the number of Creso Consideration Options specified in the Notice of Exercise and for which cleared funds have been received by Creso;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if Creso is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Creso Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Creso Shares issued pursuant to the exercise of the Creso Consideration Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Creso Shares does not require disclosure to investors, Creso must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the

Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Creso Shares does not require disclosure to investors.

(h) Shares issued on exercise of Creso Consideration Options

Shares issued on exercise of Creso Consideration Options rank equally with the then issued Creso Shares.

(i) Quotation of Creso Consideration Options

Creso intends to seek quotation of the Creso Consideration Options in accordance with the Listing Rules and the Corporations Act, subject to the satisfaction of the quotation conditions of the Listing Rules.

(j) Reconstruction of capital

If at any time the issued capital of Creso is reconstructed, all rights of holders of Creso Consideration Options are to be changed to the extent necessary in a manner consistent with the Corporations Act and the Listing Rules applying at the time of the reorganisation.

(k) Participation in new issues

There are no participating rights or entitlements inherent in the Creso Consideration Options and holders will not be entitled to participate in new issues of securities offered to Creso shareholders during the currency of the Creso Consideration Options without exercising the Creso Consideration Options.

(l) Change in Exercise Price

A Creso Consideration Option does not confer a right to a change in Exercise Price or a change in the number of underlying securities over which the Creso Consideration Option can be exercised.

(m) Transfer

The Creso Consideration Options are transferable subject to any restrictions imposed by ASX or under applicable Australian securities laws and any further direction by the Creso Board.

12.7. Financial information

This Section contains financial information relating to Creso for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

The financial statements from which the information has been extracted were audited by BDO Audit Pty Ltd for the years ended 31 December 2020 and 31 December 2021. The 31 December 2022 balances are unaudited.

The financial information in this Section is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only.

Further detail about Creso's financial performance can be found in the financial statements for the full year ended 31 December 2022, announced to ASX on 28 February 2023, which can be found on Creso's website at <https://www.cresopharma.com/investors/financial-reports>.

(a) Basis of preparation

The historical financial information of Creso presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

Consequently, Creso considers that, for the purposes of this Scheme Booklet, the historical financial information presented is more meaningful to Health House Shareholders. The historical financial information of Creso has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The historical financial information in this Scheme Booklet is presented on a stand-alone basis and accordingly does not reflect any impact of the Scheme.

(b) Consolidated Statement of Comprehensive Income

The following table presents the historical consolidated statement of comprehensive income for the financial years ended 31 December 2020 (audited), 31 December 2021 (audited) and 31 December 2022 (unaudited).

	FY2022 Unaudited \$000's	FY2021 Audited \$000's	FY2020 Audited \$000's
Revenue from continuing operations			
Revenue	8,689	6,219	2,465
Other income	339	35	178
Expenses			
Raw materials and consumables used	(8,402)	(5,000)	(5,393)
Loss on fair value adjustments	(407)	(1,619)	(937)
Employee benefit expenses	(5,243)	(3,810)	(2,547)
Depreciation and amortisation expenses	(1,949)	(266)	(352)
Loss on disposal of assets	(307)	-	-
Administrative expenses	(11,423)	(23,173)	(7,089)
Impairment of intangibles	(12,521)	-	(4,671)
Gain on settlement of convertible notes	-	-	899,628
Loss on disposal of investment in Creso Grow Ltd	-	-	(1,444)
Other expenses	(864)	(704)	(497)
Finance costs	(692)	(1,713)	(11,391)
Loss from continuing operations before income tax	(32,780)	(30,031)	(30,780)
Income tax expense	(2)	-	-
Loss from continuing operations after income tax	(32,782)	(30,031)	(30,780)
Other comprehensive income			
Exchange differences on translation of foreign operations	1,525	1,082	(1,257)
Other comprehensive income for the period, net of tax	1,525	1,082	(1,257)
Total comprehensive loss for the year attributable to the members of Creso Pharma Limited	(31,257)	(28,949)	(32,037)
Loss per share for the year attributable to the members of Creso Pharma Limited:			
Basic and Diluted loss per share (cents)	(2.24)	(2.71)	(8.3)

(c) **Consolidated Statement of Financial Position**

The following table presents the historical consolidated statement of financial position as at 31 December 2022.

	31-Dec-22 Unaudited \$000's
ASSETS	
Current assets	
Cash and cash equivalents	1,388
Trade and other receivables	2,563
Inventories	5,508
Biological assets	265
Other assets	2,146
Total current assets	11,870
Non-current assets	
Property, plant and equipment	9,978
Intangible assets	15,848
Other assets	286
Total non-current assets	26,112
Total assets	37,982
LIABILITIES	
Current liabilities	

Trade and other payables	8,642
Provisions	375
Borrowings	6,671
Total current liabilities	15,688
Total liabilities	15,688
Net assets	22,294
EQUITY	
Issued capital	128,382
Reserves	20,510
Accumulated losses	(126,598)
Total equity	22,294

(d) **Consolidated Statement of Cash Flows**

The following table presents the historical consolidated statement of cash flows for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

	FY2022 Unaudited \$000's	FY2021 Audited \$000's	FY2020 Audited \$000's
Cash flows from operating activities			
Receipts from customers	8,851	5,910	3,610
Payments to suppliers and employees	(25,630)	(27,939)	(13,122)
Payments for research	(425)	-	-
Interest received	1	-	-
Interest paid	(103)	(349)	(110)
Net cash used in operating activities	(17,306)	(22,378)	(9,622)
Cash flows from investing activities			
Payments for property, plant and equipment	(343)	(451)	(44)
Payments for intangibles	(5)	(3)	(385)
Loan to Sierra Sage Herbs LLC	-	(423)	-
Payment for Halucenex acquisition	-	(494)	-
Cash acquired on acquisition of Sierra Sage Herbs	164	-	-
Payment on disposal of investment in Creso Grow Limited	-	-	(403)
Loan to HHI	(2,100)	-	-
Net cash used in investing activities	(2,284)	(1,371)	(832)
Cash flows from financing activities			
Proceeds from issue of shares	9,942	18,000	12,474
Proceeds from exercise of options	20	8,528	-
Proceeds from borrowings	4,854	-	7,096
Repayment of borrowings	(266)	(201)	(2,006)
Borrowing costs	(117)	-	(2,192)
Net cash from financing activities	13,811	24,893	13,650

Net increase in cash and cash equivalents	(5,779)	1,144	3,197
Cash and cash equivalents at the beginning of the period	7,184	6,047	2,800
Effect of exchange rate fluctuations on cash held	(17)	(7)	50
Cash and cash equivalents at the end of the period	1,388	7,184	6,047

12.8. No material changes in Creso's financial position

To the knowledge of the Creso Directors, other than expenditure in the ordinary course of business and as otherwise disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Creso, the financial position of Creso has not changed materially since 30 June 2022, being the date of the last balance sheet prepared in accordance with the Corporations Act before this Scheme Booklet was sent to Health House Shareholders.

12.9. Rationale for the Proposed Acquisition of Health House

The Proposed Acquisition of Health House has several benefits for the Combined Group. The revenue profile of the Combined Group will make it more attractive to a larger group of investors, and allow greater access to capital. Additionally, the increase in scale may improve Creso's already strong liquidity on the ASX. The increased revenue profile of the Combined Group is also advantageous in the event that it pursues a dual listing on a North American exchange. The Proposed Acquisition also significantly increases the geographic diversification of the Combined Group, reducing risk of the overall portfolio of assets. Finally, there are many potential synergies between Creso and Health House, both in terms of revenue (i.e. potentially importing and distributing Mernova flower in Australia) and costs (elimination of one set of public company costs).

12.10. Funding arrangements

The Scheme Consideration is 100% scrip. Accordingly, no funding is required to pay the Scheme Consideration.

12.11. Intentions if the Scheme is implemented

This Section 12.11 sets out the current intentions of Creso in relation to:

- the continuation of the operations and business of Health House;
- changes to the Health House Board and the Health House management team;
- the future employment of the present employees of Health House; and
- the delisting of Health House from the ASX,

assuming Creso acquires the Scheme Shares as a result of implementation of the Scheme.

The statements in this Section 12.11 regarding Creso's intentions are based on information concerning Health House and the general business environment which are known to Creso at the time of the preparation of this Scheme Booklet. Final decisions regarding these matters will be made in light of all material information, facts and circumstances at the relevant time if the Scheme is implemented. Accordingly, it is important to recognise that the statements set out in this Section 12.11 are statements of current intention only and may change as new information becomes available or circumstances change.

(a) Business continuity and operations

If the Scheme is implemented, Creso intends to continue to operate the Health House business as a going concern.

If the Scheme is implemented, Creso intends to conduct a review of the Health House business to verify Creso's understanding of the information, facts and circumstances concerning the business, assets, strategies and operations of Health House as at the date of this Scheme Booklet.

Creso will then work with the Health House management team to determine how to further develop the business of Health House in order to maximise its operating performance.

(b) Board of Directors

The current Creso Board will remain unchanged, as the Board of the Combined Group. The existing Health House Directors intend to resign and be replaced as directors of Health House by the Creso Board.

(c) Management team

Creso expects there to be significant value and knowledge in the existing staff of Health House. Creso plans to draw on the expertise of the existing management team of Health House to ensure that the businesses and cultures are integrated and operated effectively if the Scheme is implemented.

Following the general operational review described above, Creso may combine and centralise certain roles within the Health House management team with those in the broader Creso business or its corporate group.

(d) Employees

Health House management and employees are an integral part of, and key to the success of, the Health House business. Creso believes that the acquisition of Health House will offer exciting opportunities for Health House's employees and management as part of a much larger enterprise and a global leader in the medicinal cannabis sector. Creso intends to make limited changes to roles as a result of Health House no longer being a listed entity and becoming part of Creso.

Other than such changes, definitive plans in relation to the broader employee base of Health House have not yet been fully determined, however Creso's intent is to retain the majority of Health House's existing employees in line with current operations.

(e) Delisting

If the Scheme is implemented, Creso will procure that Health House applies to ASX to be removed from the official list of the ASX after implementation of the Scheme.

12.12. Interests in Health House securities

(a) Interest in Health House Shares

As at the date of this Scheme Booklet, none of Creso nor, to the best of its knowledge, any of its Associates has any interest or voting power in any Health House Shares.

(b) Dealings in Health House shares in the previous six months

None of Creso nor, to the best of its knowledge, any of its Associates has provided or agreed to provide consideration for any Health House Shares under any transaction during the period of six months before the date of this Scheme Booklet, other than Creso's offer to acquire all Health House Shares under the Scheme.

(c) Benefits to holders of Health House Shares

During the six months before the date of this Scheme Booklet, none of Creso nor, to the best of its knowledge, any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Scheme; or
- dispose of Health House Shares,

where the benefit was not offered to all Health House Shareholders.

(d) Benefits to Health House officers

None of Creso nor, to the best of its knowledge, any of its Associates will be making any payment or giving any benefit to any current officers of Health House as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

(e) Other material information

Except as set out in this Section 12, so far as the Creso Directors are aware, there is no other information regarding Creso, or its intentions regarding Health House, that is material to the making of a decision by a Health House Shareholder on whether or not to vote in favour of the Scheme, being information that is within the knowledge of any Creso Director as at the date of this Scheme Booklet, which has not been previously disclosed to Health House Shareholders.

12.13. Public information available for inspection

As an ASX-listed company and a “disclosing entity” under the Corporations Act, Creso is subject to regular reporting and disclosure obligations. Among other things, these obligations require Creso to announce price sensitive information to ASX as soon as Creso becomes aware of information, subject to some exceptions under the Listing Rules. Further announcements concerning Creso will continue to be made available on Creso’s website after the date of this Scheme Booklet.

Under the Corporations Act, Creso is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the Creso directors and an audit or review report respectively.

Copies of the documents filed with the ASX may be obtained from the ASX’s website at <http://www.asx.com.au>. Copies of the documents lodged with ASIC in relation to Creso may be obtained from ASIC through its website or relevant information brokers. Copies of these documents will also be made available free of charge following a request in writing to Health House at any time before the Second Court Hearing.

13. Risks

Health House Shareholders should be aware that there are a number of risks, both general and specific, associated with the Scheme. The Health House Directors also consider that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Health House and the value of Health House Shares.

The information set out in this Section 13 is a summary only and does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting the Health House Group.

Additional risks and uncertainties not currently known to Health House may also have a material adverse effect on Health House's operational and financial performance. While measures can be taken to mitigate some risk, the occurrence and consequences of some of the risks described in this Section 13 are partially or completely outside the control of the Health House Group and the Health House Directors.

If the Scheme is implemented, you will receive the Scheme Consideration you are entitled to under the Scheme and you will cease to be a Health House Shareholder from the Implementation Date. However, you will continue to be exposed to the risks set out in this Section 13 in your capacity as a Creso Consideration Shareholder.

You should carefully consider the risks and uncertainties described below in this Section 13, together with all other information in this Scheme Booklet, before making a decision regarding the Scheme.

13.1. Risks specific to the Scheme

(a) Conditions

The implementation of the Scheme is subject to a number of Conditions, which are summarised in Annexure A and set out in full in clause 3.1 of the Scheme Implementation Deed. The Scheme will not proceed to the Second Court Hearing unless all Conditions are satisfied or waived (as applicable) (other than the Conditions relating to approval by the Court).

If the Conditions are not satisfied or waived (as applicable) by the End Date, the Scheme Implementation Deed may be terminated, which will mean the Scheme will not be implemented.

Annexure A contains a summary of the status of the Conditions as at the date of this Scheme Booklet. A failure to satisfy any of the Conditions, or a delay in satisfying the Conditions and implementing the Scheme, may adversely affect the trading price of Health House Shares.

(b) Court approval

There is a risk that the Court may not approve the Scheme or that the approval of the Court may be delayed, which would respectively result in the Scheme not being implemented or implementation of the Scheme being delayed.

In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Hearing, the Court will take the change into account in deciding whether it should approve the Scheme. If there is a material change of sufficient importance so as to materially alter the Scheme, there is a risk that the Court may not approve the Scheme at the Second Court Hearing.

13.2. Risks that relate to the Health House Group

There are a number of business-specific risks associated with your current investment in Health House Shares, as set out below. You will continue to be exposed to these risks if the Scheme is implemented, in the context of Health House's operating businesses becoming part of the Creso Group.

(a) Risk of adverse publicity

The distribution of controlled substances by Health House and the regulatory approvals needed to continue the enterprise may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, the Health House's activities. These pressures could also limit or restrict the introduction and marketing of Health House's products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by Health House's products. The nature of Health

House's business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, Health House's reputation may be harmed.

(b) Loss of key relationships

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. It is expected that this consolidation and strategic partnering will continue. Acquisitions or other consolidating transactions could harm Health House in a number of ways, including:

- (i) loss of strategic relationships if third parties with whom Health House has arrangements are acquired by or enter into relationships with a competitor (which could cause Health House to lose access to necessary resources);
- (ii) the relationships between Health House and third parties may deteriorate and have an adverse impact on Health House's business; and
- (iii) Health House's current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put Health House at a competitive disadvantage, which could cause it to lose access to markets. Consolidation could also force Health House to expend greater resources to meet new or additional competitive threats, which could also harm Health House's results.

(c) Risk of adverse events or other safety issues associated with product

If any of the products sold by the company cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, a number of potentially significant negative consequences could result, including:

- (i) regulatory authorities may withdraw their approval, or require more onerous labelling statements for any product that is approved;
- (ii) Health House could be sued and held liable for harm caused to patients; or
- (iii) Health House's reputation may suffer.

Health House's distribution activities may voluntarily be suspended or terminated if at any time Creso believes that they present an unacceptable risk to consumers, or that they are unlikely to receive regulatory approval or unlikely to be successfully commercialised.

(d) Risk of changes to laws and regulations

Health House's operations are subject to a variety of laws, regulations and guidelines. The medicinal cannabis industry is evolving globally and has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that governments worldwide, including in Australia, the UK and the European Union, will continue to explore the benefits, risks, regulations and operations of companies involved in medicinal cannabis industry. While, to the knowledge of management, Health House is currently in compliance with all current laws, changes to laws and regulations due to matters beyond the control of Health House may cause adverse effects to its operations.

The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial position and financial performance of the company and its shares. In addition, there is a risk that legal action may be taken against the company in relation to commercial, legal, regulatory or other matters.

(e) Exposure to product liability claims, regulatory action and litigation

These risks will arise if Health House's product is alleged to have caused significant loss or injury. In addition, the manufacture of medicinal cannabis involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reaction resulting from human consumption of medicinal cannabis alone or in combination with other medications or substances could occur. Health House may be subject to various product liability claims, including among other products distributed by Health House caused injury or illness, inadequate instructions for use or warnings concerning

possible side effects. A product liability claim or regulatory action against the company could result in increased costs, could adversely affect the company's reputation with its clients and consumers generally and could have a material adverse effect on the company's results of operations and financial conditions.

(f) Product liability and uninsured risks

Through its intended business, Health House is exposed to potential product liability risks which are inherent in undertaking research into the clinical efficacy of, and the manufacture and supply of medicinal cannabis products. It will be necessary to secure insurance to help manage such risks. Health House may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, Health House's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although Health House endeavours to work to rigorous standards there is still the potential for adverse events. These events could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and injury to Health House's reputation or increased insurance costs.

If Health House fails to meet its clients' expectations, its reputation could suffer and it could be liable for damages.

Further, Health House is exposed to the risk of catastrophic loss to necessary equipment or facilities which would have a serious impact on its operations. Health House gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

(g) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account. Although Health House is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of Health House.

(h) Loss of key personnel

The responsibility to oversee the day-to-day operations and the strategic management of Health House depends substantially on its senior management and its key personnel. There can be no assurance that there will be no detrimental effect on Health House if one or more of these employees cease their employment.

(i) Management of growth

There is a risk that management of Health House will not be able to implement its growth strategy after implementation. The capacity of Health House's management to properly implement and manage the strategic direction of Health House may affect its financial performance.

13.3. Risks that relate to Creso

(a) Operating losses

Creso's auditor has identified a material uncertainty related to ongoing losses from operating activities that may cast significant doubt on whether Creso will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and in the amounts stated in its financial report. However, Creso considers that this risk is mitigated by the following factors:

- (i) Creso's ability to raise additional funds from shareholders, new investors and debt markets, having undertaken a number of successful capital raisings in recent years; and
- (ii) increased revenue from opportunities with existing and new customers and sale arrangements; and effective monitoring and reduction of overhead expenditures including the continued realisation of head office cost reductions.

(b) Intellectual property rights

Creso may be forced to litigate, to enforce or defend its intellectual property rights against infringement and unauthorised use by competitors, and to protect our trade secrets. In so doing, Creso's intellectual property may be put at risk of being invalidated, unenforceable, or limited or narrowed in scope. Further, an adverse

result in any litigation or defence proceedings may place pending applications at risk of non-issuance. In addition, if any licensor fails to enforce or defend their intellectual property rights, this may adversely affect Creso's ability to develop and commercialise Creso's current and future products (**Products**) and prevent competitors from making, using, and selling competing products. Any such litigation could be very costly and could distract management from focusing on operating Creso's business. Further, because the content of much of Creso's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, we may face additional difficulties in defending our intellectual property rights.

(c) Protection of proprietary technology

Creso's success will depend, in part, on Creso's ability to obtain patents, protect trade secrets and operate without infringing on the proprietary rights of others. If Creso fails to adequately protect its intellectual property, it may face competition from companies who attempt to create a generic product to compete with the Products. Creso may also face competition from companies who develop a substantially similar product to one of the Products that is not covered by any protection.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. Proceedings to enforce Creso's patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of its business.

(d) Competition

The cannabis and nutraceutical industries are highly competitive and subject to rapid change. The industries continue to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than Creso. Some of these competitors and potential competitors have similar or more experience than Creso in the development of pharmaceutical products, including validation procedures and regulatory matters. In addition, the Products compete with, product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than Creso or its future collaboration partners may have. If Creso is unable to compete successfully, it may be unable to generate, grow and sustain its revenue.

(e) Joint venture, partnerships or other strategic alliances

Creso may enter into strategic partnerships or alliances with third parties in order to enhance its business. Additionally, Creso continuously explores merger and acquisition opportunities with a view to strengthening its existing business and/or divesting non-core business operations. Any entry into, or commitment to, such relationship or opportunity will bring additional risks specifically contractual risks. Creso would also be likely to incur transactional costs in evaluating and negotiating such relationships which will need to be incurred regardless of whether the proposed transactions complete or bring benefit to Creso.

(f) Risks of generating public controversy

Some of the Products contain controlled substances and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for the Products. These pressures could also limit or restrict the introduction and marketing of the Products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by the Products and the operations of Creso. The nature of Creso's business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, its reputation may be harmed.

(g) Legal and regulatory change

Achievement of Creso's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining required regulatory approvals all over the world. The regulatory regimes applicable to the cannabis business in the US, Canada, Australia, Colombia, Brazil, and the European Union are currently undergoing significant changes and Creso cannot predict the impact of the changes on its operations once the regulatory regimes are finalized.

Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of Creso. Creso will incur ongoing costs and

obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on Creso's operations.

In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Creso's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Creso.

(h) Controlled substance legislation may restrict or limit ability to develop and commercialise Products

Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to our obtaining marketing approval for the Products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit the Products to be marketed or achieving such amendments to the laws and regulations may take a prolonged period of time.

(i) Product liability and uninsured risks

Through its intended business, Creso is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. Creso may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, Creso's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although Creso endeavours to work to rigorous standards there is still the potential for the products to contain defects or fail to meet customer's agreed specification. These defects or problems could result in the loss of or delay in generating revenue, requirements to repay prepaid revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and damage to Creso's reputation or increased insurance costs.

If Creso fails to meet its clients' expectations, Creso's reputation could suffer, and it could be liable for damages.

Further, Creso is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on Creso's operations. Creso gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

(j) Customer and contractual risks

Partnering or distribution agreement are subject to the risk that the parties to these agreements will not adequately or fully comply with their respective contractual rights and obligations including the obligations to order minimum quantities or that these contractual relationships may be terminated. Any failure to meet these obligations or termination of contractual relationships may result in the need to replace products, loss of revenue or termination of existing agreements which may have a material adverse effect on Creso and its operations.

(k) Access to active ingredients

Some of the Products will/do contain active cannabis or hemp derived ingredients from full plant extracts. Creso needs access to these materials. An inability to access these raw materials with the required specifications or quality could mean that some of the Products are compromised or delayed.

Creso may, from time to time, enter into agreements with other suppliers of active cannabis or hemp derived ingredients. There is a risk that Creso may have protracted negotiations on commercial terms and this may result in delays in the development of Creso's products and/or increase in Creso's costs of development and production.

(l) Cultivation risks

Part of Creso's business involves the cultivation and growing of cannabis and/or hemp, which are agricultural products. As such the business may be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, invasive plant species, storm, fire, frost, flood, drought, water availability, water

salinity, pests, bird damage and force majeure events. In addition, significant interruptions or negative changes in the availability of economics of the supply chain for the raw material and supplies related to growing operations as well as electricity, water and other local utilities inputs could materially impact the business, financial condition and operating results of Creso.

Creso's cultivation operations are subject to the licenses required and other applicable legislation and regulations enforced in those countries. Accordingly, the amount of cannabis and hemp Creso is able to produce may be capped and ultimately this will restrict the amount that Creso can sell, at least whilst no further legislation is in operation.

(m) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of Creso depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on Creso if one or more of these employees cease their employment.

(n) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Scheme Booklet. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(o) Dependence on outside parties

The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. The manufacture and global distribution of products and services is important to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

13.4. General risks relating to Creso and the Combined Group

(The risks set out below relate to Creso and assume that the acquisition of Health House by Creso has been consummated.)

(a) Integration of Health House and Creso may not occur as planned

The ability to realize the benefits of the Combined Group, will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner. This integration will require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities following the proposed acquisition of Health House and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect the ability of the Combined Group to achieve the anticipated benefits of the proposed acquisition.

(b) The Combined Group will have operations in a number of jurisdictions around the world

Operations, development and exploration activities carried out by the Combined Group may be affected to varying degrees by taxes and government regulations relating to such matters as environmental protection, land use, water use, health, safety, labour, restrictions on production, price controls, currency remittance, maintenance of land rights, and expropriation of property. Changes in cannabis regulations or investment policies or shifts in political attitudes with respect to the cannabis industry may also adversely affect the Combined Group's business. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, maintenance of claims, environmental legislation, expropriation of property, land use, land claims of local people (including aboriginal land claims), water use and safety. Any changes in the laws relating to cannabis in the jurisdictions in which the Combined Group carries on business could materially affect the rights of the Combined Group. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of cannabis licences or other applicable authorizations upon completion of the proposed acquisition of Health House. The effect of any of these factors on the business of the Combined Group cannot be accurately predicted.

(c) General equity market risks

Shares listed on the ASX, or any other securities market, can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. These security market conditions may affect the value of Creso Shares regardless of the Combined Group's operating performance.

General factors that may affect the market price of securities include economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(d) Economic conditions

Economic conditions, both domestic and global, may affect the performance of the Combined Group. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, insurance market conditions, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of the Combined Group and may result in material adverse impacts on the business and operating results of the Combined Group.

(e) Change in government policy

Changes in government fiscal, monetary and regulatory policies, including legislative and regulatory regimes for corporations, taxation laws and foreign investment rules.

(f) Liquidity and realisation

There may be few or many potential buyers or sellers of Creso Shares on ASX at any time. This may affect the volatility of the market price of Creso Shares. It may also affect the prevailing market price at which shareholders are able to sell their Creso Shares. There is uncertainty on the Company's ability to raise funds on the public market to support the strategy.

(g) Taxation

A change to the current taxation regime may affect the Combined Group and Creso Shareholders. Personal tax liabilities are the responsibility of each individual investor in Creso. Creso is not responsible for taxation or penalties incurred by investors in Creso.

(h) Accounting standards

Changes to any applicable accounting standards or to any assumptions, estimates or judgments applied by management in connection with complex accounting matters may adversely impact the Combined Group's financial statements, results or condition.

(i) Force majeure

Events outside the control of Creso, such as acts of terrorism, civil disturbance or protest, war, political intervention, natural activities such as earthquakes, floods, fires and adverse weather conditions, catastrophes and disease or pandemic (including the outbreak, escalation or impact of, and recovery from the COVID-19 pandemic) may adversely impact the Combined Group by affecting its operations and those of its suppliers or service providers, the market for commodities, or the transport or other infrastructure relating to the operations of the Combined Group.

14. Implementation of the Scheme

All dates referred to in this Section 14 are indicative only. The actual dates on which events referred to in this Section 14 will occur will depend upon the time at which the Conditions are satisfied or waived (as applicable). The outstanding Conditions are summarised in Annexure A and the Conditions are set out in full in clause 3.1 of the Scheme Implementation Deed. Health House has the right to vary all dates subject to all necessary approvals. Any variation to the dates referred to in this Section 14 will be announced to ASX and published on Health House's website.

14.1. Key steps to implement the Scheme

(a) Scheme Meeting

In accordance with an order of the Court made on 22 March 2023, Health House Shareholders will be asked to approve the Scheme at the Scheme Meeting to be held at 1:30 pm (AWST) on 2 May 2023. The Notice of Scheme Meeting is set out in Annexure E.

At the Scheme Meeting, Health House Shareholders will be asked to consider and, if thought fit, to approve the Scheme. For the Scheme to be approved by Health House Shareholders, votes in favour of the Scheme Resolution must be received from:

- a majority in number (more than 50%) of Health House Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Health House Shareholders, by a duly appointed corporate representative) (the Headcount Test); and
- at least 75% of the total number of votes cast on the Scheme Resolution by Health House Shareholders at the Scheme Meeting.

If the Scheme is not approved by Health House Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test, Health House may apply to the Court for the Court to exercise its discretion to disregard the Headcount Test and make orders approving the Scheme.

The Health House Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders. Subject to the same qualifications, each Health House Director intends to cause all the Health House Shares in which he or she has a Relevant Interest to be voted in favour of the Scheme Resolution.

(b) Second Court Date

If the Scheme is approved by the Requisite Majorities of Health House Shareholders at the Scheme Meeting, Health House will apply to the Court for orders approving the Scheme following the Scheme Meeting. The date on which the Court hears Health House's application in relation to the Scheme is the Second Court Date. The Second Court Date is expected to be on or around 4 May 2023 and the Second Court Hearing is open to all Health House Shareholders.

If the Scheme is not approved by the Requisite Majorities of Health House Shareholders at the Scheme Meeting, the Scheme will not be implemented and Health House will not apply to the Court for any orders in connection with the Scheme.

The Court has discretion under section 411(4)(b) of the Corporations Act whether or not to approve the Scheme and may refuse to approve the Scheme even if the Scheme is approved by the Requisite Majorities of Health House Shareholders.

The Corporations Act and the relevant Court rules provide a procedure for Health House Shareholders to oppose the approval by the Court of the Scheme. Any Health House Shareholder who wishes to oppose the approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Health House a notice of appearance in the prescribed form together with any affidavit on which the Health House Shareholder will seek to rely at the Second Court Hearing. The notice of appearance and any affidavit must be served on Health House at least one day before the Second Court Date (the Second Court Date is expected to be 4 May 2023). Any change to the Second Court Date will be announced to ASX and published on Health House's website at <https://www.healthhouse.com.au>.

ASIC will be asked to issue a written statement that it has no objection to the Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Scheme, the Court may still approve the Scheme provided it is satisfied that section 411(17)(a) of the Corporations Act is satisfied.

(c) Effective Date

If the Court approves the Scheme, Health House will lodge with ASIC a copy of the Court order approving the Scheme. Health House intends to lodge this with ASIC on the Business Day following receipt of the order, which means it expects to lodge the order on 5 May 2023. The Scheme comes into effect on the date on which Health House lodges the Court order approving the Scheme with ASIC. This date is referred to in this Scheme Booklet as the Effective Date.

If the Conditions are not satisfied or waived (as applicable) by the End Date, the Scheme Implementation Deed may be terminated, which will mean the Scheme will not be implemented.

(d) Implementation of the Scheme

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration for each Scheme Share held on the Record Date (currently expected to be 5:00 pm (AWST) on 9 May 2023).

On the Implementation Date, subject to the provision of the Scheme Consideration, all Health House Shares held by Scheme Shareholders (together with all rights and entitlements attaching to them) will be transferred to Creso without any further action required by Scheme Shareholders and at no cost to them. Health House will enter the name of Creso into the Health House Share Register in respect of all Scheme Shares. Health House will then become a Subsidiary of Creso.

For the purposes of determining who is a Scheme Shareholder, dealings in Health House Shares or other alterations to the Health House Share Register will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Health House Share Register as the holder of the relevant Health House Shares before the Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings are received before the Record Date at the place where the Health House Share Register is kept.

Health House will not accept for registration, or recognise for any purpose (except a transfer to Creso under the Scheme and any subsequent transfer by Creso or its successors in title), any transmission application, transfer or other request in respect of Health House Shares received on or after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

Health House must maintain the Health House Share Register until the Scheme Consideration has been paid to the Scheme Shareholders and Creso has been entered in the Health House Share Register as the holder of all Scheme Shares. The Health House Share Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration.

From the Record Date (and other than for Creso following the Implementation Date), all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry in the Health House Share Register (other than for Creso) at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

14.2. Warranty by Scheme Shareholders about their Health House Shares

Under the Scheme, each Scheme Shareholder is deemed to have warranted to Creso, and to the extent enforceable, appointed and authorised Health House as its agent to warrant to Creso, that:

- all its Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to Creso, be fully paid and free from all security interests, whether legal or otherwise, and from any restrictions on transfer of any kind; and
- it has full power and capacity to sell and to transfer those Scheme Shares together with any rights and entitlements attaching to such shares to Creso under the Scheme.

14.3. Suspension of trading in Health House Shares

It is expected that suspension of trading in Health House Shares on ASX will occur from the close of trading on the Effective Date. This is expected to occur on 5 May 2023.

Health House will apply for termination of the official quotation of Health House Shares on ASX and to have itself removed from the official list of ASX with effect from the close of business on the Business Day following the Implementation Date.

15. Implications if the Scheme is not implemented

The Scheme will not be implemented if the Scheme is not approved by the Requisite Majorities at the Scheme Meeting, if the Scheme is not approved by the Court, or if any of the other Conditions are not satisfied or waived (as applicable).

If the Scheme is not implemented:

- Health House Shareholders will not receive the Scheme Consideration;
- Health House Shares will not be transferred to Creso (and will be retained by Health House Shareholders);
- Health House will continue to operate as a stand-alone entity, and remain listed on ASX;
- Health House Shareholders will continue to be exposed to the benefits and risks associated with an investment in Health House on a stand-alone basis (please refer to Section 13 for further details about these risks);
- Health House will be obliged to repay the amount owing under the Facility Agreement on or before 31 May 2023 or such other date as agreed by Health House and Creso;
- Health House will be required to investigate and implement a funding strategy to satisfy its obligations under the Facility Agreement by way of a capital raising, refinance or alternative means;
- the amount which Health House Shareholders will be able to realise for their investment in Health House may be uncertain; and
- in the absence of a Superior Proposal, the Health House Directors believe that it is likely that the trading price of Health House Shares will fall from current levels.

In addition, some circumstances which cause the Scheme to not be implemented may result in the payment of a break fee by Health House to Creso. If Health House Shareholders do not approve the Scheme by the Requisite Majorities, this will not trigger payment of a break fee by Health House.

The break fees (including the circumstances in which they may be payable by either Health House or Creso) are summarised in Annexure A and set out in full in clauses 14 and 15 of the Scheme Implementation Deed.

If the Scheme is not implemented, the Health House Directors will determine the future strategy for Health House. Health House will continue to operate as it does currently.

16. Tax Implications of the Scheme

16.1. Introduction

The following is a general summary of the Australian income tax, GST and Duty considerations for Health House Shareholders who participate in the proposed Scheme.

Under the Scheme, each Scheme Shareholder will receive one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares held.

This summary does not provide an exhaustive consideration of all possible Australian income tax, GST and Duty implications that could apply to Scheme Shareholders in relation to the Scheme. Furthermore, this summary does not consider any tax implications in jurisdictions outside of Australia.

This summary has been prepared solely for Scheme Shareholders as described and limited below. Further, it is not intended to and should not be used or relied upon by anyone else and there is no acceptance of a duty of care to any other person or entity.

Only Scheme Shareholders that are individuals, complying superannuation funds and corporate shareholders that hold their shares on capital account have been considered in this summary. In particular, this summary is not intended to cover Scheme Shareholders who:

- (a) are exempt from Australian income tax;
- (b) hold their Health House Shares on revenue account or as trading stock;
- (c) are partnerships or persons that are partners of such partnerships;
- (d) acquired their Health House Shares under an employee share scheme or similar employee incentive plan;
- (e) are temporary residents of Australia for Australian tax purposes;
- (f) have changed tax residency while holding their Health House Shares;
- (g) are foreign tax residents and hold their Health House Shares in carrying on a business at or through a permanent establishment in Australia; or
- (h) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Health House Shares.

This summary does not constitute tax advice and is intended only as a general guide to the Australian tax implications of participating in the Scheme based upon Australian taxation law and administrative practice in effect as at the date of this Scheme Booklet (which are both subject to change at any time, possibly with retrospective effect). Scheme Shareholders should not refer to this summary for any other purpose.

This summary does not consider any specific facts or circumstances that may apply to Scheme Shareholders. As the tax consequences for participating in the Scheme depend on each Scheme Shareholder's individual circumstances, all Scheme Shareholders are advised to seek independent professional advice regarding the Australian and foreign tax consequences of the Scheme according to their own particular circumstances.

16.2. Australian Tax Resident Shareholders

This section applies to Health House Shareholders that participate in the Scheme and are residents of Australia for Australian income tax purposes that hold their Health House Shares on capital account. For capital gains tax (CGT) purposes, Health House does not have any "significant stakeholders" or "common stakeholders".

Capital Gains Tax (CGT) Event

Under the Scheme, Scheme Shareholders will dispose of their Scheme Shares to Creso in exchange for the Scheme Consideration, comprising shares issued in Creso. The disposal of Scheme Shares to Creso under the Scheme will give rise to a CGT event. The time of the CGT event should be the date the Scheme Shares are disposed of, which will occur on the Implementation Date.

In the absence of CGT roll-over relief, the following tax consequences are expected to arise for Scheme Shareholders:

- (a) a capital gain will be realised to the extent the capital proceeds received by the Scheme Shareholders from the disposal of their Scheme Shares exceed the cost base of those shares; or
- (b) a capital loss will be realised to the extent the capital proceeds received by the Scheme Shareholders from the disposal of their Scheme Shares are less than the reduced cost base of those shares.

Capital losses can be offset against capital gains derived in the same income year or in later income years. Specific loss recoupment rules apply to companies to limit their availability in future years in certain circumstances. Scheme Shareholders should seek independent professional tax advice in relation to the operation of these rules.

16.3. Capital Proceeds

The capital proceeds on the disposal of Scheme Shares should be equal to the Scheme Consideration received by Scheme Shareholders, i.e. the capital proceeds will be equal to the market value of the Creso Consideration Shares received by Scheme Shareholders at the Implementation Date.

Cost Base and Reduced Cost Base of a Scheme Share

The cost base of a Scheme Share will generally be equal to the cost of acquiring the Scheme Share, plus any incidental costs of acquisition and disposal (such as brokerage fees and legal costs). The reduced cost base of a Scheme Share is determined in a manner similar to the cost base although some differences in the calculation of the reduced cost base do exist depending on the Scheme Shareholder's individual circumstances. The cost base and reduced cost base of each Scheme Share will depend on the individual circumstances of each Scheme Shareholder.

16.4. CGT Discount

The CGT Discount may apply to Scheme Shareholders that are individuals, complying superannuation funds or trusts, who have held, or are taken to have held, their Scheme Shares for at least 12 months (not including the date of acquisition or the date of disposal) at the time of the disposal of their Scheme Shares.

The CGT Discount is:

- (a) one-half if the Scheme Shareholder is an individual or trustee; meaning only 50% of the capital gain will be included in assessable income; and
- (b) one-third if the Scheme Shareholder is a trustee of a complying superannuation entity; meaning only two-thirds of the capital gain will be included in assessable income.

The CGT Discount is not available to Scheme Shareholders that are companies.

If the Scheme Shareholder makes a discount capital gain, any carried forward capital losses will be applied to reduce the undiscounted capital gain before either the one-half or one-third discount is applied. The resulting amount is then included in the Scheme Shareholder's net capital gain for the income year and included in assessable income.

The CGT Discount rules relating to trusts are complex. Accordingly we recommend trustees seek independent professional tax advice on how the CGT Discount applies to them and the trust's beneficiaries.

16.5. CGT Scrip for Scrip Roll-over Relief

Scheme Shareholders who make a capital gain from the disposal of their Scheme Shares may be eligible to choose CGT scrip for scrip roll-over relief (provided certain conditions are met). Broadly, CGT scrip for scrip roll-over

relief enables Scheme Shareholders to disregard the capital gain they make from the disposal of their Scheme Shares under the Scheme.

For CGT scrip for scrip roll-over relief to be available, amongst other things, Creso must become the owner of 80% or more of the shares in Health House and the Scheme Shareholders must make a capital gain on the disposal of their Scheme Shares. If a capital loss arises, no CGT scrip for scrip roll-over relief is available.

Scheme Shareholders do not need to inform the ATO, or document their choice to claim CGT scrip for scrip roll-over relief in any particular way, other than to complete their income tax return in a manner consistent with their choice.

In addition, it is noted that Creso will not make a choice pursuant to sub-section 124-795(4) of the Income Tax Assessment Act 1997 (Cth) such that Scheme Shareholders are unable to obtain CGT scrip for scrip roll-over relief.

Consequences of Choosing CGT Scrip for Scrip Roll-over Relief

If a Scheme Shareholder chooses to obtain CGT scrip for scrip roll-over relief, the capital gain arising on the disposal of their Scheme Shares under the Scheme should be disregarded.

Further, the first element of the cost base for the Creso Consideration Shares received is determined by attributing to them, on a reasonable basis, the existing cost base of the Scheme Shares exchanged under the Scheme. The first element of the reduced cost base is determined similarly.

Finally, for the purposes of determining future eligibility for the CGT Discount, the acquisition date of the Creso Consideration Shares is taken to be the date when the Scheme Shareholder originally acquired their Scheme Shares.

Consequences if CGT Scrip for Scrip Roll-over Relief is not Available or is not Chosen

If a Scheme Shareholder does not qualify for CGT scrip for scrip roll-over relief or does not choose to obtain CGT scrip for scrip roll-over relief, the general CGT treatment outlined above at Section 17.2 will apply.

If a Scheme Shareholder makes a capital loss from the disposal of their Scheme Shares, this loss may be used to offset capital gains in the same or subsequent years of income (subject to satisfying certain conditions). The capital loss cannot be offset against ordinary income or carried back to offset against capital gains arising in earlier income years.

16.6. Foreign Tax Resident Shareholders

This Section applies to Health House Shareholders that participate in the Scheme and are not residents of Australia for Australian income tax purposes (i.e. foreign tax residents) that hold their Scheme Shares on capital account. It does not apply to Scheme Shareholders who have held their Scheme Shares at any time in carrying on a business at or through a permanent establishment in Australia or who have changed their tax residency while holding their Scheme Shares.

Indirect Australian Real Property Interests

Foreign tax resident Scheme Shareholders who hold their Scheme Shares on capital account should generally not be subject to the CGT rules in Australia on the disposal of their Scheme Shares, provided their Scheme Shares are not an “indirect Australian real property interest” as at the time of the disposal.

Broadly, a Scheme Shareholder’s Scheme Shares will not be an indirect Australian real property interest unless both of the following conditions are satisfied:

- (a) the foreign tax resident Scheme Shareholder and their associates (as defined for tax purposes) together hold 10% or more of the issued shares in Health House at the time of disposal, or held 10% or more of the issued shares for at least 12 months during the 24 months prior to disposal of their Scheme Shares (the non-portfolio interest test); and
- (b) the aggregate market value of Health House’s assets which are taxable Australian property (being direct and indirect interests in real property, including land, leases of land and property affixed to land, situated in Australia) exceeds the aggregate market value of Health House’s assets which are not taxable Australian property (the principal asset test).

On the basis that the aggregate market value of Health House's assets which are taxable Australian property exceeds the aggregate market value of Health House's assets which are not taxable Australian property, Health House's shares will pass the principal asset test. However, it is expected that no foreign resident Scheme Shareholder holds/held the requisite 10% or more of the issued shares in Health House at the time of disposal so the non-portfolio interest test is likely to be failed. The Scheme Shares would therefore not be an indirect Australian real property interest and no CGT should apply.

Foreign Resident CGT Withholding Rules

In broad terms, a foreign resident CGT withholding tax applies to transactions involving the acquisition of the legal ownership of an asset that is an indirect Australian real property interest from a foreign resident. The current withholding rate is 12.5%.

As noted above, it is unlikely that any foreign resident Scheme Shareholders would pass the non-portfolio interest test and no CGT liability should therefore arise. However, to avoid any withholding, foreign resident Scheme Shareholders should complete a foreign resident capital gains withholding – vendor declaration form and provide this to Creso prior to the Implementation Date.

Foreign resident Scheme Shareholders should seek independent professional tax advice in relation to the vendor declaration and the application of an exemption from CGT withholding in respect of this transaction.

16.7. GST – Share Scheme

No GST will be payable by Scheme Shareholders on the acquisition of their Scheme Shares by Creso under the Scheme, or on the receipt of Creso Consideration Shares as Scheme Consideration. Scheme Shareholders who are registered for GST may not be entitled to input taxed credits (or only entitled to reduced input taxed credits) for any GST incurred on costs associated with the disposal of their Scheme Shares. They should seek independent professional tax advice in relation to their individual circumstances.

16.8. Duty – Share Scheme

No Australian duty should be payable by Scheme Shareholders on the acquisition of their Scheme Shares under the Scheme or on the receipt of Creso Consideration Shares as Scheme Consideration.

17. Additional Information

17.1. Interests of Health House Directors in Health House Securities

Other than as listed below, no Health House Securities are held or controlled by Health House Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet.

(a) Health House Directors' interests in Health House Shares

As at the date of this Scheme Booklet, each Health House Director has a Relevant Interest in the following number of Health House Shares:

Health House Director	Number of Health House Shares	% Health House Shares
Mr David Wheeler	4,985,930	2.80%
Mr Chris Mews	12,500	< 0.001%
Hon Mike Rann	226,085	0.13%
Total	5,224,515	2.93%

Each Health House Director intends to cause any Health House Shares in which he or she has a Relevant Interest to be voted in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Health House Shareholders.

Other than as disclosed in this Scheme Booklet, the Health House Directors will not receive any direct or indirect benefits from voting in favour of the Scheme Resolution other than the Scheme Consideration to which they are entitled.

(b) Health House Directors' interests in Health House Performance Shares

As at the date of this Scheme Booklet, no Health House Directors hold any Health House Performance Shares.

(c) Health House Directors' interests in Health House Options

As at the date of this Scheme Booklet, no Health House Directors hold any Health House Options.

17.2. Health House Directors' dealings in Health House securities

No Health House Director acquired or disposed of a Relevant Interest in any Health House Shares or Health House Performance Shares in the four month period ending on the date immediately before the date of this Scheme Booklet.

17.3. Interests and dealings of Health House Directors in securities in Creso Group entities

(a) Health House Directors' interests in securities in Creso Group entities

No Health House Director has a Relevant Interest in any securities of Creso or any other member of the Creso Group.

(b) Health House Directors' dealings in securities in Creso Group entities

No Health House Director has acquired or disposed of a Relevant Interest in any securities of Creso or any other member of the Creso Group in the four month period ending on the date immediately before the date of this Scheme Booklet.

17.4. Benefits and agreements

(a) Agreements or arrangements with Health House Directors

Other than as disclosed in this Scheme Booklet, there are no agreements or arrangements made between any Health House Director and any other person, including Creso, or any other member of the Creso Group, in connection with, or conditional upon, the outcome of the Scheme.

(b) Payments or other benefits to Health House Directors and Health House executive officers

Other than as disclosed in this Scheme Booklet, it is not proposed that any payment or other benefit will be made or given to any Health House Director, secretary or executive officer of Health House, or any Related Body Corporate of Health House, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office as a Health House Director, secretary or executive officer of Health House, or a body corporate connected with Health House, as a result of the Scheme, other than in his or her capacity as a Health House Shareholder or holder of Health House Performance Shares.

If a Health House executive's employment is terminated following the change of control arising from the Scheme, the relevant executive will have such entitlements (including in respect of compensation for loss of office) as are contemplated by his or her employment contract.

(c) Interests of Health House Directors in contracts entered into by members of the Creso Group and benefits from members of the Creso Group

Other than as disclosed in this Scheme Booklet, no Health House Director has any interest in a contract entered into by Creso or any other member of the Creso Group and none of the Health House Directors has agreed to receive, or is entitled to receive, any benefit from Creso or any other member of the Creso Group, which is conditional on, or is related to, the Scheme.

(d) Potential for collateral benefit

It is possible in the circumstances of transactions such as the Scheme for a collateral benefit to be given to parties, including shareholders of Health House or their associates.

The Health House Directors note in particular the circumstances surrounding debts owed to Celtic Capital by Health House and Creso described in further detail in section 17.5 below. Celtic Capital is an associate of substantial Health House Shareholder Jason Peterson (as set out at section 11.5(e) above). The Health House Directors have considered whether those matters give rise to a collateral benefit, and determined that they do not consider there to have been any such benefit on the following bases:

- Whilst the Creso Notes are on different terms to the Health House Convertible Note (both as described further below), on balance there is no material difference in favour of Celtic. In particular, the interest rate on the Creso Note is lower than that on the Health House Convertible Note. Also, it is very unlikely in practical terms that the Creso Note will be convertible into Creso Shares.
- Whilst there was a fee paid to CPS by Creso (an associate of Celtic) for brokering services, that fee was not significant in the circumstances, and was for valuable consideration.
- One factor relevant to potential collateral benefits is whether benefits are transaction-dependant, and none of the obligations in respect of the Creso Notes are conditional on the success of the Scheme.

17.5. Facility Agreement

Lead up and entry into the Facility Agreement

Under the Terms Sheet executed on 29 July 2022, it was identified as between Health house and Creso that there was a need for Health House to obtain funding to repay \$1,500,000 owing to Zelira Therapeutics.

On 5 September 2022, Health House and Creso entered into a loan facility agreement pursuant to which Creso agreed to advance up to \$700,000 to assist Health House with its short-term working capital requirements (**Facility Agreement**).

Separately from the entry into the Facility Agreement, and to provide Health House with additional necessary funding, Celtic Capital Pty Ltd, which is an associate of substantial shareholder Jason Peterson (as set out at section 11.5(e) above), subscribed for the convertible note to assist Health House with its working capital requirements

(Health House Convertible Note). The Health House Convertible Note was unsecured, and attracted a 10% interest quarterly rate.

Concurrent raising by Creso and assumption of Celtic's Health House debt

On 1 November 2022, Creso announced a convertible note raising (**Creso Notes**) to raise a minimum of \$3,000,000. The Creso Notes are convertible only if shareholder approval was received on or prior to 30 April 2023 (which approval has not yet been sought) and so the Creso Notes operate as loan notes. The Creso Notes are secured against Creso's Mernova Cannabis Cultivation Facility in Canada, are repayable six months from issue (in May 2023) and attract an effective 30% annualised interest rate.

On 20 November 2022, Health House, Celtic Capital and Creso entered into a deed of settlement under which Creso agreed to assume Health House's obligation to redeem the Health House Convertible Note by issuing Creso Notes (on the terms announced on 1 November 2022) to Celtic.

CPS, another associate of substantial shareholder Jason Peterson (as set out at section 11.5(e) above) was a broker to the Creso Note offer (which was in respect of a broader \$3 million raise). CPS was paid a brokerage fee of 6.0% on its services under the Creso Note offer (a total of \$48,000 exclusive of GST) for the raising of \$800,000 in total, being \$400,000 in new funds from Celtic and other parties, and the rollover of Celtic's Health House Convertible Note.

Variation of Facility Agreement

On 20 December 2022, the Facility Agreement was varied to:

- (a) increase the borrowing limit under the Facility Agreement to \$3.4 million for the following purposes:
 - (i) a working capital facility of up to \$1,650,000;
 - (ii) payment of \$1,350,000 to Zelira Therapeutics in full and final settlement of monies owing to Zelira; and
 - (iii) to account for Creso's assumption of a debt of \$400,000 under the Creso Note previously owed by Health House to Celtic Capital under the Health House Convertible Note; and
- (b) extend the date on which monies owing under the Facility Agreement (**Outstanding Amount**) must be repaid from 30 November 2022 to 31 March 2023.

On 10 January 2023, the Facility Agreement was further varied to extend the date on which the Outstanding Amount must be repaid from 31 March 2023 to 31 May 2023.

Health House's obligations under the Facility Agreement are secured by way of a general security agreement between Health House and Creso dated 5 September 2022 which captures Health House's all present and after-acquired property and contains ordinary terms for an agreement of this nature.

If the Scheme is implemented, repayment of the Outstanding Amount will become an internal matter for Creso group accounting purposes.

If the Scheme is not implemented, Health House must repay the Outstanding Amount on the earliest to occur of:

- 15 Business Days after an event of default (as defined in the Facility Agreement);
- 60 days after a change of control announcement (as defined in the Facility Agreement), provided Creso elects to give a relevant notice; and
- 31 May 2023.

17.6. Regulatory conditions and relief

Health House has sought and obtained a waiver of Listing Rule 6.23.2 to permit cancellation of the Health House Options for consideration without shareholder approval.

17.7. Consents and disclaimers

Each person named in this Section 17.7 as having given its consent to the inclusion of a statement or being named in this Scheme Booklet:

- (a) has not authorised or caused the issue of this Scheme Booklet;

- (b) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than those statements which have been included in this Scheme Booklet with the consent of that person; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to their name and any statements (including any report) which have been included in this Scheme Booklet with the consent of that person.

Independent Expert

Moore Australia Corporate Finance (WA) Pty Ltd has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- be named as the Independent Expert in the form and context in which it is named;
- the inclusion of the Independent Expert's Report as Annexure B; and
- the inclusion in this Scheme Booklet of statements made by the Independent Expert, or said to be based on the Independent Expert's Report, and to all references to those statements, in the form and context in which they are respectively included.

Creso

Creso has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- be named in this Scheme Booklet in the form and context in which it is named; and
- the inclusion in this Scheme Booklet of the Creso Information in the form and context in which it appears.

Other persons

HLB Mann Judd (WA Partnership) has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Health House's auditor in the form and context in which it is named.

BDO Audit Pty Ltd has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Creso's auditor in the form and context in which it is named.

Armada Accountants Pty Ltd has given, and not withdrawn before the date of this Scheme Booklet, its written consent to:

- be named in this Scheme Booklet in the form and context in which it is named; and
- the inclusion in this Scheme Booklet of the tax advice in Section 16 and all references in this Scheme Booklet to that advice, in the form and context in which they appear.

Blackwall Legal has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Health House's legal adviser in the form and context in which it is named.

Steinepreis Paganin has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Creso's legal adviser in the form and context in which it is named.

Link Market Services Limited has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named as the Share Registry in the form and context in which it is named.

17.8. Litigation

As at the date of this Scheme Booklet, Health House is not aware of any material contractual disputes or litigation matters in respect of Health House, including with its customers or other third parties.

17.9. No unacceptable circumstances

The Health House Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Health House that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

17.10. Other information material to the making of a decision in relation to the Scheme

Other than as disclosed in this Scheme Booklet, there is no other information material to the making of a decision by a Health House Shareholder on whether or not to vote in favour of the Scheme Resolution, being information that is within the knowledge of any Health House Director, or any director of any Related Body Corporate of Health House, which has not previously been disclosed to Health House Shareholders.

17.11. Supplementary information

Health House will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; and/or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Health House may circulate and publish any supplementary document including by:

- approaching the Court for a direction as to what is appropriate in the circumstances;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Health House's website and ASX; and/or
- making a public announcement by way of press release.

ASIC will be provided with an opportunity to review and comment on any supplementary documents prior to their issue by Health House.

18. Glossary

In this Scheme Booklet:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Australian Accounting Standards means the standards that fully comply with the International Finance Reporting Standards.

Authorised Person has the meaning given in the Scheme Implementation Deed.

AWST means Australian Western Standard Time, being the time in Perth, Western Australia.

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Perth, Western Australia, Australia.

Celtic Capital means Celtic Capital Pty Ltd ACN 120 688 262.

CHES means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited ACN 008 504 532.

Competing Proposal has the meaning given in the Scheme Implementation Deed.

Combined Group means Creso following the acquisition of Health House.

Conditions means the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Supreme Court of Western Australia Court.

Creso means Creso Pharma Limited ACN 609 406 911.

Creso Consideration Options means Creso Options, exercisable at \$0.08 per share on or before 31 January 2027, to be issued to Health House Shareholders as Scheme Consideration.

Creso Consideration Securities means Creso Consideration Shares and/or Creso Consideration Options, as the context requires.

Creso Consideration Shares means the Creso Shares to be issued to Health House Shareholders as Scheme Consideration.

Creso Director means each director of Creso.

Creso Group means Creso and its Subsidiaries.

Creso Information means the following information contained in the Scheme Booklet:

- (a) section 3 (Creso chairman's letter);
- (b) section 12 (Information on Creso);
- (c) section 13.3 (Specific risks relating to Creso);
- (d) section 13.4 (General risks relating to Creso and the Combined Group);
- (e) section 17 (Additional Information), except to the extent it pertains to Health House;
- (f) any other information about Creso, other Creso subsidiaries, Creso's intentions for Health House and Health House employees; and
- (g) the information contained elsewhere in this Scheme Booklet repeating or based on the information referred to in (a) to (f) above.

Creso Option means an option to subscribe for a Creso Share.

Creso Share means a fully paid ordinary share in the capital of Creso.

CPS means CPS Capital Group Pty Ltd.

Deed Poll means the deed poll executed by Creso in favour of the Scheme Shareholders, as set out in Annexure D.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 5 May 2023 or such other date agreed in writing between Creso and Health House.

Exclusivity Period means the period commencing on 20 November 2022 and ending on the earliest of the End Date, the Effective Date, and the date the Scheme Implementation Deed is terminated in accordance with its terms.

Facility Agreement has the meaning given in Section 17.4(d)(a).

First Court Hearing means the hearing of the application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting.

Foreign Scheme Shareholder means a Scheme Shareholder whose address is shown in the Health House Share Register (as at the Record Date) as located in any place other than Australia and its external territories, New Zealand, the United Kingdom, Germany and Spain.

Health House means Health House International Limited ACN 149 197 651.

Health House Board means the board of directors of Health House.

Health House Director means each director of Health House.

Health House Employee means any employee of a member of the Health House Group who is employed as at the date of the Scheme Implementation Deed.

Health House Group means Health House and its Subsidiaries.

Health House Information means all information contained in this Scheme Booklet, other than the Creso Information, Section 16 and the Independent Expert's Report.

Health House Option means an option to acquire a Health House Share.

Health House Performance Share means a performance share in respect of a Health House Share.

Health House Securities means Securities issued by Health House.

Health House Share means a fully paid ordinary share in the capital of Health House.

Health House Share Register the register of members of Health House maintained by or on behalf of Health House in accordance with section 168(1) of the Corporations Act.

Health House Shareholder means a person who is registered in the Health House Share Register as a holder of one or more Health House Shares.

Implementation Date means the date that is five Business Days after the Record Date or such other time and date agreed in writing between Creso and Health House or as ordered by the Court.

Independent Expert means Moore Australia Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the report from the Independent Expert in respect of the Scheme, as set out in Annexure B.

Last Practicable Date means 22 March 2023, being the last practicable trading day prior to the date of this Scheme Booklet.

Material Adverse Change has the meaning given to the term "Material Adverse Change" in the Scheme Implementation Deed.

Material Contract has the meaning given in the Scheme Implementation Deed.

Notice of Scheme Meeting means the notice of meeting relating to the Scheme Meeting, which is contained in Annexure E.

Optionholder means a holder of a Health House Option.

Prescribed Occurrence has the meaning given to the terms “Health House Prescribed Occurrence” and “Creso Prescribed Occurrence” in the Scheme Implementation Deed, as the context requires.

Proxy Form means the proxy form for the Scheme Meeting accompanying this Scheme Booklet.

Recommendation means the recommendation by each Health House Director that Health House Shareholders vote in favour of the resolution to approve the Scheme, which is permitted to be qualified by certain words under the Scheme Implementation Deed.

Record Date means 5:00 pm on the date that is two Business Days after the Effective Date or such other time and date agreed in writing between Creso and Health House.

Registered Address means, in relation to a Health House Shareholder, the address shown in the Health House Share Register on the Record Date.

Regulatory Authority means any foreign or Australian:

- (h) government, department, minister or agency of any government and any other governmental, semi-governmental, administrative, fiscal, monetary or judicial body or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government; and
- (i) any other authority, agency, commission or similar entity having powers or jurisdiction under any law (including Tax Law) or regulation or the listing rules of any recognised stock or securities exchange.

Related Body Corporate of a corporation means a related body corporate of that corporation within the meaning of section 50 of the Corporations Act.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Representative means, in relation to each of Health House and Creso, the directors, officers, employees, professional advisers (including financiers, financial advisers, corporate advisers, legal advisers or technical or other expert advisers or consultants) and agents of each of Health House and Creso or of its Related Bodies Corporate.

Requisite Majorities means approval of the Scheme Resolution by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Health House Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Health House Shareholders, by a duly appointed corporate representative); and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution by Health House Shareholders at the Scheme Meeting.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Health House and the Scheme Shareholders in the form set out in Annexure C, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Health House and Creso.

Scheme Booklet means this scheme booklet, including the Annexures.

Scheme Consideration means the number of Creso Consideration Shares and Creso Consideration Options which a Scheme Shareholder is entitled to receive under the Scheme, being one (1) Creso Consideration Share and 0.25 Creso Consideration Options for every approx. 2.9 Scheme Shares.

Scheme Implementation Deed means the Scheme Implementation Deed dated 20 November 2022 between Health House and Creso. A summary is set out in Annexure A and a full copy of the original is attached to Health House’s ASX announcement on 21 November 2022, which is available on ASX’s website at <http://www.asx.com.au> or Health House’s website at <https://www.healthhouse.com.au>.

Scheme Meeting means the meeting of Health House Shareholders to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, approve the Scheme.

Scheme Resolution means the resolution to be put to Health House Shareholders at the Scheme Meeting to approve the Scheme.

Scheme Share means a Health House Share on issue on the Record Date, other than any Health House Shares held by Creso or its Related Bodies Corporate.

Scheme Shareholders means each person registered in the Health House Share Register as a holder of one or more Scheme Shares on the Record Date.

Second Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Second Court Hearing means the hearing of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme.

Section means a section of this Scheme Booklet.

Securities has the meaning given to that term in section 92 of the Corporations Act.

Security Interest means a security interest as defined in section 12 of the *Personal Properties Securities Act 2009* (Cth).

Share Registry or Link Market Services means Link Market Services Limited ACN 083 214 537.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Superior Proposal has the meaning given in the Scheme Implementation Deed.

Tax means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax, impost or withholding obligation of whatever nature, whether direct or indirect, by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges in any country or jurisdiction.

Tax Law means any law relating to Tax.

Terms Sheet means the non-binding terms sheet dated 29 July 2022 between Health House and Creso.

Transaction means the acquisition of all issued Health House Shares by Creso pursuant to the Scheme.

Voting Intention means the statement by each Health House Director that he or she intends to cause any Health House Shares in which he or she has a Relevant Interest to be voted in favour of the Scheme Resolution.

VWAP means volume-weighted average price.

Zelira Therapeutics means Zelira Therapeutics Limited ACN 103 782 378.

Annexure A – Summary of the Scheme Implementation Deed

Health House and Creso entered into the Scheme Implementation Deed on 21 November 2022. The Scheme Implementation Deed sets out the obligations of Health House and Creso in connection with the implementation of the Scheme.

A full copy of the Scheme Implementation Deed is attached to Health House's ASX announcement on 21 November 2022, which is also available on the ASX's website at <http://www.asx.com.au> or Health House's website at <https://www.healthhouse.com.au>.

The following is a summary only and is qualified in its entirety by the full text of the Scheme Implementation Deed. All capitalised terms used in this Annexure have the meaning given to them in Section 18, unless otherwise indicated.

Conditions

The Scheme remains subject to the satisfaction or waiver (as applicable) of the following outstanding Conditions:

- (a) **Regulatory approvals:**
 - (i) **(ASIC and ASX)** before the Delivery Time on the Second Court Date, ASIC and ASX issue or provide such consents or approvals as are necessary or which Health House and Creso agree are necessary or desirable to implement the Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date; and
 - (ii) **(Other Governmental Authorities)** before the Delivery Time on the Second Court Date, each other relevant Governmental Agency issue or provide such consents, waivers, approvals which Creso and Health House consider are necessary or desirable to implement the Scheme (noting that if such consents waivers/and/or approvals are subject to conditions those conditions must be acceptable to the parties (each acting reasonably)) and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date;
- (b) **No Health House Prescribed Occurrence:** no Health House Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Delivery Time on the Second Court Date;
- (c) **No Creso Prescribed Occurrence:** no Creso Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and the Delivery Time on the Second Court Date;
- (d) **Health House Warranties:** the Health House Warranties being true and correct in all material respects on the date of the Scheme Implementation Deed and at the Delivery Time on the Second Court Date;
- (e) **Creso Warranties:** the Creso Warranties being true and correct in all material respects on the date of the Scheme Implementation Deed and at the Delivery Time on the Second Court Date;
- (f) **Shareholder approval:** the Scheme is approved by Health House Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (g) **Court approval:** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably);
- (h) **No Material Adverse Change:** no Material Adverse Change occurs between the date of the Scheme Implementation Deed and the Delivery Time on the Second Court Date;
- (i) **Restraining orders:** no judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency of competent jurisdiction in Australia remains in effect as at the Delivery Time on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme; and
- (j) **Third party consents:** all consents, approvals or waivers of rights by parties other than Health House under any Material Contracts are necessary or desirable are obtained in a form and subject to conditions acceptable to Creso

(acting reasonably), and such consents, approvals or waivers have not been withdrawn, cancelled or revoked before the Delivery Time on the Second Court Date.

The above list does not include Conditions that have been satisfied or waived.

As far as Health House is aware, immediately before the date of this Scheme Booklet, no circumstances have occurred which will cause any of the outstanding Conditions not to be satisfied or to become incapable of satisfaction. These matters will continue to be assessed until the latest time each Condition is to be satisfied.

If the Conditions are not met

If:

- (a) there is a breach or non-fulfilment of a Condition which is not waived in accordance with the Scheme Implementation Deed by the time or date specified in the Scheme Implementation Deed for the satisfaction of the Condition (or by the End Date, if no such time and date is specified);
- (b) there is an act, failure to act, event or occurrence which does, will, or which either party becomes aware does or will, prevent a Condition being satisfied by the time or date specified in the Scheme Implementation Deed for the satisfaction of the Condition (or by the End Date, if no such time and date is specified) and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with the Scheme Implementation Deed; or
- (c) the Scheme has not, or it becomes more likely than not that the Scheme will not, become Effective by the End Date, then Health House and Creso must consult, acting reasonably and in good faith, with a view to determining whether:
 - (d) the Scheme may proceed by way of alternative means or methods so as to achieve an outcome that is:
 - (i) commercially substantially the same as the Scheme; and
 - (ii) no less favourable to Health House Shareholders than would result from the implementation of the Scheme;
 - (e) to extend the relevant time for satisfaction of the Condition or to adjourn or change the date of an application to the Court;
 - (f) to extend the End Date; or
 - (g) do all, or any combination of, the matters listed in paragraphs (d) to (f) (inclusive).

Scheme Consideration

If the Scheme becomes Effective, Creso has agreed to:

- (a) accept the transfer of all Scheme Shares; and
- (b) issue the Creso Consideration Shares and Creso Consideration Options payable to each Scheme Shareholder in accordance with the Scheme.

Conduct of business

Subject to certain exceptions, up to and including the Implementation Date, Health House must procure that the business and operations of the Health House Group are conducted:

- (a) in the ordinary course; and
- (b) substantially consistent with the manner in which its business and operations were conducted in the 12-month period prior to the date of the Scheme Implementation Deed (subject to all applicable laws, regulations and requirements of Regulatory Authorities).

Information obligations

From the date of the Scheme Implementation Deed up to the Implementation Date, Health House has agreed to grant certain information rights to Creso.

Health House Performance Shares

Health House Performance Shares will vest and convert into Health House Shares on the Scheme becoming Effective.

Please refer to Section 9.12 for further details about the treatment of Health House Performance Shares if the Scheme is implemented.

Exclusivity

No shop

During the Exclusivity Period, except with the prior written consent of Creso, Health House must not, and must ensure that none of its Related Bodies Corporate nor any of their Authorised Persons, directly or indirectly:

- (a) solicit, invite, encourage, continue or initiate any Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that may reasonably be expected to encourage or lead to, an actual, proposed or potential Competing Proposal or which may otherwise lead to the Proposed Transaction not being completed; or
- (b) solicit, invite, encourage or initiate approaches, enquiries, discussions or proposals with a view to obtaining any offer, proposal or expression of interest from any person in relation to, or which may reasonably be expected to lead to, an actual, proposed or potential Competing Proposal,

or communicate any intention to do any of those things.

No talk

During the Exclusivity Period, Health House must not, and must ensure that none of its Related Bodies Corporate nor any of their Authorised Persons, (whether directly or indirectly):

- (a) negotiate or enter into or participate in negotiations or discussions with any person; or
- (b) communicate any intention to do any of these things,

in relation to, or that may reasonably be expected to encourage or lead to, an actual or potential Competing Proposal or any agreement, understanding or arrangement that may be reasonably expected to encourage or lead to a Competing Proposal or which may otherwise lead to the Proposed Transaction not being completed, even if:

- (c) the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Health House or any of its Related Bodies Corporate; or
- (d) that person has publicly announced the Competing Proposal.

No due diligence

- (a) During the Exclusivity Period, except with the prior written consent of Creso, Health House must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:
 - (i) solicit, invite, initiate, or encourage, or (subject to clause 16.5) facilitate or permit, any person (other than Creso) to undertake due diligence investigations in respect of Health House, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
 - (ii) subject to clause 15.5, make available to any person (other than Creso) or permit any such person to receive any non-public information relating to Health House, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.
- (b) If Health House proposes that any non-public information be provided to a third party, then:
 - (i) before Health House provides such information, the third party must enter into an Acceptable Confidentiality Deed; and
 - (ii) (any non-public information provided to that third party must also be provided to Creso (unless the information has already been provided to Creso or its Authorised Person).

Exception to no talk and no due diligence

Health House, its Related Bodies Corporate or its Authorised Persons may undertake any action that would otherwise be prohibited by the “No talk and no due diligence” exclusivity provision, where:

- (a) the Competing Proposal is bona fide and is made by or on behalf of a person that the Health House Board considers is of sufficient commercial standing;

- (b) the Health House Board, acting in good faith, determines:
 - (i) where there is a written Competing Proposal, after consultation with its financial advisers (if applicable), that the Competing Proposal is a Superior Proposal or the steps which the Health House Board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and
 - (ii) after receiving written legal advice from Health House's external legal advisers experienced in transactions of this nature, that failing to respond to the Competing Proposal would be likely to constitute a breach of its fiduciary or statutory duties; and
- (c) Health House notifies promptly and in any event within 48 hours Creso of each action or inaction by Health House or the Health House Board in reliance on this exception.

Notification to Creso

During the Exclusivity Period, Health House must promptly notify Creso in writing of:

- (a) any approach, inquiry or proposal made by any person to Health House, any of its Related Bodies Corporate or any of their respective Authorised Persons, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Competing Proposal; and
- (b) any request made by any person to Health House, any of its Related Bodies Corporate or any of their respective Authorised Persons, for any information relating to Health House, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of a Competing Proposal,

(Competing Proposal Notice).

A Competing Proposal Notice must be accompanied by all material details of the relevant event, including (as the case may be):

- (a) the identity of the person who made the relevant approach, inquiry or proposal to initiate discussions or negotiations or who made the relevant request for information; and
- (b) the material terms and conditions (including price, conditions precedent, timetable and any break fee) of any Competing Proposal or any proposed Competing Proposal (to the extent known).

During the Exclusivity Period, Health House must also notify Creso in writing as soon as possible after becoming aware of any material developments in relation to any actual, proposed or potential Competing Proposal, including in respect of any of the information previously notified to Creso under the exclusivity requirements.

Creso matching right

If Health House receives a Competing Proposal and as a result, any Health House Director proposes to either:

- (a) change, withdraw or modify his or her recommendation of the Scheme; or
- (b) approve or recommend entry into any agreement, commitment, arrangement or understanding relating to the Competing Proposal with the person who has made the applicable Competing Proposal (Rival Acquirer) (other than an acceptable confidentiality deed),

Health House must direct each Health House Director not to do so,

- (c) unless the Competing Proposal is bona fide; and
- (d) until each of the following has occurred:
 - (i) Health House has given Creso written notice (Relevant Notice) of the Health House Director's proposal to take the action referred to above (subject to Creso's rights set out below, including details of the grounds on which the Health House Directors propose to take such action);
 - (ii) Health House has given Creso all relevant information, including the identity of the person making the Competing Proposal; and
 - (iii) either:
 - (A) Creso has not announced or provided to Health House a Counter Proposal before the Cut Off Date; or

- (B) Creso has announced or provided to Health House a Counter Proposal before the Cut Off Date and the Health House Board has determined, in good faith, that the Counter Proposal would not provide an equivalent or superior outcome to Health House shareholders as a whole compared with the Competing Proposal and Creso have been given an opportunity to amend the Counter Proposal in accordance with clause 16.8(e).

If Health House gives a Relevant Notice to Creso, Creso will have the right, but not the obligation, at any time during the 5 Business Days following the receipt of the Relevant Notice (**Cut Off Date**), to amend the terms of the Proposed Transaction including increasing the amount of consideration offered under the Proposed Transaction or proposing another form of transaction (each a **Counter Proposal**), and if it does so then the Health House Directors must review the Counter Proposal and determine whether, in good faith, the Counter Proposal would provide an equivalent or superior outcome to Health House shareholders as a whole compared with the Competing Proposal.

Health House must procure that the Health House Board promptly, and in any event within 2 Business Days, notifies Creso of the determination in writing, stating reasons for that determination.

If the Health House Directors determine in good faith that the Counter Proposal would provide an equivalent or superior outcome to Health House Shareholders as a whole compared with the Competing Proposal, then Health House and Creso must use their best endeavours to agree the amendments to the Scheme Implementation Deed that are reasonably necessary to reflect the Counter Proposal, and to enter into an amended agreement to give effect to those amendments and to implement the Counter Proposal, and Health House must use its best endeavours to procure that the Health House Directors recommend the Counter Proposal to the Shareholders and not recommend the applicable Competing Proposal.

If the determination is that the Counter Proposal would not provide an equivalent or superior outcome to Health House Shareholders as a whole compared with the Competing Proposal, then Creso may take steps to amend the Counter Proposal to address the reasons given within a further period of 4 Business Days.

Representation and warranties

The Scheme Implementation Deed contains customary and other representations and warranties by each of Health House and Creso.

Break fees

Health House must pay Creso \$100,000 without deduction, set-off or withholding if:

- (a) a Competing Proposal is announced before the End Date, and within 12 months after the date of such announcement, the third party who announced the proposal (or any of its Associates) completes that Competing Proposal or acquires a Relevant Interest in, an economic interest in or voting power of at least 50% of Health House Shares and the Competing Proposal is (or becomes) free of any defeating condition - it is noted that the break fee is not payable in respect of any Competing Proposal announced after the End Date;
- (b) Health House enters into any agreement with a third party in respect of a Competing Proposal under which that third party and Health House agree to undertake or give effect to such Competing Proposal;
- (c) any Health House Director fails to recommend the Scheme or adversely changes, adversely modifies, adversely qualifies or withdraws their support of the Scheme or their Recommendation or Voting Intention or publicly recommends, supports or endorses a Competing Proposal (other than in certain circumstances permitted under the Scheme Implementation Deed); or
- (d) Creso validly terminates the Scheme Implementation Deed under certain provisions relating to a material breach of the Scheme Implementation Deed by Health House, or as a result of a breach of warranty by Health House.

Creso must pay Health House \$100,000 without deduction, set-off or withholding if:

- (a) Health House validly terminates the Scheme Implementation Deed under certain provisions relating to a material breach of the Scheme Implementation Deed by Creso, or as a result of a breach of warranty by Creso; or
- (b) the Scheme becomes Effective but Creso does not provide the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Deed and the Deed Poll.

Termination

The Scheme Implementation Deed may only be terminated by Creso or Health House in the circumstances contemplated below, or if the parties agree in writing to terminate the Scheme Implementation Deed.

Termination by notice

- (a) Creso or Health House may, by notice in writing to the other, terminate the Scheme Implementation Deed at any time prior to the Second Court Date:
 - (i) if the other is in material breach of any of its material obligations under the Scheme Implementation Deed (other than the breaching of a party's respective representations and warranties) and the other party has failed to remedy that breach within 5 Business Days (or the Delivery Time on the Second Court Date if earlier) of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the other party to remedy the breach;
 - (ii) in accordance with a clause in the Scheme Implementation Deed in respect of a failure to satisfy a Condition;
 - (iii) if the Court refuses to make any order directing Health House to convene the Scheme Meeting, provided that both Health House and Creso have met and consulted in good faith and either party does not wish to proceed with the Scheme; or
 - (iv) if the Effective Date for the Scheme has not occurred on or before the End Date.
- (b) Health House may, by notice in writing to Creso, terminate the Scheme Implementation Deed at any time prior to the Delivery Time on the Second Court Date if at any time before then each of that number of Health House Directors as constitutes a majority of the Health House Board publicly recommend a Superior Proposal and do not, within 3 Business Days, reinstate their recommendation of the Proposed Transaction; and
- (c) Creso may, by notice in writing to Health House, terminate the Scheme Implementation Deed at any time prior to the Delivery Time on the Second Court Date if at any time before then any Health House director:
 - (i) fails to recommend the Scheme;
 - (ii) withdraws or adversely revises or adversely modifies his or her recommendation of the Scheme;
 - (iii) makes a public statement indicating that he or she recommends, endorses or supports a Competing Proposal,

other than as a result of a material conflict of interest, which for the avoidance of doubt will not extend to any Health House Director adversely revising or adversely modifying his or her recommendation of the Proposed Transaction or making a public statement indicating that they recommend, endorse or support a Competing Proposal.

Termination for breach of representations and warranties

- (a) Creso may, by notice in writing to Health House, terminate the Scheme Implementation Deed at any time prior to the Delivery Time on the Second Court Date if:
 - (i) Health House is in material breach of a Health House Warranty; or
 - (ii) Health House is in breach of its representations in respect of its issued capital,and Health House has failed to remedy that breach within 5 Business Days (or the Delivery Time on the Second Court Date if earlier) of receipt by it of a notice in writing from Creso setting out details of the relevant circumstance and requesting Health House to remedy the breach.
- (b) Health House may, by notice in writing to Creso, terminate the Scheme Implementation Deed at any time prior to the Delivery Time on the Second Court Date if:
 - (i) Creso is in material breach of a Creso Warranty; or
 - (ii) Creso is in breach of its representations in respect of its issued capital,and Creso has failed to remedy that breach within 5 Business Days (or the Delivery Time on the Second Court Date if earlier) of receipt by it of a notice in writing from Health House setting out details of the relevant circumstance and requesting Creso to remedy the breach.

Obligations on termination

On termination of the Scheme Implementation Deed, all provisions cease to have effect and the parties will have no further obligations under it (except in respect of certain clauses which are expressed to survive termination).

Other clauses

The Scheme Implementation Deed contains other clauses. A full copy of the Scheme Implementation Deed is attached to Health House's ASX announcement on 21 November 2022, which is available on the ASX's website at <http://www.asx.com.au> and on Health House's website at <https://www.healthhouse.com.au>.

Annexure B – Independent Expert’s Report



Health House International Limited

Independent Expert's Report and Financial Services Guide

14 March 2023

The Proposed Scheme is fair and reasonable and in the best interests of the Shareholders of Health House International Limited

Prepared by Moore Australia Corporate Finance (WA) Pty Ltd. Australian Financial Services License No. 240773



MOORE AUSTRALIA CORPORATE FINANCE (WA) PTY LTD
Australian Financial Services License No. 240773
FINANCIAL SERVICES GUIDE

This Financial Services Guide provides financial information about the supply of financial services to shareholders of Health House International Limited (“HHI”). We have been engaged by HHI to prepare an Independent Expert’s Report in connection with the Proposed Scheme of Arrangement between HHI and Creso Pharma Limited (“Creso”) “the “Proposed Scheme”). At completion of the Proposed Scheme, Creso will acquire 100% of the ordinary issued share capital of HHI. Our report has been prepared at the request of the Directors of HHI for inclusion in the Scheme Booklet that will be provided to HHI Shareholders.

Moore Australia Corporate Finance (WA) Pty Ltd

Moore Australia Corporate Finance (WA) Pty Ltd (“MACF”) has been engaged by the directors of HHI to prepare an independent expert’s report expressing our opinion as to whether or not the Proposed Scheme is in the best interests of shareholders of HHI.

MACF holds an Australian Financial Services Licence – Licence No 240773.

Financial Services Guide

As a result of our report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial Services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the issue of securities of a company or other entities.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report as a retail client because of your connection with the matters on which our report has been issued. We do not accept instructions from retail clients and do not receive remuneration from retail clients for financial services.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this report.

General Financial Product Advice

Our report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives either financial or otherwise, your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual’s decision in relation to the Proposed Scheme may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We will charge fees for providing our report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on either a fixed fee or time cost basis. We estimate that our fees for the preparation of this report will be approximately \$35,000 plus GST.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of MACF or related entities but any bonuses are not directly in connection with any assignment and in particular are not directly related to the engagement for which our report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

MACF is the licensed corporate advisory arm of Moore Australia Perth, Chartered Accountants. The directors of MACF may also be partners in Moore Australia Perth Chartered, Accountants.

Moore Australia, Chartered Accountants is comprised of a number of related entities that provide audit, accounting, tax, and financial advisory services to a wide range of clients.

MACF has prepared two independent expert’s reports in the last two years for HHI. One dated 31 May 2021 and a second dated 7 June 2022.

MACF prepared an investigating accountant’s report dated 14 January 2021.

MACF’s contact details are set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, Moore Australia Corporate Finance (WA) Pty Ltd, PO Box 5785, St George’s Terrace, Perth WA 6831.

On receipt of a written complaint, we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Australian Financial Complaints Authority Limited (“AFCA”). AFCA is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. MACF is a member of AFCA. AFCA may be contacted directly via the details set out below.

Australian Financial Complaints Authority Limited

GPO Box 3
Melbourne VIC 3001
Toll free: 1800 931 678
Facsimile: 03 9613 6399
Email: info@afca.org.au

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14 March 2023

The Directors
Health House International Limited
101 St George's Terrace, Level 3
Perth, Western Australia, 6000
Australia

Dear Directors

Independent Expert's Report

1. INTRODUCTION

- 1.1 On 21 November 2022, Health House International Limited ("HHI", or "the Company") executed a Scheme Implementation Deed (the "SID") with Creso Pharma Limited ("Creso" or the "Bidder") under which Creso has agreed to acquire 100% of the issued share capital of HHI for consideration comprising the issue of fully paid ordinary shares ("Consideration Shares") and options ("Consideration Options") in Creso (collectively, the "Scheme Consideration") (the "Proposed Scheme").
- 1.2 If the Proposed Scheme is approved, holders of ordinary shares in HHI (the "Shareholders") will receive approximately 79,543,907 Consideration Shares and 19,885,977 Consideration Options upon completion (assuming HHI has borrowed \$1,210,000 from Creso), which is expected to occur in March 2023.
- 1.3 If approved, upon completion of the Proposed Scheme, HHI will become a subsidiary of Creso and would subsequently be delisted from ASX. The board of HHI has prepared a Scheme Booklet containing the detailed terms of the Proposed Scheme and a summary of the Proposed Scheme is provided in Section 3 of our report.

Purpose of the Report

- 1.4 Section 411 of the Corporations Act 2001 regulates Schemes of Arrangement between companies and their shareholders. Part 3 prescribes the information to be provided to shareholders in relation to schemes of arrangement.
- 1.5 The directors of HHI have requested that Moore Australia Corporate Finance (WA) Pty Ltd ("MACF") provide an independent expert's report advising whether, in our opinion, the Proposed Scheme is in the best interests of the Shareholders.
- 1.6 Our report is to be included in a Scheme Booklet to be sent to the Shareholders and has been prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Scheme. Neither MACF nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and HHI, in respect of this report, including any errors or omission, however caused.

Basis of Evaluation

- 1.7 Our independent expert's report has been prepared in a manner consistent with Part 3 of Schedule 8 of the Corporations Regulations 2001 ("Part 3") to assist the Shareholders in their consideration of the Proposed Scheme. We have prepared this report having regard to Part 3 and *Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111*, *ASIC Regulatory Guide 112* and *ASIC Regulatory Guide 60*.

- 1.8 The Corporations Act 2001 requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the Scheme of Arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the Proposed Scheme is "in the best interests" of the shareholders of the Company. Accordingly, if an expert were to conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also be able to conclude that the Proposed Scheme is in the best interests of the Shareholders of the Company.
- 1.9 To assess whether the Proposed Scheme is in the best interests of the Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Definition of Value

- 1.10 For the purposes of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the shares in the entity valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious seller, acting at arm's length.
- 1.11 Special purchasers may be willing to pay higher prices for reasons such as to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been performed on the basis or premise of a special purchaser.

Other

- 1.12 Our assessment of the Proposed Scheme relies on financial information provided by the Company and the Directors. We have not completed an audit or due diligence of the information which has been provided or of the entities which have been valued. We have however, performed a critical analysis of the information provided to us by querying any abnormal or unusual movements, as required by RG 111: Content of Experts Reports.
- 1.13 This report does not contain any accounting or taxation advice.

2. SUMMARY AND OPINION

Approach

- 2.1 In arriving at our opinion, we have assessed the terms of the Proposed Scheme, as outlined in the body of our report, by considering the following:
- 2.2 Comparison of the fair market value of a HHI share on a control basis with the fair market value of a Creso share per foregone HHI share post the Proposed Scheme, assessed on a minority basis. The Proposed Scheme is fair if the value of a Creso share on a minority basis is equal to or greater than our assessed value of a HHI share on a control basis.
- 2.3 We have considered the reasonableness of the Proposed Scheme by taking into account the following factors:
- Potential advantages and disadvantages of approving the Proposed Scheme;
 - The likelihood of a superior alternative Proposed Scheme being available to HHI;
 - Other factors which we consider to be relevant to the shareholders of HHI in their assessment of the Proposed Scheme; and
 - The position of the shareholders of HHI should the Proposed Scheme not be successful.
- 2.4 Further information on the approach we have employed in assessing whether the Proposed Scheme is "fair and reasonable and therefore in the best interests of Shareholders" is set out at Section 4 of this Report.

Opinion

- 2.5 We have considered the terms of the Proposed Scheme as outlined in the body of our report and have concluded that the Proposed Scheme is fair and reasonable and is therefore in the best interests of the Shareholders of HHI, with our more detailed analysis set out in Sections 11 and 12 of this Report.
- 2.6 An individual Shareholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt Shareholders should consult an independent adviser who should have regard to their individual circumstances.
- 2.7 This opinion should be read in conjunction with our entire report.

Fairness

- 2.8 In Section 11 we compared the value of a HHI share prior to the Proposed Scheme on a control basis and the value of the Scheme Consideration per foregone HHI share post the Proposed Scheme on a minority basis, as detailed below:

		Section	Low \$	High \$
Pre-Scheme	Assessed Fair Value of a HHI share prior to the Proposed Scheme on a control basis	9	nil	nil
Post-Scheme	Assessed Fair Value of the Scheme Consideration per foregone HHI share post the Proposed Scheme on a minority basis	10	0.001	0.006

Source: MACF analysis

- 2.9 The above assessment indicates that the Proposed Scheme is fair to the Shareholders of HHI, given the value of the Scheme Consideration per foregone HHI share post the Proposed Scheme (on a minority basis) is greater than the value of a HHI share prior to the Proposed Scheme (on a controlling basis). Accordingly, it is our opinion that the Proposed Scheme is fair.
- 2.10 We note that the range of values post the Proposed Scheme is wide. However, in our opinion, this is an appropriate reflection of the risks associated with an investment in Creso.
- 2.11 We have not included the potential impact on the value of Creso as a result of the proposed acquisition of Abby and Finn LLC ("A&F") because the proposed acquisition is non-binding and only at a letter of intent. If we did include the potential acquisition of A&F in our assessment of fairness, it would have an immaterial impact on our valuation and no impact on our opinion.

Reasonableness

- 2.12 RG 111 establishes that an offer is reasonable if it is fair. It may also be reasonable if, despite not being fair, there are sufficient reasons for Shareholders to accept the Proposed Scheme in the absence of a higher bid before the Proposed Scheme closes. We have considered the analysis in Section 12 of this report, in terms of both;
- Potential advantages and disadvantages of the Proposed Scheme;
 - The likelihood of a superior alternative offer emerging and being available to HHI; and
 - Other considerations, including the position of the Shareholders of HHI if the Proposed Scheme is not successful.
- 2.13 In our opinion, if the Proposed Scheme is successful, the position of the Shareholders of HHI is more advantageous than their position if the Proposed Scheme was not successful. Accordingly, in the absence of a superior Scheme or offer, and any other relevant information, we believe that the Proposed Scheme is reasonable for Shareholders of HHI.

2.14 The potential advantages and disadvantages considered are summarised below:

Advantages

- The Proposed Scheme is fair;
- The acquisition results in a vertically integrated group, enabling the businesses to cross sell across their existing networks;
- The acquisition results in a larger, more diversified business with more opportunities for growth;
- Improved financial stability, with the combined group having greater financial resources. Currently, HHI has a material going concern issue, with working capital facilities provided by Creso allowing the business to continue operating;
- Increased access to funding through Creso's existing cash reserves and current funding arrangements; and
- Potentially greater liquidity in terms of trading in the Creso's shares on ASX.
- HHI is obligated to repay its loan facility of approximately \$3m to Creso by 31 May 2023. The loan is secured by way of a general security agreement between HHI and Creso.

Disadvantages

- There would be a loss in control of the current HHI shareholders with their interest in Creso on completion of the Proposed Scheme being 3.6% (2.8% for existing HHI Shareholders, 0.6% for HHI performance shareholders and 0.2% for CPS Capital Group Pty Ltd fees);
- Dilution in current HHI Shareholder interest through conversion of 36,900,000 HHI performance shares that will convert without any hurdle being met;
- There is a high probability of future dilution of Creso's ordinary shares as a result of convertible notes issued by Creso and loans repayable in shares over the next 12 months. There is also the possibility of potential earn out payments significantly diluting the current capital structure of Creso; and
- Creso may have to pay a debt of at least \$1 million to EverBlu Capital if its shareholders don't approve an issue of options.
- HHI appears closer to being cash flow positive than Creso. If financial trends indicated in HHI and Creso for the period ended 31 December 2022 continue, it is more likely that HHI will reach profitability before Creso. This means that HHI Shareholders could be foregoing future profits.
- Creso is a going concern risk.

2.15 Other key matters we have considered include:

Section	
12	We are not aware of any alternative offers. We note that the HHI share price quoted on the ASX as at 14 March 2023 is \$0.007, which exceeds the consideration offered by Creso under the Proposed Scheme. We also note that HHI's shares are not liquid and as such it is unlikely that many HHI shareholders would be able to sell their shares at this price in the current market.
12	HHI is in a poor financial position. If the Proposed Scheme is rejected, HHI will be required to repay secured loans of approximately \$3m from Creso by 31 May 2023. This is likely to require HHI to raise additional capital in a short period of time while it is in a precarious financial position. This could mean that any alternative options to raise funds would be on disadvantageous terms. It could also mean that HHI could be placed into Administration.
12	Creso has a number of corporate activities underway, including a potential acquisition and the issue of various securities. Whilst none of these activities have a material impact on our opinion, it means there is some uncertainty as to the final capital structure of Creso if the Proposed Scheme is approved.
12	We note on review of Creso's financial position as at 31 May 2022, there is a material uncertainty regarding Creso's ability to continue as a going concern. Creso also has secured debt which could place pressure on the future financial viability of the company.

3. SUMMARY OF THE PROPOSED SCHEME

3.1 On 21 November 2022, HHI entered into a SID with Creso under which Creso has agreed to acquire 100% of the issued share capital of HHI for Scheme Consideration comprising the issue of Consideration Shares and Consideration Options in Creso (collectively, the "Scheme Consideration") (the "Proposed Scheme").

3.2 The total number of Consideration Shares to be issued to HHI shareholders is calculated as follows:

$$N = \frac{4,630,388 - FA}{SP}$$

Where:

FA = the amount outstanding under the facility agreement (excluding \$1,750,000 advanced as repayment of the Zelira Obligation) as at the Implementation Date. As at the date of this report, the amount outstanding under the facility agreement was approximately \$1,110,000. We note that we are aware that HHI has requested additional funding of \$100,000 but this funding has not been supplied at the date of our Report. Despite the funding not being provided, we have performed our analysis of fairness inclusive of the additional funding; and

SP = The closing share price of Creso on the announcement date, being \$0.043.

3.3 Consideration Options are payable on a 1 for 4 basis, meaning for every four Consideration Shares a HHI shareholder receives, they will also receive one Consideration Option. The Consideration Options have an exercise price of \$0.08, with a 4-year expiry date from issue.

3.4 Under the Proposed Scheme, the Scheme Consideration therefore comprises the following:

- 79,543,907 Consideration Shares $[(\$4,630,338 - \$1,210,000) / \$0.043]$; and
- 19,885,977 Consideration Options.

3.5 On completion of the Proposed Scheme, HHI will become a wholly owned subsidiary of Creso.

Other Elements of the Proposed Scheme

Conversion of Performance Shares

- 3.6 HHI has 36,900,000 performance shares on issue which convert to fully paid ordinary shares on the achievement of specified milestones, but which will also convert to fully paid ordinary shares upon implementation of the Proposed Scheme because their terms include a “change of control” provision.
- 3.7 Current HHI option holders will be asked to cancel their existing HHI Options for an equivalent Creso Option.
- 3.8 CPS Capital Group Pty Ltd is acting as HHI’s corporate advisor and is entitled to 13,731,358 HHI shares on completion of the Proposed Scheme.

Loan Facility

- 3.9 Creso has agreed to provide the following to HHI:
- \$1,650,000 towards working capital, of which \$1,110,000 has been drawn down and \$100,000 is proposed to be drawn down, and is repayable on 31 May 2023 if the Proposed Scheme does not proceed;
 - \$550,000 - deemed to have been drawn down by HHI as a result of Creso paying a portion of debt owed to Zelira (in partial settlement of debt owing by HHI to Zelira);
 - \$800,000 - deemed to have been drawn down by HHI when Creso issued fully paid ordinary shares to Zelira in partial satisfaction of a debt owing by HHI to Zelira; and
 - \$400,000 - which will be deemed to be advanced to HHI when the Company assumes a debt obligation of HHI to Celtic Capital Pty Ltd (“Celtic”).

Key conditions of the Proposed Scheme

- 3.10 The Proposed Scheme is subject to various conditions, the most significant being:
- Obtaining Regulatory Approvals, from ASIC, ASX and Other Governmental Authorities, before the Delivery Time on the Second Court Date, approvals as necessary or which HHI and Creso agree are necessary or desirable to implement the Proposed Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date;
 - No Prescribed Occurrence for either HHI or Creso between the date of the deed and the Delivery Time on the Second Court Date;
 - Warranties for both companies being true and correct in all material respects on the date of the deed and at the Delivery Time of the Second Court Date;
 - HHI obtaining all shareholder approvals required by the majorities under section 411(4)(a)(ii) of the Corporations Act;
 - The Proposed Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party;
 - No Material Adverse Change occurs between the date of the deed and the Delivery Time on the Second Court Date; and
 - HHI must pay Creso a break fee of \$100,000 in certain circumstances where the Proposed Scheme does not complete.
- 3.11 HHI will not commence the process for obtaining shareholder approval until the conclusion of the reviews by ASIC and ASX of the Scheme Booklet.

Rationale for the Proposed Scheme

- 3.12 Completion of the Proposed Scheme will result in a global organisation with broader medicinal cannabis product and distribution capabilities.
- 3.13 The Proposed Scheme is a strategic vertical opportunity to increase margins and save costs. With the combined entities benefiting from expanded networks and access to a wider range of product and distribution options.
- 3.14 From the perspective of HHI, the business has material going concern issues. This acquisition provides the company with the opportunity to realise value and correct such issues.
- 3.15 Refer also to our analysis of advantages of the Proposed Scheme set out in Section 12.

Impact of Proposed Scheme on HHI's Capital Structure

- 3.16 The table below sets out a summary of the securities of HHI immediately prior to the Proposed Scheme.

	Existing Shareholders	Conversion of Performance Shares	CPS Capital corporate advisory fees	Total HHI Shares on Issue Immediately Prior to Proposed Scheme
Number of HHI ordinary shares	178,224,621	36,900,000	13,731,358	228,855,979
Number of Creso shares received under the Proposed Scheme	61,945,870	4,772,634	12,825,403	79,543,907

- 3.17 HHI has 36,900,000 performance shares on issue at the date of this report. These performance shares convert to ordinary shares prior to the completion of the Proposed Scheme as they contain a "change of control" provision which is triggered by the Proposed Scheme.
- 3.18 CPS Capital Group Pty Ltd is acting as HHI's corporate advisor for the Proposed Scheme and will receive 12,825,403 HHI shares on completion of the Proposed Scheme.
- 3.19 Further to this, existing HHI options will be cancelled in exchange for equivalent Creso Options. The recent convertible note issued to Celtic Capital Pty Ltd will also be assumed by Creso.

Impact of Proposed Scheme on Creso's Capital Structure

- 3.20 The table below sets out a summary of the ordinary shares of Creso, prior to, and immediately post completion of the Proposed Scheme.

Ordinary Shares	Prior to the Proposed Scheme	%	Post the Proposed Scheme	%
Number of Creso ordinary shares	2,136,507,695	100	2,136,507,695	96.4
Consideration Shares to CPS Capital	-	-	4,772,634	0.2
Consideration Shares to HHI performance shareholders	-	-	12,825,403	0.6
Consideration Shares to HHI shareholders	-	-	61,945,870	2.8
Total	2,136,507,695	100	2,216,051,602	100

- 3.21 Pursuant to the Proposed Scheme Creso will issue 79,543,907 ordinary shares as Consideration Shares (refer to Section 3.2 of this report).
- 3.22 Subsequent to the issue of Consideration Shares, the existing HHI Shareholders will hold 2.8% of the ordinary shares in Creso.
- 3.23 Additionally, for every four Creso Consideration Shares, HHI investors will receive one Creso Consideration Option. Consideration Options mature in four years with an exercise price of

\$0.08. Based on the issue of 79,543,907 Creso shares, a total of 19,885,977 Consideration Options will be issued.

4. SCOPE OF THE REPORT AND BASIS OF EVALUATION

Corporations Act

- 4.1 Section 411 of the Corporations Act 2001 regulates schemes of arrangements between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) “Corporations Regulations”) prescribes information to be sent to the shareholders and creditors in relation to members’ and creditors’ scheme of arrangement pursuant to Section 411 of the Corporations Act.
- 4.2 Under part 3 of Schedule 8 of the Corporations Regulations it states that in relation to a Scheme an independent expert’s report needs to be prepared when a party related to the Scheme has a shareholding greater than 30% in the company subject to the Scheme, or where any of its directors are also directors of the company subject to the scheme.
- 4.3 Under the regulations the independent expert’s report must state whether a scheme is in the best interests of the shareholders and state reasons for that opinion.

Regulatory guidance

- 4.4 In undertaking the work associated with his report, we have had regard to *ASIC Regulatory Guide 111* in relation to the content of expert’s reports, *ASIC Regulatory Guide 112* in respect of the independence of experts and *ASIC Regulatory Guide 60* in relation to schemes of arrangement.
- 4.5 Schemes of Arrangement can include many different types of transactions, including being used as an alternative to a takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific individual transaction.
- 4.6 Section 640 of the Corporations Act 2001 requires an independent expert’s report in connection with a takeover offer to state whether, in the expert’s opinion, the takeover offer is fair and reasonable. Where the Scheme of Arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the Proposed Scheme is “in the best interests” of the Shareholders. Accordingly, if an expert were to conclude that the Proposed Scheme is fair and reasonable if it was in the form of a takeover bid, it will also be able to conclude that the Proposed Scheme in the best interests of the shareholders.

ASIC Regulatory Guide 111

- 4.7 *ASIC Regulatory Guide 111* (RG 111) provides guidance in relation to the content of Independent Expert Reports prepared for a range of transactions.
- 4.8 The Corporations Act does not define the meaning of ‘fair and reasonable’. In determining whether the Proposed Scheme is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an Independent Expert should consider to assist Shareholders to make informed decisions about transactions.
- 4.9 This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.
- 4.10 In our opinion, the Proposed Scheme is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Scheme as a control transaction to consider whether, in our opinion, it is in the best interests of the Shareholders of HHI.

- 4.11 To assess whether the Proposed Scheme is in the best interests of Shareholders we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in RG 111.

Adopted basis of evaluation

- 4.12 RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming 100% ownership of the target company and assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 4.13 Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for Shareholders to accept the Proposed Scheme in the absence of any higher bid.
- 4.14 Having regard to the above, MACF has completed this comparison in two parts:
- A comparison between the value of a HHI share prior to the Proposed Scheme (on a control basis) with the value of the Scheme Consideration per foregone HHI share post the Proposed Scheme (valued on a minority basis) (fairness – see Section 11 – Assessment of Fairness); and
 - An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Proposed Scheme, after reference to the value derived above (reasonableness – see Section 12 - Assessment of Reasonableness).
- 4.15 If the Proposed Scheme is fair, then we will consider it to be in the best interests of Shareholders. If the Proposed Scheme is not fair but reasonable, then we could still consider the Proposed Scheme to be in the best interests of Shareholders if, in our opinion, the benefits of approving the Proposed Scheme outweigh the costs.

Fairness

- 4.16 The HHI and Creso shares have been valued at fair market value on the basis set out in Section 8. Special purchasers may be willing to pay higher prices for reasons such as to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of HHI and Creso has not been performed on the basis or premise of a special purchaser.

Reasonableness

- 4.17 RG 111 considers an offer in respect of a control transaction to be reasonable if either:
- The offer is fair; or
 - Despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.
- 4.18 To assess the reasonableness of the Proposed Scheme we considered the following significant factors, in addition to considering whether the Proposed Scheme is fair:
- The likely market price and liquidity of HHI shares in the absence of the Proposed Scheme;
 - The future growth potential and options available to HHI that shareholders would be forgoing if they accepted the Proposed Scheme;
 - The value to an alternative bidder and the likelihood of an alternative offer being made; and
 - Other implications associated with HHI shareholders rejecting the Proposed Scheme.

5. INDUSTRY ANALYSIS

Cannabis

- 5.1 HHI holds licences to store, import, export, wholesale and distribute medicinal cannabis products in Australia. The import and export of medicinal cannabis to Australia is tightly controlled, with stringent compliance requirements.

Cannabis Industry in Australia

- 5.2 In February 2016, the Narcotics Amendment Bill 2016 was passed by the Australian Federal government. The Bill allows for the legalisation of the cultivation and import of medicinal cannabis for patients with certain medical conditions. Medicinal cannabis is undergoing clinical trials but is widely regarded as being beneficial in the treatment of a wide range of medical conditions. There is also a growing peripheral products market involving cosmetics, food supplements etc. In 2018 legislation was passed which now allows for the legal exportation of restricted cannabis products. In the ACT, in January 2020, a bill was passed that decriminalises the use of cannabis for recreational purposes. It also allows people to possess up to 50 grams of dried cannabis and grow up to four plants outdoors per residence, or two per person. Some industry experts say it conflicts with the overarching Commonwealth legislation which could be a challenge.
- 5.3 Given the recent changes in legislation, the legal cannabis market in Australia (and globally) is still very young. Given the anticipated wide range of medical cannabis, the potential market is considered to be significant.
- 5.4 Australia's emerging medical cannabis sector is likely to drive growth for both agricultural and pharma biotech companies as will Australia's developing medicine sector. The Australian medicinal cannabis market is also receiving international interest, in late 2019 a Canadian medicinal cannabis company Asterion was awarded licenses for the cultivation, research and manufacture for its facilities in Southeast Queensland.¹

Cannabis Industry in the UK

- 5.5 In November 2018, the UK government reclassified cannabis derived medicinal products to a Class B controlled drug under Part II, Schedule 2, of the Misuse of Drugs Act 1971, to allow doctors to legally prescribe cannabis derived medicinal products. It remains unlawful to possess, supply, produce, import or export Cannabis and Cannabis based products except under a Home Office licence.
- 5.6 As in Australia, the medicinal cannabis market in the UK is still very young, which has meant patients have found it difficult to access, with entities looking to import medicinal cannabis requiring a special licence to do so. The market is beginning to gain traction however, with the medicinal cannabis market in the UK forecast to be worth €8.8bn by 2028 according to Prohibition Partners².
- 5.7 Domestic distribution of medical cannabis in the UK is low with a large majority of the supply being imported. With stigmas shifting as medical evidence around cannabis strengthens it prompts for a thriving cannabis industry in the UK.

Pharmaceutical Wholesaling

- 5.8 Through the acquisition of P&D in September 2019, HHI began to operate in the distribution of wholesale pharmaceuticals to hospitals, retail outlets, pharmacies etc. in Europe. The industry is heavily regulated with the distribution of prescription products restricted to licenced operators.
- 5.9 Overall, pharmaceutical wholesaling industry revenue is expected to grow at a modest 2.1% annualised over the five years through 2022-23 to reach \$20.6 billion. This trend includes anticipated growth of 3.1% for the current year.³

¹ Biotechnology in Australia, IBIS Report, February 2022

² The European Cannabis Report. July 2018 by Prohibition Partners

³ IBISWorld Australia Industry (ANZSIC) Report F33721/Pharmaceuticals Wholesaling in Australia July 2022

- 5.10 Demand for pharmaceuticals strongly correlates with an ageing population and an increase in health consciousness in the community. An expected ageing population coupled with greater emphasis on a healthy lifestyle is likely to lead to an increase in demand for pharmaceuticals generally.

6. PROFILE OF HEALTH HOUSE INTERNATIONAL LIMITED

Background

- 6.1 HHI is an international pharmaceutical distributor specialising in the distribution of 84 medicinal cannabis products (including devices and syringes) from 18 producers to pharmacies, prescribers, specialist medicinal cannabis clinics and researchers across Australasia, UK and Europe. HHI intentions are to grow its operations and expand into other countries.
- 6.2 HHI holds all relevant licenses across the UK.
- 6.3 HHI listed on the ASX in March 2021, following a reverse takeover.
- 6.4 The Company provides the following general services:
- a) Warehouse management – HHI enters all products into a warehouse management system for accurate inventory management;
 - b) Controlled drugs storage – HHI has special access areas and procedures in place to deal with controlled drugs. Regular inventory checks are made to ensure secure storage;
 - c) Delivery – HHI conducts daily deliveries made through secure logistics companies and couriers;
 - d) Pharmacy support – HHI provides inventory management and support logistics solutions to empower pharmacists to focus on patients and remain competitive in the market;
 - e) Efficiency – HHI creates efficiency in the healthcare system. Pharmacists do not need to order separately from multiple manufacturers nor manage inventory, saving time and costs; and
 - f) Safety & security – HHI ensures that medicines are properly and securely handled, stored and delivered (g) reliability – HHI ensures its medicines are delivered in a time efficient manner to a range of pharmacies, care homes and clinics.

Group Structure

- 6.5 HHI has an interest in the following subsidiaries:

Entity	Country of Incorporation	% Interest
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

Zelira

- 6.6 On 23 February 2022, HHI entered into a binding term sheet with ASX listed company, Zelira Therapeutics Limited (“Zelira”), under which Zelira proposed to acquire 100% of the shares in HHI by way of a Scheme of Arrangement. As part of the agreement, Zelira provided HHI with a \$1,500,000 short term loan.
- 6.7 On 22 June 2022, HHI and Zelira agreed to terminate the agreement.

HHI (Australia) Pty Ltd

- 6.8 HHI (Australia) Pty Ltd (“HHI Australia”) has an Australian licence to import, export and distribute medicinal cannabis products. The import and export of medicinal cannabis to Australia is tightly controlled, with stringent compliance requirements. The subsidiary was established in 2016.
- 6.9 HHI Australia has entered into a number of exclusive and non-exclusive agreements with companies involved in the manufacture of medicinal cannabis products for the distribution of their products in Australia and for some agreements, to the wider Australasia area.

Board of Directors

- 6.10 The current Board of Directors are:

Name	Title	Experience
David Wheeler	Executive Chairman	Mr Wheeler has more than 30 years executive management experience across a range of companies, industries and countries. David is a Fellow of the Institute of Company Directors.
Chris Mews	Non-Executive Director	Mr Mews has been in financial services for over 20 years and is experienced in the financial operation, governance and compliance of managed investment schemes, ASX listed companies and unlisted companies. Mr Mews has held senior positions in finance, corporate secretarial and compliance. In these roles he has been a member of senior management and participated in the due diligence and acquisition of managed investment schemes and participated in various capital raisings for managed investment schemes, ASX listed companies and unlisted companies.
Mike Rann	Non-Executive Director	The Hon Mike Rann AC CNZM, former Premier of South Australia, is a UK citizen and resident of London. He also holds Australian and New Zealand citizenship. Mr Rann served as a politician in Australia for 26 years where he held roles dealing with both national and international relations which included his ambassador roles to the UK and Italy. Mr Rann now resides in London where he is the Chairman of the UK registered charity The Power of Nutrition, and is a member of the UK, US and Global boards of London headquartered The Climate Group. He also holds the positions of CEO to his London based business consultancy, Rann Strategy Group.

- 6.11 On 25 November 2022, HHI announced the resignation of its CEO, Mr David Atwood (effective 19 March 2023) and the resignation of the Chief Operating Officer and Founder, Mr Paul Mavor (effective 2 December 2022).

Historical Financial Information

- 6.12 The historical financial information below has been extracted from the audited financial statements of HHI for the years ended 30 June 2021 and 30 June 2022 and the reviewed interim financial statements for the six months ended 31 December 2022. The audit reports for all periods presented included an emphasis of matter paragraph regarding the going concern position of the Company.

Financial Position

- 6.13 The information below provides a summary of the financial position of HHI as at 31 December 2022, 30 June 2022 and 30 June 2021.

Statement of Financial Position	Ref	Reviewed 31-Dec-22 A\$	Audited 30-Jun-22 A\$	Audited 30-Jun-21 A\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		389,204	990,715	5,224,961
Trade and other receivables	<i>i</i>	2,426,012	1,755,229	1,314,329
Financial Assets	<i>ii</i>	235,656	-	-
Inventory	<i>iii</i>	202,432	761,405	297,985
TOTAL CURRENT ASSETS		3,253,304	3,507,349	6,837,275
NON-CURRENT ASSETS				
Plant and equipment	<i>iv</i>	460,716	545,847	720,010
Financial assets	<i>ii</i>	-	222,138	250,974
Investments	<i>v</i>	125,000	125,000	125,000
Intangible assets	<i>vi</i>	1,702,917	1,839,900	2,050,588
TOTAL NON-CURRENT ASSETS		2,288,633	2,732,885	3,146,572
TOTAL ASSETS		5,541,937	6,240,234	9,983,847
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	<i>vii</i>	3,689,033	5,220,702	1,607,646
Lease liabilities	<i>viii</i>	171,945	138,854	181,030
Borrowings	<i>ix</i>	3,630,557	4,165,915	493,031
TOTAL CURRENT LIABILITIES		5,541,937	9,525,471	2,281,707
NON-CURRENT LIABILITIES				
Trade and other payables	<i>vii</i>	-	-	-
Lease liabilities	<i>viii</i>	192,495	293,786	411,832
Borrowings	<i>ix</i>	-	1,033,766	382,063
Deferred tax liability		54,347	66,502	117,816
TOTAL NON-CURRENT LIABILITIES		246,842	1,394,054	911,711
NET ASSETS/(LIABILITIES)		(2,196,440)	(4,679,291)	6,790,429
EQUITY				
Issued capital	<i>x</i>	21,464,938	21,464,938	19,236,538
Reserves	<i>xi</i>	(1,794,208)	(1,353,388)	(4,614,038)
Accumulated losses		(21,867,170)	(24,790,841)	(7,832,071)
TOTAL EQUITY/(DEFICIENCY)		(2,196,440)	(4,679,291)	6,790,429

6.14 We note the following in relation to the financial position of HHI:

- i. Trade and other receivables largely relate to trade receivables due from third parties.
- ii. Financial assets relate to a loan agreement with the Ministry for Health Central Procurement and Supplies Unit of Malta. The bond is unsecured and bears no interest.
- iii. Inventory relates to finished goods held.
- iv. Plant and equipment relate to the book value of the Computer Equipment, Office Equipment, Plant & Machinery, Right of Use Assets Restated, and Motor Vehicles.
- v. Investments reflect an investment in Pro 9 Global Pty Ltd and is carried at fair value.
- vi. Intangible Assets include customer contracts which have been recognised at their fair value at the date of acquisition, amortised on a straight line based on the timing of projected cash flows of the contracts over the estimated useful lives. Goodwill and website costs are also included in the intangible assets.
- vii. Trade and other payables comprise of amounts outstanding for trade purchases and ongoing costs, non-interest bearing, with the exception of an ATO debt which is interest bearing.
- viii. Lease liabilities relate to the buildings that HHI lease.
- ix. Borrowings as at 31 December 2022 relate to loan agreements with Gees Pharma Limited, the Department of Health and Social care, Coronavirus Business Interruption Loan Scheme, Kalapa, Zelira and Creso.
- x. Issued capital relate to fully paid ordinary shares less the direct capital raising costs.
- xi. Reserves include the Performance Shares Reserve and Options Reserve.

Financial Performance

6.15 The table below sets out a summary of the financial performance of HHI for the years ended 30 June 2021 and 30 June 2022 and the six months ended 31 December 2022.

Statement of Financial Performance	Ref	Reviewed HY23 A\$	Audited FY22 A\$	Audited FY21 A\$
Revenue from continuing operations				
Revenue	<i>i</i>	10,733,585	15,644,524	8,449,564
Interest revenue		1,671	3,667	3,031
Other revenue		11,969	201,818	53,828
Expenses				
Cost of sales	<i>ii</i>	(8,375,065)	(12,496,466)	(6,680,531)
Administration	<i>iii</i>	(2,402,067)	(9,611,618)	(4,599,322)
Directors' fees		(128,508)	(219,400)	(116,837)
Depreciation and amortisation expense		(146,458)	(589,384)	(532,219)
Finance costs		(160,527)	(133,200)	(55,086)
Impairment	<i>iv</i>	-	(8,779,251)	-
Share based payment		(547,841)	(1,027,259)	(1,845,000)
Loss from continuing operations before tax		(1,013,241)	(17,006,569)	(5,322,572)
Income tax benefit		12,469	47,799	15,276
Net loss from continuing operations after tax		(1,000,772)	(16,958,770)	(5,307,296)
Discontinued operations				
Profit after tax from discontinued operations	<i>v</i>	3,924,443	-	-
Net profit/(loss) for the period		2,923,671	(16,958,770)	(5,307,296)
Other comprehensive (loss)/income				
Foreign currency recognised on conversion	<i>vi</i>	(233,597)	646,350	(73,310)
Exchange difference on disposal of CanPharma	<i>v</i>	(755,064)	-	-
Total comprehensive profit/(loss) for the period		1,935,010	(16,312,420)	(5,380,606)

6.16 We note the following in relation to the financial performance of HHI:

- i. Revenue is generated by HHI through the distribution of cannabis products in Australia and pharmaceutical products in the UK, EU and globally.
- ii. Cost of sales relates to the director costs, registrations as well as commissions payable.
- iii. Administration includes salaries and other employee costs, audit and accountancy fees, legal and professional fees, consulting fees, compliance and acquisition costs, and other administration expenses.
- iv. The impairment expense during the year ended 30 June 2022 relates to the excess consideration paid over the fair value of the net assets acquired on the acquisition of its subsidiary, CanPharma.
- v. On 16 November 2022, HHI sold CanPharma for consideration of \$1 which resulted in a gain on disposal.
- vi. Foreign currency recognised on conversion is the recognition of the translation of foreign subsidiaries to Australian dollars on consolidation.

Capital Structure

- 6.17 At the date of this Report HHI has 178,224,621 (36,894,938 of which are subject to ASX-imposed escrow restrictions) ordinary shares on issue. Details of the top 10 shareholders as at 19 December 2022 are as follows:

	Shareholder	No of Ordinary Shares	% of total
1	Cityscape Asset Pty Ltd<Cityscape Family A/C>	13,459,365	7.55
2	Gemelli Nominees Pty Ltd<Gemelli Family A/C>	10,558,085	5.92
3	New Frontier Pty Ltd	9,214,573	5.17
4	Henrik Sprengel	5,816,250	3.26
5	The Trust Company (Australia) Ltd<MBF A/C>	5,650,000	3.17
6	Pathways Corp Investments Pty Ltd<The PC Investments Account	4,885,929	2.74
7	Pekse Pty Ltd<The Pekse A/C>	2,663,032	1.49
8	Keryn Lee Reynolds	2,663,032	1.49
9	Dozemei Pty Ltd<LA Republiaca Venexiana A/C>	2,500,000	1.40
10	Gees Pharma Limited	2,166,666	1.22

Source: HHI FY22 financial statements

Performance Shares

- 6.18 HHI has 36,900,000 performance shares on issue (convertible to fully paid ordinary shares only if specified milestones are achieved or automatically based on a “change in control” provision). The terms of the performance shares are noted below:

Performance Share	No on issue	Vesting Conditions
Class A	12,300,000	Convert into ordinary shares on CanPharma achieving revenue of €5,000,000 over 24 months from acquisition date
Class B	12,300,000	Convert into ordinary shares on CanPharma achieving revenue of €10,000,000 over 24 months from acquisition date
Class C	12,300,000	Convert into ordinary shares on CanPharma achieving revenue of €15,000,000 over 24 months from acquisition date

Source: FY22 HHI financial statements

Options

- 6.19 HHI has 8,289,946 Options on issue. The terms of the Options are noted below:

Unquoted options	No on issue	Vesting Conditions
Options	1,250,000	Exercisable at \$0.20 per share on or before 24 June 2024
Options	1,250,000	Exercisable at \$0.67 per share on or before 24 June 2024
Options	1,250,000	Exercisable at \$1.00 per share on or before 24 June 2024
Options	1,250,000	Exercisable at \$1.33 per share on or before 24 June 2024
Options	3,289,946	Exercisable at \$0.01 per share on or before 28 June 2025

Source: FY22 HHI financial statements

Convertible Note

- 6.20 During September 2022, HHI issued a \$400,000 unsecured convertible note to Celtic Capital Pty Ltd. The convertible note has a 10% per quarter coupon rate and a one-year term. The note is convertible into ordinary shares at the lesser of \$0.01 per share or 80% of the issue price of the most recent capital raising undertaken by HHI prior to conversion. As part of the loan facility provided by Creso, this convertible note was assumed by Creso and deemed to be repaid by HHI.

7. PROFILE OF CRESO PHARMA LIMITED

Background

- 7.1 Creso Pharma Limited (ASX: CPH) (“Creso”) was founded in Western Australia in 2016 and is engaged in developing cannabis and hemp-derived therapeutic-grade nutraceuticals and medical cannabis products with a range of application in both human and animal health. The research & development and marketing of the Company is primarily based in Switzerland, with 100% of cultivation in Canada.
- 7.2 Creso listed on the Australian Stock Exchange on 16 October 2016 and is also listed on the Frankfurt Stock Exchange (FRA:1X8).

Group Structure

- 7.3 Creso has an interest in the following subsidiaries:

Entity	Country of Incorporation	% Interest
Creso Pharma Switzerland GmbH	Switzerland	100
Creso Canada Limited	Canada	100
Creso Canada Corporate Limited	Canada	100
Mernova Medicinal Inc	Canada	100
3321739 Nova Scotia Limited	Canada	100
Kunna Canada Limited	Canada	100
Kunna SAS	Colombia	100
Halucenex Life Sciences Inc	Canada	100
Creso Impactive Limited	Canada	100
Sierra Sage Herbs LLC	Canada	100
Creso Pharma US Inc	USA	100
4340965 Nova Scotia Limited	Canada	100

- 7.4 The Company cultivates and harvests cannabis through its wholly owned subsidiary, Mernova Medicinal Inc (“Mernova”), based in Nova Scotia, Canada. Mernova has a 24,000 sq. ft. facility, and is licensed to cultivate, process, and sell cannabis to provincial and territorial markets for medical purposes, generating revenue since mid-2019. Mernova has a diverse range of products that are sold throughout provinces across Canada.
- 7.5 Creso Pharma Switzerland GmbH, based in Steinhausen, Switzerland, provides animal and human health CBD products to a vast array of countries. It has been expanding at a rapid pace, being proactive in arranging new distribution agreements and developing new products within the last year.
- 7.6 Halucenex Life Sciences Inc (“Halucenex”) focusses on clinical stage psychedelic drug development, and is based in Nova Scotia, Canada. Halucenex is a life sciences development company with a focus on researching novel psychedelic compounds for the pharmaceutical and nutraceutical markets and conducting clinical trials on the medical benefits of psychedelic

medicine (Reference 1). Its key focus on the current shortfall of available treatments for mental health, and the effectiveness and side effects that come with current offerings. Halucenex’s long term strategy is to develop IP for a formulation of synthetic psilocybin, develop multiple delivery methods for the drug, and commercialise it into the market.

- 7.7 Creso also has cultivation potential in Columbia, through its wholly owned subsidiary Kunna Canada Limited (“Kunna”). Kunna holds a suite of five licenses in Columbia, along with an outdoor cultivation facility, producing products for medicinal use. This helps establish Creso in the strategically important Latin America Market, which is expected to experience exponential growth in the coming years.
- 7.8 Creso acquired Sierra Sage Herbs LLC (“Sierra Sage”) in August 2022. Sierra Sage is a US based company focussed on the production and sale of plant-based wellness products. Sierra Sage does not focus solely on cannabis products. Sierra Sage’s products are distributed across a number of US chains, including Whole Foods and Target. The company had revenue of approximately US\$5 million for the year ended 31 December 2021 but made significant losses.
- 7.9 On 27 January 2023 Creso entered into a Letter of Intent (“LOI”) for the acquisition of the assets of Abby and Finn LLC (“A&F”), a US based company supplying natural baby products with the aim of benefiting from synergies with Sierra Sage. Under the terms of the LOI, Creso would acquire the assets of A&F for US\$1.79m, comprising US\$1m of shares in Creso and US\$0.27m secured convertible notes (to repay existing debt between A&F and a La Plata Capital LLC (“La Plata”)) and the assumption of A&F’s small business loan of US\$0.52m. The LOI also includes the opportunity for the vendors to earn US\$0.75m in Creso shares based on financial targets.
- 7.10 In addition, Creso has entered into a deed for the restructuring of existing loans in Sierra Sage. Under the terms of the restructuring, US\$1.3m the loan between Sierra Sage and La Plata (totalling US\$2m) will be swapped for Creso secured notes to the same value. The remaining debt will be repayable in cash by 31 January 2023. The transaction incurs transaction fees in the form of 74,125,134 options (with an 8c exercise price over a four-year term).

Board of Directors

Name	Title	Experience
Boaz Wachtel	Chairman	Mr Wachtel is a leading Medical cannabis expert, co-founder and former Managing Director of Phytotech Medical (ASX:MMJ), Australia’s first publicly traded medical cannabis company. He previously assisted the Ministry of Health with the implementation of the National Medicinal Cannabis Program and is a lecturer and advisor to governments, national committees and other entities on medicinal cannabis formulation, grow operations, international laws and UN drug convention compliance.
William Lay	CEO and Managing Director	Mr Lay is an experienced cannabis executive and former investment banker. He previously served as Executive Vice President – Strategy, Origination and Operations at Creso.
Micheline MacKay	Executive Director	Ms Mackay is the Managing Director of Creso’s Canadian subsidiary, Mernova Medicinal Inc, with 22 years of experience in regulatory environments, including pharmaceuticals and medical devices.
Jodie Scott	Executive Director	Ms Scott is the co-founder and CEO of Sierra Sage Herbs LLC, based in Colorado, USA.
Bruce Linton	Non-Executive Director	Mr Linton is the co-founder and former Chairman of Canopy Growth Corporation. During this role he was involved in 31 acquisitions and 16 financing rounds.
Ben Quirin	Non-Executive Director	Mr Quirin has over 20 years of experience in global leadership in telecommunications, technology and pharmaceutical sectors. He has been involved in the launch of new products and led business development in new and merging markets including Europe, the Middle

Name	Title	Experience
		East, Africa and Asia Pacific. Mr Quirin was previously regional Managing Director at Canopy Growth Corporation in the APAC region.
Peter Hatfull	Non-Executive Director	Mr Hatfull is a chartered accountant with over 40 years' experience in senior executive and board positions in Australia and internationally. His skills include business optimisation, strategic planning, corporate governance, capital raising and group restructuring. He is currently a non-executive director of several listed and unlisted companies.

Historical Financial Information

- 7.11 The historical financial information has been extracted from the audited financial statements of Creso for the years ended 31 December 2020 and 31 December 2021 and from the preliminary unaudited financial report for the year ended 31 December 2022. The financial statements of Creso for the years ended 31 December 2020 and 31 December 2021 included an emphasis of matter paragraph regarding the going concern position of the group.

Financial Position

- 7.12 The information below provides a summary of the financial position of Creso as at 31 December 2020, 31 December 2021 and 31 December 2022.

Statement of Financial Position	Ref	Unaudited** 31-Dec-22 A\$*	Audited 31-Dec-21 A\$	Audited 31-Dec-20 A\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,388,000	7,184,405	6,047,091
Trade and other receivables	<i>i</i>	2,563,000	1,101,790	636,720
Inventories	<i>ii</i>	5,508,000	1,398,064	1,108,963
Biological assets	<i>iii</i>	265,000	457,027	143,192
TOTAL CURRENT ASSETS		9,724,000	10,141,286	7,935,966
NON-CURRENT ASSETS				
Property, plant & equipment		9,978,000	10,435,308	9,907,853
Intangible assets	<i>iv</i>	15,848,000	8,314,320	1,276,789
Other assets		2,432,000	423,192	-
TOTAL NON-CURRENT ASSETS		28,528,000	19,172,820	11,184,642
TOTAL ASSETS		37,982,000	29,314,106	19,120,608
CURRENT LIABILITIES				
Trade and other payables	<i>v</i>	8,642,000	1,471,148	2,162,911
Provisions		375,000	84,346	49,772
Borrowings		6,671,000	-	3,255,754
TOTAL CURRENT LIABILITIES		15,688,000	1,555,494	5,468,437
TOTAL LIABILITIES		15,688,000	1,555,494	5,468,437
NET ASSETS		22,294,000	27,758,612	13,652,171
EQUITY				
Issued capital		128,382,000	109,950,694	71,794,123
Reserves	<i>vi</i>	20,510,000	12,631,327	23,858,528
Accumulated losses		(126,598,000)	(94,823,409)	(82,000,480)
TOTAL EQUITY		22,294,000	27,758,612	13,652,171

*Rounded to the nearest thousand

**Audit in progress

Commentary on financial position:

7.13 We note the following in relation to the financial position of Creso:

- i. Trade and other receivables largely relate to trade debtors, as well as GST receivable, Canadian HST receivable, and other deposits and receivables.
- ii. Inventory relates to the finished goods of their biological assets, including their medicinal cannabis packaged products, harvested cannabis plant products, and consumables.
- iii. Biological assets consist of cannabis plants carried at fair value. As these assets are harvested, they are transferred into inventory.
- iv. Intangible assets include the cannabis cultivation licence in Canada granted in March 2019, licence for extraction and exportation of cannabis products in Columbia and intellectual property acquired on acquisition (includes trademarks, brands, patents, and exclusive licence rights).
- v. Trade and other payables comprised of trade payables, payables to related parties, accrued expenses, income in advance and other payables.
- vi. Reserves include the share-based payment reserve and the foreign currency translation reserve.

Financial Performance

7.14 The table below sets out a summary of the financial performance of Creso for the years ended 31 December 2020, 2021 and 2022.

Statement of Financial Performance	Ref	Unaudited** CY2022 A\$*	Audited CY2021 A\$	Audited CY2020 A\$
Revenue from continuing operations				
Revenue	<i>i</i>	8,689,000	6,218,558	2,464,977
Raw materials and consumables		(8,402,000)	(4,999,775)	(5,393,067)
Gross profit/(loss)		287,000	1,218,783	(2,928,090)
Other income	<i>ii</i>	339,000	34,812	177,829
Expenses				
Loss on fair value adjustments		(407,000)	(1,619,173)	(937,109)
Administrative expenses	<i>iii</i>	(11,423,000)	(23,172,861)	(7,089,440)
Depreciation and amortisation expenses		(1,949,000)	(266,150)	(352,429)
Employee benefit expenses	<i>iv</i>	(5,243,000)	(3,687,121)	(2,367,632)
Impairment of intangibles		(12,521,000)	-	(4,671,418)
Share-based payment expenses		-	(122,679)	(179,216)
Other expenses		(864,000)	(703,661)	(497,199)
Gain on settlement of convertible notes		-	-	899,628
Loss on disposal of Creso Grow Ltd		(307,000)	-	(1,443,662)
Foreign exchange gain/(loss)		-	(6,585)	50,137
Finance costs	<i>v</i>	(692,000)	(1,706,332)	(11,440,980)
Loss from continuing operations before tax		(32,780,000)	(30,030,967)	(30,779,581)
Income tax expense		(2,000)	-	-
Loss from continuing operations after tax		(32,782,000)	(30,030,967)	(30,779,581)
Other Comprehensive Income				
Exchange difference on translation of foreign operations		1,525,000	1,081,662	(1,257,285)
Total Comprehensive Loss for the Year		(31,257,000)	(28,949,305)	(32,036,866)

*Rounded to the nearest thousand

**Audit in progress

7.15 We note the following in relation to the financial performance of Creso:

- i. Revenue is generated through the sale of harvested cannabis products, with sales occurring in Europe, Asia Pacific and North America, with North America accounting for 60% of the sales during the half year ended 30 June 2022.
- ii. Other income includes interest income, lease income and other income, all being generated from both Asian Pacific and North America during the half year ended 30 June 2022.
- iii. Employee benefit expenses relate to director fees, wages and salaries, recruitment fees, superannuation, other employee expenses and share-based payment expense.
- iv. Administrative expenses relate to accounting expenses, travel costs, consulting fees, legal fees, compliance and regulatory expenses, marketing etc.
- v. Finance costs relate to capital raising fees, interest expense, bank charges.

- vi. During the year ended 31 December 2022, Creso impaired intellectual property by \$10.1m and goodwill by \$2.4m.

Capital Structure

- 7.16 As at the date of this Report Creso had 2,136,507,695 ordinary shares on issue.
- 7.17 As at the date of this Report, Creso had 794,941,788 listed options on issue and 250,113,151 unlisted options on issue with various exercise prices and expiry dates. None of the options on issue are in the money. In addition, Creso had 20,549,000 performance rights and 340,850 convertible notes on issue.

Recent trading in Creso shares

- 7.18 Creso's shares are quoted on ASX.

Trading period	Price of shares \$
Highest trading price in 6 months prior to the announcement of the Proposed Scheme	0.090
Lowest trading price in 6 months prior to the announcement of the Proposed Scheme	0.036
Closing trading price on last trading day prior to the announcement of the Proposed Scheme	0.037
Closing trading price on the day of the announcement of the Proposed Scheme	0.036
Closing trading price on 10 March 2023	0.011

Source: S&P Capital IQ, MACF analysis

- 7.19 The share price on 29 August 2022, post announcement to the market of the Proposed Scheme, was \$0.036. The Volume Weighted Average Price ("VWAP") of Creso prior to the announcement on 23 August 2022 and as at 10 March 2023 is displayed in the table below:

As at 23 August 2022	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day
VWAP \$	0.036	0.036	0.037	0.041	0.041	0.045
Total Volume (m)	3	10	32	109	198	278
Total Volume as % of Total Shares	0.2%	0.7%	2.3%	7.6%	13.8%	19.4%
Low Price \$	0.036	0.036	0.036	0.036	0.035	0.035
High Price \$	0.036	0.037	0.039	0.051	0.051	0.061

10 March 2023	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day
VWAP \$	0.011	0.011	0.012	0.017	0.018	0.021
Total Volume (m)	13.6	23.7	68.8	332.8	420.7	814.9
Total Volume as % of Total Shares	0.64	1.11	3.22	15.58	19.69	38.14
Low Price \$	0.011	0.011	0.011	0.011	0.011	0.011
High Price \$	0.011	0.013	0.015	0.022	0.022	0.028

8. VALUATION APPROACH

Definition of Value

- 8.1 RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming 100% ownership of the target company and assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Valuation Approach Adopted

8.2 There are a number of methodologies which can be used to value a company. The principal methodologies which can be used are as follows:

- Capitalisation of maintainable earnings ('CME');
- Discounted cash flow ('DCF');
- Quoted market price basis ('QMP');
- Net asset value ('NAV'); and
- Market approach method ('Comparable market Transaction').

8.3 A summary of each of these methodologies is outlined in Appendix B.

Value of a HHI share prior to the Proposed Scheme

8.4 In our assessment of the value of HHI prior to the Proposed Scheme we have chosen to apply Net Asset Valuation as our primary valuation methodology and Quoted Market Price Approach as a secondary comparison.

8.5 Our primary valuation methodology for HHI was selected on the following basis:

- HHI is loss making and does not have a history of generating profits. As such, a Future Maintainable Earnings valuation would be inappropriate;
- There has been substantial market volatility in the medicinal cannabis sector within the last 12 months. Further, share prices have consistently declined. As such, we do not consider revenue multiples or comparable market transactions to be an appropriate valuation measure, particularly for companies with going concern risks;
- HHI has net liabilities and substantial short-term borrowings. Its net cash outflows from operations for the six months ended 31 December 2022 were \$1,829,838 and it reported a cash balance as at 31 December 2022 of \$389,204. This financial information and the auditors review report for the half year ended 31 December 2022 indicate that there is significant uncertainty regarding HHI's ability to continue as a going concern. Given this material uncertainty, we do not consider it appropriate to use a revenue multiple as a valuation methodology;
- We do not consider that the DCF basis of valuation (which would require a forecast cash flow for a period of up to five years) is appropriate as, in our opinion, the Directors are not able to reliably and accurately forecast future cash flows beyond the next 12 months (due to the early life cycle stage of the business and the emerging nature of the sector). These uncertainties impact on the ability to predict a number of significant assumptions on a reasonable basis and, as such, we do not consider this method to be appropriate for the value of HHI;
- Our secondary valuation methodology is the quoted market price methodology. HHI's shares are listed, which means there is a market where minority interests can be readily observed. However, we note that HHI's shares have been in suspension for extended periods of time prior to and post the announcement of the Proposed Scheme. There is also limited trading in HHI shares when there are no restrictions in place. As such, whilst we have considered the quoted market price methodology as a cross check, we have not relied on it.

8.6 In the above circumstances, NAV is considered to be the most appropriate measure of the value for HHI.

8.7 Our valuation of HHI prior to the Proposed Scheme has been performed on a controlling basis.

Value of Scheme Consideration per foregone HHI share

- 8.8 The Scheme Consideration comprises fully paid ordinary shares and options in Creso.
- 8.9 In assessing the value of the Scheme Consideration payable, being fully paid ordinary shares and options in Creso, we have adopted the Net Asset Valuation methodology and the Quoted Market Price methodology. In our opinion, these methodologies provide a reliable comparison to the methodologies used to value HHI prior to the Proposed Scheme.
- 8.10 Our primary valuation methodology for the Scheme Consideration (and therefore the value of Creso shares and options post the Proposed Scheme) was selected on the following basis:
- Creso is loss making and does not have a history of generating profits. As such, Future Maintainable Earnings valuation would be inappropriate;
 - There has been substantial market volatility in the medicinal cannabis sector within the last 12 months. Further, share prices have consistently declined. As such, we do not consider revenue multiples to be an appropriate valuation measure, particularly for companies with going concern risks;
 - Creso has undergone a number of material changes to its operations during the last 12 months as a result of various acquisitions, most recently being the acquisition of Sierra Sage Herbs LLC in August 2022 and the announcement of the Letter of Intent to acquire the assets of Abbey & Finn in January 2023. These acquisitions create uncertainty regarding the future maintainable revenue of Creso. Creso's auditors included an emphasis of matter paragraph in their review report for the six months ended 30 June 2022 regarding the existence of a material uncertainty that may cast doubt on Creso's ability to continue as a going concern. Creso announced net cash outflows from operations for the year ended 31 December 2022 of \$17,306,000 and it reported a cash balance as at 31 December 2022 of \$1,388,000. This financial information and the audit report for the year ended 30 June 2022 indicate that there is uncertainty regarding Creso's ability to continue as a going concern. Given this material uncertainty, we do not consider it appropriate to use a revenue multiple as a valuation methodology;
 - We do not consider that the DCF basis of valuation (which would require a forecast cash flow for a period of up to five years) is appropriate as, in our opinion, the Directors are not able to reliably and accurately forecast future cash flows beyond the next 12 months (due to the early life cycle stage of the business and the emerging nature of the sector). These uncertainties impact on the ability to reliably predict a number of significant assumptions in the calculation of a DCF and as such we do not consider this method to be appropriate for the value of Creso;
 - Creso's shares are listed on the ASX, there is therefore a regulated and observable active market for them. Care must be taken when relying on QMP valuations that the market reflects a deep and liquid market. Creso shares are considered to be liquid and as such QMP is considered as a primary valuation methodology. This is discussed in more detail in Section 10.
 - NAV is considered to be an appropriate measure of value as a secondary valuation methodology for Creso.
- 8.11 Our valuation of Creso post the Proposed Scheme has been performed on a minority basis.

9. VALUATION OF A HHI SHARE PRIOR TO THE PROPOSED SCHEME

- 9.1 As stated in Section 8 of this report, we have assessed the value of HHI prior to the Proposed Transaction using the NAV methodology as our primary valuation methodology.

Primary Valuation: Net Tangible Asset Valuation

- 9.2 The NAV method (assuming an orderly realisation of tangible assets) estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities.

Net Asset Valuation	Ref	Low \$	Mid \$	High \$
Net liabilities as at 31 December 2022	6.13	(2,196,440)	(2,196,440)	(2,196,440)
Intangible Assets as at 31 December 2022	6.13	(1,702,917)	(1,702,917)	(1,702,917)
Subsequent events:				
Additional Creso working capital facility	9.3	(100,000)	(100,000)	(100,000)
Net Tangible Assets Value		(3,999,357)	(3,999,357)	(3,999,357)

Subsequent Events:

Creso Loan

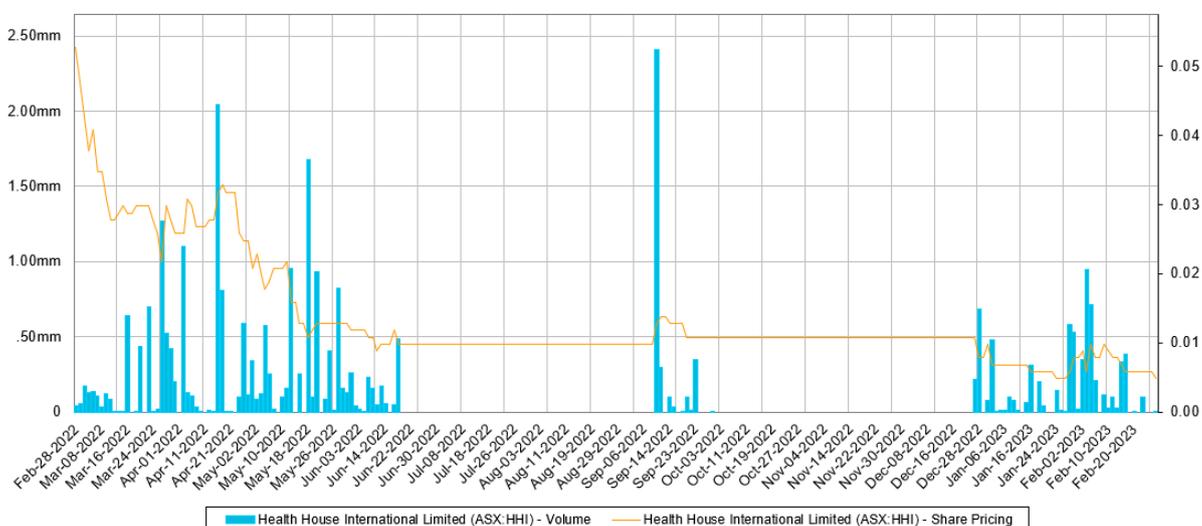
- 9.3 As noted in Section 3.9, Creso has provided HHI with a working capital loan facility of \$1,650,000. As at the date of this report, HHI has drawn down a total of \$1,110,000 and intends to draw another \$100,000.

NAV Summary

- 9.4 Based on the NAV methodology above, the value of HHI prior to the Proposed Transaction is nil.
- 9.5 We recognise that HHI has some listed shell value, however, given the significant third-party debt on the balance sheet, if HHI were to recapitalise the Company, convert the debt to equity and relist with different assets, the existing shareholders would be significantly diluted and as such there would be little value to the existing HHI Shareholders. We have therefore not included a value for the listed shell in our NAV workings above.

Secondary Valuation: Quoted Market Price

- 9.6 As stated in Section 8, we have employed the QMP valuation methodology as our secondary valuation methodology in our valuation of HHI prior to the Proposed Scheme.
- 9.7 HHI shares are quoted on ASX. The chart below sets out a summary of HHI's closing share price and volume of HHI shares traded for the period from 28 February 2022 to 27 February 2023.



Source: S&P Capital IQ

- 9.8 We note that HHI shares were suspended on 20 June 2022 on announcement of the termination of the Zelira transaction and as such no shares were traded subsequent to 20 June 2022 and prior to 29 July 2022, when the Proposed Scheme was announced. Any trading in HHI's shares prior to the termination of the Zelira transaction will include some value or potential value relevant to that transaction. As such, we do not consider it appropriate to rely on the trading in HHI shares prior to 20 June 2022.
- 9.9 HHI's shares came out of suspension on 9 September 2022. This was after the termination of the Zelira transaction, but it was also after the announcement of the Proposed Scheme. The opening share price as at 9 September 2022 was \$0.015 and subsequently fell to \$0.013 on 29 September 2022, the last day shares were traded prior to suspension on 3 October 2022.
- 9.10 HHI shares were suspended from trade again on 3 October 2022 and released from suspension on 23 December 2022, following the lodgement of its audited financial statements for the year ended 30 June 2022. The opening share price as at 23 December 2022 was \$0.013 and subsequently fell to a low of \$0.007 on 24 January 2023. HHI's shares were suspended again on 1 March 2023 for the late lodgement of its financial report for the six months ended 31 December 2022 and trading was reinstated on release of the report on 10 March 2023. The opening share price on reinstatement was \$0.007 per share and the shares have not traded subsequent to reinstatement.
- 9.11 Due to the timing of the active trading in HHI's shares and the existence of the Zelira transaction and the Proposed Scheme, we do not consider the quoted market price to be a reliable indicator of value for a HHI share prior to the Proposed Scheme.

Valuation conclusion for HHI prior to the Proposed Scheme

- 9.12 Based on our analysis above, our assessed value of HHI prior to the Proposed Scheme on a controlling basis is based on our net tangible asset valuation and is summarised in the table below.

	Ref	Low \$	High \$
Assessed fair value of HHI prior to the Proposed Scheme using the Net Tangible Asset Valuation	9.4	nil	nil

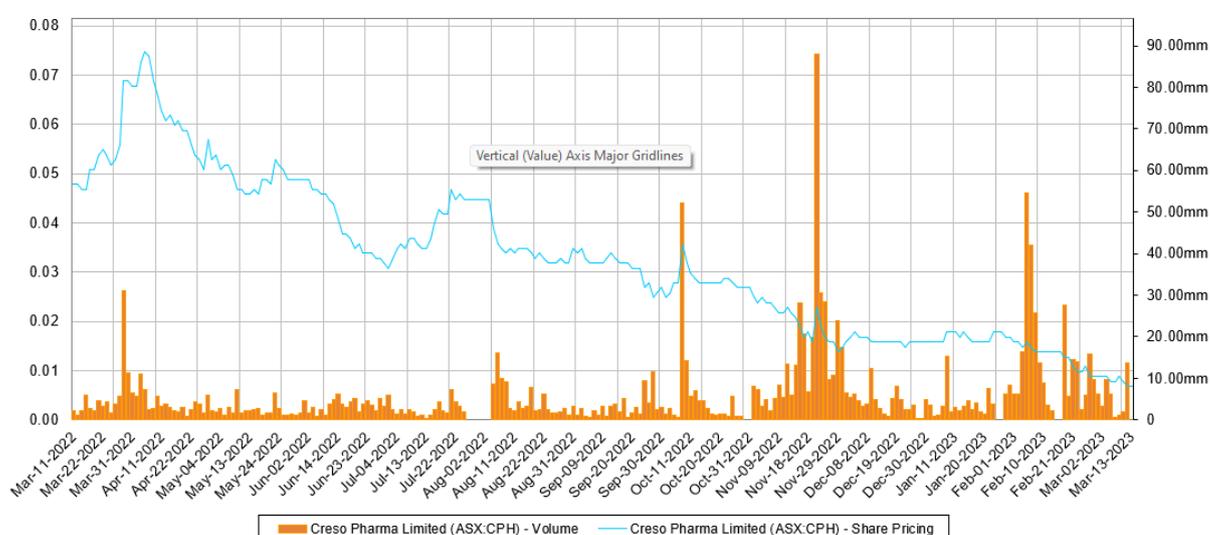
10. VALUATION OF SCHEME CONSIDERATION PER FOREGONE HHI SHARE POST PROPOSED SCHEME

10.1 As stated in Section 8 of this report, we have assessed the value of the Scheme Consideration per foregone HHI share post the Proposed Scheme using the QMP as our primary valuation methodology and the net tangible asset valuation as our secondary methodology.

Primary Valuation: Quoted Market Price

10.2 If the Proposed Scheme is approved, HHI shareholders (including performance shareholders) will receive a total of 79,543,907 Consideration Shares in Creso. Refer to Section 3.2 for details of the calculation of the Consideration Shares.

10.3 Creso shares are quoted on the ASX. The chart below sets out a summary of HHI's closing share price and volume of HHI shares for the twelve months to the last trading day prior to 10 March 2023.



Source: S&P Capital IQ

10.4 To provide further analysis of the QMP we have considered the volume weighted average price ("VWAP") of Creso shares over a range of periods ending 29 July 2022, being the last trading day prior to the announcement of the Proposed Scheme. An analysis of the trading volume of Creso shares for the 1, 5, 10, 30, 60 and 90 trading day periods to 29 July 2022 is set out in the table below:

	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day
VWAP \$	0.036	0.037	0.039	0.046	0.055	0.059
Total Volume (million)	3	18	37	90	193	353
Total Volume as % of Total Shares	0.2%	1.4%	2.8%	6.9%	14.9%	27.3%
Low Price \$	0.036	0.036	0.036	0.036	0.036	0.036
High Price \$	0.036	0.038	0.042	0.057	0.079	0.079

10.5 The above table shows values for the QMP of a Creso share prior to the announcement of the Proposed Scheme, ranging from \$0.036 as a 1-day VWAP to \$0.059 as a 90-day VWAP.

10.6 Over the period from 7 December 2021 to 29 July 2022, Creso shares traded at a high of \$0.090 in January 2022, and a low of \$0.036 in June 2022. Subsequent to the announcement of the Proposed Scheme, trading in Creso shares has been frequent.

10.7 To provide further analysis of the more recent QMP we have considered the VWAP of Creso shares over a range of periods ending 10 March 2023. An analysis of the trading volume of Creso shares for the 1, 5, 10, 30, 60 and 90 trading day periods to 10 March 2023 is set out in the table below:

	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day
VWAP \$	0.011	0.011	0.012	0.017	0.018	0.021
Total Volume (million)	13.6	23.7	68.8	332.9	420.7	814.9
Total Volume as % of Total Shares	0.64	1.11	3.22	15.58	19.69	38.14
Low Price \$	0.011	0.011	0.011	0.011	0.011	0.011
High Price \$	0.011	0.013	0.015	0.022	0.022	0.028

10.8 The above table shows a range in values for the current QMP of a Creso share from \$0.011 as a 1-day VWAP to \$0.021 as a 90-day VWAP. We note that there has been a consistent decline in the share price of Creso since the announcement of the Proposed Scheme. Whilst we believe there would have been some early reaction in the share price of Creso to the Proposed Scheme, we believe the long-term trading is a result of a continued decline in the general market. As HHI shareholders will own a minority interest in Creso, we believe it is appropriate to rely on the most recent share price of Creso when considering value because it captures movements in the market relevant to HHI Shareholders. We note it may also capture the potential impact that the Proposed Scheme will have on the value of a Creso share price implying the potential dilution is priced in. In our opinion, the market is fully informed with regards to the Proposed Scheme and any dilution as a result of all aspects of the Proposed Scheme should be reflected in the share price. We note that we have provided a secondary valuation methodology using net tangible assets where we have considered movements in issued capital and net assets in more detail.

10.9 We note that to rely on the QMP for the valuation of Creso, we have considered whether there is an active and liquid market for Creso's shares. In our opinion, characteristics synonymous with a liquid and active market are:

- Regular trading in a company's securities;
- An average of 1% of a company's securities traded on a weekly basis;
- Non-significant bid/ask spread of the stock;
- A significant spread of ownership of the securities (i.e., the top 10 shareholders do not control more than 50% of the company); and
- There are not regular unexplained movements in the share price.

10.10 For a security to be considered 'deep' it should fit with all the above characteristics. Though if it does fail to meet all of the above characteristics it does not automatically characterise the shares as irrelevant for valuation purposes, it means that they should not purely be relied upon.

10.11 We note in the case of Creso, we consider there is a deep market for the Company's shares and as such the stock is considered to be liquid. As such we consider the QMP valuation methodology to be a reliable measure of the value of a Creso share.

10.12 Given the substantial length of time since the announcements of the Proposed Scheme on 29 July 2022 and the number of material announcements made by Creso since that date, we consider that the current QMP (and resulting VWAP to 10 March 2023) to be a better reflection of the fair value of a Creso share. In our opinion the VWAP over the 30 trading days is reasonably reflective of the underlying value of a Creso share. As such, we consider a range of values between 1 and 30 days is a reasonable reflection of the QMP valuation of a Creso share on a minority basis.

10.13 The table below shows our assessed fair value of the Scheme Consideration:

Fair Value of Scheme Consideration	Ref	Low	High
1-30 day VWAP of a Creso Share to 10 March 2023 (A\$)	10.12	0.011	0.017
Number of Consideration Shares	10.2	79,543,907	79,543,907
Fair Value of Consideration Shares (\$)		874,983	1,359,115
Fair value of Consideration Options (\$)	10.16	21,000	54,000
Total Fair Value of Scheme Consideration (\$)		895,983	1,413,115
Number of HHI shares on issue post the Proposed Scheme	3.15	228,855,979	228,855,979
Value per HHI share		0.004	0.006

Consideration Options

- 10.14 If the Proposed Scheme is approved, HHI shareholders will receive one Consideration Option for every four Consideration Shares. Refer to Section 3.2 for details of the calculation of the number of Consideration Options.
- 10.15 The Consideration Options have an exercise price of \$0.08 per share over a four-year term and vest immediately. We have valued the Consideration Options using the Black Scholes model.
- 10.16 Black Scholes is a formula that uses a number of inputs including current stock price, time to expiration, options strike price, risk free rate, volatility etc, from which the current value of the option is derived. We have included the following assumptions in our Black Scholes valuation of the Consideration Options:

Assumptions	Ref	Low	High
Exercise Price (\$)	10.15	0.08	0.08
Current share price (\$) – 1-30-day VWAP	10.6	0.011	0.017
Term (years)	10.15	4	4
Expected future volatility (%)	10.17	64.58	64.58
Risk free rate (%)	10.18	3.44	3.44
Dividend yield (%)	10.19	Nil	nil
Fair Value of Consideration Options (\$)		21,000	54,000

- 10.17 We have assessed the share price volatility of a Creso share based on the historical volatility of a Creso share over the past 6 to 12 months. The 6-month volatility of a Creso share is 64.71% and the 12-month volatility is 64.45%. We have used the average of these to arrive at an expected future volatility of 64.58% in both our high and low valuations.
- 10.18 We have determined the risk-free rate based on the yields of Commonwealth bonds using the period which most likely corresponds to the maximum life of the Consideration Options.
- 10.19 Given the early-stage lifecycle of Creso, we do not consider that Creso will pay dividends during the term of the Option.

Secondary Valuation: Net Tangible Asset Valuation

10.20 We have applied a Net Tangible Asset Valuation methodology, by valuing the assets and liabilities of HHI and Creso on a consolidated basis.

10.21 The NAV has been summarised in the table below:

Net Tangible Asset Valuation	Ref	Low A\$	High A\$
Net assets of Creso at 31 December 2022	7.12	22,294,000	22,294,000
Less intangible assets of Creso as at 31 December 2022	7.12	(15,848,000)	(15,848,000)
NAV for HHI prior to the Proposed Scheme	Section 9	(3,999,357)	(3,999,357)
Elimination of HHI loan as at 31 December 2022 on consolidation (incl additional \$100,000 loan)		2,160,000	2,160,000
Events subsequent to 31 December 2022:			
Increase in HHI working capital facility (eliminated above)	10.22	(100,000)	(100,000)
Elimination of Zelira loan settled in Creso shares	10.23	800,000	800,000
Creso share placement (net of cash cost)	10.24	1,880,000	1,880,000
Cash cost of SBC Convertible note fundraise	10.29	(150,000)	(102,000)
Repayment of part of Obsidian convertible notes in equity	10.30	453,154	453,154
Consolidated NAV on a control basis		7,489,797	7,537,797
Minority discount	10.33	23%	17%
Consolidated NAV on a minority basis		5,767,144	6,256,372
Number of shares on issue in Creso on completion of the Proposed Scheme	3.20	2,216,051,602	2,216,051,602
Shares yet to be issued under the Creso share placement	10.32	10,640,106	10,640,106
Value of a Creso share on a minority basis on completion of the Proposed Scheme		0.003	0.003
Number of Consideration Shares payable as part of the Scheme Consideration	3.2	79,543,907	79,543,907
Fair value of Consideration Shares		207,008	224,569
Fair value of Consideration Options	10.15	21,000	54,000
Total Fair Value of Scheme Consideration		228,008	278,569
Number of HHI shares on issue assuming conversion of performance shares	3.16	228,855,979	228,855,979
Fair value per HHI share foregone post the Proposed Scheme on a minority basis		0.001	0.001

Subsequent Events:**HHI Loan**

- 10.22 We have included an adjustment for the increase in the working capital facility provided by Creso to HHI subsequent to 31 December 2022.

Zelira Obligation

- 10.23 Creso settled \$800,000 of the Zelira obligation in fully paid Creso shares on 10 January 2023.

Capital Raise

- 10.24 On 17 February 2023, Creso announced that it had received commitments to raise \$2m (before costs) through the issue of 132,859,356 fully paid ordinary shares. Subject to shareholder approval, investors will receive two options for every one share issued. The broker, Everblu Capital, will earn cash fees of \$120,000 and 2m shares for every \$1m raised for their role as lead manager.

Sierra Sage Herbs

- 10.25 On 29 August 2022, Creso completed the acquisition of 100% of Sierra Sage Herbs LLC (“Sierra Sage”). We have not included any liability that may arise in the future as a result of the achievement of hurdles included in the earn out payments for the acquisition of Sierra Sage. We have considered the potential dilution of these earn out agreements in our assessment of reasonableness.
- 10.26 On 27 January 2023, Creso announced that it had entered into a deed for the restructuring of existing loans in Sierra Sage. Under the terms of the restructuring, US\$1.3m the loan between Sierra Sage and La Plata (totalling US\$2m) will be swapped for Creso secured notes to the same value. The remaining debt will be repayable in cash by 31 January 2023. We have not included an adjustment for this restructuring in our valuation above, as there is no overall net asset impact to the group.

Abbey & Finn

- 10.27 On 27 January 2023 Creso entered into a Letter of Intent (“LOI”) for the acquisition of the assets of Abby and Finn LLC (“A&F”). Under the terms of the LOI, Creso would acquire the assets of A&F for US\$1.79m, comprising US\$1m of shares in Creso and US\$0.27m secured convertible notes (to repay existing debt between A&F and a La Plata Capital LLC (“La Plata”)) and the assumption of A&F’s small business loan of US\$0.52m. The LOI also includes the opportunity for the vendors to earn US\$0.75m in Creso shares based on financial targets. Given the early stage of the potential transaction, we have not included this in our valuation. However, we note if we did include it, there would be no material impact on our valuation or opinion.

La Plata Loan

- 10.28 On 6 March 2023, Creso announced that it will acquire a 31.25% interest in La Plata’s existing loan to A&F with a face value of US\$500,000. As consideration, Creso will provide La Plata with US\$500,000 convertible notes. We have not included an adjustment for this transaction as there would be no impact on the consolidated net assets of the group post the Proposed Scheme.

Convertible Notes

- 10.29 On 6 March 2023, Creso announced that it had secured commitments to raise \$2.5m through the issue of convertible notes to SBC Global Investment Fund (“SBC”) in the first tranche of \$1.7m and a second tranche of \$0.8m. A cash fee of 6% of the convertible note funds raised is payable to corporate advisors, Everblu, on completion of the fundraising. Other than the cash cost of the SBC convertible notes, we have not included an adjustment for the convertible notes as there would be no impact on the consolidated net assets of the group post the Proposed Scheme. In our low valuation we have assumed that both tranches of SBC convertible notes are raised. In our high valuation we have assumed that only the first tranche of convertible notes is raised.

Obsidian

- 10.30 Subsequent to 31 December 2022, Creso issued an additional \$500,000 of convertible notes to Obsidian GP LLC (“Obsidian”). We have not included an adjustment for this issue as there is no overall net impact on the net assets of the group.
- 10.31 On 6 March 2023, Creso announced that it has executed a payoff letter to repay the total balance owing to Obsidian. Under the terms of the payoff letter, Creso will make a cash payment of approximately US\$485,000 from the proceeds of the SBC convertible notes (A\$721,846) with the balance to be satisfied through the issue of 13,440,924 fully paid ordinary shares. The shares were issued on 7 March 2023 with a fair value of \$161,291 to extinguish a loan to the value of approximately \$453,154. We have not made an adjustment for the cash portion of the repayment as there is no overall impact on the net assets of the Group.

Shares yet to be issued under the Creso share placement

- 10.32 The appendix 2a prepared by Creso in relation to the recent share placement included a note that 10,640,106 shares were yet to be issued.

Minority Discount

- 10.33 The NAV method implies a premium for control has already been factored into the value. Therefore, our calculation of the fair value of a HHI share post the Proposed Scheme needs to include an adjustment to reflect the minority basis. We have reviewed the control premiums paid in recent years by companies listed on the ASX. There is significant variability in control premiums paid which are affected by such factors as: Nature and magnitude of non-operating assets;
- Quality of management;
 - Nature and magnitude of business opportunities/assets not currently being exploited;
 - Degree and confidence in future synergies;
 - Level of pre-announcement speculation of the transaction;
 - Level of liquidity in the trade of the acquiree’s securities; and
 - The stage in the economic cycle.
- 10.34 A review of control premiums paid by acquirers of companies listed on the ASX in recent years indicates a range of premiums between 20% and 30% is reasonable.
- 10.35 A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - [1 / (1 + \text{control premium})]$. Therefore, the minority interest discount is between 17% and 23%.

Summary of valuation of Scheme Consideration

- 10.36 Our assessed value of the Scheme Consideration valued on a minority basis are summarised in the table below:

	Ref	Low \$	High \$
Assessed Fair Value of a Creso share per foregone HHI share post the Proposed Scheme on a minority basis using QMP methodology	10.12	0.004	0.006
Assessed Fair Value of a Creso share per foregone HHI share post the Proposed Scheme on a minority basis using NAV methodology	10.21	0.001	0.001

- 10.37 Our preferred value of the Scheme Consideration on a minority basis, as calculated above, is between \$0.001 and \$0.006 per foregone HHI share on a minority basis.

11. IS THE PROPOSED SCHEME FAIR TO HHI SHAREHOLDERS?

11.1 Our assessed values are summarised in the table and figures below.

Assessed Values of a HHI Share

		Section	Low \$	High \$
Pre-Scheme	Assessed Fair Value of a HHI share prior to the Proposed Scheme on a control basis	9	nil	nil
Post-Scheme	Assessed Fair Value of the Scheme Consideration per foregone HHI share post the Proposed Scheme on a minority basis	10	0.001	0.006

Source: MACF analysis

11.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, we consider the Proposed Scheme to be fair to the Shareholders of HHI as the value of the Scheme Consideration offered by Creso is greater than the range of our assessed values of HHI prior to the Proposed Scheme.

11.3 We note that the range of values post the Proposed Scheme is wide. However, in our opinion, this is an appropriate reflection of the risks associated with an investment in Creso.

12. IS THE PROPOSED SCHEME REASONABLE?

12.1 RG111 establishes that a Scheme is reasonable if it is fair. If a Scheme is not fair it may still be reasonable after considering the specific circumstances applicable to it and if there are sufficient reasons for Shareholders to accept the Proposed Scheme in the absence of a higher bid before the Proposed Scheme closes. In our assessment of the reasonableness of the Proposed Scheme, we have given consideration to:

- Potential advantages and disadvantages of the Proposed Scheme;
- The likelihood of a superior alternative offer emerging and being available to HHI; and
- Other considerations, including the position of the Shareholders of HHI if the Proposed Scheme is not successful and future prospects of HHI if the Proposed Scheme does not proceed.

Potential Advantages and Disadvantages

12.2 In assessing whether the Shareholders of HHI are likely to be better off if the Proposed Scheme proceeds than if it does not, we have considered various advantages and disadvantages that are likely to accrue to the Shareholders.

Advantages of approving the Proposed Scheme

12.3 Advantage 1 – The Proposed Scheme is fair

RG111 states that a transaction is reasonable if it is fair. We have assessed the Proposed Scheme to be fair to the Shareholders of HHI.

12.4 Advantage 2 – Vertical Integration

The approval of the Proposed Scheme will result in a vertically integrated group, which is expected to provide greater opportunities as a combined entity from production to distribution. HHI is also likely to benefit from cost synergies such as a reduction in Board members and other administrative costs.

12.5 Advantage 3 – Increased Presence

The integration is expected to give the combined entities a larger market presence which may provide more opportunities for growth.

12.6 Advantage 4 – Improved Financial Position

The financial resources of the combined group following the Proposed Scheme is greater than the current net asset position of HHI, represented by its current net liability position. In the absence of the Proposed Scheme, it is likely that HHI would be required to undertake a capital raise (debt or equity) in the near future. Any capital raising is likely to be significantly dilutive to Shareholders or financially onerous to the Company.

Based on the balance sheet of HHI, it would appear that the company is in significant financial difficulties and could be approaching a scenario where it may no longer be a going concern. This is further supported by the working capital loan provided by Creso while completing the Proposed Scheme process.

12.7 Advantage 5 – Increased Access to Funding

The consolidated cash position of Creso and HHI immediately following the Proposed Scheme is expected to be approximately \$1.8 million.

We note that Creso has secured a convertible note facility for \$5,000,000 (partially subject to shareholder approval), which should provide a guaranteed source of funding for the next 12 months.

12.8 Advantage 6 – Liquidity

There should be higher levels of liquidity in share trading on the ASX post the Proposed Scheme, compared to the volume of HHI shares prior to the announcement. Creso's total volume traded over the 30 days prior to the announcement of the Proposed Scheme was 8% of total issued capital.

12.9 Advantage 7 – Secured Debt

HHI owes Creso approximately \$3 million which is repayable on 31 May 2023. The loan facility is secured by way of a general security agreement between HHI and Creso. If the Proposed Scheme is not implemented, then HHI is obligated to repay Creso by 31 May 2023. Given the financial position of HHI as at 31 December 2022, HHI does not have sufficient funds to repay the loan facility by the due date. If the Proposed Scheme is implemented then HHI will become a subsidiary of Creso and the loan will become an inter group loan.

Disadvantages of approving the Proposed Scheme

12.10 Disadvantage 1 – Dilution of Shareholdings of HHI Shareholders

The Proposed Scheme will have a dilutive effect on the voting interest of the Shareholders of HHI. Immediately following the completion of the Proposed Scheme, the collective voting power of the existing HHI Shareholders will decrease from a 100% interest in HHI (83% if we assume the performance shares are converted to ordinary shares) to a 2.8% interest in Creso immediately following the Proposed Scheme.

12.11 Disadvantage 2 – Conversion of Performance Shares

In the event of the Proposed Scheme completing, 36,900,000 HHI performance shares will convert to ordinary shares as a result of the performance shares containing a “change of control” provision. This has a dilutive effect on the existing shareholders in HHI, without the associated performance hurdles being achieved.

12.12 Disadvantage 3 – Future Dilution of Creso's Ordinary Shares

Creso has issued a number of convertible notes to third parties, including an agreement with SBC to issue up to \$2.5 million in convertible notes. To date, approximately \$1.7 million of the SBC convertible notes have been issued.

Creso also has unexpired earn out payments due to Sierra Sage based on performance hurdles. These earn out payments can be made in cash or shares. The earn out hurdles are set out below:

- Milestone Payment 2:
 - CY2023 Earn Out – US\$23.5m payable where CY2023 revenues generated by SSH are at least US\$20.0m, and a positive adjusted EBITDA margin is achieved; or
 - US\$17.625m payable where CY2023 revenues generated by SSH are at least US\$17.5m, and a positive adjusted EBITDA margin is achieved, (being 75% of the maximum milestone payment available); or
 - US\$11.75m payable where CY2023 revenues generated by SSH are at least US\$15m, and a positive adjusted EBITDA margin is achieved (being 50% of the maximum milestone payment available).

Assuming that the milestone payments are made in shares, if any of the hurdles in Milestone Payment 2 are achieved, it could result in between approximately 0.8 billion and 1.6 billion Creso shares being issued (based on the current Creso share price). This will have a significantly dilutionary effect on the existing issued capital of Creso.

Creso also has a number of options and performance rights that could be issued in the future. Whilst these securities will have an impact on the capital structure of Creso, they will not be material to the dilution or valuation (in isolation). We note that any exercise of options will also result in an injection of cash. All of the options in paragraph 7.21 are out of the money.

12.13 Disadvantage 4 – Potential Future Cash Payment

Creso has a liability payable to EverBlu Capital which can be settled by the issue of 304 million options exercisable at \$0.08 per share with a four-year expiry date, or the equivalent cash payment of the Black and Scholes valuation of the options. The issue of the options is subject to Creso shareholder approval. If approval is not obtained, Creso will have to pay EverBlu Capital at least approximately \$1.2 million based on an option valuation using the same assumptions as found in Section 10.16.

12.14 Disadvantage 5 – HHI appears closer to being cash flow positive than Creso

The financial performance of HHI for the six months ended 31 December 2022 indicates a gross profit of \$2.4 million based on \$10.7 million in revenue and \$8.4 million in cost of sales. Administration costs have rationalised over the six months ended 31 December 2022 to such an extent that HHI only made a \$1 million loss for the period. This indicates that HHI's financial performance is improving. Although there is no certainty, it would appear that HHI is approaching profitability.

Alternatively, Creso generated a gross profit of \$0.3 million and made a loss of \$20.4 million for the year ended 31 December 2022. If the trends for each company continue, it is more likely that HHI will reach profitability before Creso. This means that HHI Shareholders could be foregoing future profits.

12.15 Disadvantage 6 – Creso Going Concern Risk

Creso's auditors included an emphasis of matter paragraph in their review report for the six months ended 30 June 2022 regarding the existence of a material uncertainty that may cast doubt on Creso's ability to continue as a going concern. Creso announced net cash outflows from operations for the year ended 31 December 2022 of \$17.3 million and it reported a cash balance as at 31 December 2022 of \$1.4 million. This financial information and the audit report for the year ended 30 June 2022 indicate that there is a material uncertainty regarding Creso's ability to continue as a going concern.

Creso has a number of loans which are subject to security pledges. Assets pledged as security as at 31 December 2022 total \$14.99 million and include a fixed charge over the production facility and a floating charge of the assets of Sierra Sage. Tranche 1 of the SBC convertible notes are secured by a first ranking security over all present and acquired property of Creso.

Should Creso be unable to repay its debts as and when they fall due, the relevant lender may take over the rights to pledged assets.

Alternative Proposal

- 12.16 We are not aware of any alternative proposal that is being considered or has been presented by HHI at the current time which might provide a greater benefit than the Proposed Scheme.
- 12.17 We note that HHI Shareholders could sell their shares on market at a price greater than the value offered by Creso. As at 14 March 2023, the HHI share price is \$0.007. We note however that HHI shares are not liquid, with nominal shares traded subsequent to reinstatement of trading on 10 March 2023. Prior to suspension on 1 March 2023, just 2.71% of HHI's share capital had traded in the 30 trading days to 27 February 2023. Given the lack of a deep market for HHI shares and on review of current bid and ask prices for HHI shares, we do not consider it likely that HHI shareholders will be able to sell their shares at \$0.007 per share.
- 12.18 As noted in disadvantage 5 above, subsequent to the disposal of Can Pharma, HHI's continuing operations appear to be approaching profitability more quickly than Creso. HHI may be better off continuing its own operations than accept the Proposed Scheme. We note however that due to the secured debt payable by HHI to Creso by 31 May 2023, HHI would need to find sufficient funding to repay the Creso debt by the deadline. We consider it unlikely that HHI would be able to find sufficient funding to repay the Creso debt in such a short time frame without a significant impact on the value of HHI. Creso's debt is secured over the assets of HHI and as such, any default on the debt repayment may result in Creso taking over the rights to HHI's assets.

Future prospects of HHI if the Proposed Scheme does not proceed

- 12.19 If the Proposed Scheme does not proceed, then HHI will need to find an alternative source of capital to continue as a going concern..
- 12.20 At the date of this report, Creso has loaned HHI approximately \$3 million, comprising the \$1,110,000 working capital facility, \$1,350,000 Zelira obligation and the \$400,000 assumption of the convertible note with Celtic Capital Pty Ltd. HHI also intends to draw another \$100,000 from the working capital facility with Creso. If the Proposed Scheme does not proceed, HHI will be required to repay these loans by 31 May 2023. This means that HHI may have to raise additional capital under adverse conditions or consider administration.

Conclusion on Reasonableness

- 12.21 In our opinion, the position of the Shareholders of HHI if the Proposed Scheme is approved is more advantageous than the position if it is not approved. In particular, we consider there to be significant risk that HHI could fail to continue to operate as a going concern. Therefore, in the absence of any other relevant information and/or a superior proposal, we consider that the Proposed Scheme is reasonable and in the best interest of the Shareholders of HHI.
- 12.22 When considering reasonableness, we have placed considerable weighting on HHI's current financial position and the potential repercussions of not approving the Proposed Scheme.
- 12.23 An individual shareholder's decision in relation to the Proposed Scheme may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

13. INDEPENDENCE

- 13.1 Moore Australia Corporate Finance (WA) Pty Ltd (“MACF”) is entitled to receive a fee of approximately \$35,000, excluding GST and reimbursement of out-of-pocket expenses. Except for this fee MACF has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.
- 13.2 MACF has previously provided services to HHI, being the provision of an independent expert’s report and the preparation of an Investigating Accountants Report.
- 13.3 Moore Australia, a related entity of MACF, has not previously provided services to HHI.
- 13.4 Prior to accepting this engagement MACF has considered its independence with respect to HHI and Creso and any of their respective associates with reference to RG 112, Independence of Expert’s Reports. It is the opinion of MACF that it is independent of both HHI and Creso and their respective associates.
- 13.5 MACF and Moore Australia have not had at the date of this report any relationship which may impair their independence.
- 13.6 We have held discussions with management of HHI regarding the information contained in this report. We did not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

14. QUALIFICATIONS

- 14.1 MACF is a professional practice company, wholly owned by the Perth practice of Moore Australia, Chartered Accountants. The firm is part of the National and International network of Moore Global Network Limited independent firms and provides a wide range of professional accounting and business advisory services.
- 14.2 MACF holds an Australian Financial Services License to provide financial product advice on securities to retail clients (by way of experts reports pursuant to the listing rules of the ASX and the Corporations Act) and its principals and owners are suitably professionally qualified, with substantial experience in professional practice.
- 14.3 The director responsible for the preparation and signing of this report is Mr Peter Gray who is a director of MACF. Mr Gray is a Chartered Accountant and is RG146 compliant. Mr Gray has approximately 20 years’ experience in capital markets and corporate finance and has significant experience in the preparation of independent expert’s reports, valuations, valuation methodology and related advice. Mr Gray has previously worked as an oil and gas analyst at a major stock broking firm in Perth.
- 14.4 At the date of this report neither Mr Gray, nor any member or Director of MACF, has any interest in the outcome of the Proposed Scheme.

15. DISCLAIMERS AND CONSENTS

- 15.1 MACF has been requested to prepare this report, to be included in the Scheme Booklet which will be provided to HHI's shareholders.
- 15.2 MACF consents to this report being included in the Scheme Booklet to be provided to shareholders of HHI. This report or any reference thereto is not to be included in, or attached to any other document, statement or letter without prior consent from MACF.
- 15.3 MACF has not conducted any form of audit, or any verification of information provided to us, and which we have relied upon in regard to HHI, however we have no reason to believe that any of the information provided, is false or materially incorrect.
- 15.4 The statements and opinions provided in this report are given in good faith and in the belief that they are not false, misleading or incomplete.
- 15.5 Neither MACF nor Mr Gray take any responsibility for, nor have they authorised or caused the issue of, any part of this report for any third-party other than the shareholders of HHI in the context of the scope and purpose defined in Section 4 of this report.
- 15.6 With respect to taxation implications, it is recommended that individual shareholders obtain their own taxation advice, in respect of the Proposed Scheme, tailored to their own specific circumstances. The advice provided in this report does not constitute legal or taxation advice to shareholders of HHI or any other party.
- 15.7 The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Scheme.
- 15.8 In regard to any projected financial information noted in this report, no member or director of MACF has had any involvement in the preparation of the projected financial information.
- 15.9 Furthermore, we do not provide any opinion whatsoever as to any projected financial or other results prepared for HHI, and in particular do not provide any opinion as to whether or not any projected financial results referred to in the report will or will not be achieved.

Yours faithfully



Peter Gray
Director
[Moore Australia Corporate Finance \(WA\) Pty Ltd](#)

APPENDIX A – SOURCE OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Scheme Implementation Deed between HHI & Creso;
- Draft Scheme booklet to be provided to shareholders;
- 2nd Deed of Variation Facility Agreement between Creso and HHI;
- Audited financial statements of HHI for the years ended 30 June 2021 and 2022;
- Reviewed interim financial statements of HHI for the six months ended 31 December 2022;
- Audited financial statements of Creso for the years ended 31 December 2020 and 2021;
- Reviewed half year financial statements for Creso for the six months ended 30 June 2022;
- Preliminary unaudited financial information for Creso for the year ended 31 December 2022;
- Public announcements by Creso and HHI;
- Share registry information for HHI and Creso;
- Information in the public domain;
- S&P Capital IQ database; and
- Discussions with directors and management of HHI.

APPENDIX B – VALUATION METHODOLOGIES

We have considered which valuation methodology is the most appropriate in light of all the circumstances and information available. We have considered the following valuation methodologies and approaches:

- Discounted cash flow methodology ('DCF');
- Capitalisation of maintainable earnings methodology ('CME');
- Net assets value method ('NAV');
- Quoted market price methodology ('QMP'); and
- Market approach method (Comparable market Transaction)

Valuation Methodologies and Approaches

Discounted Cash Flow Method

Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to their net present value. These methods are appropriate where a forecast of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Capitalisation of Maintainable Earnings Method

The capitalisation of maintainable earnings method estimates "fair market value" or "enterprise value", by estimating a company's future maintainable earnings and dividing this by a market capitalisation rate. The capitalisation rate represents the return an investor would expect to earn from investing in the company which is commensurate with the individual risks associated with the business.

It is appropriate to apply the capitalisation of maintainable earnings method where there is an established and relatively stable level of earnings which is likely to be sustained into the foreseeable future.

The measure of earnings will need to be assessed and can include, net profit after taxes (NPAT), earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortisation (EBITDA) and revenue.

The capitalisation of maintainable earnings method can also be considered a market based methodology as the appropriate capitalisation rate or 'earnings multiple' is based on evidence of market Transaction involving comparable companies.

An extension of the capitalisation of maintainable earnings method involves the calculation of share value of an entity. This process involves the calculation of the enterprise value, which is then adjusted for the net tangible assets of the entity.

Net Assets Value Method (Orderly Realisation of Assets)

The net assets value method (assuming an orderly realisation of assets) estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

Liquidation of assets

The Liquidation method is similar to the orderly realisation of asset method except the liquidation method assumes the assets are sold in a shorter time frame.

Net assets

The net assets method is based on the value of the assets of a business less certain liabilities at book values, adjusted to a market value.

The asset based approach, as a general rule, ignores the possibility that a company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements, and goodwill.

The asset based approach is most appropriate when companies are not profitable, a significant proportion of assets are liquid, or for asset holding companies.

Cost Based Approach

The cost based approach involves determining the fair market value of an asset by deducting the accumulated depreciation from the asset's replacement cost at current prices.

Like the asset based approach, the cost based approach has a number of disadvantages, primarily that the cost of an asset does not necessarily reflect the assets ability to generate income. Accordingly, this approach is only useful in limited circumstances, usually associated with intangible asset valuation.

Valuation Methodologies and Approaches

Quoted Market Price Methodology

The method relies on the pricing benchmarks set by sale and purchase Transaction in a fully informed market the ASX which is subject to continuous disclosure rules aimed at providing that market with the necessary information to make informed decisions to buy or to sell.

Consequently, this approach provides a “fair price”, independently determined by a real market. However, the question of a fair price for a particular transaction requires an assessment in the context of that transaction taken as a whole.

In taking a quoted market price based assessment of the consideration to both parties to the Scheme, the overall reasonableness and benefits to the non-participating shareholders must be carefully evaluated.

Market Approach Method

The market based approach estimates a company's fair market value by considering the market prices of Transaction in its shares or the market value of comparable assets.

This includes, consideration of any recent genuine offers received by the target for an entire entity's business, or any business units or asset as a basis for the valuation of those business units or assets, or prices for recent sales of similar assets

APPENDIX C – GLOSSARY

In this report, unless the context requires otherwise:

Term	Meaning
\$	Australian dollar
Act	Corporations Act 2001
APES	Accounting Professional & Ethics Standards Board
ASIC	Australian Securities and Investments Commission
Associated Shareholders	Shareholders in Health House International Limited who are party to, or associated with a party to, the Proposed Scheme
ASX	Australian Securities Exchange or ASX Limited ACN 008 624 691
Board	The Board of Directors of Health House International Limited
Business Day	Has the meaning given in the Listing Rules
CanPharma	CanPharma GmbH
Celtic	Celtic Capital Pty Ltd
CME	Capitalised maintainable earnings
Company	Health House International limited
Consideration Options	Creso options proposed to be issued to HHI Shareholders
Consideration Shares	Creso shares proposed to be issued to HHI Shareholders
Control basis	Assuming the shareholder/s have control of the entity in which equity is held
CPR	Competent Persons Report
Creso	Creso Pharma Limited
CY	Calendar year
DCF	Discounted cash flow
Directors	The Directors of Health House International Limited
Explanatory Statement	The explanatory statement accompanying the Notice
FY	Financial Year
Halucenex	Halucenex Life Sciences Inc
HHI	Health House International Limited
HHI Shareholders	Current shareholders of HHI
IER	This Independent Experts Report
Income Tax Assessment Act	the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997
ITSR	Independent Technical Specialist Report
Kunna	Kunna Canada Limited
LTM	Last 12 months
Mernova	Mernova Medicinal Inc
Moore Australia or MACF	Moore Australia Corporate Finance (WA) Pty Ltd
NAV	Net asset value
Obsidian	Obsidian Global GP LLC
Option	Means an option to acquire shares

Term	Meaning
QMP	Quoted market price
Relevant interest	Shareholding or the power to control the right to vote or dispose of shares
Resolutions	Means the resolutions set out in the notice, or any one of them, as the context requires
RG111	ASIC Regulatory Guide 111 <i>Content of Experts Reports</i>
S&P Capital IQ	Third party provider of company and other financial information
SBC	SBC Global Investment Fund
Scheme/Proposed Scheme	The acquisition of 100% of the Shareholdings in Health House International Limited by Creso Pharma Limited.
Scheme Consideration	Creso shares and options to be issued to HHI Shareholders
Section	Means a section of the IER
Share	Means a fully paid ordinary share in the capital of the Company
Shareholders	HHI Shareholders
SID	Scheme Implementation Deed
Sierra Sage	Sierra Sage Herbs LLC
Zelira	Zelira Therapeutics Limited

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HELPING YOU THRIVE IN A CHANGING WORLD

Annexure C – Scheme

**HEALTH HOUSE INTERNATIONAL LIMITED
ACN 149 197 651
(Health House)**

and

Each person who is registered in the Share Register of Health House as a holder of one or more Health House Shares on the Record Date

SCHEME OF ARRANGEMENT

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BETWEEN

Health House International Limited (ACN 149 197 651) of Level 3, 101 St Georges Terrace, Perth, Western Australia (**Health House**);

AND

Each person who is registered in the Share Register of Health House as a holder of one or more Health House Shares on the Record Date.

IT IS AGREED as follows:

1. DEFINED TERMS & INTERPRETATION

1.1 Definitions

In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Perth, Western Australia.

CHES means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHES Holding has the meaning given in the Settlement Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Western Australia or such other court of competent jurisdiction under the Corporations Act agreed in writing between Health House and Creso.

Creso means Creso Pharma Limited (ACN 609 406 911).

Creso Consideration Options means that number of Creso Listed Options equal to 25% of the number of Creso Consideration Shares, to be issued on a 1-for-4 basis under the terms of the Scheme as Scheme Consideration.

Creso Consideration Securities means the Creso Consideration Shares and Creso Consideration Options to be issued under the terms of this Scheme as Scheme Consideration.

Creso Consideration Shares means the consideration to be provided by Creso to each Scheme Shareholder for the transfer of each Scheme Share, being "X" new Creso Shares for each Scheme Share held as at the Record Date, where:

X = $N / \text{Total Scheme Shares at Record Date}$

and:

N (Number of Creso Shares issuable in aggregate as Creso Consideration Shares) =

$$\frac{4,630,388 - FA}{SP}$$

FA = the amount outstanding under the Facility Agreement (excluding \$1,750,000 advanced as repayment of the Zelira Obligation) as at the Implementation Date; and

SP = the closing price of Creso Shares trading on ASX on the day that Creso Shares next traded following the announcement of the proposed Scheme to ASX (being \$0.043 on 4 August 2022).

Creso Listed Option means a Creso Option quoted on ASX under the code "CPHOD", having an exercise price of \$0.08 and an expiry date of 31 January 2027.

Creso Option means an option to subscribe for a Creso Share.

Creso Share means an issued fully paid ordinary share in the capital of Creso.

Deed Poll means the Deed Poll to be executed by Creso under which Creso among other things covenants in favour of the Scheme Shareholders to perform the actions attributed to it under this Scheme.

Delivery Time means, in relation to the Second Court Date, two hours before the commencement of the hearing or, if the commencement of the hearing is adjourned, two hours before the commencement of the adjourned hearing, of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means the 'End Date' determined in accordance with the Scheme Implementation Deed.

Facility Agreement means the loan facility agreement dated 5 September 2022 between Creso and Health House, as varied by deeds of variation dated 19 November 2022, 10 January 2023 and 12 January 2023, pursuant to which Creso agreed to advance up to \$3,400,000 for Health House's working capital purposes and to enable Health House to repay the Zelira Obligation.

Foreign Scheme Shareholder means a Scheme Shareholder whose Registered Address is a place outside of:

- (a) Australia or its external territories;
- (b) New Zealand;
- (c) the United Kingdom;
- (d) Germany;
- (e) Spain; and

(f) any other jurisdictions as may be agreed in writing by Health House and Creso,

(unless Creso determines (in its absolute discretion), that Creso is permitted to allot and issue Creso Consideration Securities to that Scheme Shareholder under this Scheme by the laws of that place either unconditionally or after compliance with conditions that Creso considers are not unduly onerous or impracticable).

Health House Registry means Link Market Services or any replacement provider of share registry services to Health House.

Health House Share means an issued fully paid ordinary share in the capital of Health House.

Health House Shareholder means a person who is registered in the Share Register as a holder of one or more Health House Shares.

Implementation Date means the fifth Business Day after the Record Date or such other Business Day after the Record Date agreed to in writing between the relevant parties to the Scheme Implementation Deed.

Issuer Sponsored Holding has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX as amended from time to time.

Market Integrity Rules means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which Health House Shares are quoted.

Record Date means 7.00pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between Health House and Creso.

Registered Address means, in relation to a Health House Shareholder, the address shown in the Share Register as at the Record Date.

Regulatory Authority means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
- (c) any regulatory organisation established under statute, in Australia whether federal, state, territorial or local.

Sale Agent means a person appointed by Creso, in consultation with Health House, to sell the Sale Shares under clause 7.2(b).

Sale Proceeds means the gross proceeds of sale of the Sale Securities under clause 7.2(b), less any applicable taxes and charges incurred by Creso or the Sale Agent in connection with the sale.

Sale Securities means the Creso Consideration Securities to which Foreign Scheme Shareholders would have been entitled under this Scheme but for the operation of clause 7.2.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Health House and the Scheme Shareholders, subject to any alterations or conditions that are:

- (a) agreed to in writing by Health House and Creso and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Health House and Creso.

Scheme Consideration means the Creso Consideration Securities contemplated to be issued in relation to this Scheme.

Scheme Implementation Deed means the Scheme Implementation Deed dated 20 November 2022 between Health House and Creso.

Scheme Meeting means the meeting of Health House Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Share on issue as at the Record Date.

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Settlement Rules means the ASX Settlement Operating Rules.

Share means a fully paid ordinary share in the capital of Health House.

Share Register means the register of members of Health House maintained in accordance with the Corporations Act.

Trust Account means an Australian dollar denominated trust account operated by Health House as trustee for the benefit of Scheme Shareholders.

Zelira Obligation means a debt owing by Health House to Zelira Therapeutics Limited as at the date of the Scheme Implementation Deed.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

- (e) A reference to a clause or schedule is a reference to a clause or schedule to this Scheme.
- (f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this Scheme or an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to **dollars** or **\$** is to Australian currency.
- (l) All references to time are to Perth, Western Australia time.
- (m) Mentioning anything after *includes, including, for example,* or similar expressions, does not limit what else might be included.
- (n) Unless otherwise defined, a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act.
- (o) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. PRELIMINARY

2.1 Health House

- (a) Health House is a public company limited by shares, registered in Western Australia and admitted to the official list of ASX.
- (b) The Health House Shares are officially quoted on ASX. As at the date of the Scheme Implementation Deed:
 - (i) 178,224,621 Health House Shares were on issue which are officially quoted on ASX; and
 - (ii) there are 8,289,946 options to acquire Health House Shares and 36,900,000 performance shares convertible into Health House Shares (**Performance Shares**) on issue.
- (c) Prior to the Record Date, Health House expects to issue:
 - (i) 36,900,000 Health House Shares to the holders of Performance Shares which automatically vest on a change of control; and
 - (ii) 13,731,358 Health House Shares to CPS Capital Group Pty Ltd as a corporate advisory fee.

2.2 Creso

Creso is a public company limited by shares, registered in Western Australia and admitted to the official list of ASX.

2.3 General

- (a) Health House and Creso have agreed by executing the Scheme Implementation Deed to implement this Scheme subject to the terms and conditions of this Scheme.
- (b) This Scheme attributes actions to Creso but does not itself impose an obligation on it to perform those actions, as Creso is not a party to this Scheme. Creso has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme (including the provision of the Scheme Consideration to the Scheme Shareholders subject to the terms and conditions of this Scheme).

2.4 Consequence of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) Creso will apply for all Creso Consideration Securities to be quoted on ASX;
- (b) Creso will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme; and
- (c) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Creso, and Health House will enter Creso in the Share Register as the holder of the Scheme Shares with the result that Health House will become a wholly-owned subsidiary of Creso.

3. CONDITIONS

- (a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
- (i) all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(h) of the Scheme Implementation Deed (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by no later than the Delivery Time on the Second Court Date;
 - (ii) neither the Scheme Implementation Deed nor the Deed Poll having been terminated in accordance with their terms by no later than the Delivery Time on the Second Court Date;
 - (iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by Health House and Creso;
 - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are agreed to in writing by Health House and Creso, having been satisfied; and
 - (v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act,
- on or before the End Date (or any later date Health House and Creso agree in writing).
- (b) The satisfaction of the conditions referred to in clause 3(a) of this document is a condition precedent to the operation of clauses 6.2 and 7.

4. END DATE

This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

5. TERMINATION

Without limiting any rights under the Scheme Implementation Deed, if the Scheme Implementation Deed is terminated in accordance with its terms before this Scheme becomes Effective, each of Health House and Creso are released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

6. IMPLEMENTATION

6.1 Lodgement of Court orders

Subject to the Listing Rules, Health House must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the

Corporations Act) approving this Scheme as soon as reasonably practicable after the Court approves this Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

6.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to Creso confirming in writing to Health House by no later than 12 noon (or such later time as Creso and Health House may agree) on the Implementation Date that the Scheme Consideration has been provided in the manner contemplated by clause 7.3(a), and the provision of the Scheme Consideration in the manner contemplated by clause 7, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Creso, without the need for any further act by any Scheme Shareholder (other than acts performed by Health House or its officers as agent and attorney of the Scheme Shareholders under clause 10.6 or otherwise), by:
 - (i) Health House delivering to Creso a duly completed and executed share transfer form to transfer all the Scheme Shares to Creso, executed on behalf of the Scheme Shareholders by Health House; and
 - (ii) Creso duly executing such transfer form and delivering it to Health House for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 6.2(a)(ii), Health House must enter, or procure the entry of, the name of Creso in the Share Register in respect of the Scheme Shares transferred to Creso in accordance with this Scheme.

7. SCHEME CONSIDERATION

7.1 Amount of Scheme Consideration

Each Scheme Shareholder is entitled to receive the Scheme Consideration.

7.2 Foreign Scheme Shareholders

- (a) Creso will be under no obligation to issue, and must not issue, any Creso Consideration Securities under this Scheme to Foreign Scheme Shareholders
- (b) Instead, Creso must procure that:
 - (i) the Sale Securities are issued by Creso to the Sale Agent on the Implementation Date (rounded down, if necessary, to the nearest whole number);
 - (ii) as soon as practicable and, in any event, not more than 15 Business Days after the Implementation Date, the Sale Agent sells the Sale Securities in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith; and
 - (iii) promptly after the last sale of Sale Securities in accordance with clause 7.2(b)(ii), the Sale Agent pays the Sale Proceeds into the Trust Account (for payment by Health House to the Foreign

Scheme Shareholders in accordance with clauses 7.3(c) to 7.3(e) (inclusive) and 7.9 of this Scheme).

- (c) None of Creso, Health House or the Sale Agent gives any assurance as to the price that will be achieved for the sale of Sale Securities by the Sale Agent. The sale of Sale Securities by the Sale Agent will be at the risk of the Foreign Scheme Shareholders.
- (d) Each Foreign Scheme Shareholder appoints Health House as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Foreign Scheme Shareholders under the Corporations Act.

7.3 Provision of Scheme Consideration

- (a) Creso must before 12.00 noon on the Implementation Date:
 - (i) procure the issue of all of the Creso Consideration Securities which it is obliged to issue to Scheme Shareholders under this Scheme and provide Health House with written confirmation that Creso has done so;
 - (ii) procure that the name of each Scheme Shareholder entitled to receive Creso Consideration Securities under this Scheme is entered in Creso's registers of members and optionholders as the holder of those Creso Consideration Securities (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares, and in CHESS Holdings if the relevant Scheme Shares were held in the CHESS Holdings and in Issuer Sponsored Holdings if the relevant Scheme Shares were held in Issuer Sponsored Holdings); and
 - (iii) procure that the name of the Sale Agent is entered in Creso's registers of members and optionholders as the holder of the Sale Securities (with such holding details as the Sale Agent notifies).
- (b) On or before the date that is 5 Business Days after the Implementation Date, Creso must send or procure the sending of allotment advices or holding statements (or equivalent documents) to each Scheme Shareholder entitled to receive Creso Consideration Securities under this Scheme, reflecting the issue of such Creso Consideration Securities in accordance with clause 7.3(a)(iii).
- (c) As soon as practicable following payment into the Trust Account of the Sale Proceeds, Health House must pay from the Trust Account to each Foreign Scheme Shareholder such amount of cash as is due to that Scheme Shareholder as Scheme Consideration in respect of their Scheme Shares, being in the case of each such person the amount they would have received had they:
 - (i) received the Creso Consideration Securities to which they would have been entitled under this Scheme but for the operation of clause 7.2; and
 - (ii) sold them for an amount per Creso Consideration Securities equal to that part of the Sale Proceeds which is attributable to the sale of Creso Consideration Securities divided by the total

number of Creso Consideration Securities included in the Sale Securities, provided that for the purposes of the foregoing the total cash amount payable to a Foreign Scheme Shareholder in respect of its parcel of Scheme Shares shall be rounded down to the nearest whole cent.

- (d) The amount referred to in clause 7.3(c) must be paid by Health House doing any of the following at its election:
- (i) sending (or procuring the Health House Registry to send) it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Trust Account; or
 - (ii) depositing (or procuring the Health House Registry to deposit) it into an account with any "Australian ADI" (as defined in the Corporations Act) notified to Health House (or the Health House Registry) by an appropriate authority from the Scheme Shareholders.
- (e) If there is any surplus in the amount held by Health House in the Trust Account, that surplus must be paid by Health House to Creso following the satisfaction of Health House's obligations under this clause. Any interest on the amounts deposited in the Trust Account (less bank fees and other charges) will be to Creso's account.

7.4 Foreign resident capital gains withholding

- (a) If Creso determines, having regard to legal advice, that Creso is either:
- (i) required by law to withhold an issue of Creso Consideration Securities to a Scheme Shareholder; or
 - (ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder,
- (either of the above being the **Relevant Amount**), then Creso is entitled to:
- (iii) withhold the Relevant Amount before issuing the Creso Consideration Securities to the Scheme Shareholder; and
 - (iv) reduce the number of Creso Consideration Shares issued by a number calculated by the following factor, RA/VS , rounded up to the nearest whole number of Creso Consideration Shares, where:
 - (A) RA means the Relevant Amount; and
 - (B) VS means the value (as reasonably assessed by Creso) of one Creso Consideration Share,

and the issue of the reduced number of Creso Consideration Shares and the payment of the Relevant Amount to the relevant taxation authority pursuant to paragraph (b) below will be taken to be full payment of the Relevant Amount for the purposes of this Scheme, including clause 7.3.

- (b) Creso must pay any Relevant Amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

7.5 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any Creso Consideration Securities comprising the Scheme Consideration are to be registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of Health House, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of Health House, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders.

7.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be provided to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a Creso Consideration Security, that fractional entitlement will be rounded down to the nearest whole Creso Consideration Security.

7.7 Unclaimed monies

- (a) Health House may cancel a cheque sent under this clause 7 if the cheque:
 - (i) is returned to Health House; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 11 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Health House (or the Health House Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Health House must reissue a cheque that was previously cancelled under clause 7.7(a).
- (c) The *Unclaimed Money Act 1990 (WA)* will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined in section 3 of the *Unclaimed Money Act 1990 (WA)*).
- (d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Creso.

7.8 Status of Creso Consideration Securities

Subject to this Scheme becoming Effective, Creso must:

- (a) issue the Creso Consideration Shares required to be issued under this Scheme on terms such that each such Creso Consideration Share will rank equally in all respects with each other Creso Share then on issue; and
- (b) ensure that each Creso Consideration Share required to be issued under this Scheme is duly issued and is fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of Creso); and
- (c) ensure that each Creso Consideration Option required to be issued under this Scheme is duly issued free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of Creso); and
- (d) use all reasonable endeavours to ensure that the Creso Consideration Securities are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

7.9 Order of a court or Regulatory Authority

if:

- (a) written notice is given to Health House (or the Health House Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Health House in accordance with this clause 7, then Health House may procure that payment is made in accordance with that order or direction; or
- (b) written notice is given to Health House (or the Health House Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that prevents Health House from making a payment to any particular Scheme Shareholder in accordance with clause 7.3(c), or such payment is otherwise prohibited by applicable law, Health House may retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with this clause 7 is permitted by that order or direction or otherwise by law, and the payment or retention by Health House (or the Health House Registry) will constitute the full discharge of Health House's obligations under this clause with respect of the amount so paid or retained until, in the case of clause 7.9(b), it is no longer required to be retained.

7.10 Definition of sending

For the purposes of clause 7, the expression *sending* means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

8. DEALINGS IN HEALTH HOUSE SHARES

8.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Health House Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Share Register as the holder of the relevant Health House Shares on or before 7.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm on the day on which the Record Date occurs at the place where the Share Register is kept,

and Health House will not accept for registration, nor recognise for any purpose (except a transfer to Creso under this Scheme and any subsequent transfer by Creso or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

8.2 Register

- (a) **(Registration of transfers)** Health House must register registrable transmission applications or transfers of the kind referred to in clause 8.1(b) by or as soon as reasonably practicable after the Record Date (provided that for the avoidance of doubt nothing in this clause 8.2 requires Health House to register a transfer that would result in a Health House Shareholder holding a parcel of Health House Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules)).
- (b) **(No registration after Record Date)** Health House will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Health House Shares received after 5.00pm on the day on which the Record Date occurs, other than to Creso in accordance with this Scheme and any subsequent transfer by Creso or its successors in title.
- (c) **(Maintenance of Share Register)** For the purpose of determining entitlements to the Scheme Consideration, Health House must maintain the Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) **(No disposal after Record Date)** From the Record Date until registration of Creso in respect of all Scheme Shares under clause 4, no Health House Shareholder may dispose or otherwise deal with Health House Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and Health House shall be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Record Date)** All statements of holding for Health House Shares will cease to have effect from the Record Date as documents of title in respect of those shares. As from the Record Date, each entry current at that date on the Share Register will cease to have

effect except as evidence of entitlement to the Scheme Consideration in respect of the Health House Shares relating to that entry.

- (f) **(Provision of Scheme Shareholder details)** As soon as practicable on or after the Record Date and in any event within one Business Day after the Record Date, Health House will ensure that details of the names, Registered Addresses and holdings of Health House Shares for each Scheme Shareholder are available to Creso in the form Creso reasonably requires.

9. **SUSPENSION AND DELISTING**

- (a) Health House will apply to ASX to suspend trading on the ASX in Health House Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Creso, and to take effect only after the transfer of the Scheme Shares has been registered in accordance with clause 6.2(b), Health House will apply:
- (i) for termination of the official quotation of Health House Shares on ASX; and
 - (ii) to have itself removed from the official list of ASX.

10. **GENERAL SCHEME PROVISIONS**

10.1 **Consent to amendments to this Scheme**

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Health House may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which Creso has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Health House has consented.

10.2 **Binding effect of Scheme**

This Scheme binds Health House and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of Health House.

10.3 **Scheme Shareholders' agreements and acknowledgment**

Each Scheme Shareholder:

- (a) agrees to the transfer of their Health House Shares together with all rights and entitlements attaching to those Health House Shares in accordance with this Scheme;
- (b) who holds their Health House Shares in a CHESS Holding agrees to the conversion of those Health House Shares to an Issuer Sponsored Holding and irrevocably authorises Health House to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;

- (c) agrees to any variation, cancellation or modification of the rights attached to their Health House Shares constituted by or resulting from this Scheme;
- (d) agrees to, on the direction of Creso, destroy any holding statements or share certificates relating to their Health House Shares;
- (e) agrees to become a shareholder of Creso, have, subject to clause 10.3(f), their name and address entered in Creso's register of members (and other details as the holding of the relevant Scheme Shares), and to be bound by its constitution; and
- (f) acknowledges and agrees that this Scheme binds Health House and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting).

10.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to Health House, in its own right and for the benefit of Creso, that as at the Implementation Date:
 - (i) all of its Health House Shares which are transferred to Creso under this Scheme, including any rights and entitlements attaching to those Health House Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
 - (ii) all of its Health House Shares which are transferred to Creso under this Scheme will, on the date on which they are transferred to Creso, be fully paid;
 - (iii) it has full power and capacity to transfer its Health House Shares to Creso together with any rights attaching to those shares; and
 - (iv) it has no existing right to be issued any Health House Shares, options exercisable into Health House Shares, Health House convertible notes or any other Health House securities.
- (b) Health House undertakes that it will provide the warranties in clause 10.4(a) to Creso as agent and attorney of each Scheme Shareholder.

10.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) On and from the Implementation Date, subject to the provision of the Scheme Consideration to each Scheme Shareholder in the manner

contemplated by clause 7.3, Creso will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Health House of Creso in the Share Register as the holder of the Scheme Shares.

10.6 Authority given to Health House

- (a) Scheme Shareholders will be deemed to have authorised Health House to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder:
 - (i) a share transfer or transfers in relation to Scheme Shares as contemplated by clause 6.2; and
 - (ii) any deed or document required by Health House or Creso that causes each Scheme Shareholder entitled to Creso Consideration Shares to be bound by the constitution of Creso.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Health House and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
 - (i) on the Effective Date, enforcing the Deed Poll against Creso and Health House accepts such appointment; and
 - (ii) on the Implementation Date, executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares and Health House accepts such appointment.

10.7 Appointment of sole proxy

Immediately after the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 7.3 until Health House registers Creso as the holder of all Health House Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Creso as its attorney and agent (and directed Creso in such capacity) to appoint an officer or agent nominated by Creso as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Health House, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution;
- (b) undertakes not to otherwise attend Health House Shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 10.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Creso reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 10.7(a), Creso and any officer or agent nominated by Creso under

clause 10.7(a) may act in the best interests of Creso as the intended registered holder of the Scheme Shares.

10.8 Instructions

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions or notifications by a Scheme Shareholder to Health House binding or deemed binding between the Scheme Shareholder and Health House relating to Health House or Health House Shares (including any email addresses, instructions relating to communications from Health House, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Health House) will be deemed from the Implementation Date (except to the extent determined otherwise by Creso and in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Creso, and will be accepted by Creso until that instruction or notification is revoked or amended in writing addressed to Creso at the relevant registry, provided that any such instructions or notifications accepted by Creso will apply to and in respect of the issue of Creso Consideration Securities as part of the Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.

11. GENERAL

11.1 Stamp duty

Creso must pay all stamp duty payable in connection with the transfer of the Scheme Shares to Creso pursuant to this Scheme.

11.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Health House, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Health House's registered office or at the office of the Health House Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Health House Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

11.3 Further assurances

- (a) Health House must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to Health House doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

11.4 Governing law and jurisdiction

- (a) This Scheme is governed by the laws of Western Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them

in respect of any proceedings arising out of or in connection with this Scheme.

11.5 No liability when acting in good faith

None of Health House nor any of its respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure D – Deed Poll

CRESO PHARMA LIMITED
ACN 609 406 911
(Creso)

DEED POLL

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THIS DEED is made on the 20th day of March 2023

BETWEEN

Creso Pharma Limited (ACN 609 406 911) of Suite 5 CPC, 145 Stirling Highway, Nedlands, Western Australia (**Creso**).

RECITALS

- A. On 20 November 2022, Creso and Health House entered into the Scheme Implementation Deed to provide for (among other matters) the implementation of the Scheme.
- B. The effect of the Scheme will be to transfer all Scheme Shares to Creso in return for the Scheme Consideration.
- C. Creso enters this deed poll to covenant in favour of Scheme Shareholders to:
- (a) perform the actions attributed to it under the Scheme; and
 - (b) provide the Scheme Consideration in accordance with the Scheme.

IT IS AGREED as follows:

1. DEFINED TERMS & INTERPRETATION

1.1 Defined terms

In this document:

Health House means Health House International Limited ACN 149 197 651 as trustee for the Scheme Shareholders.

Scheme Implementation Deed means the Scheme Implementation Deed dated 20 November 2022 between Creso and Health House, as amended.

1.2 Terms defined in Scheme Implementation Deed

Words and phrases defined in the Scheme Implementation Deed have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *deed* and with any reference to *party* being taken to include the Scheme Shareholders.

2. NATURE OF THIS DEED POLL

Creso agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

3. CONDITIONS

3.1 Conditions

Creso's obligations under this deed poll are subject to the Scheme becoming Effective.

3.2 Termination

This deed poll and the obligations of Creso under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of Creso and Health House, may order,

unless Creso and Health House otherwise agree in writing.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) Creso is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Creso in respect of any breach of this deed poll which occurred before it terminated.

4. PERFORMANCE OF OBLIGATIONS

4.1 Generally

Subject to clause 3, Creso covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if Creso was a party to the Scheme.

4.2 Provision of Scheme Consideration

- (a) Subject to clause 3, Creso undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) The obligations of Creso under clause 4.2(a) will be satisfied if, in respect of the Scheme Consideration:
 - (i) no later than 12.00 noon (or such later time as Creso and Health House may agree) on the Implementation Date, Creso issues all of the Creso Consideration Securities which it is obliged to issue to Scheme Shareholders and to the Sale Agent under the Scheme, procures that the name of each Scheme Shareholder entitled to receive Creso Consideration Securities under the Scheme is entered in Creso's registers of members and optionholders as the holder of those Creso Consideration Securities (having the same holding name and address and

other details as the holding of the relevant Scheme Shares) and Creso provides Health House with written confirmation that Creso has done so;

- (ii) on or before the date that is five Business Days after the Implementation Date, Creso sends or procures the sending of certificates or holding statements (or equivalent document) to each Scheme Shareholder entitled to receive Creso Consideration Securities under the Scheme, reflecting the issue of such Creso Consideration Securities; and
- (iii) procuring, as soon as reasonably practicable that the Sale Agent sells any Creso Consideration Securities issued to it and remits the proceeds to the relevant Foreign Scheme Shareholders, in accordance with the Scheme,

in each case, in accordance with, and subject to, the provisions of the Scheme.

5. WARRANTIES

Creso represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
 - (ii) its constitution or other constituent documents; or
 - (iii) any other document which is binding on it or its assets; and
- (f) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. CONTINUING OBLIGATIONS

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Creso having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

6.2 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Health House; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Health House and is approved by the Court,

in which event Creso will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

7. NOTICES

Any notice, demand or other communication (a **Notice**) to Creso in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;
- (c) will be conclusively taken to be duly given or made:
 - (i) **(in the case of delivery in hand)**, when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made between 5.00pm and 12 midnight on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day or is made between 12.01am and 8.59am on a Business Day, in which case that Notice will be deemed to be received at 9.00am on that Business Day;
 - (ii) **(in the case of delivery by post)**, on the third Business Day after the date of posting (if posted to an address within Australia) or the fifth Business Day after the date of posting (if posted to an address outside Australia); or
 - (iii) **(in the case of email)**, immediately after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the

next Business Day. If delivery is between 12.01am and 8.59am local time on a Business Day, then delivery will be deemed to be received at 9.00am on that Business Day.

8. GENERAL PROVISIONS

8.1 Assignment

- (a) The rights and obligations of Creso, Health House and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of Creso and Health House.
- (b) Any purported dealing in contravention of clause 8.1 (a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of Creso, Health House and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 No waiver

- (a) Creso may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on words or conduct of Creso as a waiver of any right unless the waiver is in writing and signed by Creso.
- (d) The meanings of the terms used in this clause 8.4 are set out below.

conduct includes delay in the exercise of a right.

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

Creso:

- (a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and
- (b) indemnify and undertake to keep indemnified each Scheme Shareholder against any liability arising from a failure to comply with clause 8.4(a).

8.5 Further assurances

Creso will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of Western Australia. In relation to it and related non-contractual matters Creso irrevocably:

- (a) submit to the non-exclusive jurisdiction of courts of Western Australia; and
- (b) waive any right to object to the venue on any ground.

EXECUTED and delivered as a deed poll.

EXECUTED by CRESO PHARMA LIMITED)
ACN 609 406 911)
in accordance with section 127 of the)
Corporations Act 2001 (Cth):)



Signature of director



Signature of director/company secretary*

William Lay

Name of director

Erlyn Dawson

Name of director/company secretary*

*please delete as applicable

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Annexure E – Notice of Scheme Meeting

NOTICE OF SCHEME MEETING

Accompanied by a Scheme Booklet & Proxy Form

This Notice of Scheme Meeting and the Scheme Booklet should be read in their entirety.

The Scheme Booklet contains an explanation of the Scheme and the Independent Expert's Report.

If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional advisor prior to voting.

If you wish to discuss this Notice of Scheme Meeting or the accompanying documents, please do not hesitate to contact the Company Secretary on +61 8 6558 0886.

Scheme Meeting to be held at the offices of Pathways Corporate, Level 3, 101 St Georges Terrace, Perth WA on Tuesday, 2 May 2023 at 1.30pm AWST

Health House International Limited

ACN 149 197 651

Contents

NOTICE OF COURT-ORDERED SCHEME MEETING 2

Key dates

30 April 2023 Snapshot date for eligibility to vote

30 April 2023 Last day for receipt of Proxy Forms *

2 May 2023 Scheme Meeting

* Proxy Forms received after 1.30pm AWST will be disregarded.

Notice of scheme meeting

Notice is hereby given that, by an order of the Supreme Court of Western Australia made on 22 March 2023 pursuant to section 411(1) of the Corporations Act, a meeting of holders of ordinary shares in Health House International Limited ACN 149 197 651 (**Company**) will be held at the offices of Pathways Corporate, Level 3, 101 St Georges Terrace, Perth WA on **Tuesday, 2 May 2023 at 1.30pm AWST**.

The Court has also directed that David Wheeler, or, failing him, Tim Slate, act as the chairman of the Scheme Meeting.

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve a scheme of arrangement (with or without any modifications or conditions approved by the Court which are acceptable to the Company and Creso Pharma Limited ACN 609 406 911 (**Creso**)) proposed to be made between the Company and Health House Shareholders (other than Creso and its Related Bodies Corporate if it holds any Scheme Shares) (**Scheme**).

To enable you to make an informed voting decision, further information on the Scheme is contained in the Scheme Booklet accompanying this Notice. Unless otherwise defined, capitalised terms used in this Notice have the same meaning as set out in the glossary in Section 19 of the Scheme Booklet.

Agenda

Resolution Approval of the Scheme

To consider and, if thought fit, to approve the following resolution:

“That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act, the members approve the arrangement between Health House International Limited and the holders of its fully paid ordinary shares (other than Creso Pharma Limited and its Related Bodies Corporate if they hold any such shares), designated the “Scheme”, as contained in and more particularly described in the Scheme Booklet accompanying the Notice of Scheme Meeting with or without any modifications or conditions approved at this meeting or approved by the Supreme Court of Western Australia after this meeting, and which are acceptable to Health House International Limited and Creso Pharma Limited, and, subject to approval of the Scheme by the Court, the Health House Board is authorised to implement the Scheme with any such modifications or conditions.”

BY ORDER OF THE COURT

Tim Slate
Company Secretary
23 March 2023

PROXY APPOINTMENT, VOTING AND MEETING INSTRUCTIONS

Please see Section 10 of the Scheme Booklet for details of proxy appointment, voting and meeting instructions.

EXPLANATORY STATEMENT

1. Introduction

This Explanatory Statement has been prepared for the information of Scheme Shareholders in connection with the business to be conducted at the Scheme Meeting to be held at Level 3, 101 St Georges Terrace, Perth, Western Australia at 1.30pm (AWST) on Tuesday, 2 May 2023.

This Explanatory Statement should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Statement is to provide information to Shareholders in deciding whether or not to pass the resolution set out in the Notice.

A Proxy Form accompanies the Notice.

2. Required voting majority

In order for the Scheme to become effective, the Resolution set out in the Notice must be passed at a meeting by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of corporate shareholders, a corporate representative); and
- (b) at least 75% of the votes cast on the Resolution.

The Court has the discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the Resolution but not by a majority in number of Shareholders (other than excluded shareholders) present and voting at the Scheme Meeting. Voting at the Scheme Meeting will be by poll rather than by a show of hands.

3. Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without alteration or conditions) is subject to approval of the Court. If the Resolution proposed at the Scheme Meeting is approved by the requisite majority, and the relevant conditions of the Scheme (other than approval by the Court) are satisfied, or waived, by the time required under the Scheme, Health House intends to apply to the Court for the necessary orders to give effect to the Scheme.

4. Action to be taken by Shareholders

Shareholders should read the Scheme Booklet carefully before deciding how to vote on the Resolution.