



**International Distributor of
Medicinal Cannabis**

ASX ANNOUNCEMENT

ASX CODE: HHI

19 April 2023

March 2023 Quarterly Update

Key highlights:

- **Quarterly cash receipts of A\$6M**
- **Year to date cash receipts exceed A\$16M**
- **Robust sales across the group, particularly in Australia**
- **Health House International Limited signed Scheme Implementation Deed with Creso Pharma Limited ("Creso") for Creso to acquire Health House**

Health House International Ltd (ASX:HHI) ("Health House" or the "Company"), an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe, is pleased to provide its operational update alongside its Appendix 4C for the three months ended 31 March 2023 (Q3 FY23).

Health House International's Chairman, Mr David Wheeler commented:

We are pleased to again generate 9.5% growth in cash receipts to A\$6 million this quarter, and exceeding A\$16 million for the first three quarters of FY2023, in light of ongoing funding constraints.

We continue to work with Creso towards the integration following the proposed merger. We remain optimistic what the combined group will be able to achieve.

A\$5.4mn cash receipts in quarter

Health House generated quarterly cash receipts of A\$5,957,000 in Q3 FY23, showing 9.5% increase to the previous quarter (A\$5,437,000). Furthermore, cash receipts for the financial year to March 2023 exceeded A\$16 million showing 46% increase over the same period in the previous year (A\$10,950,000).

Receipts and sales compared to last quarter varied across the group:

- Health House Australia
 - Another 6% increase in sales compared to last quarter despite disruption from regulatory changes, supply constraints and funding constraints
- Health House United Kingdom
 - Strong performance across both the wholesale and pharmacy parts of the business, building on the activation of the pipeline of supply contracts and additional customers for the pharmacy.

Key Operational Achievements

Australia

In the quarter, Health House Australia's outreach team continued to work on establishing relationships with new customers, attending the APP Conference, along with nurturing relationships with existing customers and providing continuing education. We have implemented a new CRM system to increase sales, improve customer retention and improve margins per order.

We are currently in discussions with a number of potential new suppliers to bring innovative new products into the Australian market and are on track for compliance with the TGA GMP requirements from 1 July 2023.

United Kingdom

A strong performance in the quarter with the wholesale business continuing to win new customers and supply contracts whilst delivering on the early stages of several pipeline supply contracts. The pharmacy has added a number of additional care homes and communities to its portfolio and continues to grow its patient coverage across the region.

Scheme Implementation Deed

On 21 November 2022, executed the scheme implementation deed pursuant to which Creso proposes to acquire 100% of the shares in Health House by way of a scheme of arrangement (**Transaction** and **Scheme**).

On 23 March 2023 orders were 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; and

On 24 March 2023 in relation to the registration of the Scheme Booklet with the Australian Securities and Investments Commission.

On 30 March 2023, Health House dispatched the Scheme Booklet following approval by the Court that Health House convene a Scheme Meeting, to be held at 1.30pm on 2 May 2023, and the registration of the Scheme Booklet with ASIC.

Facility Agreement

Scheme consideration formula

Part 9.2 of the Scheme Booklet provided disclosure to Health House shareholders in relation to the Scheme consideration. As noted in the Scheme Booklet, each Health House shareholder will receive "X" new Creso Consideration Shares for the transfer of their Health House scheme shares, 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).

Part 9.2 of the Scheme Booklet also disclosed that 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.

Update to values and worked examples of Scheme consideration

As at the date of this announcement:

- the amount outstanding under the Facility Agreement (excluding \$1,750,000 advanced as repayment to Zelira Therapeutics and Celtic Capital) is approximately \$1,235,000; and
- the Health House Directors’ best estimate of the likely value of “FA” in the Scheme consideration formula on the Implementation Date has increased from \$1,250,000, as disclosed in the Scheme Booklet, to \$1,350,000.

The anticipated number of Creso Consideration Shares to be issued to Health House Shareholders as Scheme Consideration, based on a value (or anticipated value) of “FA” of \$1,235,000 and \$1,350,000 is as follows:

| 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... |
|-------------|--|---|---|
| \$1,235,000 | 78,962,512 | 19,740,628 | 2.90 Scheme Shares |
| \$1,350,000 | 76,288,093 | 19,072,023 | 3.00 Scheme Shares |

Corporate

On 30 March 2023, Health House provided notice regarding its Annual General Meeting of its shareholders (Shareholders) at Pathways Corporate, Level 3, 101 St Georges Terrace, Perth WA 6000 at 1.00 pm (WST) on Tuesday, 2 May 2023 (the Meeting).

Subsequent to the end of the quarter, pursuant to ASX Listing Rule 3.10A that the following securities will be release from ASX imposed escrow:

- 24,007,838 fully paid ordinary shares, on 16 April 2023. The Company applied for quotation of these securities on 17 April 2023.
- 12,887,100 fully paid ordinary shares, on 24 April 2023. The Company will apply for quotation of these securities on 24 April 2023

Additional Information

Financial Snapshot

The Company's net cashflow used in operations for the quarter was \$255,000. The Company's operational outflows mainly comprised of inventory and operating costs (\$4,860,000), staff costs (\$618,000), administrative and corporate costs (\$673,000).

Cash receipts represented \$5,957,000 mainly generated from sales in Australia and the United Kingdom with a nominal contribution from Germany.

Listing Rule 4.7C.2

Health House confirms its operations are significantly funded by cash receipts from customers and Group expenditure since the date of admission, being 16 April 2021, exceeded the "use of funds: statement on expenditure program in the prospectus" prior to the end of the 31 December 2021 quarter. Health House will no longer provide a comparison of Health House's actual expenditure on the individual items in the "use of funds: statement of expenditure program since the date of admission" against the estimated expenditure on those items in the "use of funds: statement on expenditure program in the prospectus".

Health House will no longer be providing the use of funds comparison in its Appendix 4C.

Listing Rule 4.7C.3

In item 6 of the attached Appendix 4C, HHI recorded payments to related parties during the quarter of approximately \$5,000 comprising Director Services of \$Nil and Non-Director Services –and serviced office expenses of \$5,000.

The Company closed the quarter with a cash position of \$426,000.

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.

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