



ASX Release

9 October 2019

Zelda to merge with US-based Ilera Therapeutics to create a leading global therapeutic medicinal cannabis company

- **Merger brings together a leading pipeline of clinical candidates, revenue generating medicines, and a combined strategy to disrupt global medicinal cannabis and pharmaceutical markets**
- **With operations in Australia and the USA, the merged company will have global access to large, profitable and fast growing medicinal cannabis markets**
- **Merged company intends to generate revenues from proprietary cannabis formulations developed by Ilera Therapeutics and recently launched in Pennsylvania (PA) under the HOPE™ brand. Ilera Therapeutics has rights to HOPE™ in markets outside of PA and has plans to market this and other proprietary products across the USA and into global markets**
- **Merged company, through its dermatology subsidiary, will also generate proprietary dermatology-focused products for both the retail and cannabis regulated markets, created by Dr Karyn Grossman, a renowned, board certified cosmetic dermatologist**
- **Zelda gains access to a world-class US-based management team with a successful track-record in the pharmaceutical and cannabis sectors**
- **Merger captures synergies to drive significant uplift in value for both companies**

Zelda Therapeutics Limited (ASX: ZLD, OTCQB: ZLDAF) (“Zelda”) is pleased to announce a proposed merger of equals with Ilera Therapeutics LLC (Ilera Therapeutics), a privately held medicinal cannabis and cannabinoid science company based in the United States. Subject to approval from Zelda shareholders, and all conditions of sale being met, Zelda is proposing to acquire 100% of Ilera Therapeutics through an all-scrip transaction.

Ilera Therapeutics is a therapeutically focused medicinal cannabis and cannabinoid science company recently spun-out of Ilera Healthcare LLC with which Zelda had entered into a strategic partnership in March 2019 (refer announcement to ASX dated 12 March 2019). Its operations are centred in the US States of Pennsylvania and Louisiana while its clinical networks and distribution channels span North America.

Ilera Therapeutics Highlights:

- Formulated two proprietary formulations launched and generating revenues under the HOPE™ brand in Pennsylvania (PA). Ilera Therapeutics has retained the rights for HOPE in markets outside of PA and is progressing plans to license across the USA.
- Has a pipeline of formulations and proprietary platform technologies being developed for specific therapeutic conditions and products.
- Third party ongoing human clinical trials focused on pharmacokinetics for five proprietary products developed by the Ilera Therapeutics team targeting sleep, pain, anxiety, calmness & focus. In addition, Ilera Therapeutics is driving an Observational Autism Trial and a pharmacokinetic study for its proprietary formulated product, HOPE™.
- Has a licensing strategy to access the large and growing USA market for medicinal cannabis, including a partnership with Ilera Healthcare that provides access to 130,000+ currently registered medicinal cannabis patients in Pennsylvania.
- Ilera Therapeutics also has a partnership with Ilera Holistic, one of only two license holders for medicinal cannabis in the State of Louisiana for marketing its products in that State as well as access to its lab to develop more proprietary formulations and capability to conduct clinical trials.
- Has a partnership with Canadian group Ethicann Pharmaceuticals Inc. to develop a proprietary product, CAN-001, to treat chemotherapy-induced nausea and vomiting (CINV).
- Has a subsidiary in collaboration with Dr Karyn Grossman, that is developing high quality CBD and cannabis-based dermatology products. Dr Karyn Grossman is an internationally renowned, Harvard-trained, board certified cosmetic dermatologist with a well-established celebrity following. Dr Grossman has been listed as one of the top cosmetic surgeons by *Town & Country*, *C Magazine*, *More Magazine*, *The New York Times* and *L.A. Confidential*. In addition, Dr Grossman has been the international spokesperson for *Prescriptives Cosmetics* and has designed and developed successful new products, as well as educational and training materials.

The merger between Zelda and Ilera Therapeutics will create a global medicinal cannabis company, which will be renamed Zelira Therapeutics Limited (“Zelira”). The merger brings together a portfolio of revenue generating medicines and products undergoing clinical development that are expected to enter the market from 2020. Zelira’s disruptive ‘*launch, learn and develop*’ model will be deployed to rapidly commercialise products targeting large addressable markets such as pain, sleep and anxiety.

With operations in Australia and the USA, Zelira will have a strong platform to access global medicinal cannabis markets. Ilera Therapeutics provides direct access to the USA, the world’s largest medicinal cannabis market with over four million registered patients, while Zelda provides complementary access to the fast growing markets including Australia, Germany and the United Kingdom. The merger brings together long-term supply and distribution relationships with pharmaceutical grade manufacturers in Europe (HAPA pharm BV through Zelda) and the USA (Ilera Healthcare and Ilera Holistic through Ilera Therapeutics) ensuring access to large scale quantities of pharmaceutical-grade medicinal cannabis to supply large and growing patient populations.

Zelira Therapeutics will also bring together world-class expertise in clinical trial design, drug development, cannabinoid science research and consumer marketing along with a strategy to commercialise and disrupt existing medicinal cannabis and pharmaceutical markets.

The merged company also gains a highly experienced US-based management team with a successful track-record in the cannabis sector. It is proposed that three members of the Ilera Therapeutics team will join the Zelira Therapeutics Board including Mr Osagie Imasogie (as Chairman) and Ms Lisa Gray (as Director).

Osagie and Lisa each bring over 30 years' experience in the fields of law, corporate finance, intellectual property, global healthcare and the pharmaceutical industry. Both are founders and Managing Partners of PIPV Capital, a leading US-based private equity firm that has deployed over US\$1 billion across the global life sciences sector. Previously they were engaged as senior executives in several large pharmaceutical companies including DuPont, Merck, SmithKline Beecham and Glaxo SmithKline where they established GSK Ventures as the intellectual property-based venture capital arm of the company. Their team at GSK Ventures concluded over 30 transactions within a three-year period. Subsequently, and as serial entrepreneurs, Osagie and Lisa have founded multiple biotechnology companies that have returned significant value to investors including iCeutica and Churchill Pharma.

Most recently, Osagie and Lisa were part of the team that founded Ilera Healthcare LLC. In just over two years the business was established, underwent significant growth and expects to generate annual revenues in excess of US\$40m in 2019. In August 2019 it was announced that Ilera Healthcare LLC was to be acquired by TerrAscend Corp in a deal worth a minimum of US\$125m and up to US\$225m, contingent on performance milestones being met. The transaction successfully closed on September 16, 2019.

Zelda's Chairman, Harry Karelis commented *"This is a transformational opportunity for both companies. The merger will create one of the world's leading medicinal cannabis companies with a rich pipeline of clinically validated products under development and unique access to the world's largest and fastest growing cannabis markets. As markets for medicinal cannabis become increasingly regulated, our strategy of undertaking robust clinical trials to validate and differentiate our products is recognised as being at the forefront in this sector. The merger will enable the combined company to accelerate plans to disrupt the medicinal cannabis and pharmaceutical markets globally."*

Ilera Therapeutics' Chairman, Osagie Imasogie said *"Ilera Therapeutics and Zelda are an excellent and natural fit, given our respective clinical development strategies and operational expertise. Both companies have successful track records of creating substantial value for shareholders and, together, we will retain and further build on this focus. Our ability as a merged company to immediately capture growth opportunities in the rapidly expanding global medicinal cannabis market will be significantly enhanced. Ultimately, our objective is to deliver high quality, clinically validated products and options to patients and physicians."*

Board of Directors

Pursuant to the merger agreement, the Board of the combined company, Zelira Therapeutics, will consist of three members from Ilera Therapeutics and three members from Zelda. The proposed members from Ilera Therapeutics are Osagie Imasogie (Chairman), Lisa Gray and Dr Oludare Odumosu and from Zelda are Harry Karelis (Deputy Chairman), Jason Peterson and Dr Richard Hopkins. Current Zelda Directors, Mara Gordon and Dr Stewart Washer will step-down from the Board once the merger has been approved. Mara Gordon will join Zelira's Advisory Board.

Management Team

Pursuant to the merger agreement, the management team of the combined company will be comprised of Dr Richard Hopkins as CEO and Managing Director ex-US, Dr Oludare Odumosu as CEO and Managing Director for the US, Tom Borger as Chief Business Officer for the US, Dr Deborah Cooper as Director of Clinical Operations ex-US and Dr Meghan Thomas as Manager of Operations ex-US.

Transaction

Zelda agrees to acquire 100% of the issued capital of Ilera Therapeutics from its current shareholders.

The consideration to be paid to Ilera Therapeutics Shareholders for the acquisition of their respective Shares at Settlement is:

- (a) 113,601,290 fully paid ordinary shares in the Company (Consideration Shares); and
- (b) 362,620,322 Class A Performance Rights; and
- (c) 362,620,322 Class B Performance Rights,
to be issued pro rata between the Ilera Therapeutics shareholders (together the Consideration).

Should all Performance Rights vest then the total Consideration comprises 838,841,934 fully paid ordinary shares comprising approximately 50.00% of total diluted issued capital in the Company as at the date of the transaction Closing (excluding out of the money ESOP options).

The Class A Performance Rights and Class B Performance Rights will convert into share upon the achievement of the following milestone. A copy of the full terms of the performance rights will be included in the Zelda Notice of Annual General Meeting to be despatched prior to the end of October.

Conversion of the Class A Performance Rights

- (a) (Milestone) A Performance Right will be able to be converted into a Share by a Holder subject to satisfaction of the following milestone:
 - (i) the cumulative revenues from the date of issue of the Performance Rights received by the Company or its subsidiaries from US-based product sales exceeds US\$1,000,000.

Conversion of the Class B Performance Rights

- (b) (Milestone) A Performance Right will be able to be converted into a Share by a Holder subject to satisfaction of the following milestone:
 - (i) the cumulative revenues from the date of issue of the Performance Rights received by the Company or its subsidiaries from US-based product sales exceeds US\$2,500,000

Conditions Precedent

Closing of the Acquisition is subject to each of the following conditions being satisfied or waived by the appropriate party:

- (a) no law or Court order being put into effect by any Government authority that prohibits or restrains the transaction;
- (b) any waiting period applicable to the transaction under any applicable regulatory or competition law or ASX rule having terminated or expired and all required consents, approvals, authorisations or permits under those laws have been obtained;
- (c) each party receiving all such third party consents to the transaction;

- (d) all ancillary agreements and exhibits required to be handed over at closing being in a form satisfactory to the parties;
- (e) all delivery items outlined in the formal agreement being delivered at closing;
- (f) the representations and warranties of the parties shall be true and correct in all material respects (other than those expressly qualified for materiality) at closing;
- (g) all the obligations of the parties (including the obligation of Zelda to obtain the approval of its shareholders) being completed;
- (h) Zelda taking all actions to obtain the approval of its shareholders and enable the issue of the consideration shares and Performance Rights; and
- (i) No material adverse effects having occurred in relation to Zelda or Ilera Therapeutics.

Zelda is in the process of preparing its Notice of Annual General Meeting at which it expects to seek the relevant shareholder approvals to enable the transaction to be completed. The indicative timetable for the completion of the transaction is as follows:

Event	Date
ASX announcement of the Proposed Transactions	9 October 2019
Send Notice of Meeting seeking approval for issue of Shares as consideration for the Proposed Transaction	By 31 October 2019
Zelda Annual General Meeting	By 30 November 2019
Completion of Acquisition	Mid December 2019

*The timetable above is indicative only and subject to change

Tim Slate, Company Secretary

About Zelda Therapeutics (www.zeldatherapeutics.com)

Zelda Therapeutics Ltd is an Australian-based bio-pharmaceutical company developing proprietary cannabinoid formulations to treat a variety of medical conditions. The Company is undertaking:

- **Human clinical trials** focused on insomnia, autism and opioid reduction with activities in Australia and the USA.
- **Preclinical research** to examine the effect of cannabinoids in breast, brain and pancreatic cancer and also diabetes-associated cognitive decline.

The company conducts this work in partnership with world-leading researchers and organisations including Complutense University in Madrid, Spain; Curtin University in Perth, Western Australia; the Telethon Kids Institute in Perth; the University of Western Australia, in Perth; St. Vincent's Hospital in Melbourne, Australia; and the Children's Hospital of Philadelphia (CHOP) in the United States

Zelda has also formed strategic partnerships with HAPA Medical BV, to access their EU-GMP grade manufacturing capabilities and their German distribution networks and Ilera Healthcare, a vertically integrated cannabis company with operations in Philadelphia, and Aunt Zelda's, with operations based in California. Together these partnerships provide access to over four million registered medicinal cannabis patients globally for clinically validated Zelda products.

About Ilera Therapeutics LLC

Ilera Therapeutics LLC is a US-based company established by a team of experienced executives in the global biopharmaceutical sector. The Company is based in Pennsylvania and engaged in the development and formulation of proprietary, branded cannabis products and cannabinoids science focused on targeted medical and other indications.

The Team developed two proprietary formulations (HOPE™) already launched and generating revenues in Pennsylvania, has lab capabilities to develop formulations in Pennsylvania and Louisiana with ability to conduct clinical trials and is establishing a national footprint across the US for the licensing of its products. The company also has a partnership with Ethicann for the development of a proprietary product, CAN-001, which is being developed for the treatment of chemotherapy-induced nausea and vomiting (CINV), which occurs in approximately 80% of the new 23.6 million cases of cancer annually worldwide. The global market for treating CINV with THC is estimated by Ethicann at USD \$2.66 billion.

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Ordinary Shares

755,341,934

Options

85,700,000