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ASX ANNOUNCEMENT

24 February 2022

Zelira to acquire Health House International Limited

ZELIRA HAS SIGNED A BINDING TERM SHEET WITH HEALTH HOUSE INTERNATIONAL LIMITED

Key Highlights

- Zelira has signed a binding term sheet with Health House International Limited to acquire 100% of Health House International Limited.
- Agreement is conditional upon Zelira's completion of satisfactory due diligence on Health House and the parties entering into a formal Scheme Implementation Deed, amongst other standard conditions.
- Following successful completion of due diligence by Zelira, the acquisition will be undertaken by a Scheme of Arrangement pursuant to Part 5.1 of the *Corporations Act 2001* (Cth).
- To assist with its working capital requirements prior to implementation of the Scheme, Zelira has agreed to provide a $1.5 million loan facility to Health House.

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Zelira Therapeutics Ltd (ASX:ZLD, OTCQB:ZLDAF), a global leader in the research and development of clinically validated cannabinoid medicines, is pleased to announce that it has entered into a binding term sheet with Health House International Limited (ASX: HHI) ('**Health House**'), under which it is proposed that Zelira will acquire 100% of the shares in Health House by way of a Scheme of Arrangement to be undertaken by Health House (the '**Scheme**') that is subject to Health House's shareholder and Court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth).

Under the Scheme, Zelira will issue shares to Health House giving Health House parties a 19.45% interest in the expanded Zelira.

The acquisition of Health House by Zelira will create an organisation with strong medicinal cannabis product and distribution capabilities.

Health House is an international distributor of medicinal cannabis and holds a number of strategic licenses to store, distribute, import, export and sale of controlled drugs. Health House is well positioned with early mover advantage in the UK and European medicinal cannabis markets.

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

Additionally, Health House owns a medicinal cannabis consultancy in the EU, with online services available in six languages. Which, in addition to patient consultancy activities, provides educational training to health care professionals, and is currently supporting a non-interventional study in Germany launched by another Health House group company that considers the effect on quality of life of patients and the safety and tolerability of cannabis medication.

H&P Advisory Limited (Hannam & Partners) is acting as Zelira's financial advisor for the proposed acquisition.

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Zelira Therapeutics Founder & Chairman Osagie Imasogie said:

"The proposed acquisition of Health House will provide Zelira with control of direct access to highly regulated European and other markets for its products. In addition, the successful conclusion of this transaction will improve the margin to Zelira from products that will be directly sold in the markets in which Health House is currently active. This transaction will also provide Zelira with direct access to GMP manufacturing facilities in Europe that will further improve margins for our products and provide stronger control of our product life cycle.

In addition, this transaction will provide Zelira with control of direct access to high quality international standard clinical trial capabilities for our proprietary cannabinoid-based products. This will materially improve the speed at which these products can obtain clinical validation, while improving the cost of such clinical trials. We look forward to welcoming Health House shareholders as important members of our mutually enhanced Zelira."

Zelira Therapeutics Global Managing Director & CEO Oludare Odumosu said:

"The proposed acquisition of Health House will maximise Zelira's unique capability to develop new clinically validated products that can be marketed and distributed on a global basis.

Post-merger it is anticipated, Zelira's revenue profile will be accelerated, margins will increase from the sale of Zelira's products in markets that Health House is currently active, and cashflow breakeven will be brought forward."

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Structure of proposed acquisition

Zelira and Health House have executed a binding term sheet pursuant to which they will undertake the steps required to enter into a formal Scheme Implementation Deed ('**SID**'), subject to satisfactory due diligence by Zelira on Health House.

The SID will be subject to the conditions precedent set out in Annexure 1.

Facility Deed

To assist Health House with its short-term working capital requirements, Zelira has agreed to provide a $1.5 million short-term loan facility to Health House on the following terms:

- the maximum amount of the facility is $1.5 million and may be drawn down in a single drawdown or in a series of drawdowns.
- The facility may only be used for Health House's short-term working capital requirements.
- The facility is unsecured.
- The facility is repayable on the earlier of:
  - the date that Zelira and Health House agree after Health House becomes a wholly-owned subsidiary of Zelira as a result of the Scheme;
  - the date that is 2 months after the date the parties' current confidentiality deed between the parties is terminated or expires without the SID being executed;
  - the date that is 2 months after the date the SID is terminated; and
  - the date that is 2 months after the Scheme is implemented.

Related party disclosure

Zelira notes that two of its Directors, Harry Karelis and Tim Slate, are shareholders in Health House, holding approximately 6.38% and 0.67% of total shares on issue respectively. In addition, Mr Karelis holds approximately 1.5% of the total number of Health House performance shares on issue. Given these interests, Zelira established a transaction committee comprising the non-conflicted directors of Zelira to assess and negotiate the transaction. As such, neither Mr Karelis or Mr Slate were involved in the assessment or recommendation of the transaction to the Zelira Board. In addition, neither Mr Karelis or Mr Slate individually or together control and are not directors of Health House International Ltd.

This announcement has been approved and authorised for release by the board of Zelira Therapeutics Limited.

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Annexure 1 – Conditions Precedent to Scheme Implementation Deed

Conditions precedent

(a) The *parties'* obligation to enter into the *scheme implementation deed* is conditional on:

- **(i)** *Zelira* being satisfied with its due diligence investigations in respect of *Health House* to its sole satisfaction

(b) *Zelira's* obligation under the scheme implementation deed to issue the *new Zelira shares* at *implementation* will be conditional on:

- **(i)** **(regulatory approvals)** before 8.00am on the *second court date* (as defined in the timetable at Schedule 2), ASIC and ASX issue or provide such consents, approvals, modifications or waivers as are necessary or which *Zelira* and *Health House* agree are desirable to implement the *scheme*, either unconditionally or on conditions that do not impose unduly onerous obligations upon either *party* (acting reasonably), and such consent, approval or other act has not been withdrawn, cancelled or revoked as at 8.00am on the *second court date*;

- **(ii)** **(other approvals)** before 8:00am on the *second court date* all regulatory approvals other than those referred to in clause 7(b)(i) which are necessary, or which the parties agree are desirable, to implement the *scheme* have been issued or received (as applicable) either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably) and such regulatory approvals remain in full force and effect in all respects and have not been withdrawn, cancelled or revoked as at 8.00am on the *second court date*;

- **(iii)** **(no restraints)** no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other government agency of competent jurisdiction remains in effect as at 8.00am on the *second court date* that prohibits, materially restricts, makes illegal or restrains the completion of the *scheme*;

- **(iv)** **(FIRB)** Before the determined delivery time on the *second court date*, either:

  - **a.** Zelira has received a written notice under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) from the Treasurer (or his delegate) stating that, or to the effect that, the Commonwealth Government does not object to the acquisition of all the *scheme shares* by *Zelira* pursuant to the *scheme*, either without condition or on terms that are acceptable to *Zelira* (acting reasonably); or

  - **b.** following notice of the proposed acquisition of all the *scheme shares* by *Zelira* pursuant to the *scheme* having been given by *Zelira* to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Part 3 of FATA;

- **(v)** **(debt-to-equity)** the *debt consideration shares* having been issued prior to *implementation*;

- **(i)** **(Health House shareholder approval)** *Health House shareholders* agree to the *scheme* at a general meeting of *Health House* ***(scheme meeting)*** by the requisite majorities under the *Corporations Act*;

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(vii) **(independent expert's report)** an independent expert's report concludes that the *scheme* is in the best interests of *Health House shareholders* and, upon consideration of all available relevant information from time to time, the independent expert does not change that conclusion or withdraw its report prior to 8.00am on the *second court date*;

(viii) **(Court approval of the scheme)** the Court makes orders under section 411(4)(b) of the *Corporations Act* approving the scheme and any conditions imposed by the Court under section 411(6) of the Corporations Act are acceptable to the *parties* acting reasonably;

(ix) **(no Health House prescribed event)** from the date of the *scheme implementation deed* until 8.00am on the *second court date*, no *Health House* prescribed event occurs;

(x) **(no Zelira prescribed event)** from the date of the *scheme implementation deed* until 8.00am on the *second court date*, no *Zelira* prescribed event occurs;

(xi) **(no material adverse change)** there having been no material and adverse change in the financial condition or operations of *Zelira* or *Health House* prior to *implementation*, with the exception of planned activities previously disclosed prior to exchange, and with the *parties* agreeing that the term "material adverse change" will be subject to a more extensive definition in the *scheme implementation deed*; and

(xii) **(no breach)** neither *Zelira* nor *Health House* being in material breach of the terms of the *scheme implementation deed* (including but not limited a material breach of any warranty) provided no *party* can rely on its own breach to prevent *implementation*.

(together, ***conditions precedent***).

(c) The *parties* must take all reasonable steps to procure the satisfaction of these *conditions precedent* as soon as possible and in any event by 30 June 2022 or such other date as the *parties* agree in writing ***(CP deadline date)***.

(d) The *scheme implementation deed* may contain additional conditions precedent which are customary for a transaction of this nature.

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About Zelira www.zeliratx.com

Zelira Therapeutics Ltd (ASX:ZLD, OTCQB:ZLDAF) is a leading global biopharmaceutical company manufacturing and marketing cannabinoid-based medicines. Zelira owns a portfolio of proprietary revenue generating products and a pipeline of candidates undergoing clinical development that are positioned to access the world's largest and fastest growing markets. The Company is focused on developing and clinically validating branded cannabinoid-based medicines for the treatment of a variety of medical conditions in its Rx business, including insomnia, autism and chronic non-cancer pain.

The Company has two proprietary formulations under the HOPE® brand that are generating revenues in Australia, Pennsylvania, Louisiana and Washington D.C. with other states in the US expected to follow. Zelira is also generating revenue in Australia from its proprietary and patented Zenivol® - a leading cannabinoid-based medicine for treatment of chronic insomnia. Zenivol® has successfully completed the first Phase 1b/2a clinical trial for chronic insomnia where it was found to be a safe and effective treatment. This clinical trial is published in the prestigious journal 'Sleep'. In 2020, Zelira partnered with SprinJene®Natural to develop and commercialise natural and organic oral care products under the SprinjeneCBD brand, as part of Zelira's OTC business. The SprinjeneCBD toothpaste product is the first of several scientifically formulated, hemp-derived, oral care products containing cannabinoids and based on the proprietary and patented technology of Blackseed oil and Zinc.

The Company conducts its work in partnership with world-leading researchers and organizations which since inception includes 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.