



29 July 2022

Creso Pharma Limited signed a non-binding term sheet to acquire Health House International Ltd

Highlights:

- Creso Pharma Limited has signed a non-binding term sheet to acquire Health House International Ltd (ASX: HHI) (“Health House” or “HHI”).
- The non-binding term sheet is conditional upon completion of satisfactory due diligence on Health House and the parties entering into a formal Scheme Implementation Deed, amongst other standard conditions.
- The acquisition is proposed to be undertaken by a Scheme of Arrangement pursuant to Part 5.1 of the Corporations Act 2001 (Cth).
- Health House is an international pharmaceutical distributor, specializing in (but not limited to) the distribution of medicinal cannabis products across Australasia, the UK and Europe.
- To end of Q3 FY 2021/22 Health House recorded \$10.950m in cash receipts.
- During the same quarter/time period, Creso Pharma Group’s Q1 FY 2022 revenue (including Sierra Sage Herbs LLC., acquisition subject to shareholder approval) was \$4.8m, while HHI generated Q3 FY 2021/22 cash receipts of \$4.368m – on a pro forma basis, HHI would have increased CPH Group revenue 91% during its Q1 FY 2022.
- Should the transaction proceed, HHI’s existing operations will provide a substantial increase to Creso Pharma’s revenue profile whilst strengthening the global marketing and distribution capabilities of the whole group.
- The acquisition (should it proceed) will expand CPH’s global footprint considerably – Creso will utilise HHI’s European and Australian distribution to leverage its considerable product portfolio.
- Creso will immediately seek to reduce significant costs on the HHI business in order to fast track it to profitability. This includes the removal of all corporate overheads, reduction in headcount, sales, manufacturing, distribution costs.
- Creso Pharma also anticipates multiple cross selling opportunities utilising its own products and HHI’s distribution footprint and vice versa.
- Creso Pharma management will also seek to integrate value add businesses that can be absorbed into the Creso Pharma Group to create value for all shareholders.

Creso Pharma Limited (ASX:CPH, OTC:COPHF, FRA:1X8) (‘Creso Pharma’ or ‘the Company’) is pleased to advise it has signed a non-binding term sheet with Health House International Ltd (ASX: HHI) (“**Health House**” or “**HHI**”) under which it is proposed that Creso Pharma will acquire 100% of the shares in Health House by way of a scheme of arrangement to be undertaken by Health House (“**Scheme**”). The Scheme will be subject to shareholder and Court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth).

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The proposed transaction is subject to Creso Pharma completing satisfactory due diligence on Health House and the satisfaction of a number of other conditions, which are considered standard for transactions of this nature.

Under the Scheme, should it proceed, Creso will issue approximately one (1) Creso share for every two (2) Health House shares held by Health House shareholders based on a maximum equity value for Health House of \$4,630,388 subject to adjustments for anticipated Health House debt at completion of the Scheme (to be agreed). Should the Scheme proceed, this would give Health House shareholders approximately 7.3% interest in the expanded capital of Creso, with existing Creso shareholders retaining 92.7% ownership interest. In addition, for every four shares issued to the Health House shareholders by Creso, Health House shareholders will also receive one free option (exercise price \$0.08; expiring 4 years from issue).

Sydney-based EverBlu Capital Corporate Pty Ltd is acting as Creso Pharma's corporate advisor for the proposed merger. EverBlu will receive a 7.5% transaction fee per the Transaction Mandate disclosed in ASX announcements dated 21 January 2020 and 26 March 2021. Perth-based CPS Capital Group Pty Ltd is acting as Health House's corporate advisor. CPS will receive a transaction fee.

About Health House

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.

To Q3 FY 2021/22 Health House has recorded \$10,950,000 in revenue, this represents a 38.5% increase on FY21 (\$8,449,564) and a 95% increase on FY20 (\$5,978,940).

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 license 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.

The proposed acquisition of Health House by Creso Pharma would create a global organization with strong medicinal cannabis production and distribution capabilities, as well as a growing revenue profile.

Management commentary:

Group CEO and Managing Director, Mr William Lay said: *"The proposed acquisition of Health House has a number of potential benefits for Creso Pharma. Subject to a formal Scheme Implementation Deed being executed, implementation of the scheme would result in Creso Pharma significantly strengthening its global distribution capabilities and unlocking a number of new markets across the UK, Europe and Australia."*

"The Company intends to undertake due diligence on Health House's operations immediately and explore the potential to leverage the group's existing relationships for Creso Pharma's own product ranges."

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Further, the Company will investigate other potential opportunities including HHI's existing EU-GMP product manufacturing capabilities and how these can further benefit Mernova, SSH and Creso Switzerland as we push to establish a presence in Europe and the UK.

"We look forward to progressing work towards implementation of the Scheme and will provide ongoing updates as due diligence requirements are met and additional opportunities materialise."

Due diligence

Health House has granted Creso a period of three weeks to conduct due diligence to establish whether an acceptable binding transaction can be agreed.

Further, refer to the indicative timetable below (subject to the acquisition proceeding):

Potential Event	Indicative Date
Execution of Scheme Implementation Deed	19 August 2022
Draft Scheme Booklet given to ASIC for review	16 September 2022
Anticipated completion of ASIC review	30 September 2022
First Court Hearing Despatch of Scheme Booklet to HHI Shareholders	7 October 2022
Scheme meeting of HHI shareholders	4 November 2022
Second Court Hearing	11 November 2022
Scheme Effective Date	11 November 2022
Scheme Record Date	18 November 2022
Scheme Implementation Date	25 November 2022

*The timetable above is indicative only and subject to change.

Health House Board intention

Based on current information, the Directors of Health House have indicated their intention to unanimously recommend that Health House shareholders vote in favour of the Scheme, subject to entry into an acceptable Scheme Implementation Deed, no superior proposal being received and an Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of shareholders.

The Company notes that, until due diligence is completed and a binding Scheme Implementation Deed is executed by the parties, there is no certainty that the acquisition of Health House will proceed.

Update on Capital Raising

The Company refers to its trading halt request dated 27 July 2022 and voluntary suspension request dated 29 July 2022 in relation to a capital raising, which is ongoing.

The Company looks forward to updating shareholders in due course on this initiative.



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Authority and Contact Details

This announcement has been authorised for release by the Managing Director and CEO of Creso Pharma Limited.

For further information, please contact:

Investor Enquiries

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About Creso Pharma

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

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

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Forward Looking statements

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

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materially from expectations include, among other things, general economic and market factors, competition and government regulation.

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

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