

## ASX Market Update

8 September 2014

### BioProspect to Acquire 100% of Invatec and Undertake Corporate Restructure

- BioProspect to move to 100% of Invatec and its HRV technology (subject to shareholder approvals) for the diagnosis of Mental Health conditions
  - Board to be strengthened with the appointment of Dr James Campbell as Non-Executive Director and Mr Chris Indermaur as the incoming Chairman
  - Dr Matt Mesnick, a Health Care executive with 25 years' experience in the US, appointed CMO
  - Prof Hans Stampfer the original inventor of the HRV technology to be a member of the advisory board
  - Mr. Stephen Pearce to Chair Medical and Scientific Advisory Board with foundation members Prof Hans Stampfer and Dr Stephen Addis
  - Proposed capital raising of \$4 million (previously \$2 million) in conjunction with simplification and consolidation of BioProspect's capital structure
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**Sydney, Australia - 8 September 2014:** BioProspect Ltd (**BPO** or the **Company**) is pleased to announce that it has agreed terms with Invatec whereby, subject to shareholder approval, it will acquire 100% of Invatec Health Pty Limited (**Invatec**) and its HRV (**heart rate variability**) technology in consideration for approximately 25% of the issued capital of the Company. As part of the move to acquire 100% of Invatec, the Company will also simplify its share, capital, and corporate structure. This will involve:

- a capital raising of \$4 million ;
- consolidation of 100 ordinary shares into 1 ordinary shares held;
- the conversion of all convertible notes into BPO ordinary shares;
- appointment of new Board members and management team;
- the establishment of a Medical and Scientific Advisory Board; and
- corporate rebranding.

Chairman Vince Fayad has commented that *"the above actions as a whole represent a significant milestone, which will allow BPO to transform into a major biotech Company"*.

Below are further details:

#### **Move to Acquire 100% of Invatec and the HRV Technology**

BioProspect and Invatec have executed a Head of Agreement (**HoA**) to amend the existing arrangements by which BioProspect was to acquire 80% of Invatec in two stages. Under the revised terms, BioProspect will move immediately to a 100% interest in Invatec and its HRV technology by:

1. issuing Invatec Shareholders 25,500,000 shares (on a post-consolidation basis – see below) representing an approximate 25% fully diluted interest in BioProspect at that time. These

shares will be subject to a 12 month escrow pursuant to either ASX requirements or a voluntary escrow; and

2. making three further additional milestone payments in the form of BPO fully paid shares (on a post consolidation basis) where the milestone is achieved within 5 years of completion:
  - a. the first being 6,000,000 upon completion of an Independent Validation Trial of the HRV Technology;
  - b. the second being 6,000,000 upon the completion of the development of a series of algorithms of sufficient quality to allow automated diagnosis as necessary for the commercialisation of the HRV Technology; and
  - c. the third being 6,000,000 BPO shares upon the achievement of either FDA, TGA, or European regulatory approval as necessary for the commercialisation of the HRV Technology.

The HoA is binding and conditional upon full formal documentation being entered into and BioProspect shareholder approval. A summary of the terms of this revised agreement are detailed in Appendix 1.

On 19 February 2014 BioProspect obtained shareholder approval to the initial Invatec transaction including approval under Listing Rule 11.1.2 prior to exercising the Invatec option and the Heartlink option. BioProspect will be required to obtain various shareholder approvals to the revised Intavec transaction including a further approval under Listing Rule 11.1.2. In conjunction with the shareholder approvals, shareholders will be provided with an independent expert's report.

### **Board and Management Changes**

The Board is pleased to announce that Dr Matthew Mesnik will be appointed as the Chief Medical Officer (**CMO**). Dr Mesnik is based in Minneapolis, USA and is an accomplished Healthcare Executive with 25 years of healthcare management experience and an enviable network of industry contacts. He has a reputation for bringing innovative solutions to market and a demonstrated ability to execute strategic plans. In Matthew's most recent role, he was Chief Medical Officer of MinuteClinic, the pioneer and largest provider of retail-based health clinics in the US, prior to its acquisition by CVS the US's second largest drug retailer. During his time at MinuteClinic, it grew from 80 clinics to more than 550 clinics, in 25 states with 300 physicians, and nearly 3 million annual patient visits. The Board views the appointment of a US based CMO, as a natural progression for the Company given the US is likely to be a focus of both the validation trials and early commercialisation for the medical division.

The appointment of Dr Mesnik as CMO will allow Mr Claude Solitario to concentrate his efforts as head of the Company's E-health business and accordingly, Claude Solitario has effective today, stepped down as an Executive Director of the Company. The E-health (non-medical) business represents significant potential in the emerging mobile health market, providing a number of compelling opportunities for BPO in the short to medium term. With his knowledge of the technology, understanding of the market, and experience in commercialization of intellectual property, Mr. Solitario is ideally placed to aggressively pursue these opportunities for BPO. The Board thanks Mr Solitario for his efforts as a Director and looks forward to working with him in his new role as head of the Company's E-health business.

The Board is also pleased to announce the appointment of Dr James Campbell to the Board of BPO as a Non-Executive Director. Dr Campbell is a senior biotechnology executive with more than 20 years international experience in scientific research, management consulting and venture capital. Dr Campbell has held research positions at the CNRS and the CSIRO. Dr Campbell was a founding executive at ChemGenex Pharmaceuticals where over 9 years he assisted the growth of the company's market

capitalization from \$10 million to the final \$230 million divestment in 2011. Dr Campbell is a non-executive director of the ASX-listed biotechnology company Invion Limited.

Ms Silvi El-Khouri has resigned from the Board following her request to retire to focus on her other business activities. The Board thanks Ms El-Khouri for her service to the Company.

BPO's Chairman, Mr Vince Fayad, has advised that given his other commitments, that he does intend to offer himself for re-election and will retire immediately following the meeting of shareholders approving the restructure transactions.

BioProspect is pleased to advise that Mr Chris Indermaur has agreed to join the board as the Chairman, effective at the completion of meeting of shareholders approving the various transactions. Mr Indermaur has over 30 years of experience in large Australian companies in Engineering, Business Development and Commercial roles. He previously held the role of General Manager of Strategy and Development at Alinta Ltd. Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.

Chris is currently Chairman of Poseidon Nickel Limited, a Non-Executive Director of Wildchild Australia Pty Ltd and was previously a Non-Executive Director of the Prime Health Group prior to its sale to Sonic Health Care.

Following completion the above, the board will consist of Mr Chris Indermaur (Chairman), Mr Kris Knauer (Director) and Dr James Campbell (Non-Executive Director).

#### **Medical and Scientific Advisory Board**

BioProspect will form a Medical and Scientific Advisory Board to provide medical and scientific direction of its HRV technology development together with the existing biotechnologies of BioProspect. Mr. Stephen Pearce has agreed to chair the Medical and Scientific Advisory Board. In addition to his role as CFO of Fortescue Metals, Stephen is Non-Executive Chairman of the Lion's Eye Institute, a leading Eye Research Institute based in Perth, Western Australia. The other foundation members of the Medical and Scientific Advisory Board are Dr Hans Stampfer and Dr Steven Addis.

Professor Stampfer (MB BS *W.Aust.*, FRANZCP), is a Professor of Psychiatry at the University of Western Australia and Consultant Psychiatrist at Joondalup teaching Hospital. As the discoverer of the relationship between circadian heart rate and mental illness, Prof Stampfer is an invaluable addition to Medical and Scientific Advisory Board. He is highly regarded in the field of Psychiatric Research and has international publications on the relationship between circadian heart rate and mental illness. In addition to the expertise he will make available to BioProspect Professor Stampfer has agreed to take a key role in the proposed Independent Validation Trails and any additional research, which will be undertaken by the company.

Dr Stephen Addis is a founding shareholder of Invatec and has over 30 years of experience in the medical field. Graduating from The Queens University of Belfast Northern Ireland in 1982 he obtained Specialist qualifications in psychiatry in 1987 and a postgraduate Masters degree in science 1992. Dr Addis is Head of Psychiatry and Service Director at Fremantle Hospital, a large university teaching hospital in Fremantle, Western Australia. In this role he has extensive experience running a large and complex mental health service, and was responsible for organizational governance, service development, budgetary accountability, clinical and professional standards and research. Dr Addis has also held Senior clinical and managerial

positions in North America, the United Kingdom and Australia, which has given him first-hand knowledge of health systems internationally and locally. Dr Addis is currently the Principal Investigator for a phase 3 clinical trial and has fifteen years' experience as Principal Investigator/Investigator on pharmaceutical research trials and over a decade of clinical research into the effects of mental illness upon the circadian heart rate. He has made regular academic presentations at conferences both nationally and internationally.

BioProspect will consider seeking additional members to the Medical and Scientific Advisory Board as further progress is made.

### **Capital Raising and Simplification of Capital Structure**

BioProspect will undertake a capital raising of \$4 million at a price of \$0.30 per ordinary share (post consolidation). This is higher than that announced on 10 July 2014 of \$2 million. This capital raising will ensure that the Company's activities are fully funded for the next 2 years. It is proposed that this capital raising will be completed in two tranches. An initial \$1.4 million tranche will be completed utilizing the company's existing capacity under ASX Listing Rule 7.1 with a second tranche also at a price of \$0.30 per share (post consolidation), following shareholder approval.

In conjunction with the capital raising, BioProspect will undertake a share consolidation on the basis of 1 ordinary share for every 100 ordinary shares held. Appendix 2 provides a detailed breakdown of the current and proposed capital structure. Following the acquisition of 100% of Invatec, capital raising, Note Conversion and share consolidation, BioProspect's capital structure at completion will be approximately 89.6 million shares, 17 million unlisted options, and three potential tranches each of 6 million milestone shares.

### **Conversion of Convertible Notes**

BioProspect has also reached agreement with all of its Convertible Note holders for the conversion of all the Convertible Notes into BioProspect ordinary shares, subject to the necessary shareholder approvals that may be required.

### **Other Projects**

BPO is continuing to advance its existing biotechnology assets which include AGRIPRO<sup>®</sup>, TERMILONE<sup>®</sup>, Qcide<sup>®</sup> and REGEN<sup>®</sup>. The Company has appointed a former director, Mr Peter May to manage the company's non-Invatec biotechnology portfolio. Mr May is an experienced biotechnology executive with a Master of Business Administration and a Bachelor of Applied Science (Hons). He has served as a Director and CEO of BioProspect Limited where his role was to advance these biotech assets in a number of market sectors.

Mr May will work with the Medical and Scientific Advisory Board, which will provide direction for development.

BioProspect is currently developing a new commercialisation strategy for AGRIPRO<sup>®</sup> aimed at health and nutrition products for horses and potentially other companion animals.

As announced in an ASX release dated 7 March 2014 BPO has entered into a Licence Deed with the University of Western Sydney ("UWS") to facilitate the testing of TERMILONE<sup>®</sup> in a proposed project to investigate the use of natural insecticide products in cotton.

Qcide® continues to be a focus for Bio-Gene Technology, the assignee of Qcide® IP, who are developing Qcide® for use in pest control and human therapeutic applications.

BioProspect is assessing sales avenues for REGEN® human health products.

BioProspect will continue to evaluate other biotechnology opportunities that can add value to the existing assets. BioProspect refers to its announcement of 8 May 2014 concerning its investment in Frontier Oil Corporation.

### **Corporate Rebranding**

To complete the restructure, BioProspect intends to undertake a corporate rebranding. Further details of the rebranding will be advised in due course.

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<b>Further Information:</b>	
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## Appendix 1 – Key terms of HOA

BioProspect and Invatec Health Pty Limited and its Shareholders (**Sellers**) have executed a Heads of Agreement, which outlines the terms whereby BioProspect will move to 100% of Invatec and effect its restructure. Under the Heads of Agreement, the Parties have agreed to enter into full-form Transaction Documents to effect the Restructure. The summary terms of the Heads of Agreement is as follows:

1. BPO will acquire 100% of the Sellers Invatec Shares in consideration for the issue of 25,500,000 BPO Shares on a post-consolidation basis at completion of the. These Shares will be subject to a 12 month escrow pursuant to either ASX requirements or a voluntary escrow.
2. in addition to the above, the Invatec Shareholders will be entitled to the following Milestone Payments to be made pro-rata amongst the Invatec Shareholders:
  - a. 6,000,000 BPO Shares on a post-consolidation basis where, within 5 years of completion, upon completion of an Independent Validation Trial of the HRV Technology;
  - b. 6,000,000 BPO Shares on a post-consolidation basis where, within 5 years of completion, upon the completion of the development of a series of algorithms of sufficient quality to allow automated diagnosis as necessary for the commercialisation of the HRV Technology; and
  - c. 6,000,000 BPO Shares on a post-consolidation basis upon the achievement of either FDA, TGA, or European regulatory approval as necessary for the commercialisation of the HRV, with such milestone to be achieved within 5 years of completion.
3. Steven Addis' Vendor Loan is reduced to \$250,000. The terms of the Addis Vendor Loan are to be as follows:
  - a. unsecured;
  - b. interest free;
  - c. repayable the following tranches:
    - i. tranche 1 – 50% repayable 13 months from the date of Completion; and
    - ii. tranche 2 – 50% repayable 26 months from the date of Completion;
4. Claude Solitario's Vendor loan is reduced to \$120,000. The terms of the Solitario Vendor Loan are to be as follows:
  - a. unsecured;
  - b. interest free;
  - c. repayable the following tranches:
    - a) tranche 1 – 50% repayable 13 months from the date of Completion; and
    - b) tranche 2 – 50% repayable 26 months from the date of Completion;
5. BPO will also undertake to effect the following:
  - a. undertake a consolidation of its Shares – that is, for every 100 BPO Shares on issue, they will be converted into one BPO Share;
  - b. raise a minimum of \$2 million in cash to allow it to pursue its commercial activities.
  - c. appoint the following persons to the Medical and Scientific Advisory Board:
    - i. Stephen Pearce;
    - ii. Hans Stampfer; and
    - iii. Steven Addis.

## Appendix 2 – Proposed capital structure

	Existing Capital Structure	Pre-Consolidation		Post 100:1 Consolidation	
		Shares	Options	Shares	Options
Existing shareholders <sup>1</sup>	3,173,189,372	3,173,189,372	-	31,731,893	-
Existing Convertible Notes	30 series "A" x \$50,000 @ 0.1¢ 40 series "B" x \$25,000 @ 0.3¢	1,500,000,000 333,333,333	1,500,000,000 -	15,000,000 3,333,333	15,000,000 -
Pending Share Issues <sup>2</sup>	-	73,333,333	-	733,333	-
\$4 million Capital Raising <sup>3</sup>	-	1,333,333,333	-	13,333,333	-
Invatec Vendors <sup>4</sup>	-	2,550,000,000	-	25,500,000	-
<b>TOTAL ON ISSUE AT COMPLETION</b>		<b>8,963,189,371</b>	<b>1,500,000,000</b>	<b>89,631,892</b>	<b>15,000,000</b>
Heartlink Patents <sup>5</sup>		1,034,680,339		10,346,803	
Vendor Milestone 1 <sup>6</sup>		600,000,000		6,000,000	
Vendor Milestone 2 <sup>6</sup>		600,000,000		6,000,000	
Vendor Milestone 3 <sup>6</sup>		600,000,000		6,000,000	
<b>TOTAL ON ISSUE</b>		<b>11,797,869,710</b>	<b>1,500,000,000</b>	<b>117,978,695</b>	<b>15,000,000</b>

## Notes

- <sup>1)</sup> Includes 150 million consideration shares on a pre-consolidation basis already issued to Invatec Vendors.
- <sup>2)</sup> These share issues are represented by Stephen Pearce sign on fee of 33,333,333 pre-consolidation shares, Steven Stapelberg Contract payment of 25,000,000 pre-consolidation shares, Payment for Algorithm Development of 15,000,000 pre-consolidation shares for pilot work to develop new algorithm for HRV technology.
- <sup>3)</sup> Assumes Capital Raising is completed at a price of 0.3 cents per share on a pre-consolidation basis or 30 cents per share on a post-consolidation basis.
- <sup>4)</sup> Invatec Vendors (shareholders) will be issued with 25,500,000 shares on a post-consolidation basis.
- <sup>5)</sup> Assuming BioProspect acquires intellectual property rights and technology from Heartlink in accordance with the Heartlink transaction (see the notice of meeting announced on 21 January 2014), BioProspect is to issue shares equal to a 10% fully diluted interest in BioProspect less 150,000,000 consideration shares on a pre-consolidation basis already issued.
- <sup>6)</sup> The milestones for the milestone payments are set out in Appendix 1.