



Thursday 2 October 2014

Company Announcements Office
Australian Securities Exchange
10th Floor
20 Bond Street
SYDNEY, NSW 2000.

Dear Sir,

NARHEX ENTERS HEADS OF AGREEMENT TO ACQUIRE RESPIRATORY DISEASE DIAGNOSIS AND MANAGEMENT SMART PHONE APPLICATION TECHNOLOGY

HIGHLIGHTS –

- **NLS signs Heads of Agreement (“HOA”) to acquire 100% of ResApp Diagnostics Pty Ltd (“ResApp”);**
- **ResApp holds exclusively licensed technologies from The University of Queensland (“UQ”) to develop the world’s first clinically-tested, regulatory approved smart phone application for respiratory disease diagnosis and management;**
- **ResApp’s technology is unique in that it does not require the purchase or use of additional hardware, only the patient’s smartphone is needed;**
- **Clinical proof of concept was established with funds from the Bill and Melinda Gates Foundation in a study conducted by UQ on 91 patients demonstrating 96% and 90% accuracy for the diagnosis of pneumonia and asthma respectively;**
- **ResApp will initially target a range of respiratory diseases, including pneumonia, bronchitis, chronic obstructive pulmonary disease (COPD) and asthma;**
- **The technology seeks to capitalise on the rise of telehealth consultations in the US (a patient consulting with their doctor over the internet) with 10m telehealth consultations in the US in 2012, expected to grow to 75m in 2014 (Deloitte Global Healthcare Report);**
- **Timeframe to market potentially 18 months with planned FDA clinical trial success and the launch of an approved product in 2016.**

The Directors of Narhex Life Sciences Limited (“Narhex” or the “Company”) are pleased to announce that they have entered into a binding HOA with ResApp to acquire 100% of the Australian based medical device company.

ResApp through the exclusive licence it has been granted by UQ is developing mobile medical applications for the diagnosis and management of respiratory disease. The technology is based on a machine learning algorithm that uses sound alone to diagnose and measure the severity of a respiratory condition. The algorithm has been tested for pneumonia and asthma diagnosis in a clinical proof of



concept study of 91 patients by UQ through funding from the Bill and Melinda Gates Foundation. Addressable markets for this technology include the following;

1. At-home diagnosis and management of respiratory disease through direct sales to app consumers;
2. Licensing to large telehealth providers for "in consultation" diagnosis and assessment over mobile or the web; and
3. Working with organisations such as the World Health Organisation (WHO) to deliver tools for low-cost diagnosis and management of respiratory illness in the developing world.

The technology has been licensed to ResApp via UQ's main commercialisation company UniQuest Pty Ltd ("UniQuest"). UniQuest is among the global leaders in commercialisation of university technologies and annual sales of products using UQ technology and licensed by UniQuest is approximately \$3b.

ResApp's vision is to empower consumers to self-diagnose and manage respiratory disease by providing effective, affordable and practical mHealth apps. Patients will be more informed about their health and be able to work more closely with their doctor to achieve better health outcomes. Cough is the most common single reason for a doctor visit, and in the US, over 100m primary care physician visits result in diagnosis of a respiratory disease. 15% of the world's population suffer from chronic respiratory or pulmonary diseases such as asthma and COPD, which require day-to-day disease management. The company will initially target a range of respiratory diseases including pneumonia, bronchitis, COPD and asthma and plans to expand its technology portfolio to encompass the entire spectrum of respiratory disease.

According to a recent Rock Health report, US venture capital investment in mHealth for the first half of 2014 represented \$2.4b, exceeding the total invested in 2013. Accenture recently predicted funding for digital health startups will reach \$6.5b in 2017.

Heads of Agreement

On the 1st of October 2014, NLS, ResApp and key ResApp Shareholders executed a HOA that, subject to satisfaction of a number of conditions precedent, will result in NLS acquiring all of the issued capital of ResApp.

Under the terms of the HOA, NLS, ResApp and the ResApp shareholders are to execute a Share Sale Agreement within 90 days. The consideration for the acquisition is made up as follows:

NLS will issue:

- 250,000,000 fully paid ordinary Consideration Shares; and
- 250,000,000 fully paid ordinary Milestone Shares. These shares are to be issued pro rata to the ResApp shareholders within 7 days of ResApp or the company achieving \$20 million in gross revenues or an acquisition event by NLS.

The terms of the HOA to acquire ResApp are subject to due diligence, regulatory approvals and final documentation. Settlement of the purchase of ResApp may require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules, which cannot occur until the Company has received shareholder approval. The Company will make further announcements to the market in relation to re-compliance as required.

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Following settlement of the acquisition, ResApp will be entitled to nominate up to three people for appointment to the Board of NLS.

Conditions Precedent

The HOA is subject to a number of conditions as follows:

1. The terms and conditions of the UQ Sub-License being satisfactory to NLS;
2. NLS successfully completing a capital raising and other requirements in order to facilitate recompliance with Chapters 1 and 2 of the ASX Listing Rules, if required;
3. NLS and ResApp obtaining all required shareholder and regulatory approvals;
4. NLS procuring the resignation of existing directors;
5. ResApp Shareholders agreeing to execute the Share Sale Agreement; and
6. NLS and ResApp completing their due diligence on the other, to their absolute satisfaction.

Due diligence and Risk Factors

The Company will undertake a due diligence process in relation to the acquisition of ResApp. Whilst this process is undertaken to identify or eliminate material risks in relation to ResApp and its business, it should be noted that following completion NLS will be subject to the usual risks associated with provision of services to the medical and healthcare industries.

Sophisticated Placement

The Company will undertake a sophisticated placement to raise \$750,000 at \$0.005 by issuing 150,000,000 shares in two tranches. The first \$250,000 will be raised by issuing 50,000,000 shares and will be issued in accordance with the Company's placement entitlement pursuant to Listing Rule 7.1 and 7.1A, while the second \$500,000 will be raised by issuing 100,000,000 shares subject to obtaining shareholder approval. Any investor who is allotted shares in the sophisticated placement shall be entitled to be issued a free attaching option to acquire ordinary shares in the Company on the basis of one option for every 2 shares subscribed for in the placement. The free attaching options shall be exercisable at \$0.01 and have an expiry date of 31 December 2016 and will be issued subject to shareholder approval. These funds will be utilised for working capital, continued assessment of the Company's West Africa opportunities and re-compliance with chapters 1 & 2 of the ASX Listing Rules. Trident Capital has presented a mandate to the Company with respect to raising of the sophisticated placement which is subject to a capital raising fee of up to 6%.

Recompliance with Chapters 1 And 2 of the ASX Listing Rules

Following execution of the Share Sale Agreement, the Company may be required to comply with Chapters 1 and 2 of the ASX Listing Rules prior to being able to settle the purchase. NLS will call a meeting of shareholders, at which the shareholders will be asked to vote on the proposal to acquire ResApp. If the shareholders approve the transaction to acquire ResApp, the Company's shares will be suspended from trading on the ASX until the requirements of Chapters 1 and 2 of the ASX Listing Rules have been satisfied.

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Proposed Timetable for Reconciliation.

	Date*
Execution of Share Sale HOA	2 October 2014
Dispatch of Notice of Meeting	29 October 2014
Lodgement of Prospectus with ASIC	20 November 2014
Meeting of Shareholders to Approve Acquisition	4 December 2014
Suspension of Company's Shares from trading on ASX	4 December 2014
Closure of Prospectus	8 December 2014
Satisfaction of all Requirements of Chapters 1 & 2	15 December 2014
Reinstatement to Trading	22 December 2014

*The above dates are indicative only and are subject to change. The Company will keep shareholders updated on the timing of the implementation of the transaction as it progresses.

Prospectus Capital Raising

NLS will prepare and issue a prospectus to raise sufficient funds to enable the reconciliation with Chapters 1 & 2 of the ASX Listing Rules if required. It is anticipated that the Company will raise a minimum of \$2,500,000 in the prospectus capital raising. The capital raising will be conducted at \$0.20 per share in accordance with the requirements of Chapters 1 & 2 of the ASX Listing Rules. Funds raised will be used to:

1. Build management team;
2. Perform pilot clinical trial at a major Australian hospital;
3. Develop regulatory strategy and scope FDA clinical trials;
4. Work with physicians to determine most important indications; and
5. Begin to engage telehealth and device manufacturers around licensing.

Indicative Capital Structure

In the event that the ASX makes a determination that NLS is to re-comply with Chapters 1 and 2, the Company may need to reconstruct its capital structure as it will require a capital raising at \$0.20 per share.

The table below reflects the indicative capital structure based on the following assumptions:

1. The final capital structure without reconstruction; and
2. The final capital structure based on a share price of \$0.02 immediately prior to the issuance of the Notice of Meeting. The reconstruction ratio is one share for every 10 held. The Consideration Shares and shares to be issued under the capital raising will also be adjusted by the same ratio;

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Event	Options	Number of Shares (Pre -Reconstruction)
Current Issued Capital		484,729,407
Sophisticated placement		150,000,000
Vendor Consideration		250,000,000
Facilitation fee		50,000,000
Prospectus Re-compliance Raising*		125,000,000
Options	75,000,000	
Milestone Consideration		250,000,000
Total		1,309,729,407

*Assumes a 1:10 reconstruction

- (i) The above table and total issued shares after completion of the transaction is indicative only and are subject to change.
- (ii) The reconstruction ratio may change dependent on the NLS share price at the issuance date of the Notice of Meeting.

Nicki Farley
Company Secretary
2 October 2014

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