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ASX Announcement

Lanka Graphite Limited (ASX LGR) Signs Non-Binding Heads of Agreement with Oculus Biomed Pty Ltd and Terminates MSY Share Purchase Agreement

In July 2019, Lanka Graphite Limited (“**LGR**”) (ASX:LGR) announced that it had entered into a binding share purchase agreement to acquire 100% of the group of companies (collectively referred to as “**MSY**”), subject to satisfaction of a number of conditions precedent (“**MSY Acquisition**”). Due to further delays experienced in the MSY Acquisition process, LGR has served a notice of termination on MSY, and has received MSY’s acknowledgement and agreement, to formally terminate the said share purchase agreement, effective immediately. Termination of MSY Acquisition would enable LGR to explore other acquisition opportunities.

As announced in August 2018, MSY advanced a loan of \$1 million to LGR to be used for the purposes of working capital and the transaction costs associated with the MSY Acquisition, which must be repaid to MSY should the MSY Acquisition not proceed (“**MSY Loan**”). The MSY Loan bears interest at the rate of 10% per annum.

After discussions with MSY, it has been agreed for the outstanding amount of the MSY Loan and any interest accrued thereon, totalling \$1,119,161.64 as at 31 January 2020, to be converted into 22,222,222 ordinary shares in LGR at the deemed issue price of \$0.045 per share (“**MSY Loan Conversion**”), subject to LGR obtaining all necessary regulatory and shareholder approvals required under the *Corporations Act 2001 (Cth)* and ASX Listing Rules. LGR proposes to seek shareholder approval to the proposed MSY Loan Conversion at its upcoming Annual General Meeting.

Non-Binding Heads of Agreement with Oculus Biomed Pty Ltd

While LGR was working co-operatively with MSY with a view to further progress the MSY Acquisition, LGR had been receiving approaches regarding other potential acquisition opportunities.

Detailed discussions regarding a preferred opportunity in the biopharmaceutical industry were held in January 2020.

LGR is pleased to announce that it has entered into a non-binding Heads of Agreement (“**HOA**”) to acquire 100% of the issued share capital of Oculus Biomed Pty Ltd (“**OBM**”) for a total consideration of up to \$12 million, comprising of:

- 368,000,000 ordinary shares in LGR at a deemed issue price of \$0.025 per share, to be issued to OBM shareholders upon completion of the acquisition; and
- 112,000,000 ordinary shares in LGR at a deemed issue price of \$0.025 per share, to be issued to OBM shareholders subject to and upon certain performance milestones being achieved after completion of the said acquisition,

(“**Proposed OBM Acquisition**”).

Background of OBM

OBM is an Australian unlisted biopharmaceutical company, which focuses principally on research, development and commercialisation of new drugs and medical devices, designed to treat eye-related diseases.

OBM currently holds an exclusive global right, granted by a leading major medical hospital in Taiwan, to develop from preclinical stage to clinical stage, and commercialise, patented technology and know-hows associated with treatment on the angiogenesis-related eye disease (including wet Age-Related Macular Degeneration; wet AMD) and the inflammation-related eye disease (including Dry Eye Disease; DED).

OBM further holds an exclusive right in Australia and New Zealand and a right of first refusal to participate in the business activity in People’s Republic of China, Hong Kong SAR and Macau SAR to develop and commercialise a clinical stage “Artificial Cornea” technology which is owned by a leading tissue engineering biomedical company in Taiwan, namely ACRO Biomedical Co., Ltd.

OBM aims to make further advance of these technologies with a view to receiving regulatory approval for clinical trials initially and product marketing and commercialisation.

Due Diligence to be undertaken and Definitive Document to be negotiated

The Proposed OBM Acquisition is subject to satisfactory completion of legal, financial and operational due diligence and the relevant parties entering into a definitive binding agreement, detailing the full terms of the Proposed OBM Acquisition (“**Definitive Document**”). Either party may choose not to proceed with the Proposed OBM Acquisition if it is not satisfied with the result of its due diligence on the other party.

As the nature of LGR’s business will change if the Proposed OBM Acquisition is carried out, LGR will also need to consult with the ASX on the Proposed OBM Acquisition and its implementation and compliance with ASX Listing Rule 11.1, including the nature and extent of the shareholder approval that will be required in order to carry out the Proposed OBM Acquisition. LGR anticipates it will be required to re-comply with Chapters 1 and 2 of the ASX

Listing Rules and seek shareholder approval to carry out the Proposed OBM Acquisition under the ASX Listing Rules and the Corporations Act 2001 (Cth).

The parties will now commence due diligence investigation on each other. Subject to satisfactory completion of the due diligence investigation, the Parties will then negotiate and enter into a binding Definitive Document, detailing the full terms and structure of the Proposed OBM Acquisition.

The LGR Board will provide an update on the result of the due diligence investigation, and should the parties choose to proceed with the Proposed OBM Acquisition, key terms of the Proposed OBM Acquisition and the proposed capital structure of LGR, following completion of the due diligence process, which is expected to occur at the end of March 2020.

Investors should however note that the HOA is non-binding and no Definitive Document or other binding documents have been executed in connection with the Proposed OBM Acquisition. Therefore there can be no guarantee that the parties will proceed with completion of the Proposed OBM Acquisition.

For further information, please contact the Company on +613 9221 6394.

Justyn Stedwell
Company Secretary
On behalf of the Board of Directors

Disclaimer – Forward looking statements

This release may contain forward-looking statements. These statements are based upon management's current expectations, estimates, projections and beliefs in regard to future events in respect of LGR or OBM's business and the industries in which they operate. These forward looking statements are provided as a general guide and should not be relied upon as an indication or guarantee of future performance. The bases for these statements are subjected to risk and uncertainties that might be out of control of LGR and may cause actual results to differ from the release. LGR takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release. The Proposed Transactions contemplated herein are subject to applicable regulatory approvals.