

AZURE HEALTH TECHNOLOGY LIMITED

8 November 2019

ASX Markets Announcements
Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace,
Perth WA 6000

AZT SIGNS BINDING MOU TO ACQUIRE INVICTUS

Azure Health Technology Limited (**AZT** or the **Company**) is pleased to announce that it has signed a binding, conditional Memorandum of Understanding (**MOU**) with Invictus Biopharma Ltd (ACN 628 241 725) (**Invictus**) to acquire 100% of the issued capital of Invictus, in return for equity (both shares and options) in AZT and the assumption of up to \$1.2 million of Invictus' net liability to creditors and lenders (**Acquisition**). The Acquisition is in connection with a proposed relisting and capital raising of AZT (**Transaction**).

The Company's shares will remain suspended from quotation until such time as it satisfies the ASX of the re-listing requirements including under Chapter 1,2 and 11 of the Listing Rules.

ABOUT INVICTUS

Invictus is commercialising delivery platforms enhancing the delivery of tocotrienols (T3s) which is the component of vitamin E thought to confer benefits across a range of medical conditions and applications.

Invictus' business is based around three delivery platforms for direct delivery of T3s:

- MELT3[®]
- TransT3
- Tocotrienol ProDrugs (TPDs)

Invictus is focused on improving efficacy by improving the bioavailability using direct delivery platforms without invasive techniques like injections or surgical implants. Based on the above three technology platforms for non-invasive and direct delivery, Invictus is pursuing two separate business models:

- prescription medicines based on improved delivery of T3 drugs; and
- evidence-based nutraceuticals (dietary supplements).

Invictus believes that its business has a number of compelling commercial and technological advantages including:

- A clinical phase drug development program (which has been broadly endorsed by the FDA through a formal Pre-IND Consultation process) with drug candidates which have completed Phase Ia clinical studies and which are phase II - ready
- Management, Board and advisors with successful track records in bringing prescription medicines to the market internationally and marketing and selling nutraceuticals

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- Technologies which open up new applications of vitamin E which have not been fully exploited previously
- A growing body of external clinical evidence to support the efficacy of T3s as an anti-cancer agent and as a therapeutic agent for fatty liver disease (NAFLD/NASH)
- Pharmaceutical quality development for high-value food supplements
- A commercial model which delivers early revenues from nutraceutical products to support further development of high-value prescription drugs

KEY TERMS OF THE ACQUISITION

1. Consideration

It is expected that AZT will relist on the ASX after completion of the Acquisition (**Relisting**) and it is expected that on Relisting AZT's shares will be quoted at \$0.20 per share. The shares to be issued to Invictus shareholders will be issued at the same price as the Relisting Price (**Issue Price**). The first part of the consideration for acquiring all of the issued capital of Invictus (**Invictus Shares**) is that AZT will issue to the Invictus Shareholders in their respective proportions, up to 35,000,000 fully paid ordinary shares in AZT (**Consideration Shares**). AZT will also issue options to subscribe for fully paid ordinary shares in AZT to participants in the existing Invictus employee incentive plan (**Plan**) with an exercise price of \$0.479 per option (**Consideration Options**). The Consideration Options will be issued on terms similar to the existing Plan. All previous and outstanding options under the Plan will be cancelled.

On and from issue, the Consideration Shares will rank equally with AZT shares then on issue other than for any restrictions which may be imposed under the ASX Listing Rules.

The second part of the consideration for the acquisition of all of the issued capital in Invictus is the assumption by AZT of up to \$1.2 million (**Target Liability**) of Invictus' net liability to creditors and lenders as at the date of completion of the Acquisition (**Completion**). Completion and the assumption of liability is expected to occur as soon as practicable after the close of the public offer for AZT's shares (see below) or any other later date agreed between the parties. To the extent that Invictus's actual net liability is (or will) exceed the Target Liabilities then an adjustment will be made to reduce the number of Consideration Shares issued.

2. Conditions Precedent

The Acquisition is subject to a number of conditions precedent which are standard for a transaction of this type, including:

- a. all regulatory approvals necessary for the Transaction to complete having been obtained;
- b. the shares in Invictus being unencumbered on Completion;

- c. waiver of all existing pre-emptive rights and compliance with all shareholders agreements (if any) and constitutional requirements to give effect to the Transaction;
- d. the Consideration Shares being offered under AZT's Relisting prospectus;
- e. there being no material adverse change in the financial position of either AZT or Invictus during the period from the date of the MOU until Completion;
- f. Invictus Net Liabilities being no greater than the Target Liability of \$1.2 million, (calculated as at Completion) subject to the right of AZT to adjust the number of Consideration Shares issued as described above;
- g. all shareholder and Board approvals required and desirable for the successful completion of the Transaction are obtained;
- h. the provision by Invictus of typical and customary warranties and limitations for a transaction of this nature; and
- i. such other conditions as are customary for a transaction of this nature.

The Acquisition remains conditional on the satisfaction (or waiver) of the above conditions precedent.

3. Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Acquisition will result in a change in the Company's nature and scale of its activities and will require shareholder approval under Chapter 11 of the ASX Listing Rules as well as requiring the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and obtain conditional approval from ASX to have its securities re-admitted to trading. AZT proposes to send a notice of meeting (**NOM**) seeking the relevant approvals to undertake this process and that NOM will contain detailed information relating to the Acquisition.

4. Potential Capital Raising

In order to comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules for admission to the Official List, the Company is proposing to undertake a capital raising by way of a general public offer under a prospectus (**Offer**) to raise between AU\$7,000,000 and AU\$10,000,000 by the issue of between 35 million and 50 million shares at AU\$0.20 per AZT Share (**Proposed Capital Raising**). A prospectus is proposed to be lodged with ASIC in respect of the Proposed Capital Raising.

5. Convertible Note

Prior to Completion, AZT (or an associate of AZT) will loan Invictus up to \$550,000 by way of a convertible note issue. Invictus must use those funds to repay its creditors and lenders as at 11 September 2019. The convertible note will be secured by Invictus granting AZT a first ranking, registrable security interest over all of Invictus' present and after acquired property.

The issue of the Convertible Note is subject to the fulfilment (or waiver by AZT) of the following conditions:

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- a. AZT (or an associate of AZT, if applicable) and Invictus entering into a Convertible Note Deed;
- b. all shareholder and Board approvals required and desirable are obtained; and
- c. AZT (or an associate of AZT, if applicable) and Invictus entering into a General Security Deed.

If the notes are not repaid, or the Acquisition has not completed within 12 months, the notes may convert into ordinary shares equivalent to 33% of Invictus's fully diluted share capital.

6. Further funding

AZT will provide Invictus with up to \$300,000 on terms to be finalised prior to Completion (**Further Funding**) for the purposes of funding ongoing necessary expenditure reasonably incurred by Invictus specific to the Relisting process (**Costs**). AZT will not be obligated to provide any portion of the Further Funding unless the relevant Costs are pre-approved by AZT and AZT is satisfied that the Costs have been reasonably incurred by Invictus.

7. Board and management changes / Proforma Balance Sheet / Capital Structure / Timetable

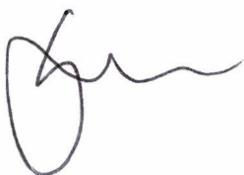
Please see the attached annexures;

Annexure 1 – Proposed Board and Management Changes

Annexure 2 – Proforma Balance Sheet

Annexure 3 – Proposed Capital Structure

Annexure 4 – Preliminary Timetable



Gregory Starr
DIRECTOR/ COMPANY SECRETARY

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Annexure 1 – Proposed Board and Management Changes

On completion the following appointments will be made to the existing AZT board of Directors:

Mr Lou Panaccio CA, BEc, MAICD - Independent Non-Executive Chairman

Mr Panaccio, a successful healthcare businessman with extensive experience progressing companies from concept to commercialisation, was appointed to the role of non-executive director to Invictus BioPharma Ltd, effective from 4 July 2018. Lou possesses more than 30 years' executive leadership experience in healthcare services and life sciences, and more than 25 years board-level experience.

Lou is currently a Non-Executive Director of an ASX50 company and one of the world's largest medical diagnostics companies, Sonic Healthcare Limited, where he has served since 2005. In addition, Mr Panaccio is also a Non-Executive Director of Unison Housing Corporation Limited, Non-Executive Chairman of ASX-listed biotechnology companies Avita Medical Limited (ASX:AVH) and Non-Executive Director of Rhythm Biosciences Limited (ASX:RHY).

Lou has also served in executive and board roles with Melbourne Pathology Group, Monash IVF Group, Primelife Corporation Limited and other private entities.

Dr Glenn Tong BSc (Hons), PhD, FAICD – Managing Director and CEO

Glenn has over 20 years of executive management and Board experience in rapid growth biotech companies where a core focus has been the management of product development in highly regulated environments including: pharmaceuticals, diagnostics and genetically modified crops and pastures. Glenn has raised and managed over \$100M in equity capital and collaborative R&D funding. Past roles include: CEO and Managing Director of Gordagen Pharmaceuticals Pty Ltd., the Molecular Plant Breeding Cooperative Research Centre and Molecular Plant Breeding Pty Ltd., and AgGenomics Pty Ltd. (a subsidiary of Genetic Technologies Limited, ASX:GTG). Glenn has a Bachelor of Science (Honours) and PhD (Chemistry) from the University of Melbourne and the Howard Florey Institute of Experimental Physiology and Medicine and is a Graduate and Fellow of the Australian Institute of Company Directors.

On completion the following key management appointment will be made:

Mr Richard Estalella - President and CEO of Invictus Nutraceuticals, Inc.

Richard Estalella is an executive and Board director with over 30 years of experience and a successful track record in the Sports Nutrition, Retail, and Multi-Level Marketing industries. Richard was the Chief Operating Officer and then President of MusclePharm Corp in the US (OTCQB:MSLP) which during his tenure increased distribution to 50,000 retail outlets and 120 countries along with sales revenue growth from US\$67M in 2012 to US\$167M in 2015. He oversaw operations, finance and supply chain which included the development of global manufacturing capabilities. Richard has an Associates Arts (graduated with Honours) from Miami-Dade Community College and has completed the Babson College Retail Strategies Program.

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Annexure 2 – Proforma Balance Sheet

Consolidated Statement of financial position

	Azure Health Technology Limited				
	Pre Offer (June year end)			Post Offer	
	Audited	Audited	Audited	Proforma Min	Proforma Max
	2017	2018	2019	2019	2019
	\$	\$	\$	\$	\$
Current assets					
Cash and cash equivalents	-	-	1,327	2,902,931	4,528,931
Trade and other receivables	-	-	143,114	175,807	175,807
Intercompany Receivables	-	-	-	-	-
Other current assets	-	-	-	-	-
Total current assets	-	-	144,441	3,078,738	4,704,738
Non-current assets					
Property, plant and equipment	-	-	-	-	-
Intangibles	-	-	-	9,770,372	11,144,372
Available-for-sale financial assets	-	-	-	-	-
Total non-current assets	-	-	-	9,770,372	11,144,372
Total assets	-	-	144,441	12,849,110	15,849,110
Current liabilities					
Trade and other payables	1,871,095	1,871,095	140,776	-	-
Convertible Notes	-	-	-	-	-
Employee benefits	62,106	62,106	-	-	-
Total current liabilities	1,933,201	1,933,201	140,776	-	-
Non-current liabilities					
Employee benefits	-	-	-	-	-

Principal Place of Business and Registered Office: MLC Centre, Level 45 Suite 03, 19-29 Martin Place, Sydney NSW 2000
+61 2 9235 3449 ACN : 111 082 485

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	Azure Health Technology Limited				
	Pre Offer (June year end)			Post Offer	
	Audited	Audited	Audited	Proforma Min	Proforma Max
	2017	2018	2019	2019	2019
	\$	\$	\$	\$	\$
Borrowings	1,476,000	1,476,000	230,000	-	-
Intercompany Payables	-	-	-	-	-
Total non-current liabilities	1,476,000	1,476,000	230,000	-	-
Total liabilities	3,409,201	3,409,201	370,776	-	-
Net assets	(3,409,201)	(3,409,201)	(226,335)	12,849,110	15,849,110
Equity					
Issued capital	69,142,533	69,142,533	69,575,647	83,575,647	86,575,647
Reserves	13,729,375	13,729,375	11,582,945	11,582,945	11,582,945
Accumulated losses	(86,236,344)	(86,236,344)	(81,384,927)	(82,309,482)	(82,309,482)
Non-controlling interest	(44,765)	(44,765)	-	-	-
Total equity	(3,409,201)	(3,409,201)	(226,335)	12,849,110	15,849,110

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Annexure 3 – Proposed Capital Structure

		Min Subscription	Max Subscription
Amount to be raised	A\$	7,000,000	10,000,000
Offer price per share	A\$	0.20	0.20
Total number shares currently on issue	#	179,998,449	179,998,449
Consolidation	#	2.57	2.57
Post Consolidation on issue	#	70,000,000	70,000,000
Issued to Invictus	#	35,000,000	35,000,000
Shares to be offered under a prospectus	#	35,000,000	50,000,000
Shares on issue on requotation	#	<u>140,000,000</u>	<u>155,000,000</u>

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Annexure 4 – Indicative Timetable

Notice of Meeting despatched to Shareholders	20 December 2019
Prospectus lodged with ASIC	20 December 2019
Offer opens	21 January 2020
General Meeting	22 January 2020
Offer closes	20 February 2020
Completion of Invictus Acquisition	26 February 2020
Re-instatement to trading	27 February 2020

Note: This timetable is indicative and is subject to change