

#### **PROSPECTUS**

PHYTOTECH MEDICAL LIMITED ACN 601 236 417

For an offer of up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000.

Lead Manager & Underwriter: BBY Limited

#### **IMPORTANT NOTICE**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

The Shares offered by this Prospectus should be considered highly speculative.

THIS PROSPECTUS IS DATED 20 NOVEMBER 2014

#### DIRECTORS

Peter Wall Non-Executive Chairman
Boaz Wachtel Managing Director
Ross Smith Executive Director
Winton Willesee Non-Executive Director

#### COMPANY SECRETARY

Loren Jones

#### REGISTERED OFFICE

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Subiaco WA 6008

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#### SHARE REGISTRY

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Telephone: +61 8 9324 2099 Facsimile: +61 8 9321 2337

#### Solicitors

Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000

## CORPORATE

PROPOSED ASX CODE: PYL

#### LEAD MANAGER & UNDERWRITER

BBY Limited Level 17, 60 Margaret Street Sydney NSW 2000

#### **INVESTIGATING ACCOUNTAN**

BDO Corporate Finance (WA) Pty Ltd 38 Station Street Subiaco WA 6008

#### AUDITOR

BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008

#### PATENT ATTORNEY

Wrays 56 Ord Street West Perth WA 6005

#### NUMEROUS CAMPAIGNS GLOBALLY

#### TO LEGALISE MEDICAL CANNABIS FOR

THOSE SUFFERING FROM AFFLICTIONS SUCH AS
CHRONIC PAIN, TERMINAL ILLNESSES, GLAUCOMA,
ALZHEIMER'S DISEASE, PARKINSON'S DISEASE,
MULTIPLE SCLEROSIS, CROHN'S DISEASE & EPILEPTIC
SEIZURES ARE GAINING MOMENTUM.

EVEN IN AUSTRALIA, BOTH STATE & FEDERAL
MEMBERS OF PARLIAMENT ARE NOW CALLING FOR
CONSIDERED CHANGES TO THE LAW.

PHYTOTECH MEDICAL LIMITED IS STRATEGICALLY
POSITIONED TO BECOME A KEY PLAYER VIA THESE
CHANGES IN THE DEVELOPMENT & SUPPLY OF
MEDICAL CANNABIS DELIVERY SYSTEMS TO
GLOBAL MARKETS WITH REGULATED
MEDICAL CANNABIS LAWS.



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# IMPORTANT NOTICE

This Prospectus is dated 20 November 2014 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

#### 1.1 EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

#### 1.2 WEB SITE - ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at http:// www.phytotechmed.com/. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### 1.3 WEBSITE

No document or information included on our website is incorporated by reference into this Prospectus.

#### 1.4 FORWARDING-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Sections 2.6 and 7 of this Prospectus.

#### 1.5 PHOTOGRAPHS & DIAGRAMS

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.



# INVESTMENT OVERVIEW

This section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

#### 2.1 THE COMPANY

Our Company was incorporated on 14 August 2014 with the vision to be a leader in the development of medical cannabis (**MC**) delivery systems.

The Company will initially focus on the commercialisation of medical cannabis delivery systems in the markets of USA, Canada, Israel and Europe that have regulated medical cannabis laws, with the longer term aim to target the Australian, New Zealand and other markets that may be regulated at a future point in time.

#### 2.2 BUSINESS MODEL & OBJECTIVES

There are numerous campaigns globally to legalise medical cannabis for those suffering from afflictions such as chronic pain, terminal illnesses, glaucoma, alzheimer's disease, Parkinson's disease, multiple sclerosis, Crohn's disease & epileptic seizures are gaining momentum. Even in Australia, both state & federal members of parliament are now calling for considered changes to the law.

Our business model will be focused on:

- developing and commercialising existing delivery systems and devices that have the potential to deliver safe, effective and measured doses of medical cannabis to patients;
   and
- (b) research and development into new delivery systems for administering medical cannabis, together with new treatments utilizing medical cannabis for various medical conditions.

A short to medium term goal of the Company is to also become a vertically integrated enterprise that is able to service major parts of the medical cannabis industry. In this regard, we also intend to finalise our feasibility studies on establishing growing facilities in California and Uruguay to be able to provide the key medicinal ingredient into these growing markets throughout the world.

The Company may also, in the future, look to capitalize on other opportunities in the medical cannabis sector including, without limitation, acquisition or investment in dispensaries, other producers and retailers

#### 2.3 THE OPPORTUNITY

There is a remarkable commercial potential for medical cannabis, and cannabiniod substances unique to cannabis plants in medicine to treat chronic, problematic and life-threatening conditions.

There are several hundred potential medical uses for cannabis. However, single cannabinoids have proven to be problematic both in terms of safety and efficacy thus far. As a result, a full range (flowers) or combinations of cannabinoids are the dominant directions in today's medical cannabis research and commercialization efforts.

The medical establishment does not view cannabis smoking as a legitimate form of medicine consumption and many patients prefer to use non-smoking consumption modes. PhytoTech Medical is concentrating on non-smoking delivery products such as nasal spray, trans-dermal patch and other delivery forms to constitute a powerful commercial potential to address the medical establishment and consumer's preferences.

The demand for cannabinoids, particularly a safe, non-psychoactive one called cannabidiol (**CBD**), is poised to exceed US\$10 billion per year, due to the growing awareness of their potential benefits to human health and an accompanying worldwide move to legalization.

Our Company is well positioned to take advantage of this huge business opportunity by bringing together accomplished professional know-how in product development, along with scientific and medical research, in innovative ways.

Using proprietary technology, our Company has the vision of being able to efficiently deliver the groundbreaking healthful benefits of cannabinoids in vapour form, derma patch, nasal and oral preparations in safe and effective ways.

The Company intends for its products to be able to offer CBD as well as other cannabinoids, either alone (extracts and purified) or specially rendered to readily and efficiently enter the body, for use in bona fide medicine for patients with chronic pain, diabetes and other intractable and even life-threatening conditions.

#### 2.4 INVESTMENT HIGHLIGHTS

- (a) The Company will be first to market (listing on ASX) in Australia, with a strong Board and excellent management team supported by a world class Scientific Medical Advisory Committee.
- (b) "Start up" timing is right. The commercial medical cannabis industry is a new and growing field, although it has been globally known for hundred years.
- (c) The Company has developed relationships with key players in the medical cannabis field, mostly based in Israel. We intend to leverage off these relationships to fast track the Company's progress with a view to positioning the Company as a leader in the industry.
- (d) The medical cannabis market is growing rapidly. 23 US states and the District of Columbia, permit the use of cannabis for medical purposes under a doctor's direction, and 2 states have legislation pending for the year. Other countries (Canada, Israel and many Europeans countries) have either legalised medical cannabis or in advance stages of regulating it. Many more countries around the world are set to follow.
- (e) No one large player (production/distribution) is dominant in the market. The industry is reasonably fragmented so there are many opportunities for consolidation and scale advantages through the different market segments.

#### 2.5 FINANCIAL INFORMATION

Our Company was only recently incorporated (14 August 2014) and has no material operating history and limited historical financial performance.

It is unlikely that the Company will generate any meaningful revenue in the short term because it will be focused on research and development and also setting up growing operations.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Investigating Accountant's Report set out in Section 9 of this Prospectus.

#### 2.6 KEY RISKS

The business, assets and operations of our Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of our Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.



Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

#### Risks related to our business - delivery systems and devices



Our proposed products contain controlled substances, the use of which may generate public controversy

Our proposed products contain controlled substances and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, our products. These pressures could also limit or restrict the introduction and marketing of our products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by our products. The nature of our business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, our reputation may be harmed.



We expect to face intense competition, often from companies with greater resources and experience than we have

The pharmaceutical industry is highly competitive and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than we have. Some of these competitors and potential competitors have more experience than we have in the development of pharmaceutical products, including validation procedures and regulatory matters. In addition, our proposed products will, if successfully developed, compete with, product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than we or our collaboration partners have. If we are unable to compete successfully, we may be unable to generate, grow and sustain our revenue.



We may acquire other companies which could divert our management's attention, result in additional dilution to our shareholders and otherwise disrupt our operations and harm our operating results

We may in the future seek to acquire businesses, products or technologies that we believe could complement or expand our product offerings, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- (a) incurrence of acquisition-related costs;
- (b) diversion of management's attention from other business concerns;
- (c) unanticipated costs or liabilities associated with the acquisition;
- (d) harm to our existing business relationships with collaboration partners as a result of the acquisition;
- (e) harm to our brand and reputation;
- (f) the potential loss of key employees;
- (g) use of resources that are needed in other parts of our business; and
- (h) use of substantial portions of our available cash to consummate the acquisition.

In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results arising from the impairment assessment process. Acquisitions may also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our business, results of operations and financial condition may be adversely affected.

Clinical trials for our product candidates are expensive, time consuming, uncertain and susceptible to change, delay or termination

Clinical trials are expensive, time consuming and difficult to design and implement. Even if the results of our clinical trials are favourable, the clinical trials for a number of our product candidates are expected to continue for several years and may take significantly longer to complete. In addition, regulatory authorities, including state and local, may suspend, delay or terminate our clinical trials at any time, or suspend or terminate the registrations and quota allotments we require in order to procure and handle controlled substances, for various reasons, including:

- (a) lack of effectiveness of any product candidate during clinical trials;
- (b) discovery of serious or unexpected toxicities or side effects experienced by trial participants or other safety issues;
- (c) slower than expected rates of subject recruitment and enrolment rates in clinical trials;
- (d) difficulty in retaining subjects who have initiated a clinical trial but may withdraw at any time due to adverse side effects from the therapy, insufficient efficacy, fatigue with the clinical trial process or for any other reason;
- (e) delays or inability in manufacturing or obtaining sufficient quantities of materials for use in clinical trials due to regulatory and manufacturing constraints;
- (f) inadequacy of or changes in our manufacturing process or product formulation;
- (g) delays in obtaining regulatory authorization to commence a trial, including "clinical holds" or delays requiring suspension or termination of a trial by a regulatory agency, such as the FDA, before or after a trial is commenced;
- (h) changes in applicable regulatory policies and regulations;
- (i) delays or failure in reaching agreement on acceptable terms in clinical trial contracts or protocols with prospective clinical trial sites;
- delay or failure to supply product for use in clinical trials which conforms to regulatory specification;
- (k) unfavourable results from ongoing pre-clinical studies and clinical trials;
- failure of our contract research organizations (CROs), or other third-party contractors to comply with all contractual requirements or to perform their services in a timely or acceptable manner;
- (m) failure by us, our employees, our CROs or their employees to comply with all applicable regulatory requirements relating to the conduct of clinical trials or the handling, storage, security and recordkeeping for controlled substances;
- (n) scheduling conflicts with participating clinicians and clinical institutions; or
- (o) failure to design appropriate clinical trial protocols; or regulatory concerns with cannabinoid products generally and the potential for abuse.

Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.



#### There is a high rate of failure for drug candidates proceeding through clinical trials

Generally, there is a high rate of failure for drug candidates proceeding through clinical trials. We may suffer significant setbacks in our clinical trials similar to the experience of a number of other companies in the pharmaceutical and biotechnology industries, even after receiving promising results in earlier trials. Further, even if we view the results of a clinical trial to be positive, the FDA or other regulatory authorities may disagree with our interpretation of the data.



Serious adverse events or other safety risks could require us to abandon development and preclude, delay or limit approval of our product candidates, or limit the scope of any approved label or market acceptance

If any of our proposed products, prior to or after any approval for commercial sale, cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, a number of potentially significant negative consequences could result, including:

- (a) regulatory authorities may interrupt, delay or halt clinical trials;
- (b) regulatory authorities may deny regulatory approval of our product candidates;
- (c) regulatory authorities may require certain labelling statements, such as warnings or contraindicationsor limitations on the indications for use, and/or impose restrictions on distribution;
- (d) regulatory authorities may withdraw their approval, require more onerous labelling statements any product that is approved;
- (e) we may be required to change the way the product is administered or conduct additional clinical trials;
- (f) our relationships with our collaboration partners may suffer;
- (g) we could be sued and held liable for harm caused to patients; or
- (h) our reputation may suffer.

We may voluntarily suspend or terminate our clinical trials if at any time we believe that they present an unacceptable risk to participants or if preliminary data demonstrate that our product candidates are unlikely to receive regulatory approval or unlikely to be successfully commercialized.



Our industry is experiencing rapid growth and consolidation that may cause us to lose key relationships and intensify competition

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm us in a number of ways, including:

- (a) we could lose strategic relationships if third parties with whom we have arrangements with (including Hadassah Medical University and Yissum) are acquired by or enter into relationships with a competitor (which could cause us to lose access to distribution, content, technology and other resources);
- (b) the relationship between us and such third parties may deteriorate and cause an adverse effect on our business; and
- (c) our current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put us at a competitive disadvantage, which could cause us to lose research facilities or access to technology. Consolidation could also force us to expend greater resources to meet new or additional competitive threats, which could also harm our results.

# PHYTOTECH MEDICAL

#### Risks related to our business - growing facilities

If the Company achieves is short to medium goal of operating growing facilities in California and/or Uruguay, as set out above, the Company's business will involve the growing of medical cannabis and be exposed to the following risks:

#### Any growing operations that our Company participates in will be subject to agricultural risks



The Company's business will involve the growing of medical cannabis, which is an agricultural product. As such the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events. Although the Company plans to have both indoor and outdoor growing operations under climate controlled conditions and employ trained personnel to carefully monitor the growing conditions there can be no assurance that natural elements will not have a material adverse effect on the production of the growing operations.

Our ability to grow medical cannabis will be dependent on a number of key inputs and their related costs.



The key inputs include raw material and supplies related to growing operation as well as electricity, water and other local utilities. Any significant interruptions or negative changes in the availability of economics of the supply chain for the inputs could materially impact the business, financial condition and operating results of our Company. Due to the nature of the product some of these inputs may only be available from single suppliers or a limited group of suppliers. Any restrictions on the ability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact of the business, financial condition and operating results of the Company.

As a manufacturer and distributor of products designed to be ingested by humans our Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation.



These risks will arise if our Company's medical cannabis is alleged to have cause significant loss or injury. In addition, the manufacture of medical cannabis involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reaction resulting from human consumption of medical cannabis alone or in combination with other medication or substances could occur. The Company may be subject to various product liability claims, including among others that the Company's products caused injury or illness, inadequate instructions for use or warnings concerning possible side effects. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally and could have a material adverse effect on our results of operations and financial conditions.

#### Risks related to our reliance upon third parties

Our ability to research, develop and commercialize our products is dependent on our ability to maintain licenses relating to the cultivation, possession and supply of controlled substances



Our research facilities are located exclusively in Israel. In Israel, licenses to cultivate, possess and supply cannabis for medical research are granted by the Israeli Ministry of Health (**MOH**). An application filed with the MOH is usually approved in a relatively short time and although the MOH has renewed growing licenses for 8 growers historically, it may not do so in the future. In which

case, we may not be in a position to carry on our research and development program in Israel. In order to carry out research in countries other than Israel, similar licenses to those outlined above are required to be issued by the relevant authority in each country.

Additionally, any proposed grow operations that are developed either in California or Uruguay will be subject to the licenses required and other applicable legislation and regulations enforced in those countries. Specifically, as set out in Section 5.4 of this Prospectus, the new legislation in Uruguay restricts producers to 99 plants per year. Accordingly, the amount of medical marijuana our Company is able to produce in Uruguay will be capped and ultimately this will restrict the amount we can sell, at least whilst no further legislation is in operation.



We will rely on the continued reliable operation of third parties' systems and networks and, if these systems and networks fail to operate or operate poorly, our business and operating results will be harmed.

Our operations are in part dependent upon the continued reliable operation of the information systems and networks of third parties initially including Yissum and Hadassah Research University. If these third parties do not provide reliable operation, our ability to research and develop our product candidates and our operating results could be harmed.

#### Risks related to development and regulatory approval of our product candidates



Controlled substance legislation differs between countries and legislation in certain countries may restrict or limit our ability to sell our proposed products

Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to our obtaining marketing approval for our proposed products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit our proposed products to be marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time.



#### Changes in laws and regulations

The Company's operations are subject to a variety of laws, regulations and guidelines. The medicinal cannabis industry is evolving worldwide and in Australia and has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that governments worldwide, including Australia, will continue to explore the benefits, risks, regulations and operations of Company's involved in medical cannabis. While to the knowledge of management, the Company is currently in compliance with all current laws, changes to laws and regulations due to matters beyond the control of the Company may cause adverse affects to its operations. The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial position and financial performance of the Company and its Shares. In addition there is a risk that legal action may be taken against the Company in relation to commercial, legal, regulatory or other matters.

#### Risks related to our intellectual property

We may be forced to litigate to enforce or defend our intellectual property rights, and/or the intellectual property rights of our licensors

We may be forced to litigate to enforce or defend our intellectual property rights against infringement and unauthorized use by competitors, and to protect our trade secrets. In so doing, we may place our intellectual property at risk of being invalidated, unenforceable, or limited or narrowed in scope. Further, an adverse result in any litigation or defence proceedings may place pending applications at risk of non-issuance. In addition, if any licensor fails to enforce or defend their intellectual property rights, this may adversely affect our ability to develop and commercialize our product candidates and prevent competitors from making, using, and selling competing products. Any such litigation could be very costly and could distract our management from focusing on operating our business. The existence and/or outcome of any such litigation could harm our business, results of operations and financial condition. Further, because the content of much of our intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, we may face additional difficulties in defending our intellectual property rights.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential and proprietary information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Shares.

#### We may not be able to protect our proprietary technology in the marketplace



Our success will depend, in part, on our ability to obtain patents, protect our trade secrets and operate without infringing on the proprietary rights of others. We rely upon a combination of patents, trade secret protection (i.e., know how), and confidentiality agreements to protect the intellectual property of our proposed products. The strengths of patents in the pharmaceutical field involves complex legal and scientific questions and can be uncertain. Where appropriate, we seek patent protection for certain aspects of our products and technology. Filing, prosecuting and defending patents throughout the world would be prohibitively expensive, so our policy is to patent commercially potential technology in jurisdictions with significant commercial opportunities. However, patent protection may not be available for some of the products or technology we are developing. If we must spend significant time and money protecting or enforcing our patents, designing around patents held by others or licensing, potentially for large fees, patents or other proprietary rights held by others, our business, results of operations and financial condition may be harmed. We may not develop additional proprietary products that are patentable.

The patent positions of pharmaceutical products are complex and uncertain. The scope and extent of patent protection for our proposed products are particularly uncertain.

Furthermore, others may independently develop similar products, may duplicate our products, or may design around our patent rights. In addition, any of our issued patents may be declared invalid. If we fail to adequately protect our intellectual property, we may face competition from companies who attempt to create a generic product to compete with our proposed products. We may also face competition from companies who develop a substantially similar product to one of our proposed products, that is not covered by any of our patents.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property rights, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.



### We may be unable to adequately prevent disclosure of trade secrets and other proprietary information

We rely on trade secrets to protect our proprietary know-how and technological advances, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. Failure to obtain or maintain trade secret protection, or failure to adequately protect our intellectual property could enable competitors to develop generic products or use our proprietary information to develop other products that compete with our products or cause additional, material adverse effects upon our business, results of operations and financial condition.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by our Company and you should refer to the additional risk factors in Section 7 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

#### 2.7 THE OFFER

The Company invites applications for up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000. The key information relating to the Offer and references to further details are set out below.

INDICATIVE TIMETABLE*		
Lodgement of Prospectus with the ASIC	20 November 2014	
Opening Date	28 November 2014	
Closing Date	12 December 2014	
Despatch of holdings statements	17 December 2014	
Expected date for quotation on ASX	22 December 2014	

<sup>\*</sup> The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

#### 2.8 PURPOSE OF THE OFFER

The purpose of the Offer is to facilitate an application by the Company for admission of the Company to the official list of ASX and position the Company to seek to achieve the objectives set out above in Section 2.2.

#### 2.9 USE OF FUNDS

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following admission of the Company to the official list of ASX as follows:

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FUNDS AVAILABLE	FULL SUBSCRIPTION (\$5,000,000)	PERCENTAGE OF FUNDS (%)
Existing cash reserves <sup>1</sup>	200,000	3.85%
Funds raised from the Offer	5,000,000	96.15%
TOTAL	5,200,000	

#### **ALLOCATION OF FUNDS**

TOTAL	5,200,000	
Working Capital	1,007,000	19.37%
Administration Costs <sup>5</sup>	1,000,000	19.23%
License Fees <sup>4</sup>	40,000	0.77%
Technology Development <sup>3</sup>	2,700,000	51.92%
Expenses of the Offer <sup>2</sup>	453,000	8.71%

- 1 Refer to Investigating Accountant's Report set out in Section 9 of this Prospectus for further details.
- 2 Refer to Section 12.8 of this Prospectus for further details
- 3 Please refer below for a more detailed breakdown:

ITEM	FULL SUBSCRIPTION (\$)
Development of regulatory strategy	100,000
Research & Development - Hadassah University Hospital	200,000
Vaporiser Prototype Development & Marketing	700,000
Pre-clinical development	150,000
Clinical trial preparation	150,000
Clinical trial	700,000
Contingency	700,000
TOTAL	2,700,000

- 4 These amounts are payable to Yissum under the license agreement referred to in Section 11.1 of this Prospectus. An exchange rate of US\$0.875:A\$1 has been used.
- $5 \quad \hbox{Administration includes salaries, rent and general administration costs.} \\$
- 6 Working is unallocated funds that are intended to be applied towards new business ventures and unanticipated expenses.

On completion of the Offer, the Board believes our Company will have sufficient working capital to achieve its stated objectives.

The above table is a statement of current intentions as of the date of this Prospectus. As with

any budget, intervening events (including trial success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

#### 2.10 CAPITAL STRUCTURE

The capital structure of the Company following completion of the Offer is summarised below!:

#### Shares<sup>2</sup>

TOTAL SHARES ON COMPLETION OF THE OFFER	40,000,000
Shares to be issued pursuant to the Offer	25,000,000
Shares currently on issue <sup>3</sup>	15,000,000
	NUMBER

#### Options<sup>4</sup>

TOTAL OPTIONS ON COMPLETION OF THE OFFER 4	2,500,000
Options to be issued pursuant to the Offer	2,500,000
Options currently on issue	Nil
	NUMBER

#### **Performance Rights**

	NUMBER
Performance Rights currently on issue <sup>5</sup>	30,000,000
Performance Rights to be issued pursuant to the Offer	Nil
TOTAL PERFORMANCE RIGHTS ON COMPLETION OF THE OFFER 6	30,000,000

- Refer to Investigating Accountant's Report set out in Section 9 of this Prospectus for further details.
- 2 The rights attaching to the Shares are summarised in Section 12.2 of this Prospectus
- 3,000,000 of the existing Shares on issue were issued to the founders (Boaz Wachtel and Ross Smith) for nominal consideration. The balance of Shares (12,000,000) currently on issue were issued in October 2014 at an issue price of \$0.08 each to seed capital investors to fund acquisition costs, the listing costs and initial working capital requirements of the Company. These Shares were issued at a discount to the issue price of the Shares offered pursuant to the Offer to reflect the increased risk associated with an investment in the Company at the time of issue of the seed capital.
- 4 Each Option will be unquoted and is exercisable at \$0.20 cents on or before three years from their date of issue. These Options are proposed to be issued to BBY Limited, provided at least \$2 million is raised under the Offer from investors introduced by BBY Limited. The terms and conditions of the Options are summarized in Section 12.3 of this Prospectus.
- The Company has issued or intends to issue prior to admission to ASX 10,000,000 Class A Performance Rights, 10,000,000 Class C Performance Rights and 10,000,000 Class D Performance Rights on issue. When the Class A Performance Rights achieve their performance milestone, they will convert into one Class B Performance Right and one Share. The terms and conditions attaching to the Performance Rights are summarized in Section 12.4 of this Prospectus.

#### 2.11 SUBSTANTIAL SHAREHOLDERS

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below.

#### As at the date of the Prospectus

SHAREHOLDER	SHARES	% (UNDILUTED)
International Water and Energy Savers Ltd <sup>1</sup>	1,500,000	10%
Marian Stuart-Eyres As Trustee For The Mohaka Capital Trust <sup>2</sup>	1,500,000	10%
Ajava Holdings Pty Ltd	1,000,000	6.7%

- This entity is associated with Boaz Wachtel, a Director.
- 2 This entity is associated with Ross Smith, a Director.

On completion of the Offer (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer), it is not expected that there will be any Shareholders holding more than 5% of the issued Shares.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

#### 2.12 RESTRICTED SECURITIES

Subject to the Company being admitted to the Official List, certain Shares and Performance Rights on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

It is estimated that 10,200,000 Shares will be subject to escrow as follows:

- (a) 7,200,000 Shares for 12 months from October 2014 (primarily seed shareholders); and
- (b) 3,000,000 Shares for 24 months from the date of official quotation (primarily held by directors or their related entities).

All of the Performance Rights and Options on issue are likely to be escrowed for 24 months from the date of official quotation.

Our Company will announce to the ASX full details (quantity and duration) of the Shares, Performance Rights and Options required to be held in escrow prior to the Shares commencing trading on ASX.

#### 2.13 TAXATION

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

#### 2.14 DIVIDEND POLICY

We anticipate that significant expenditure will be incurred in the evaluation and development of our Company's projects. These activities, together with the possible acquisition of interests in other projects, are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

#### 2.15 DIRECTORS & KEY PERSONNEL



#### PETER WALL | NON-EXECUTIVE CHAIRMAN

Mr Wall is a corporate lawyer and has been a Partner at Steinepreis Paganin (a Perth based corporate law firm) since July 2005. Mr Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

Mr Wall has a wide range of experience in all forms of commercial and corporate law, with a particular focus on equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions. Mr Wall is currently the Chairman of ASX listed companies, Galicia Energy Corporation Ltd, Minbos Resources Limited and Aziana Limited.

Mr Wall does not expect that his other directorships will impact his ability to act as Chairman of the Company.



#### **BOAZ WACHTEL | MANAGING DIRECTOR**

Mr Wachtel has over 25 years experience in the medical cannabis industry. He is a founding member of 'Israeli foundation for drug law reform" (1994) and initiator of Medical Cannabis efforts in Israel (1995). Mr. Wachtel is a certified Manager of Clinical trials and earned MA degree from University of Maryland, USA. Formally he served as the Assistant Army Attaché' at the Israeli Embassy in Washington D.C.

Mr Wachtel was also the founding member of the Medical Cannabis distribution center in Abarbanel Hospital (2009) and founder and former Chairman – The Green Leaf Party: Civil Rights, Ecology, Harm reduction and Legalization of Cannabis. Since 2006, he has been a Member of the Board of the Israeli AIDS committee – the leading anti-AIDS NGO in Israel. Additionally, Mr Wachtel is a Lecturer on drug policy, Medical cannabis and Ibogaine.



#### **ROSS SMITH** | FOUNDER & EXECUTIVE DIRECTOR

Mr Smith is the founder of PhytoTech Medical Limited, an entrepreneur and has over 21 years of experience in company promotion, finance, development and management of various technology and resource projects.

He has undertaken financing activities in Australia, Canada, United States of America, Hong Kong and London.

Mr Smith is extensively travelled and maintains an extensive international network within the investment, stock broking and investment banking community.



#### WINTON WILLESEE | NON-EXECUTIVE DIRECTOR

Mr Willesee is an experienced company director. Winton brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance.

Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects. Winton has fulfilled the role of chairman and/or director of a number of listed companies and is currently the Chairman or a director of six other ASX listed companies.

Mr Willesee holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary.

Mr Willesee does not expect that his other directorships will impact his ability to act as a director of the Company.

Shareholders should be aware that Mr Willesee was a director of public company, Cove Resources Limited. In July 2014, Cove Resources Limited was suspended from ASX and subsequently in January 2014, the board of Cove Resources Limited appointed an administrator due to its inability to source sufficient capital to fund its operations.

The non-associated Directors have considered the above circumstances surrounding Mr Willesee's

involvement in Cove Resources Limited, and are of the view that Mr Willesee's involvement in Cove Resources Limited in no way impacts on his appointment and contribution as a Director of the Company.

#### 2.16 SCIENTIFIC MEDICAL ADVISORY COMMITTEE

The Company has established and maintained a highly qualified group of medical industry professionals with well-balanced commercial and research expertise in the field of medical cannabis uses.

#### DR. DONALD ABRAMS | CHAIRMAN

Dr. Abrams is chief of Hematology-Oncology at San Francisco General Hospital and a Prof. of Clinical Medicine at the University of California San Francisco. He received an A.B. in Molecular Biology from Brown University in 1972 and graduated from the Stanford University School of Medicine in 1977. He became a fellow in Haematology/Oncology at the Cancer Research Institute of the University of California, San Francisco in 1980. He has long been interested in clinical trials of complementary and alternative medicine interventions for HIV/AIDS and cancer, including evaluations of medicinal cannabis.

In 1997, he received funding from the National Institute on Drug Abuse to conduct clinical trials of the short-term safety of cannabinoids in HIV infection. Subsequently he was granted funds by the University of California Center for Medicinal Cannabis Research to continue studies of the effectiveness of cannabis in a number of clinical conditions. He completed a placebo-controlled study of smoked cannabis in patients with painful HIV-related peripheral neuropathy as well as a study evaluating vaporization as a smokeless delivery system for medicinal.

His last NIDA-funded trial investigated the possible pharmacokinetic interaction between vaporized cannabis and opioid analgesics in patients with chronic pain. He is about to begin an NIH-funded trial investigating vaporized cannabis in patients with Sickle Cell disease.

Dr. Abrams is a member of the California Medical Association's Medical Cannabis Technical Advisory Committee.

#### PROFESSOR AVI DOMB

Abraham J. Domb is a Professor for Medicinal Chemistry and Biopolymers at the Faculty of Medicine of the Hebrew University of Jerusalem. He earned Bachelors degrees in Chemistry, Pharmaceutics and Law studies and PhD degree in Chemistry from The Hebrew University. He did his postdoctoral training at MIT and Harvard Univ. Cambridge USA and was R&D manager at Nova Pharm. Co. Baltimore US during 1988-1991.

He has been a faculty member at the Hebrew University since 1991, and a full Prof. since 1999. During 2007-2012 he headed the Division of Forensic Science at the Israel Police. In 2014 he was appointed President of the Jerusalem College of Engineering (JCE).

His current areas of interest include: biopolymers, pharmaceutical formulations and drug delivery systems, bioactive polymers and forensic sciences.

#### PROFESSOR REUVEN OR

Prof. Or has been involved in the field of transplantation medicine since the 1980's. After attaining his Medical degree from the University of Milan, Italy, he continued his post-graduate studies in immunology at the University of Colorado, USA where he became involved in developing ground breaking research strategies and treatment techniques for cancer immunotherapy.

During his time in Hadassah, he established a research laboratory. Prof. Or operates a registered (with the Israel Health Ministry) medical cannabis out-patient centre at the Sharett Institute of Oncology at the Hadassah-Hebrew University Medical Center.

He currently resides as the Director of the Department of BMT, Cancer Immunotherapy, Cell Therapy, Transplantation and Research Center; The Medical Director of the Hadassah Volunteer Bone Marrow Registry, and the Israeli National Public Umbilical Cord Blood Bank.

<sup>\*\*</sup> None of the parties set out above have been involved in the preparation of this Prospectus.

#### 2.17 CORPORATE GOVERNANCE

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 10.2 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 10.3 of this Prospectus.

In addition, the Company's full Corporate Governance Plan will be available from the Company's website (http://www.phytotechmed.com/).

#### 2.18 DISCLOSURE OF INTERESTS

For each of the Directors, the proposed annual remuneration for the financial year following the Company being admitted to the Official List together with the relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

DIRECTOR	REMUNERATION (P.A.)	SHARES	PERFORMANCE RIGHTS
Peter Wall	\$48,0001	Nil	3,000,000²
Boaz Wachtel	US\$180,000	1,500,000³	7,500,0004
Ross Smith	US\$120,000 <sup>5</sup>	1,500,0006,7	7,500,000 <sup>8</sup>
Winton Willesee	\$36,000	Nil	Nil

#### Notes:

- 1 Mr Wall is also a Partner at Steinepreis Paganin, who are the lawyers for the Company. Steinepreis Paganin will be paid the fees and benefits set out in Section 12.6 of this Prospectus.
- 2 Being 1,000,000 Class A Performance Rights, 1,000,000 Class C Performance Rights and 1,000,000 Class D Performance Rights on the terms and conditions set out in Section 12.4. The Performance Rights are held by Pheakes Pty Ltd <Senate A/C>, an entity associated with Mr Wall.
- 3 The Shares are held by International Water and Energy Savers Ltd, an entity associated with Mr Wachtel.
- 4 Being 2,500,000 Class A Performance Rights, 2,500,000 Class C Performance Rights and 2,500,000 Class D Performance Rights on the terms and conditions set out in Section 12.4. The Performance rights are held by International Water and Energy Savers Ltd, an entity associated with Mr Wachtel.
- 5 Pursuant to his Consultancy Agreement, Mr Smith additionally received a onetime payment of \$130,000 as an initial sign on bonus.
- 6 The Shares are held by Marian Stuart-Eyres < The Mohaka Capital Trust>, an entity associated with Mr Smith.
- 7 Pursuant to a sub-underwriting agreement entered into between Ross Smith and the Underwriter dated 17 November 2014, Mr Smith has agreed to sub-underwrite up to \$100,000 of the Offer, being 500,000 Shares.
- 8 Being 2,500,000 Class A Performance Rights, 2,500,000 Class C Performance Rights and 2,500,000 Class D Performance Rights on the terms and conditions set out in Section 12.4. The Perfromance Rights are held by Marian Stuart-Eyres <The Mohaka Capital Trust>, an entity associated with Mr Smith.

#### 2.19 AGREEMENTS WITH DIRECTORS OR RELATED PARTIES

Our Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

#### **IP Assignment Deed**

On 4 September 2014 the Company entered into an intellectual property assignment deed with Director, Ross Smith (IP Assignment Deed). Pursuant to the IP Assignment Deed, Mr Smith assigned to the Company all rights, title and interest in the intellectual property in relation to the Disposable Smart Vapour Technology (as summarised in Section 6.3) for total consideration of \$1.

All other terms of the IP Assignment Deed are considered standard for an agreement of this nature, including strict confidentiality provisions in respect of the Disposable Smart Vapour Technology.

#### Consultancy Agreement - Mr Wachtel

The Company has entered into a consultancy agreement with Managing Director, Mr Wachtel, and his nominee corporate entity (**Consultant**) on the following material terms and conditions:

- (a) **Consultancy Fees:** the Company shall pay the Consultant a fee equal to US\$15,000 per month (plus VAT), which will be reviewed annually by the Company;
- (b) Term: the term of the consultancy agreement is three years, unless terminated in accordance with its termination provisions
- (c) **Termination by the Consultant:** the Consultant may terminate the consultancy agreement without cause upon three months' notice to the Company; and
- (d) Termination by the Company: the Company may terminate a consultancy agreement:
  - (i) without cause upon three months' notice to the Consultant together with the payment of three months' consultancy fees; and
  - (ii) summarily without notice if at any time the Consultant commits any serious breach of the consultancy agreement which is not remedied within 14 days, fails to satisfactorily perform his duties under the consultancy agreement or commits any gross misconduct or goes into liquidation, or makes a compromise or arrangement with creditors, is convicted with any major criminal offence or seriously breaches a communications or confidentiality policy of the Company.

#### Consultancy Agreement - Mr Smith

The Company has entered into a consultancy agreement with Executive Director, Mr Smith, and his nominee corporate entity (**Consultant**) on the following material terms and conditions:

- (a) Consultancy Fees: the Company shall pay the Consultant a fee equal to US\$10,000 per month (plus GST), which will be reviewed annually by the Company. Mr Smith also received \$130,000 as part of a onetime sign on bonus;
- (b) **Term:** the term of the consultancy agreement is three years, unless terminated in accordance with its termination provisions;
- (c) **Termination by the Consultant:** the Consultant may terminate the consultancy agreement without cause upon three months' notice to the Company; and
- (d) Termination by the Company: the Company may terminate a consultancy agreement:
  - (i) without cause upon six months' notice to the Consultant together with the payment of six months' consultancy fees; and
  - (ii) summarily without notice if at any time the Consultant commits any serious breach of the consultancy agreement which is not remedied within 14 days, fails to satisfactorily perform his duties under the consultancy agreement or commits any gross misconduct or goes into liquidation, or makes a compromise or arrangement with creditors, is convicted with any major criminal offence or seriously breaches a communications or confidentiality policy of the Company.

#### Deeds of indemnity, insurance and access

Our Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, our Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. Our Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.



# CHAIRMAN'S LETTER

#### **Dear Investor**

On behalf of the board of Directors, it is with great pleasure that I invite you to become a shareholder of Phytotech Medical Ltd (**Phytotech Medical** or **Company**).

PhytoTech Medical is a new company established to be an Australian pioneer and leader in the development of medical cannabis delivery systems, initially to markets in USA, Canada, Israel and Europe that have regulated medical cannabis laws, as well as Australia and New Zealand, which may become regulated at a future point in time.

Medical cannabis is a growing industry that is fast becoming accepted, in many parts around the world, as a legitimate medicine for treatment of certain medical conditions. This growing acceptance is driven by the potential of various cannabinoids (some non-psychoactive) to treat serious health conditions, which are currently not being effectively treated by existing therapies.

A well documented example of this is the use of cannabis based drugs to treat children suffering from severe epilepsy.

While there are some concerns from the medical establishment about the use of medical cannabis, many of these concerns relate to unsafe delivery methods (such as smoking) and the inexact nature of the dosages from some existing delivery methods.

One of our main goals is to address these concerns.

We believe that there is a significant commercial opportunity to acquire and develop new delivery systems, using established and proven technologies, to ensure that medical cannabis can be consumed in safe, effective and measured doses by those suffering these medical conditions. We believe this will have the effect of limiting the use of unregulated crude cannabis products and ensuring that the potency and safety for medical cannabis can be guaranteed.

This strategy involves:

- (a) the acquisition of existing and relevant Intellectual properties as well as the development and commercialization of non-smokable cannabinoid delivery products. For example, the company fully owns (patent pending) a single use, specific dose vapor-cap, for the delivery of smokeless relief to patients;
- (b) the development and commercialization of various licensed delivery methods (including inner check patches, nasal spray, transdermal patches and oral delivery systems) with strong potential to be combined with medical cannabis; and

(c) research and development of new delivery systems for administering medical cannabis, together with new treatments utilizing medical cannabis for various medical conditions.

In order to assist achievement of the above strategy, we have entered into a partnership (licensing and research) with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd in Israel (Yissum). Yissum was founded in 1964 to protect and commercialize the Hebrew University's intellectual property. It is ranked among the top technology transfer companies in the world, with 8,300 registered patents covering 2,337 inventions; over 700 technology licenses and over 80 companies spun out. Products that are based on Hebrew University technologies and were commercialized by Yissum generate today over \$2 Billion in annual sales.

Our medium term goal is to become a vertically integrated enterprise that is able to service all parts of the medical cannabis industry. In this regard, we also intend to conduct feasibility studies on establishing growing facilities in California and Uruguay to be able to provide the key medicinal ingredient into these growing markets throughout the world.

The Company is supported by an experienced board of Directors and highly credentialed Scientific Medical Advisory Committee.

Phytotech Medical will raise \$5 million under this Offer which will be used predominantly for the acquisition of existing technologies and further development of its products and technologies. The Offer is fully underwritten by the Underwriter, BBY Limited.

An investment in Phytotech Medical involves a number of risks and I encourage you to read the risk factors detailed in this Prospectus carefully.

On behalf of the board of Directors, I commend this Offer to you and recommend that you read this Prospectus in full. I look forward to welcoming you as a shareholder.

Yours Sincerely,

Peter Wall

Non-Executive Chairman
PhytoTech Medical Limited





### The Company invites applications for up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000

#### 4.1 THE OFFER

Pursuant to this Prospectus, the Company invites applications for up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

#### 4.2 MINIMUM SUBSCRIPTION

As the Offer is fully underwritten, the minimum subscription for the Offer is the full subscription of \$5,000,000.

If the minimum subscription has not been raised within 3 months after the date of this Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

#### 4.3 APPLICATIONS

Applications for Shares under the Offer must be made using the Application Form.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares and payment for the Shares must be made in full at the issue price of \$0.20 per Share.

Completed Application Forms and accompanying cheques, made payable to "**PhytoTech Medical Limited**" and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form by no later than the Closing Date.

The Company reserves the right to close the Offer early.

#### 4.4 ASX LISTING

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

#### 4.5 ISSUE

Subject to the minimum subscription to the Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List, issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors, in consultation with the Underwriter, will determine the recipients of the issued Shares in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

#### 4.6 APPLICANTS OUTSIDE AUSTRALIA

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

#### 4.7 OVERSUBSCRIPTIONS

No oversubscriptions are intended to be accepted by the Company.

#### 4.8 FULLY UNDERWRITTEN

The Offer is fully underwritten by the Underwriter subject to the terms of the Underwriting Agreement.

Pursuant to a sub-underwriting agreement entered into between Ross Smith, who is a Director of the Company, and the Underwriter dated 17 November 2014, Mr Smith has agreed to sub-underwrite up to \$100,000 of the Offer, being 500,000 Shares. Mr Smith will receive a \$3,000 fee for this sub-underwriting.

A summary of the Underwriting Agreement is set out in Section 11.4 of this Prospectus.

#### 4.9 COMMISSIONS PAYABLE

The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.



# MEDICAL CANNABIS INDUSTRY & OVERVIEW

5.1

#### **OVERVIEW OF MEDICAL CANNABIS**

Medical cannabis (**MC**) refers to the use of cannabis and its constituent cannabinoids, such as Tetrahydrocannabinolor delta-9-tetrahydrocannabinol (THC) and CBD, as medical therapy to treat disease or alleviate symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

Cannabis has been used to reduce nausea and vomiting in chemotherapy and people with AIDS, and to treat pain and muscle spasticity, together with a variety of other indications and symptoms.

Medical cannabis can be administered using a variety of methods, including vaporizing or smoking dried buds, eating extracts, taking capsules or using oral sprays. Synthetic cannabinoids are available as prescription drugs in some countries; examples include: dronabinol (available in the United States (US) and Canada) and nabilone (available in Canada, Mexico, Israel, United Kingdom (UK), and the US). Recreational use of cannabis is illegal in most parts of the world, but the medical use of cannabis is legal in certain countries (refer below).

The genus cannabis contains two species which produce useful amounts of psychoactive cannabinoids: Cannabis indica and Cannabis sativa, which are listed as Schedule I medicinal plants in the US. A third species, Cannabis ruderalis, has few psychogenic properties.

Cannabis contains more than 460 compounds. At least 80 of these are cannabinoids – chemical compounds that interact with cannabinoid receptors in the brain.

The most psychoactive cannabinoid found in the cannabis plant is THC. Other cannabinoids include delta-8-tetrahydrocannabinol, CBD, cannabinol (**CBN**), cannabicyclol (**CBL**), cannabichromene (**CBC**) and cannabigerol (**CBG**); they have less psychotropic effects than THC, but may play a role in the overall effect of cannabis. The most studied are THC, CBD and CBN.

Smoking is the most common means of administration of cannabis for many consumers, and the most common method of medical cannabis consumption in the US as of 2013. It is difficult to predict the pharmacological response to cannabis because concentration of cannabinoids varies widely as there are different ways of preparing cannabis for consumption (smoked, applied as oils, eaten, or drunk) and a lack of production controls. The potential for adverse effects from smoke inhalation makes smoking a less viable option than oral or other preparations. Physicians find it difficult to prescribe cannabis in a smoked form, thus creating a barrier for the expansion of use of cannabis in medicine.



Cannabinoid medicines are currently available in pill form (dronabinol and nabilone) and liquid extracts formulated into an oromucosal spray (nabiximols). Oral preparations can be problematic due to the uptake of cannabinoids into fatty tissue, from which they are released slowly, and the significant first-pass liver metabolism, which breaks down THC and contributes further to the variability of plasma concentrations.

#### 5.2 CANNABINOID COMPOUNDS

THC was identified in the 1960s as the cannabinoid primarily responsible for the psychoactive effects of cannabis. In the 1990s, after the discovery of the cannabinoid receptors CB1 and CB2, researchers began to study and better understand how cannabinoids acted on these receptors. THC is associated – more than any other cannabinoid – with most of the pharmacologic effects of cannabis.

CBD is a major constituent of medical cannabis; it is a non-psychotropic and how it works on brain receptors is not entirely known. Studies have identified that CBD has shown potential to relieve convulsion, inflammation, cough, congestion and nausea, and to inhibit cancer cell growth. Preliminary studies have also shown potential over psychiatric conditions such as anxiety, depression, and psychosis. Because cannabidiol relieves the aforementioned symptoms, cannabis strains with a high amount of CBD may benefit people with multiple sclerosis or frequent anxiety attacks.

CBN is a product of THC and has mild psychtropic effects.

#### **5.3 BOTANICAL STRAINS**

Cannabis indica produces a higher level of CBD relative to THC (the primary psychoactive component in medical and recreational cannabis). Cannabis sativa, on the other hand, produces a higher level of THC relative to CBD.

# MANY STRAINS OF CANNABIS ARE CURRENTLY CULTIVATED FOR MEDICAL USE

Medical use of sativa is associated with a cerebral high, and many patients experience stimulating effects. For this reason, sativa is often used for daytime treatment. It may cause more of a euphoric, "high" sensation, and tends to increase hunger, making it potentially useful to patients with eating disorders or anorexia. Sativa also exhibits a higher tendency to induce anxiety and paranoia, so patients prone to these effects may limit treatment with pure sativa, or choose hybrid strains.

Cannabis indica is associated with sedative effects and is often preferred for night time use, including for treatment of insomnia. Indica is also associated with a more meditative sensation than the euphoric, stimulating effects of sativa, possibly because of a higher CBD-to-THC ratio.

Many strains of cannabis are currently cultivated for medical use, including strains of both species in varying potencies, as well as hybrid strains designed to incorporate the benefits of both species. Hybrids commonly available can be heavily dominated by either Cannabis sativa or Cannabis indica, or relatively balanced, such as so-called "50/50" strains.

#### **5.4 POTENTIAL BENEFITS**

The table set out below identifies some of the indications that medical cannabis has shown, or has the potential to show, efficacy in treating:

MEDICAL CONDITION	POTENTIAL MEDICAL BENEFITS
Cancer patient undergoing chemotherapy treatment.	Aids in pain management and enhances appetite.
Glaucoma caused by poor blood supply to the optic nerve fibres.	Decreases pressure inside the eye.
Epileptic seizures.	Controls seizures by binding to the brain cells responsible for controlling excitability and regulating relaxation.
Alzheimer diseases.	Slows the formation of amyloid plaques by blocking the enzyme in the brain that makes them.
Painful symptoms of multiple sclerosis.	Binds to receptors in the nerves and muscles to relieve pain.
Treatment for Hepatitis C infection (negative side effects).	Helps lessens treatment side effects such as nausea, muscle aches, loss of appetite, and depression.
Inflammatory bowel diseases like Crohn's disease.	Interacts with cells in the body that play an important role in gut function and immune responses.
Parkinson's disease.	Significantly reduces pain and tremors and improves sleep for Parkinson's disease patients.
Concussion or other traumatic injury.	Lessens the bruising of the brain and helps with healing mechanisms after a traumatic injury.



#### 5.5 LEGAL POSITION OF THE MEDICAL CANNABIS INDUSTRY

The development of the global medical cannabis sector gained significant attention through 2013, predominantly due to changes in the U.S. localized state law, with Colorado and Washington now permitting recreational usage, and Uruguay legalizing on a national level.

The impact of legislative changes is sparking the emergence of a new frontier industry, one that offers business opportunities.

#### **United States**

As of October 2014, 23 U.S. states and the District of Colombia permit the use of cannabis for medical purposes under a doctor's direction, and 2 states have legislation pending for the year. Colorado and Washington both decriminalized the use of cannabis for adult recreation in 2012.

An estimated 730,000 patients have received medical recommendations to use cannabis in the





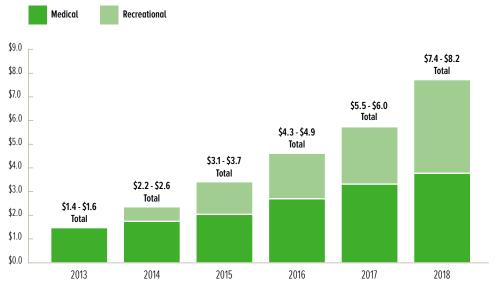
AN ESTIMATED 730,000 PATIENTS HAVE RECEIVED MEDICAL RECOMMENDATIONS TO

USE CANNABIS
IN THE UNITED STATES

United States to date, with the reported total over 1 million registered patients (data from U.S. Census Bureau). This means that the market for medical cannabis could be over 3 million patients if MC use is approved in all states.

U.S. retail cannabis sales will rise significantly over the next 5 years, from an estimated US2.2 - US2.6 billion in 2014 to US4.4 - US8.2 billion in 2018. See the table below:

### U.S. Marijuana Sales Estimates 2013 - 2018 in Billions of U.S. Dollars



Source: data released in the 2014 edition of the Marijuana Business Fact book

#### Canada

Canada's regulatory environment for cannabis production for medicinal use dramatically changed on April 1, 2014, opening the way for large-scale grow operations. Licensing requirements are extensive and there will be considerable competitive advantages to those producers that can achieve scale.

From April 2014, registered medical cannabis patients must buy their medication from an approved supplier. "Health Canada" announced in January that it had received 285 applications for commercial production licenses and approved 7 suppliers.

The market for medicinal use in Canada is estimated at \$144 million in 2014 rising to \$380 Million by 2018 and expected to grow by 23% a year to \$1.3 Billion in the next 10 years. Official forecasts predict that the approved list of medicinal patients will grow to 1.2% of the total population over the next 10 years.

#### Uruguay

Uruguay is the first nation to legalize the production, sale and consumption of cannabis on a national level (from December 2013). It is a test case and could speed legalization in other countries especially within Latin America.

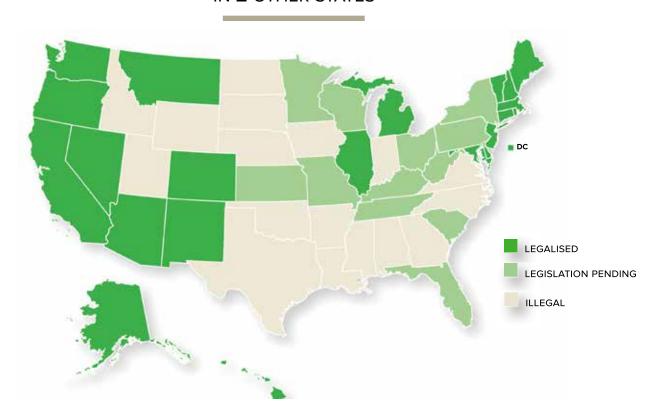
Based on the new legislation, residents will be allowed to grow up to 6 plants or as much as 480 grams per year. Groups of 15 to 45 members will be allowed to grow up to 99 plants per year. Producers may consume their own cannabis or sell it but all sales must be through the state-run pharmacies for tracking purposes.



MEDICAL CANNABIS
- HAS BEEN -

#### **LEGALISED**

IN 23 STATES IN THE UNITED STATES, WITH LEGISLATION PENDING IN 2 OTHER STATES



#### **Europe**

Medical cannabis could be consumed in the EU by individual patients who import it from Holland – the only country with a national medical grade cannabis program in place. Prices in EU countries range from 18 - 38 Euro a gram. The countries with the most advanced regulatory interest in MGC are Belgium, Croatia, Czech Republic, Estonia, Finland, France, Italy, Netherlands, Portugal, Romania and Switzerland.

The main markets among these countries are: France, Italy, Netherlands and Romania.

#### Israel

Israel is the third country, after Holland and Canada, to launch a National Medical Cannabis Program (**NMCP**) and is considered a world leader in Medical Cannabis research.

The pioneer for this research is Raphael Mechoulam, an Israeli organic chemist and professor of Medicinal Chemistry at the Hebrew University of Jerusalem in Israel. Professor R. Meschoulam, together with Y. Gaoni, his students and other collaborators, worked on the research that founded the isolation, structure elucidation and total synthesis of THC, the main active principle of cannabis and for the isolation and the identification of the endogenous cannabinoids anandamide from the brain and 2-arachidonoyl glycerol (2-AG) from peripheral organs.

Medical Cannabis' background in Israel began in 1995 with the Israeli Parliament establishing a committee to study the "Legal status of Cannabis". The committee, which was headed by Professor R. Meschoulam, recommended not to change the legal status of cannabis for recreational use but recommended allowing access to medical cannabis for seriously ill patients. There were two public representatives on this committee, one being Boaz Wachtel, PhytoTech Medical's Managing Director. Mr Wachtel submitted a report to the MOH which was based on safety and efficacy data and included a request from an AIDS patient to allow medical cannabis to fight his disease.

Over the next 10 years policy and guidelines were formulated and in 2007 the MOH awarded the first commercial growers license which allowed for the production of 50 plants.

Today, 8 legal medical cannabis growers serve approximately 15,000 patients. The medical grade cannabis is grown in well secured compounds designed to meet strict police instructions and security guidelines. Before receiving medical cannabis, patients must obtain prescriptions from specialists (prescriptions are not available from general practitioners). The forms of consumption include buds for smoking and vaporisation and oil extracts. The cost for 30 grams of either buds or oil is \$US100 regardless of the quantity consumed. Israel's Ministry of Defence use the medical cannabis to treat war veterans, specifically for post traumatic stress disorder sufferers and as pain management for wounded soldiers. In some circumstances, national insurance companies will cover the cost of medical cannabis to patients.

The NMCP is in complete adherence with UN drug conventions. The 1961 conventions called for the state to issue a tender to choose growers, take possession of the crop within 4 months of production and distribute the medical cannabis through pharmacies to patients with valid prescriptions. Patients are being educated by nurses at home or in hospitals, specifically in Oncology departments where vaporisation is used to treat cancer patients.

The number of patients being prescribed medical cannabis is growing steadily along with the number of specialists authorised to issue such prescriptions. It is forecasted that in 2020 over 100,000 patients will receive medical cannabis in Israel.

Additionally, in relation to medical devices generally, Israel is only one of few countries in the world where clinical trials are accepted by the FDA as though conducted in America. The medical devices industry in Israel is highly developed with many companies listed on the American stock exchanges or eventually being sold for billions of dollars.

#### Australia & New Zealand

Medical cannabis is not currently legal in Australia or New Zealand, although it is the subject to scientific and political debate at present.

The New South Wales government has recently announced that it will commence trials of medical cannabis use in the near term with other States in Australia debating the need for both national and statewide trials. This adds momentum to a growing national push to legalise and legislate cannabis for medical use in the future.





# COMPANY& PROJECTOVERVIEW

#### 6.1

#### THE COMPANY

The Company was incorporated on 14 August 2014 with the vision to be a leader in the development of medical cannabis (**MC**) delivery systems.

The Company will initially focus on the commercialisation of medical cannabis delivery systems in the markets of USA, Canada, Israel and Europe that have regulated medical cannabis laws, with the longer term aim to target the Australian, New Zealand and other markets that may be regulated at a future point in time.

We believe that there is a significant commercial opportunity to acquire and develop new delivery systems, using established and proven technologies, to ensure that medical cannabis can be consumed in safe, effective and measured doses by those suffering these medical conditions. We believe this will have the effect of limiting the use of unregulated crude cannabis products and ensuring that the potency and safety for medical cannabis can be guaranteed.

#### **6.2 BUSINESS MODEL & OBJECTIVES**

Our business model will be focused on:

- (a) developing and commercialising existing delivery systems and devices that have the potential to deliver safe, effective and measured doses of medical cannabis to patients; and
- (b) research and development into new delivery systems for administering medical cannabis, together with new treatments utilizing medical cannabis for various medical conditions.

A short to medium term goal of the Company is to also become a vertically integrated enterprise that is able to service all parts of the medical cannabis industry. In this regard, we also intend to finalise our feasibility studies on establishing growing facilities in California and Uruguay to be able to provide the key medicinal ingredient into these growing markets throughout the world.

The Company may also, in the future, look to capitalize on other opportunities in the medical cannabis sector including, without limitation, acquisition or investment in dispensaries, other producers and retailers.

#### **6.3 DELIVERY SYSTEMS**

Drug delivery technologies modify drug release profile, absorption, distribution and elimination for the benefit of improving product efficacy and safety, as well as patient convenience and compliance. Drug release is from: diffusion, degradation, swelling, and affinity-based mechanisms. Most common routes of administration include the preferred non-invasive peroral (through the mouth), topical (skin), transmucosal (nasal, buccal/sublingual, vaginal, ocular and rectal) and inhalation routes.

Cannabis based active medications are currently in clinical use worldwide. The most known formulation is Sativex, a sublingual spray delivering CBD/THC.

As set out above, our business model will be to focus on developing the most effective delivery systems and devices in order to deliver safe, effective and measured doses of medical cannabis to patients. To achieve this we will endeavour to research, develop and commercialize both existing delivery systems and new delivery systems for medical cannabis.

#### **Disposable Smart Vapour Technology**

The Company is developing a wholly owned (patent pending) single use, specific dose, disposable vapor-cap device that will deliver smokeless relief to patients.

The founding Director of the Company, Mr Ross Smith, is the inventor of this device and has assigned the intellectual property relating to this device to the Company pursuant to the IP Assignment Deed which is summarized at Section 2.19 of this Prospectus.

A vaporizer or vaporiser is a device used to vaporize the active ingredients of plant material, commonly cannabis, tobacco, or other herbs or blends for the purpose of inhalation. However, they can be used with pure chemicals when mixed with plant material (e.g. tobacco-free nicotine).

Vaporization is an alternative to burning (smoking) that avoids the inhalation of many irritating toxic and carcinogenic by-products.

Vaporizers are also used to inhale cannabis. Of the studies about vaporizing cannabis, few have addressed the quality of the vapor extracted and delivered; instead, studies usually focus on the mode of usage of the vaporizers. There are 483 identifiable chemical constituents known to exist in the cannabis plant, and at least 85 different cannabinoids have been isolated from the plant.



The aromatic terpenoids begin to vaporize at 126.0 °C (258.8 °F), but the more bio-active THC, CBD and CBN do not vaporize until near their respective boiling points: THC 157 °C (315 °F), CBD 160-180°C (320°F-356°F), and CBN 185 °C (365 °F).

Studies have shown that vaporizing cannabis exposes the user to lower levels of harmful substances than smoking cannabis. These findings are important for it is estimated that 10–20 percent of patients with chronic pain, multiple sclerosis, epilepsy, and HIV/AIDS have admitted to smoking cannabis for therapeutic purposes. For patients, a study found that smoking cannabis sativa reduced daily pain by 34%, a statistically significant amount.

In a study published in the Journal of Psychopharmacology in May 2008, it was stated that vaporizers were a "suitable method for the administration of THC". A 2007 study by University of California, San Francisco, published in the Journal of the American Academy of Neurology, founded that "there was virtually no exposure to harmful combustion products using the vaporizing device."

A 2006 study performed by researchers at Leiden University found that vaporizers were "safe and effective cannabinoid delivery system(s)." The study stated that the amount of THC delivered by vaporizers were equivalent to the amount delivered by smoking. Because of those studies and other studies, vaporizers are generally considered medically sound devices for delivering MC.

Nasal spray olfactory delivery system



However, the existing market for vaporizers is focused on devices that are not disposable. They are therefore prone to abuse in terms of medical cannabis because the dosage is not regulated.

The Company identified this issue and is seeking to develop a vaporiser device that has a disposable cap that will incorporate a measured, specific dose of medical cannabis (in lead, oil or another form) for treatment of a specific condition. The intention is to ensure that patients do not abuse their medication and their dosages can be monitored by the medical practitioner.

A patent application has been filed in respect of this device and discussions have been held with Israel based engineering firms to develop the initial prototype.

#### **Yissum Licence Agreement**

Under a research and licence agreement with Yissum, the Company has agreed to licence Yissum's technology and finance research into the combinations of other delivery systems with medical cannabis (**License Agreement**). For a summary of the terms of Yissum Research and License Agreement please refer to Section 11.1 of this Prospectus.

The research to be conducted pursuant to the License Agreement will be headed by Scientific Medical Advisory Committee member, Avi Domb and will involve developing innovative delivery systems for CBD and THC and combinations, as well as other formulations of cannabis extracts (**Yissum Research Project**).

Initially, the intellectual property that has been licensed by Yissum to the Company (under a patent application) solely relates to an inner cheek patch Buccal mucosdhesive patch to be used for the delivery of CBD or THC for the treatment or prevention of any medical condition or disease in humans, except for the treatment of Sleep Disorders. This buccal mucosdhesive patch is an adhered flexible patch loaded with the active agents prepared to form a patch to stick to the inside of the cheek which will release the active agent for trans-mucosal delivery or to the oral cavity, or both. The patch remains on the inside of the cheek for a few hours while releasing its content. Different shapes, concentrations and designs will be developed for optimal delivery of CBD/THC or cannabis extracts.

However, the research program contemplates that the Company and Yissum will also consider developing the following proposed formulations:

- (a) Transdermal patch developing transdermal patches using known and available delivery platforms, with a focus on the gel and the drug formulation that will be loaded onto these platforms.
- (b) Fast dissolving oral films films that immediately dissolve when placed on the tongue

and absorb the active agents will be developed starting from known compositions for these formulations and be modified to optimize to enhance absorption and convenience.

- (c) Lozenges, gums and lollipops lozenges and gum formulations for low dose indications and for short term delivery such as to reduce drug abuse or acute pain relief. The starting point will be current known formulations that will be adopted for agents with a focus on absorption, taste and convenience.
- (d) Injectable long acting formulations long acting injectable formulations that are injected and release an effective dose of CBD/THC for periods between 1 week to several weeks.
- (e) Nasal spray olfactory delivery system CBD/THC loaded nanoparticle or other formulations.
- (f) Oral delivery formulation where a solution of THC/CBD is mixed with an active delivery agent, with the dosage to be administered either in a soft gelatine capsule or a solid powder inserted into a hard gelatine capsule.

Of the formulations set out above, only the inner cheek patch is currently covered by any form of intellectual property protection which can be immediately licensed to the Company, with a patent application having been lodged (refer to the report in Section 8 of this Prospectus for further details). The other formulations will either be intellectual property that becomes available for Yissum to license to the Company or new projects that the Company and Yissum will seek to develop as part of the research program and, where relevant, apply for patent protection.

The intention of the Yissum Research Project is to determine which delivery methods (both existing and under-developed) may be the most effective for specific treatments based on results in relation to the indications for treatment, dosing, limitations and the long term needs for the products. Once the first stage of research is complete, the Company intends to focus its efforts on developing and commercialising the delivery methods that have the best possible chance of achieving commercial success.

#### 6.4 RESEARCH & DEVELOPMENT

The Company has entered into a Memorandum of Understanding with Professor Reuven Or, a member of the Scientific Medical Advisory Committee, and the Hadassah University Hospital based in Jerusalem to conduct research into the influence of cannabinoids on rehabilitation of blood cells after bone marrow transplantation and on graft versus host disease in the murine model (Hadassah Research Project).

The Company will be contributing funding to the Hadassah Research Project, with Professor Reuven Or and the Hadassah University Hospital contributing expertise and facilities.

The intellectual property generated from this research will be jointly owned by the Company and the Hadassah University Hospital.

Background, study rationale and significance:

In the past few years, numerous publications have reported the potential use of cannabis-based medicines for the treatment of various disorders, i.e. pain, vomiting, gastrointestinal disorders, obesity, inflammation, glaucoma, neuron degeneration related diseases and various kinds of motor dysfunction. Among the patients who can benefit from such treatment are bone marrow transplanted (BMT) patients, often suffering from nausea and chronic pain.

Besides their effect on the neuronal system, cannabinoids, the biologically active constituents of cannabis, also have important immunological effects. The receptors for cannabinoids are Cannabinoid receptor type 1 (**CB1**), which is expressed primarily in the brain and to some extent in peripheral tissues (such as the vasculature and immune tissues) and Cannabinoid receptor type 2 (**CB2**), which is expressed at high density on immune cells. Cannabinoids and endocannabinoids, the endogenous ligands for CB1 and CB2, were shown to affect proliferation, migration and function of different immune cell populations.



In this study, the intention is to first compare the levels of CB2 expression on different cell populations in the blood, spleen and bone marrow of healthy mice and mice after allogeneic BMT. We will then administer different cannabinoids to BMT mice and test their effect on rehabilitation of the hematologic system. Finally, we will also test the immunomodulatory effect of these drugs, when used as a treatment for GVHD.

A better understanding of the effects of different cannabinoids on hematologic recovery will allow the use of specific cannabinoid drug for each patient: as individualized medicines.

#### The objectives of the Hadassah Research Project

The aim to provide data about the influence of different cannabinoids on hematopoiesis and on GVHD therapy.

Specifically, we will test the following:

- (a) the levels of CB2 expression on different hematopoietic cell populations before and after BMT.
- (b) the effect of cannabinoid treatment on rehabilitation of the hematologic system after BMT (murine model); and
- (c) the effect of cannabinoid treatment on the clinical condition of mice with GVHD (murine model).

#### Schedule

It is intended to be a two year project:

YEAR	MONTH	KP1
1	1-3	Evaluation of BMT effect on CB2 expression on immune cells.
1	4-12	Evaluation of the effect of different cannabinoids on hematopoiesis after BMT
2	1-12	Evaluation of the immune-modulatory effect of different cannabinoids on GVHD

#### **Potential outcome**

The results of the Hadassah Research Project are expected to contribute to the clinical use of cannabis extracts in the following ways:

- (a) specific strains of cannabis will be given as a therapy to BMT patients according to their clinical condition hematopoiesis supporting strains for patients with poor hematopoietic recovery and immune-regulatory strains for patients suffering from GVHD.
- (b) hematopoiesis supporting strains and immune-regulatory strains can be used also in other pathological conditions that include hematologic disruption and/or inflammatory disorder such as autoimmune diseases.

#### 6.5 GENERAL STRATEGY IN RELATION TO COMMERCIALISATION

The Company is cognisant of the fact the research and development of new medical products can take long time and require significant expenditure.

As a general rule, the Company will seek to complete the early stages of clinical trials and then seek to license its intellectual property to larger organisations for commercialisation.

#### 6.6 GROW OPS IN CALIFORNIA & URUGUAY

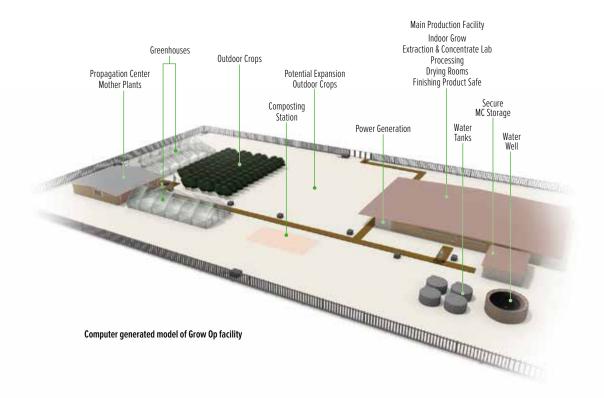
A short to medium term goal of the Company is to become a vertically integrated enterprise that is able to service major parts of the medical cannabis industry. In this regard, we also intend to finalise our feasibility studies on establishing growing facilities in California and Uruguay to be able to provide the key medicinal ingredient into these growing markets throughout the world. There is a significant commercial opportunity to establish one or more grow operations in California due to:

- (a) it having a large medical cannabis patient population;
- (b) there being wide spread physician acceptance of medical cannabis;
- (c) there being sophisticated retail outlets (dispensaries) seeking to differentiate themselves with unique and true to type strains; and
- (d) the Board and management of the Company having strong relationships with major dispensary owners.

However, there are multiple players in California in what is a fragmented and partially saturated industry. This presents a risk as well as an opportunity for the Company.

Uruguay also represents a significant commercial potential for a grow operation specializing in export of registered medical cannabis strains to Europe.

The Company is currently in discussions with various parties in relation to securing exclusive rights to their genetic strains of cannabis with the intention of then setting up legal 'grow ops' in California and Uruguay (and potentially other jurisdictions) with a view to servicing local and international demand for medical cannabis.



In order to implement this strategy the Company intends to:

- (a) complete its current feasibility studies on establishing grow ops in both California and Uruguay. This will include assessment of (without limitation) the:
  - (i) economic potential;
  - (ii) appropriate physical locations;
  - (iii) regulatory requirements;
  - (iv) security needs; and
  - (v) infrastructure and personnel requirements; and
- (b) in conjunction with the feasibility studies, secure exclusive rights to genetic strains of cannabis and look to enter into binding off-take arrangements.

On completion of the above and subject to satisfying all regulatory hurdles, the Company intends to immediately commence building one or more grow ops. This may require additional financing (debt, equity or third party) in the future.



## RISK FACTORS

#### 7.1 INTRODUCTION

The Shares offered under this Prospectus are considered highly speculative. An investment in our Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

#### 7.2 COMPANY SPECIFIC

The Company specific risk factors are set out in Section 2.6 of this Prospectus.

#### 7.3 INDUSTRY SPECIFIC

#### (a) Licensing and marketing risk

The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its objectives in this Prospectus. However, funds raised under this Prospectus may not be sufficient to enable the Company to fully commercialise its delivery system technologies.

The Company's strategy is likely to be licensing its delivery system technologies in the early clinical phases of their development to licensees that are able to complete commercialisation of the delivery system technologies. The Company may seek to raise additional capital in the future if suitable licensees cannot be identified and the Company seeks to commercialise the therapies without licensees.

#### (b) Product liability and uninsured risks

Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavors to work to rigorous standards there is still the potential for the products to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

#### (c) Research and development

The Company can make no representation that any of its research into or development of its delivery system technologies will be successful, that the development milestones will be achieved, or that the delivery system technologies will be developed into products that are commercially exploitable.

There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

#### (d) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

#### (e) Management of growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the Group may affect the Company's financial performance.

#### 7.4 GENERAL RISKS

#### (a) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development programmes, as well as on its ability to fund those programmes.

#### (b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

#### (c) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development and research programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

#### (d) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel including the members of the Scientific Medical Advisory Committee. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

#### (e) Currently No Market

There is currently no public market for the Company's Shares, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer.

The price at which the Company's Shares trade on ASX after listing may be higher or lower than the Offer Price and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in mineral prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.

There can be no guarantee that an active market in the Company's Shares will develop or that the price of the Shares will increase.

There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid.

#### (f) Dependence on outside parties

The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. The manufacture and global distribution of products and services is important to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

#### (g) Funding risk

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business

opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of development or research. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

The Company is exposed to risks associated with its financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations; the risk that the Company will not be able to meet its financial obligations as they fall due; and the risk that market prices may vary which will affect the Company's income.

#### (h) Insurance risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

#### (i) Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

# INTELLECTUAL PROPERTY REPORT



Contact: Peter Hille 20 November 2014

Principal/Associate: Peter Hille

The Directors
Phytotech Medical LTD
Suite 9,
330 Churchill Avenue,
Subiaco WA 6008
Australia

Our ref: 253871

Dear Directors,

This Report has been prepared for inclusion in a Prospectus required for lodgement at the Australian Securities and Investments Commission for the purpose of raising funds through the issue of securities.

Phytotech Medical Ltd ('Phytotech') holds an exclusive worldwide license to make commercial use of the subject matter of a provisional patent application filed with the United States Patent Office for the delivery of any cannabidiol (CBD) or tetrahydrocannabinol (THC) for the treatment or prevention of any medical condition or disease in humans, except for the treatment and/or the relief of sleep apnea, snoring and/or any sleep disorder and/or any other disorder that occurs during sleep. Phytotech is also owner and applicant of one Australian provisional patent application.

This Report summarises the status of these patent applications.

In the preparation of this Report, we have not enquired into or otherwise assessed the validity of the license granted to Phytotech. We have relied only upon a copy of the license agreement provided to us.

#### www.wrays.com.au

#### 1. Background

This Report is based on information generated by patent searches undertaken by us on 13 November 2014 and on information provided by the licensees of the patent applications that has been licensed to Phytotech.

The Report also includes information of an Australian provisional patent application owned by Phytotech. This information was provided by WRAYS as the patent attorneys responsible for prosecution of this particular Australian provisional patent application.

Further information regarding the licensed foreign application (outside Australia) was provided by the attorneys which are overviewing and responsible for the prosecution of the licensed patent application. This application for which we obtained information from third parties regarding the status of the application is marked accordingly (\*).

In compiling this Report, in respect of the patent application either licensed to Phytotech or owned by Phytotech, the filing particulars have been confirmed and the current status ascertained. Based on the information provided to us all of the patent applications set out in this Section 2 of this Report are currently in force.

Wrays is not aware of any material changes expected to occur to the status of matters discussed below, except for normal changes in the course of standard patent prosecution and grant.

Wrays has not confirmed if the licensed patent application has been prosecuted in accordance with the Patent Law and Regulations of the jurisdiction in which it was filed.

#### 2. Licensed and Assigned Patent and Patent Applications

This section outlines the patent applications that have been licensed to Phytotech and that are owned by Phytotech.

#### Licensed Patent Application

Publication Number	Jurisdiction	Application Number	Filing Date	Status	
N/A	USA	62/060,689	7-Oct-2014	Filed*	

**Phytotech Medical LTD** 

20 November, 2014

#### US Provisional application 62/060,689

Title: A Mucosdhesive Device, Kit and Method for adhesion in the

Oral Cavity for Preventing Obstructive Sleep Apnea (Osa) and

extended delivery of Agents

Application Number: 62/060,689

Applicant: KENAN, Gad and DOMB, Abraham Jacob

Filing Date: 7 October 2014

Inventor: KENAN, Gad and DOMB, Abraham Jacob

#### Ownership and Entitlement

We have been provided with a copy of the License Agreement dated 19 November 2014 between Phytotech (the Licensee) and Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (the Licensor) through the above-mentioned US provisional patent application is licensed to Phytotech.

We note that by way of the License Agreement, the Licensor warrants that it either owns or has sufficient rights in this particular US provisional patent application to grant a license to Phytotech. We have made no enquiry to confirm that to be in fact the case.

#### Outline of the Technology

This provisional patent application relates to stickers that can deliver active agents for topical and systemic delivery of active agents for treatment of disorders in human and non-human patients. Examples of these disorders are obstructive sleep apnea (OSA) and oral ulcers.

The stickers are adapted to be attached to two oral organs, such as the tongue and the lip, the lip to the teeth, the tongue to the palate, among others.

The provisional patent application also relates to a kit including the stickers and a method for adhesion of the stickers in the oral cavity of the patients.

In aspect of the invention claimed by the provisional patent application the sticker may be single sided. In another aspect of the invention there is provided a double sided sticker adapted for attaching an edge of the tongue to a surface in an oral cavity (such as the mouth) of a patient.

The double sided sticker maybe used for attaching a desired element into the mouth. The element may an active agent eluting element including agents loaded in nano or microparticles comprising active agents.

The active agents may be drugs treating oral disorders and drugs intended for systemic delivery. Alternatively, other active agents may be drugs, herbal extracts, homeopathic agents and combination thereof. For example the active agents are selected from the group consisting of: analgesics, anaesthetics, antiseptics, antibacterial agents, antiviral agents, disinfectants, herbal extracts, anti-halitosis agents, anti-inflammatory agents, opioids, melatonin, sleep inducing agents, cardiovascular drugs, caffeine, nicotine and antidepressants.

In a particular arrangement, the double sided sticker comprises a tongue facing side and a mouth facing side. The side are preferably visually distinguishable from each other. The tongue facing side is more adhesive than the mouth facing side.

Further, in another aspect of the invention there is provided a kit comprising a plurality of the above described stickers.

In a further aspect of the invention, there is provided a method for adhering the tongue of a patient to a surface of the mouth of the patient to prevent sleep apnea. The method comprises attaching one side of the sticker to an edge of the tongue, preferably the dorsal end of the tongue. The other side of the sticker is a surface of the mouth; the surface of the mouth may be the lip, the inner side of the front teeth of the lower or upper jaw, the surface of inner mouth below the teeth of the lower jaw or above the teeth in the upper jaw, the palate and the similar locations in the upper jaw.

As was mentioned before, Phytotech holds an exclusive worldwide license to make commercial use of the subject matter of the licensed application for the delivery of any cannabidiol (CBD) or tetrahydrocannabinol (THC) for the treatment or prevention of any medical condition or disease in humans, except for the treatment and/or the relief of sleep apnea, snoring and/or any sleep disorder and/or any other disorder that occurs during sleep.

#### Assigned Patent Application

Publication Number	Jurisdiction	Application Number	Filing Date	Status
N/A	Australia	2014903030	05-Aug-2014	Filed

#### Australian Provisional application 2014903030

Title: Dispensing System

Application Number: 2014903030

Applicant: Phytotech Medical LTD

Filing Date: 5 August 2014

Inventor: SMITH, Ross Henry

#### Ownership and Entitlement

Phytotech is entitled to ownership of this application by virtue of an assignment document executed by the inventor of the invention claimed by the present provisional patent application.

The executed assignment document was submitted to the Australian Patent Office on 5 November 2014 for recordal thereof. The Australian Patent Office has recorded the assignment document. The owner and applicant of the present provisional patent application is now Phytotech.

#### Outline of the Technology

This provisional patent application relates to systems for dispensing specific doses of a medical product using a vaporiser. In particular, the provisional patent application relates to:

 A dispensing system for dispensing a specific dose of a medical product. The dispensing system comprises vaporising means for vaporising the medical product, a mouth piece, and a cartridge for containment of the specific dose of the medical product, the cartridge being adapted to be operatively connected to the vaporising means and to the mouthpiece for delivery of the vaporised medical product to a patient.

- 2. A dispensing system for dispensing a specific dose of a medical product to a patient. The dispensing system comprises vaporising means for vaporising the medical product, and a mouth piece being adapted to receive the specific dose of the medical product, the mouth piece being adapted to be operatively connected to the vaporising means for delivery of the vaporised medical product to a patient.
- 3. A mouth piece for attachment to a dispensing means for dispensing a specific dose of a medical product to a patient. The mouth piece is adapted to be operatively connected to the vaporising means for delivery of the vaporised medical product to a patient.
  - The mouth piece comprises a compartment adapted for receiving the medical product, (1) a first opening in communication with the compartment to allow vaporisation of the medical product by the vaporiser, (2) a second opening in communication with the compartment to deliver the vaporised medical product to the patient, and (3) a seal adapted to cover the first opening for sealing of the medical product within the mouth piece.
- 4. A package adapted to receive a plurality of mouthpieces in accordance with the aspect of the invention described in item 3 above, and the plurality of mouthpieces.
- A method for delivering a medical product to a patient in need thereof using the above described mouthpieces.

The use of the technology disclosed in this provisional patent application enables vaporisation of a controlled dosage of a medical product for inhalation by a patient. The technology also allows controlling the medical product to be vaporised for inhalation by a patient.

#### 3. Proprietorship

A patent for an invention may only to be granted to the inventor(s) or to a person who has entitlement to the invention by way of assignment, employment contract or other means. In

the preparation of this Report, we have not assessed the validity of the inventorship of the patent applications listed in Section 2.

Although we have not assessed the validity of the inventorship status or undertaken a detailed review of assignment documents, based on the documentation provided to us to prepare this Report, we are not aware of any issues that may invalidate claim to ownership by any of the applicants of the patent applications listed in this Report, or invalidate the inventorship status, of the patents or patent applications listed in Section 2.

#### 4. Patent Protection and the Requirements for Patentability

Patent rights constitute an important component of intellectual property, and provide protection for new, non-obvious and useful inventions for a limited period. Patents may be granted in respect of new or improved products, compositions and processes in almost all areas of current scientific, commercial and industrial activities, including pharmaceuticals.

Registration of a patent right includes a number of steps, the timings of which are widely variable from jurisdiction to jurisdiction, and also may vary greatly across different types of technology applications within one jurisdiction's examination office. In some jurisdictions, after a patent application is filed the application must be examined for substantive patentability before registration. Furthermore, in some jurisdictions the applicant is required to request examination before the application will proceed to examination, whilst in other jurisdictions examination will occur automatically in due course.

Patent rights are essentially national rather than trans-national and a patent must be obtained in each country where protection of an invention is required. A fundamental requirement of the patent system is that the invention be 'new' at the time of lodging a patent application. Newness in this sense is judged in relation to what was publicly known or used at the priority date of the application. (The priority date is the filing date of the first filed patent application claiming a particular invention. During examination, a patent application will only be granted if this particular patent application has an earlier priority date than any citation found during examination of the particular patent application.)

Another requirement is for a distinct inventive advance over what was previously known. This means that valid patent protection cannot be obtained for obvious developments.

Pursuant to the Paris Convention, the filing of an initial patent application in, for example, Australia establishes a priority date for the invention in Australia and all other countries that are a party to this Convention, including a multitude of countries.

The usual steps towards obtaining a patent in Australia and other countries in respect of an invention begin by filing a provisional application. The filing of a provisional application establishes the priority date in respect of the invention disclosed in the provisional specification.

Within twelve months from the date of the filing of the provisional application, a complete application must be lodged otherwise the provisional application, which remains pending for only one year, ceases to exist, along with the priority date set thereby. Thus, if no application is filed within one year of the provisional application, the priority date is no longer valid.

Within the one year pendency of the provisional application, in order to obtain protection in other countries, the applicant may file separate national patent applications in each of the countries in which protection is required.

Alternatively, the applicant may file a single international application under the provisions of the Patent Cooperation Treaty (generally referred to as a 'PCT' application or an 'International' application) in which it is possible to designate countries or regions in which protection is required. The International application itself does not mature into a worldwide patent, but at the end of the international phase, steps can be taken to file the application into any or all of the countries or regions designated in the original International application.

It is important to note that in some jurisdiction it is not possible to gain patent protection via an international patent application. A world map is attached (see Appendix A) to this Report showing in grey the jurisdictions in which patent protection cannot be sought via an international patent application. If patent protection is desired in these jurisdictions national patent applications will need to be filed in each of these jurisdictions within the one year pendency of the provisional application.

Regional patent applications, such as a European regional application, may also be filed. A European application may designate any or all countries that are a party to the European Patent Convention. The European patent application is processed centrally and in a single language and, if ultimately successful, can mature into a granted European patent, which must then be validated in each country in which protection is sought, some of which require translation into that country's native language. The term 'European patent' thus actually constitutes a bundle of national patent rights, each of which can be enforced separately through national Courts.

In Australia and most other countries, patent rights may be kept in force for a period of 20 years from the date of filing of the complete application on which the patent is granted, and while the patent is in force the owner has the exclusive right to exploit the invention.

#### 5. Potential Limitation of Patent Protection

In most countries, a patent application is subjected to examination for novelty and obviousness (and other grounds) before a patent is granted. There can be no assurance that each of the patent applications set out in Section 2 will result in the grant of a patent, or that the scope of protection provided by any granted patent will be identical to the scope of the application as originally filed or that the granted patent will effectively block competition.

Furthermore, the scope of protection provided by a granted patent in one jurisdiction may differ from that provided by a granted patent in another jurisdiction, due to differences in examination between countries and regions (such as the European region) and scope of available protection.

It should be noted that the grant of a patent does not guarantee validity of that patent since it may be revoked by a court on the grounds of invalidity at any time during its life. If none of the claims of a granted patent are valid, then the patent is unenforceable. For example, relevant prior disclosures may be discovered that were not raised during examination, which may limit the scope of patent protection sought, perhaps to a very narrow field. In the preparation of this Report, we have not assessed the likelihood that the pending applications (listed in Section 2 of this Report) will be granted with commercially effective patent claims.

Further, it should also be noted that the granting of a patent does not guarantee that the patentee has freedom to operate the invention claimed in the patent. It may be that working

of a patented invention is prevented by the existence of another patent. In the preparation of this Report, we have not assessed whether or not the commercialisation of the technology embodied by the patent applications listed in Section 2 will infringe third party patent rights.

#### 6. Disclaimer and Limitations

The Report is not to be construed as a legal opinion as to the registrability of the patent applications.

It should also be appreciated that the Report is not a patent validity opinion. No conclusions on the validity of the patent applications (listed in Section 2) should be made from this Report. Moreover, the Report does not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of earlier patents.

The searches conducted for this Report and the results of which are in part relied upon in this Report, have been substantially computer based and as such, would have been limited in terms of the time periods and the geographical areas covered. In addition, all information regarding the status of foreign patent applications (outside of Australia) which form part of the patent applications that has been listed in Section 2 has been obtained through searches conducted by us or through information provided by attorneys responsible for overseeing and prosecution of these patent applications. All searches are subject to the accuracy and scope of the records searched as well as to the indexing and classification of those records.

It should be noted that our search results are largely dependent upon the accuracy with which the patent office databases have been established and maintained. Note that this search cannot be taken as an indication as to whether the invention(s) infringe any patents or patent applications in force in Australia or in any other country. An infringement search in respect of Australia would require an exhaustive search of Australian Patent Office records, and an infringement search for any other jurisdiction would require a similar search of the patent records of that particular jurisdiction.

Examination Reports in one Country not binding on other Countries

In most countries, patent applications undergo an independent search and examination by the local Patent Office, the results of which are not binding in other jurisdictions. Similarly, international PCT search and examination reports are not binding on national patent applications during subsequent examination in the national phase. Such reports should **Phytotech Medical LTD** 

20 November, 2014

therefore be regarded as indicative only and not determinative of patentability. It should also be appreciated that the grant of a patent in one country provides no guarantee that patents will grant in other jurisdictions.

Scope of Claims may vary during Examination

It is often necessary during the examination of a patent application to define the invention more specifically by amendment of the claims, so as to distinguish relevant prior art. As a result of this process, there may be variations in the claims between countries, reflecting in part the different examination procedures and threshold requirements for patentability, according to national laws. Whilst this is a relatively standard procedure, in certain circumstances, such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

#### 7. Statement of Independence

Wrays, established in 1920, is an Australian patent and trade mark attorney practice, proudly representing a significant number of Australian and international businesses. Neither Wrays nor any of its Directors and Principals has any entitlement to any securities in Phytotech, or has any other interest in the promotion of Phytotech. Furthermore, the payment of fees to Wrays for the preparation of this Report, is not contingent upon the outcome of the Prospectus.

We have given, and at the date of this Report have not revoked, our consent to the issue of the Prospectus by to Phytotech with this Report appearing therein in the form which it now appears.

Yours sincerely

WRAYS

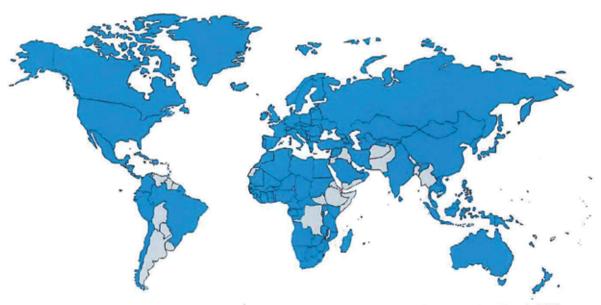
Peter Hille Senior Associate

Encl: Appendix A

# **WRAYS**

# Appendix A

#### PCT Contracting States and Two-letter Codes (148 on 1 November 2014)



								-	
AE	United Arab	CR	Costa Rica	IN	India	ML	Mali (OA) <sup>2</sup>	SI	Slovenia (EP) <sup>2</sup>
	Emirates	CU	Cuba	IR	Iran (Islamic	MN	Mongolia		Slovakia (EP)
AG	Antigua and Barbuda	CY	Cyprus (EP)2		Republic of)	MR	Mauritania (OA) <sup>2</sup>	SL	Sierra Leone (AP)
AL	Albania (EP)	CZ	Czech Republic (EP)	IS	Iceland (EP)	MT	Malta (EP)2	SM	San Marino (EP)
	Armenia (EA)	DE	Germany (EP)	IT	Italy (EP)2	MW	Malawi (AP)	SN	Senegal (OA) <sup>2</sup>
		DK	Denmark (EP)	JP	Japan	MX	Mexico	ST	Sao Tome and
	Angola	DM	Dominica (LF)	KE	Kenya (AP)	MY	Malaysia		Principe (AP4)
AT	Austria (EP)			KG	Kyrgyzstan (EA)	MZ	Mozambique (AP)	SV	El Salvador
AU	Australia	DO	Dominican Republic	KM	Comoros (OA) <sup>2</sup>	NA	Namibia (AP)	SY	Syrian Arab Republic
AZ	Azerbaijan (EA)	DZ	Algeria	KN	Saint Kitts and Nevis	NE	Niger (OA) <sup>2</sup>	SZ	Swaziland (AP) <sup>2</sup>
BA	Bosnia and	EC	Ecuador	KP	Democratic		Nigeria	TD	Chad (OA)2
	Herzegovina <sup>1</sup>	EE	Estonia (EP)		People's Republic of	NI	Nicaragua	TG	Togo (OA) <sup>2</sup>
BB	Barbados	EG	Egypt	VD	Korea	NL	Netherlands (EP)2	TH	Thailand
BE	Belgium (EP) <sup>2</sup>	ES	Spain (EP)	KR	Republic of Korea	NO	Norway (EP)	TJ	Tajikistan (EA)
BF	Burkina Faso (OA)2	FI	Finland (EP)	KZ LA	Kazakhstan (EA) Lao People's Demo-	NZ	New Zealand	TM	Turkmenistan (EA)
BG	Bulgaria (EP)	FR	France (EP)2	LA	cratic Republic	OM	Oman	TN	Tunisia
BH	Bahrain	GA	Gabon (OA)2	LC	Saint Lucia	PA	Panama	TR	Turkey (EP)
BJ	Benin (OA) <sup>2</sup>	GB	United Kingdom (EP)	LI	Liechtenstein (EP)	PE	Peru	TT	Trinidad and Tobago
BN	Brunei Darussalam	GD	Grenada	LK	Sri Lanka	PG	Papua New Guinea	ΤŻ	United Republic of
BR	Brazil	GE	Georgia	LR	Liberia (AP)	PH	Philippines	12	Tanzania (AP)
BW	Botswana (AP)	GH	Ghana (AP)	LS	Lesotho (AP)	PL	Poland (EP)	110	Ukraine
BY	Belarus (EA)	GM	Gambia (AP)	LT	Lithuania (EP)2	PT	Portugal (EP)		Uganda (AP)
BZ	Belize	GN	Guinea (OA)2	LU	Luxembourg (EP)	QA	Qatar (EF)		United States of
CA	Canada	GQ	Equatorial Guinea (OA)	2LV	Latvia (EP)2	RO	- magnetic services	US	America
CF	Central African	GR	Greece (EP)2	LY	Libya		Romania (EP)	UZ	Uzbekistan
O	Republic (OA)2	GT	Guatemala	MA	Morocco	RS	Serbia (EP)		Saint Vincent and
CG		GW	Guinea-Bissau (OA)2	MC	Monaco (EP)2	RU	Russian	VC	the Grenadines
-	Congo (OA) <sup>2</sup>	LINI	Honduras	MD	Republic of	DIA	Federation (EA)	1761	Viet Nam
CH	Switzerland (EP)				Moldova <sup>3</sup>		Rwanda (AP)		
CI	Côte d'Ivoire (OA)2	HR	Croatia (EP)			SA	Saudi Arabia	ZA	South Africa
CL	Chile	HU	Hungary (EP)		Madagascar	SC	Seychelles		Zambia (AP)
CM	Cameroon (OA) <sup>z</sup>	ID	Indonesia	MK	The former	SD	Sudan (AP)	ZVV	Zimbabwe (AP)
CN	China	IE	Ireland (EP) <sup>2</sup>		Yugoslav Republic	SE	Sweden (EP)		
CO	Colombia	IL	Israel		of Macedonia (EP)	SG	Singapore		

Extension of European patent possible.

May only be designated for a regional patent (the "national route" via the PCT has been closed).

Only international applications filed before 26 April 2012 include the designation of the Republic of Moldova for a Eurasian

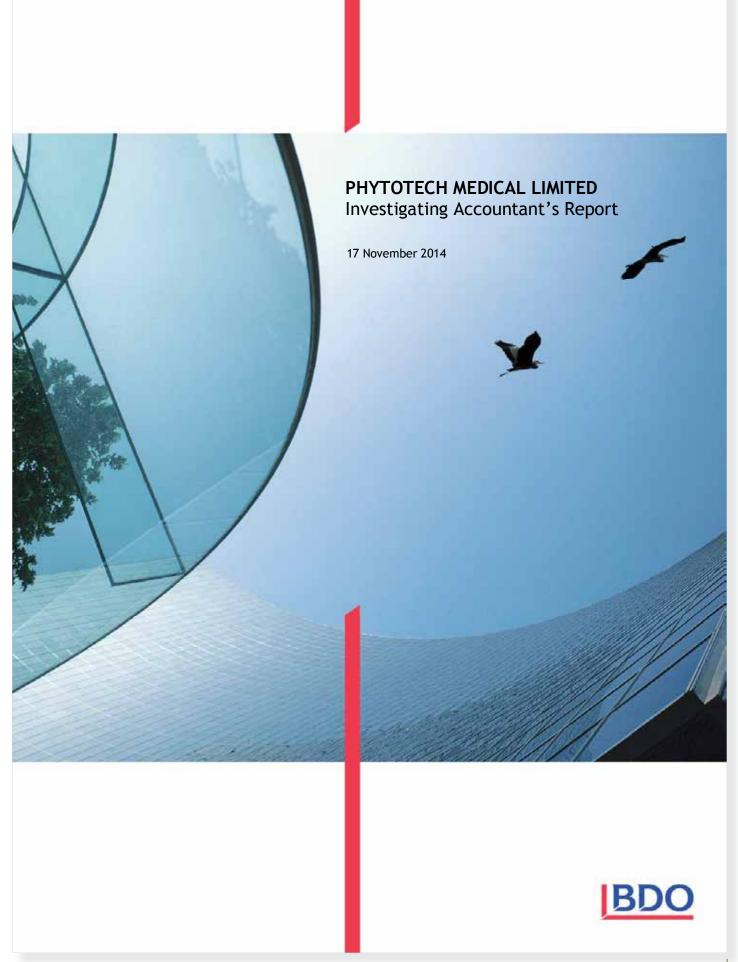
patent.
Only international applications filed on or after 19 August 2014 include the designation of Sao Tome and Principe for an ARIPO patent.

Where a State can be designated for a regional patent, the two-letter code for the regional patent concerned is indicated in parentheses (AP = ARIPO patent, EA = Eurasian patent, EP = European patent, OA = OAPI patent).

Important: This list includes all States that have adhered to the PCT by the date shown in the heading. Any State indicated in **bold** italics has adhered to the PCT but will only become bound by the PCT on the date shown in parentheses; it will not be considered to have been designated in international applications filed before that date.

Note that even though the filing of a request constitutes under PCT Rule 4.9(a) the designation of all Contracting States bound by the PCT on the international filing date, for the grant of every kind of protection available and, where applicable, for the grant of both regional and national patents, applicants should always use the latest version of the e-filing software used to generate the request form, or the latest versions of the request form (PCT/RO/101) and demand form (PCT/REA/401) (the latest versions are dated 16 September 2012). The request and demand forms can be printed from the website, in editable PDF format, at: http://www.wipo.int/pct/en/forms/, or obtained from receiving Offices or the International Bureau, or, in the case of the demand form, also from International Preliminary Examining Authorities. Where possible, applicants are encouraged to use ePCT-Filing in order to benefit from the most up-to-date PCT data.

# INVESTIGATING ACCOUNTANT'S REPORT





Tel: +61 8 6382 4600 Fax: +61 8 6382 4601 www.bdo.com.au

38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

17 November 2014

The Directors PhytoTech Medical Limited Suite 9, 330 Churchill Avenue Subiaco WA 6008

**Dear Directors** 

#### INVESTIGATING ACCOUNTANT'S REPORT

#### Introduction

We have been engaged by PhytoTech Medical Limited ('PhytoTech' or 'the Company') to prepare this Investigating Accountant's Report ('Report') on the historical financial information and pro forma historical financial information of PhytoTech for inclusion in a prospectus ('Prospectus') to be issued by the Company in respect of the proposed initial public offering and listing on the Australian Securities Exchange ('ASX'). Broadly, the Prospectus will offer up to 25 million Shares at an issue price of \$0.20 each to raise up to \$5 million before costs ('the Offer').

The full amount to be raised under the Prospectus is \$5 million before costs. No oversubscriptions are intended to be accepted by the Company. As the Offer is fully underwritten, the minimum subscription for the Offer is \$5 million.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158).

#### 2. Scope

#### Historical financial information

You have requested BDO to review the following historical financial information of PhytoTech included in the Prospectus:

- The Statement of Profit or Loss and Other Comprehensive Income of PhytoTech for the period ended 30 September 2014;
- The Statement of Financial Position of PhytoTech as at 30 September 2014; and
- The Statement of Changes in Equity of PhytoTech for the period ended 30 September 2014.

(collectively the 'historical financial information').

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and PhytoTech's adopted accounting policies. The historical financial information has been extracted from the financial statements of PhytoTech for the period ended 30 September 2014, which was reviewed by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued an unmodified opinion on the financial information.

The historical financial information is presented in the Appendices to this Report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act* 2001.

#### Pro Forma historical financial information

You have requested BDO to review the pro forma historical statement of financial position as at 30 September 2014 for PhytoTech referred to as the 'pro forma historical financial information'.

The pro forma historical financial information has been derived from the historical financial information of PhytoTech, after adjusting for the effects of any subsequent events described in section 7 and the pro forma adjustments described in section 8. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 7 and section 8, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position.

#### Background

PhytoTech was incorporated on 14 August 2014 with the vision to be a leader in the development of medical cannabis delivery systems and other sectors of the medical cannabis industry.

Initially, the Company intends to focus on the commercialisation of medical cannabis delivery systems in the markets of USA, Canada, Israel and Europe that have regulated medical cannabis laws, with long term goals to the Australian and New Zealand markets that may be regulated at a future point in time. The Company's business model will be focussed on:

- a) Developing and commercialising existing delivery systems and devices that have the
  potential to deliver safe, effective and measured doses of medical cannabis to patients;
   and
- b) Research and development into new delivery systems for administering medical cannabis, together with new treatments utilising medical cannabis for various medical conditions.

Under a research and licence agreement with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd in Israel ('Yissum'), the Company has agreed to licence Yissum's technology and finance research into the combinations of delivery systems with medical cannabis ('Yissum License Agreement').

#### 4. Director's responsibility

The directors of PhytoTech are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

#### 5. Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial statements used as a source of the financial information.

#### 6. Conclusion

#### Historical financial information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information as set out in the Appendices to this Report does not present fairly, in all material aspects, the financial performance for the period ended 30 September 2014 or the financial position as at 30 September 2014 in accordance with the stated basis of preparation as described in section 2.

#### Pro-forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 2.

#### 7. **Subsequent Events**

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 30 September 2014:

- The Company has issued a total of 30 million Performance Rights (being 10 million Class A, 10 million Class C and 10 million Class D). An additional 10 million Class B Performance Rights will be issued when the Class A Performance Rights achieve their performance milestones. The 30 million Performance Rights will be issued as follows:
  - 4 million Class A, 4 million Class C and 4 million Class D will be issued to non-related party consultants and advisors in consideration for corporate advisory services; and

 6 million Class A, 6 million Class C and 6 million Class D will be issued to Directors of the Company.

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

### 8. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro-forma statement of financial position post issue is shown in Appendix 2. This has been prepared based on the reviewed financial information as at 30 September 2014, the subsequent events set out in section 7, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The issue of 25,000,000 Shares at an offer price of \$0.20 each to raise \$5,000,000 before costs, pursuant to the Prospectus;
- Costs of the Offer are estimated to be \$453,000, which are to be offset against the contributed equity; and
- The issue of 2,500,000 Options to BBY Limited (or its nominee) with an exercise price of \$0.20 and an expiry date on or before 3 years after their date of issue ('Broker Options'). The Broker Options are to be issued in consideration for services performed in relation to the Offer and have been valued at \$302,500. As the Broker Options are considered costs of the Offer they have been offset against contributed equity.

#### 9. Disclosures

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth. Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

Peter Toll

Director

#### APPENDIX 1 PHYTOTECH MEDICAL LIMITED

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed for the period
	from incorporation on
	14-Aug-14 to 30-Sept-14
	\$
Interest income	653
Expenses	
Consultants fees	(418,145)
Company secretarial fees	(6,000)
Director fees	(12,000)
Legal fees	(35,147)
Travel expense	(55,498)
Marketing expense	(5,000)
Other expenses	(14,077)
Loss before income tax expense	(545,214)
Income tax benefit/(expense)	-
Net Loss for the period	(545,214)

This statement of profit or loss and other comprehensive income shows the historical financial performance of the Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4. Past performance is not a guide to future performance.

**APPENDIX 2** PHYTOTECH MEDICAL LIMITED STATEMENT OF FINANCIAL POSITION

		Reviewed as at 30-Sep-14		Pro-forma adjustments	Pro-forma after Offer
	Notes	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	2	359,143	-	4,547,000	4,906,143
Trade and other receivables		55,289	-	-	55,289
TOTAL CURRENT ASSETS		414,432	-	4,547,000	4,961,432
TOTAL ASSETS		414,432	-	4,547,000	4,961,432
CURRENT LIABILITIES					
Trade and other payables		57,246	-	-	57,246
TOTAL CURRENT LIABILITES		57,246	-	-	57,246
TOTAL LIABILITIES		57,246	-	-	57,246
NET ASSETS		357,186	-	4,547,000	4,904,186
EQUITY					
Contributed equity	3	902,400	-	4,244,500	5,146,900
Reserves	4	<u>-</u>	770,000	302,500	1,072,500
Accumulated losses	5	(545,214)	(770,000)		(1,315,214)
TOTAL EQUITY		357,186	-	4,547,000	4,904,186

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

#### **APPENDIX 3** PHYTOTECH MEDICAL LIMITED STATEMENT OF CHANGES IN EQUITY

	Notes	Reviewed for the period ended 30-Sep-14 \$		Pro-forma adjustments \$	Pro-forma after Offer \$
Comprehensive income for the period					
Profit/(Loss) for the period	5	(545,214)	(770,000)	-	(1,315,214)
Total comprehensive income for the period	_	(545,214)	(770,000)	-	(1,315,214)
Transactions with equity holders in their capacity as equity holders					
Contributed equity, net of transaction costs	3	902,400	-	4,244,500	5,146,900
Reserves	4	-	770,000	302,500	1,072,500
Total transactions with equity holders	_	902,400	770,000	4,547,000	6,219,400
Balance	-	357,186	-	4,547,000	4,904,186

The above statement of changes in equity is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

#### **APPENDIX 4**

#### PHYTOTECH MEDICAL LIMITED

#### NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

#### Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

#### Going concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

#### Reporting basis and conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### a) Income tax

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### b) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

#### c) Trade and other receivables

Trade receivables are recognised as the amount receivable and are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

#### d) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

#### e) Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

## f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### g) Intangible assets

Intellectual property and patents

Intellectual property and patents that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

#### h) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

### Non-Financial Assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of financial performance. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount

of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

# i) Contributed equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

## j) Financial instruments

#### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

# k) Employee benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

# Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# Share-based payments transactions

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a

corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the period from grant date to the date on which the relevant employees become fully entitled to the award ('vesting date'). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## l) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

# Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

# **Options**

The fair value of options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

#### Taxation

The Company is subject to income taxes in Australia. Significant judgement is required when determining the Company's provision for income taxes. The Company estimates its tax liabilities based on the Company's understanding of the tax law.

	Reviewed	Pro-forma
	30-Sep-14	after Offer
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$
Cash and cash equivalents	359,143	4,906,143
Adjustments to arise at the pro-forma balance:		
Reviewed balance of Phytotech at 30-Sep-2014		359,143
Pro-forma adjustments:		
Proceeds from shares issued under this Prospectus		5,000,000
Capital raising costs		(453,000)
	-	4,547,000
Pro-forma Balance		4,906,143

	Reviewed	Pro-forma
	30-Sep-14	after Offer
NOTE 3. CONTRIBUTED EQUITY	\$	\$
Contributed equity	902,400	5,146,900
	Number of	
Adjustments to arise at the pro-forma balance:	shares	\$
Fully paid ordinary share capital	15,000,000	902,400
Pro-forma adjustments:		
Proceeds from shares issued under this Prospectus	25,000,000	5,000,000
Capital raising costs	-	(453,000)
Issue of Broker Options to BBY Limited	-	(302,500)
	25,000,000	4,244,500
Pro-forma Balance	40,000,000	5,146,900

	Reviewed	Pro-forma
	30-Sep-14	after Offer
NOTE 4. RESERVES	\$	\$
Reserves	-	1,072,500
Adjustments to arise at the pro-forma balance:		
Reviewed balance of Phytotech at 30-Sep-2014		-
Subsequent events:		
Issue of Class A Performance Rights		370,000
Issue of Class C Performance Rights		280,000
Issue of Class D Performance Rights		120,000
	<del>-</del>	770,000
Pro-forma adjustments:		
Issue of Broker Options to BBY Limited		302,500
	<del>-</del>	302,500
Pro-forma Balance		1,072,500

Using the Black-Scholes option valuation methodology the fair value of the Broker Options has been calculated. The following inputs were used for these options issued:

Broker Options	
Underlying share price	\$0.20
Exercise price	\$0.20
Issue date	17-Nov-14
Expiration date	17-Nov-17
Life of the Options	3.00
Volatility	95%
Risk-free rate	2.54%

Performance Rights on issue at completion of Offer	
Class A Performance Rights*	10,000,000
Class B Performance Rights*	-
Class C Performance Rights	10,000,000
Class D Performance Rights	10,000,000
Total	30,000,000

<sup>\*</sup>When the Class A Performance Rights achieve their performance milestone, they will convert into one Class B Performance Right and one Share

The Performance Rights will convert into fully paid ordinary shares upon the satisfaction of the following milestones:

- i. Class A Performance Rights: if the 5 day volume weighted average price of fully paid ordinary shares in the capital of the Company on the ASX is \$0.40 or higher;
- ii. Class B Performance Rights: if the 5 day volume weighted average price of fully paid ordinary shares in the capital of the Company on the ASX is \$0.60 or higher;
- iii. Class C Performance Rights: if the Company obtains a granted patent in any jurisdiction over any claim of the patent applications in which the Company has an interest at the date the Company lodges its initial public offer prospectus with the ASIC; and
- iv. Class D Performance Rights: if the Company enters into a licensing agreement (or similar arrangement) with respect to the intellectual property that is the subject of the patent application referred to in point (iii) above to commercialise or develop the intellectual property.

The conversion of the Class A Performance Rights is subject to market factors, therefore the valuation of these Performance Rights has been performed using a hybrid option valuation methodology, using the following inputs:

Class A Performance Rights	
Underlying share price	\$0.08
Barrier price	\$0.40
Life of the Class A Performance Rights	2 years
Volatility	95%
Risk-free rate	2.50%
Value per Performance Right	\$0.037

The conversion of the Class C and Class D Performance Rights is subject to non-market factors, therefore the valuation of these Performance Rights has been performed using the underlying share price of a PhytoTech share and incorporating management's current expectation of each milestone being achieved. The valuation of the Class C and Class D Performance Rights has been calculated at \$280,000 and \$120,000 respectively.

	Reviewed	Pro-forma
	30-Sep-14	after Offer
NOTE 5. ACCUMULATED LOSSES	\$	\$
Accumulated losses	(545,214)	(1,315,214)
Adjustments to arise at the pro-forma balance:		
Reviewed balance of Phytotech at 30-Sep-2014		(545,214)
Subsequent events:		
Issue of Class A Performance Rights		(370,000)
Issue of Class C Performance Rights		(280,000)
Issue of Class D Performance Rights	_	(120,000)
	_	(770,000)
Pro-forma Balance	_	(1,315,214)

#### **RELATED PARTY DISCLOSURES** NOTE 6:

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

#### NOTE 7: **COMMITMENTS AND CONTINGENCIES**

# Yissum Licence Agreement

The Company shall pay to Yissum the following license maintenance royalties on the anniversaries set out below:

- a) on 1 year anniversary date pay Yissum US\$10,000;
- b) on 2 year anniversary date pay Yissum US\$25,000;
- c) on 3 year anniversary date pay Yissum US\$50,000;
- d) on 4 year anniversary date pay Yissum US\$100,000; and
- e) on 5 year anniversary date and each year thereafter pay Yissum US\$200,000,

The Company can credit such payments against other royalties to be paid to Yissum in the year in which the particular license maintenance royalty was paid.

The Company shall pay Yissum royalties for each licensed product developed under the Research and Licence Agreement based on the achievement of predetermined trial and approvals milestones, up to \$500,000.

The Company shall also pay as partial consideration for the License an earned royalty on worldwide cumulative net sales of licensed products by the Company or its sub-licensees or affiliates. The Company will be able to sub-license the Research Licence at its discretion and the Company will pay to Yissum 16% of all non-royalty revenue received in relation to income it receives from sub-licensees. Refer section 11.1 of the Prospectus for further details regarding the Yissum Licence Agreement.

At the date of the Report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

#### NOTE 8: HISTORICAL FINANCIAL INFORMATION

PhytoTech is not able to disclose three years historical financial information because the Company was only incorporated on 14 August 2014. We have therefore included the most recent statement of profit or loss and other comprehensive income and statement of financial position, reviewed as at 30 September 2014, as detailed at Appendix 1 and Appendix 2 respectively and consider that these provide sufficient detail of historical financial information for the Company.



# **BOARD-MANAGEMENT** & CORPORATE GOVERNANCE

# 10.1

# **DIRECTORS & KEY PERSONNEL**

Peter Wall – Non-Executive Chairman

Refer to Section 2.15 of the Prospectus for biography.

Boaz Wachtel - Managing Director

Refer to Section 2.15 of the Prospectus for biography.

Ross Smith – Executive Commercial Director

Refer to Section 2.15 of the Prospectus for biography.

Winton Willesee - Non-Executive Director

Refer to Section 2.15 of the Prospectus for biography.

# **Management and Consultants**

Our Company is aware of the need to have sufficient management to properly supervise its development and research programmes and the Board will continually monitor the management roles in the Company. As our projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.

#### 10.2 ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES & RECOMMENDATIONS

Our Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, our Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (Recommendations).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan will be available in a dedicated corporate governance information section of the Company's website (http://www.phytotechmed.com/).

#### **Board of directors**

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.
- (d) Consistent with these goals, the Board assumes the following responsibilities:
- (e) developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (g) acting on behalf of, and being accountable to, the Shareholders; and
- (h) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

# Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

# Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

## **Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

# Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

# Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$200,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

# **Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

#### External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

# Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

## Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

#### 10.3 DEPARTURES FROM RECOMMENDATIONS

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

# PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1	YES	The Company has adopted a Board Charter.
A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.		The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Compan Secretary, the establishment, operation and management of Board Committees, Directors access to Companizeords and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.  A copy of the Company's Board Charter will be available on the Company's website.
Recommendation 1.2	YES	(a) The Company has detailed guidelines for the
A listed entity should:  (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and  (b) provide security holders with all material information relevant to a decision on whether or not to elect or		appointment and selection of the Board. The Company's Corporate Governance Plan require the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.  (b) All material information relevant to a decision of whether or not to elect or re-elect a Director will be
re-elect a director.		provided to security holders in a Notice of Meetin- pursuant to which the resolution to elect or re-elec a Director will be voted on.
Recommendation 1.3  A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company's Corporate Governance Plan requires the Board to ensure that each director and senior executive is a party to a written agreement with the Company whice sets out the terms of that Director's or senior executive appointment.
Recommendation 1.4  The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Board Charter outlines the roles, responsibility an accountability of the Company Secretary. The Compan Secretary is accountable directly to the Board, throug the chair, on all matters to do with the proper functionin of the Board.
Recommendation 1.5  A listed entity should:  (a) have a diversity policy which includes requirements for the board:  (i) to set measurable objectives for achieving gender diversity; and  (ii) to assess annually both the objectives and the entity's progress in achieving them;  (b) disclose that policy or a summary or it; and  (c) disclose as at the end of each reporting period:  (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and  (ii) either:  (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or  (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	YES	<ul> <li>(a) The Company has adopted a Diversity Policy</li> <li>(i) The Diversity Policy provides a framework for the Company to set and achieve measurable objective that encompass gender equality.</li> <li>(ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives.</li> <li>(b) The Diversity Policy will be available on the Company's website.</li> <li>(c)</li> <li>(i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO/MD and senior executives. If addition the Board will review progress against the objectives in its annual performance assessmen</li> <li>(ii) The Board will include in the annual report each year, the measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, a senior management level and at Board level.</li> </ul>

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PRINCIPLE & RECOMMENDATIONS	COMPLY	EXPLANATION
Recommendation 1.6 A listed entity should:  (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and  (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	<ul> <li>(a) Currently the role of the nomination committee is undertaken by the full Board. The Company intends to establish a nomination committee once the Company's operations are of sufficient magnitude.</li> <li>The Board is responsible for evaluating the performance of the Board and individual Directors will be evaluated on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.</li> <li>(b) The Company's Corporate Governance Plan requires the Board to disclosure whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's annual reports.</li> </ul>
Recommendation 1.7  A listed entity should:  (a) have and disclose a process for periodically evaluating the performance of its senior executives; and  (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	<ul> <li>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</li> <li>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 "Performance Evaluation" requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's annual reports.</li> </ul>

# PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1	NO	Due to the size and nature of the existing Board and the
The board of a listed entity should:		magnitude of the Company's operations, the Company does not currently have a Nomination Committee.
(a) have a nomination committee which:		Pursuant to clause 4(h) of the Company's Board Charter,
(i) has at least three members, a majority of whom are independent directors; and		the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.
(ii) is chaired by an independent director,		The duties of the Nomination Committee are outlined in
and disclose:		Schedule 5 of the Company's Corporate Governance Plan
(iii) the charter of the committee;		which will be available online on the Company's website.
(iv) the members of the committee; and		The Board devotes time at on an annual basis to discuss
<ul><li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li></ul>		Board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.		The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.
Recommendation 2.2	YES	The Board is required to prepare a Board skill matrix setting
A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership		out the mix of skills and diversity that the Board currently has (or is looking to achieve). The composition of the board is to be reviewed regularly against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.
		The Board Charter requires the disclosure of each board member's qualifications and expertise as set out in the Company's Board skills matrix. Full details as to each Director and senior executive's relevant skills and experience are available in the Prospectus.

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PRINCIPLE & RECOMMENDATIONS	COMPLY	EXPLANATION
Recommendation 2.3  A listed entity should disclose:  (a) the names of the directors considered by the board to be independent directors;  (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and  (c) the length of service of each director	YES	<ul> <li>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. The only current independent Director is Mr Willesee.</li> <li>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Prospectus.</li> <li>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director is provided in the Prospectus.</li> </ul>
Recommendation 2.4  A majority of the board of a listed entity should be independent directors.	NO	The Board Charter requires that where practical the majority of the Board will be independent.  Details of each Director's independence are provided in the Prospectus. The only current independent Director is Mr Willesee.  The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.
Recommendation 2.5  The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	NO	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. The Chairman, Mr Wall is a non-executive director but is not considered by the Board to be independent.  The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.
Recommendation 2.6  A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Remuneration Committee is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.  Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board will carry out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.

# PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1  A listed entity should:  (a) have a code of conduct for its directors, senior executives and employees; and  (b) disclose that code or a summary of it.	YES  (a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.  (b) The Company's Corporate Code of Conduct will be available on the Company's website.
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# PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

	Recommendation 4.1  The board of a listed entity should:  (a) have an audit committee which:  (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and  (ii) is chaired by an independent director, who is not the chair of the board.	YES	Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company does not currently have an Audit and Risk Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.	
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Recommendation 4.1 cont'd  and disclose:  (iii) the charter of the committee;  (iv) the relevant qualifications and experience of the members of the committee; and  (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or  (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	YES	The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan which will be available online on the Company's website.  The Board devotes time annually to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2  The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before the Board approving the entity's financial statements for a financial period, the CEO/MD and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.  Where there is no CEO/MD or CFO the full Board will carry out the duties that would ordinarily be assigned to the CEO/MD and CFO under the Audit and Risk Committee Charter.
Recommendation 4.3  A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

# PRINCIPLE 5: MAKE TIMELY & BALANCED DISCLOSURE

Recommendation 5.1  A listed entity should:  (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	YES	(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure-Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.
		(b) The Board Charter and Schedule 7 of the Corporate Governance Plan will be available on the Company website.

# **PRINCIPLE 6:** RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1  A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan will be available on the Company's website.
Recommendation 6.2  A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders.

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PRINCIPLE & RECOMMENDATIONS	COMPLY	EXPLANATION
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links will be made available to the Company's website on which all information provided to the ASX is immediately posted.
		Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4  A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.  Shareholders queries should be referred to the Company Secretary at first instance.

PRINCIPLE 7: RECOGNISE & MANAGE RISK		
Recommendation 7.1  The board of a listed entity should:  (a) have a committee or committees to oversee risk, each of which:  (i) has at least three members, a majority of whom are independent directors; and  (ii) is chaired by an independent director, and disclose:  (iii) the charter of the committee;  (iv) the members of the committee; and  (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or  (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	YES	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company currently does not have an Audit and Risk Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 the Company's Corporate Governance Plan which will be available online on the Company's website.  The Board devote time annually to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.2  The board or a committee of the board should:  (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and  (b) disclose in relation to each reporting period, whether such a review has taken place.	YES	<ul> <li>(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure - Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.</li> <li>(b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's annual reports.</li> </ul>

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PRINCIPLE & RECOMMENDATIONS	COMPLY	EXPLANATION
Recommendation 7.3  A listed entity should disclose:  (a) if it has an internal audit function, how the function is structured and what role it performs; or  (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	YES	Schedule 3 of the Company's Corporate Governance Plan provides for the internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.  Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have an internal audit function.
Recommendation 7.4  A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	Schedule 3 of the Company's Corporate Governance Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIB		
Recommendation 8.1  The board of a listed entity should:  (a) have a remuneration committee which:  (i) has at least three members, a majority of whom are independent directors; and  (ii) is chaired by an independent director, and disclose:  (iii) the charter of the committee;  (iv) the members of the committee; and  (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or  (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	YES	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 the Company's Corporate Governance Plan which will be available online on the Company's website.  The Board devote time annually to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
Recommendation 8.2  A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive and executive directors and other senior employees.
Recommendation 8.3  A listed entity which has an equity-based remuneration scheme should:  (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and  (b) disclose that policy or a summary of it.	YES	<ul> <li>(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Remuneration Committee Charter states that the Remuneration Committee must review and approve any equity based plans.</li> <li>(b) A copy of the Company's Corporate Governance Plan will be available on the Company's website.</li> </ul>

# **SECTION 11**



# MATERIAL CONTRACTS

All contracts which may be material in terms of the Offer or the operation of the business of the Company are summarised below.

#### 11.1 YISSUM LICENCE AGREEMENT - MULTIPLE DELIVERY SYSTEMS

As set out in section 6.3 of this Prospectus, the Company has entered into a research and licence agreement with Yissum dated 19 November 2014 under which the Company will:

- (a) be granted a worldwide licence of all intellectual property and know-how rights in respect of the inner cheek patch (Buccal mucosdhesive patch) held by Yissum Yissum except for its use in the treatment and the relief of Sleep Disorders (Licensed Technology) (Licence); and
- (b) agree to collaborate with Yissum to undertake the Yissum Research Program as set out in Section 6.3 of this Prospectus,

#### (Licence Agreement).

(Exclusivity): The Licence granted to the Company will be exclusive worldwide in the field of treatment or prevention of any medical condition or disease in humans (except for the treatment and relief of Sleep Disorders) using medical cannabis subject to the use of the patent rights by Yissum and all other non-profit academic and or research institutions for non commercial research and education purposes.

(Improvements): All intellectual property rights in any improvements created or developed throughout the Yissum Research Program will remain the sole property of Yissum, but will form part of the licence to the Company.

(**Licence Maintenance Royalty**): The Company shall pay to Yissum the following license maintenance royalties on the anniversaries set out below:

- (a) on 1 year anniversary date pay Yissum US\$10,000;
- (b) on 2 year anniversary date pay Yissum US\$25,000;
- (c) on 3 year anniversary date pay Yissum US\$50,000;
- (d) on 4 year anniversary date pay Yissum US\$100,000; and
- (e) on 5 year anniversary date and each year thereafter pay Yissum US\$200,000.

(Milestone Royalties): The Company shall pay Yissum royalties for each licensed product developed under the Licence Agreement based on the achievement of predetermined trial and approvals milestones, up to \$500,000.

(Royalties on Net Sales): The Company shall also pay as partial consideration for the Research License an earned royalty of between 4% and 7% where there is a valid claim and between 3% and 3.5% where there is no valid claim and generic competition based on different ranges (US\$0 to US\$500,000,000) of worldwide cumulative net sales from the products developed through the Licensed Technology.

(**Sub-license**): The Company will, subject to the requirement to obtain consent from Yissum in certain circumstances, be able to sub-license the License at its discretion and, in this circumstance, the Company will pay to Yissum 16% of all non-royalty revenue received in relation to income it receives from sub-licensees.

(**Term**): Unless lawfully terminated at an earlier date, the Licence Agreement will continue until the later of:

- (a) on a country by country basis the date on which the last of the claims of the patents described in the licensed patents in such country expires;
- (b) fifteen years after the date of first sale of any licensed products.

(Yissum Research Project): The Company in conjunction with Prof Domb shall use reasonable commercial efforts, to prepare and implement a plan for the Yissum Research Project in order to achieve its goals as set out in Section 6.3 at its sole expense and thereafter to fully implement the plan in order to diligently commercialise and develop markets for the successful products candidates. The Company will be subject to certain reporting requirements in respect of the Yissum Research Project's progress.

(Patent Rights): The Company will be solely responsible for filing, prosecuting and maintaining any necessary intellectual property rights in the Licensed Technology at its cost for the Term.

(**Termination**): Either party may terminate the agreement if an insolvency event occurs in relation to the other party or there is a material breach of the other parties' obligations under the Licence Agreement that is not remedied within 75 days of notice of the breach. The Company may also terminate the Licence at any time, without cause, by giving Yissum at least 90 days' notice.

The Licence Agreement otherwise contains terms that are considered standard for an agreement of this nature.

# 11.2 MOU WITH PROFESSOR REUVEN OR & HADASSAH UNIVERSITY HOSPITAL

The Company, Professor Reuven Or and Hadassah University Hospital have entered into a memorandum of understanding pursuant to which the parties have agreed to negate a commercial in order to undertake the research project that will research the influence of cannaboids on rehabilitation of blood cells after bone marrow transportation and of graft versus host disease in the murine model as per the Hadassah Research Project set out in section 6.4 of this Prospectus (MOU).

Pursuant to the MOU the Company will fund the Hadassah Research Project in consideration for Professor Or and Hadassah University Hospital providing the expertise and facilities.

The intellectual property rights generated by the research will be jointly owned by the Company and the Hadassah University Hospital.

For further details in relation to the Research Project, refer to section 6.4 of this Prospectus.

## 11.3 LEAD MANAGER MANDATE WITH BBY LIMITED

The Company has entered into a mandate letter with BBY Limited (**BBY**) pursuant to which BBY has agreed to provide corporate advisory services to the Company and to act as the lead manager to the Offer (**Lead Manger Mandate**). The Company has agreed to pay BBY:

- (a) a corporate advisory retainer of \$10,000 per month plus GST until the completion of the Offer and listing of the Company on ASX which will be incurred monthly in arrears (commencing November 2014);
- (b) a management of 1% of the total funds raised under the Offer;
- (c) a capital raising fee of 5% of the total funds raised under the Offer (which BBY Limited will be pass on to other brokers who assist in raising any funds under the Offer);

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- (d) subject to BBY raising between \$2,000,000 and \$5,000,000 from BBY sourced clients the Company will issue BBY (or its nominee) 2,500,000 Options as a capital raising success fee; and
- (e) subject to the Company being admitted to the Official Quotation, the Company will pay BBY an ongoing fee of \$10,000 per month for a minimum of 6 months post Offer for the provision of corporate advisory services by BBY.

Additionally, the Company will also pay BBY for any reasonable expenses and disbursements incurred by the BBY under the Offer.

All other terms of the Lead Manager Mandate are considered standard for an agreement of this nature.

#### 11.4 UNDERWRITING AGREEMENT

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to fully underwrite the Offer for 25,000,000 Shares (**Underwritten Shares**) on the terms and conditions set out in the Underwriting Agreement.

The fees payable to the Underwriter by the Company are as set out in the Lead Manager Mandate.

The obligation of the Underwriter to underwrite the Offer is also subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if, among other termination events:

- (a) Change of laws: there is introduced into the parliament of the Commonwealth of Australia or any State or Territory of Australia a law, or any new regulation is made under any law, or a Government Agency adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Government Agency or such a law or regulation will be introduced or policy adopted (as the case may be) that has a Material Adverse Effect;
- (b) Unauthorised alterations: the Company alters its share capital (other than pursuant to an employee incentive scheme or the exercise of any options on issue or agreed to be issued as at the date of this document) or its constitution without the prior written consent of the Underwriter, which consent must not be unreasonably withheld;
- (c) **Breach**: the Company fails to perform, observe or breaches any of its obligations under this document (including without limitation, any warranty) and that failure is not remedied to the satisfaction of the Underwriter;
- (d) Misrepresentation: a representation or warranty made or given or taken to have been made or given by the Company under this document proving to have been untrue or incorrect in any respect and the matters rendering the representation or warranty untrue in that respect are not remedied to the reasonable satisfaction of the Underwriter;
- (e) **ASX approval**: unconditional approval (or conditional approval on terms usually imposed by ASX, provided the conditions would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the Offer) by the ASX for official quotation of the Shares under the Offer is refused, or is not granted before the Shares under the Offer are issued;
- (f) All Ordinaries: the All Ordinaries Index of the ASX is at any time at a level which is 5% or more below its level at the close of trading on the last Business Day immediately before the date of this document;
- (g) ASX S&P 200 Healthcare Index: the ASX S&P 200 Healthcare Index is at any time at a level which is 5% or more below its level at the close of trading on the last Business Day immediately before the date of this document;
- (h) Board and senior management changes: there is an appointment or election of a person to the board of directors of the Company or a change in the senior management of the Company to which the Underwriter does not consent within 5 Business Days of the appointment or election (as the case may be), which consent shall not be unreasonably withheld:
- (i) Hostilities: hostilities, political or civil unrest not presently existing commence (whether

war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union or Japan, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;

- (j) Material adverse change: a change occurs to the condition, trading or financial position and performance, profits and losses, or prospects of the Company that has a Material Adverse Effect;
- (k) Issue: subject to the Underwriter having complied with its obligations in relation to the Offer, if issue of the Shares does not occur on or before close of business 10 Business Days after the Closing Date (or any later date agreed in writing by the Underwriter);
- (I) Determination by ASIC: the Offer is prevented from proceeding by reason of an order (actual or threatened) made by ASIC or ASIC makes a determination under section 713(6) of the Corporations Act in relation to the Company;
- (m) Indictable offence: a director of any Relevant Company is charged with an indictable offence or is the subject of a court proceeding which makes an adverse finding as to the conduct, honesty or ability to manage a corporation;
- (n) Return of capital or financial assistance: any Relevant Company takes any steps to undertake a proposal contemplated under section 257A of the Corporations Act or passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter which will not be unreasonably withheld:
- (o) Banking facilities: the Company's bankers terminating or issuing any demand or penalty notice or amending the terms of any existing facility or claiming repayment or accelerated repayment of any facility or requiring additional security for any existing facility;
- (p) Failure to comply: any Relevant Company fails to comply with any of the following:
  - (i) a provision of its Constitution;
  - (ii) any statute;
  - (iii) a requirement, order or request, made by or on behalf of ASIC, ASX, or any Governmental Agency in Australia or the US; or
  - (iv) any material agreement entered into by it;
- (q) **Extended force majeure**: a Force Majeure event, which prevents or delays an obligation under this document, lasting in excess of 2 weeks occurs;
- (r) **Investigation**: any person is appointed under any legislation in respect of companies to investigate the affairs of any Relevant Company
- (s) Due diligence: there is a material omission from the material supplied to the Underwriter for the purpose of due diligence before the date of this document or the results of the investigation or the verification material are false or misleading;
- (t) Suspension of debt payments: the Company suspends payment of its debts generally;
- (u) Insolvency Event: an Event of Insolvency occurs in respect of any Relevant Company;
- (v) **Judgment**: a judgment in an amount exceeding \$50,000 is obtained against any Relevant Company and is not set aside or satisfied within 7 days;
- (w) **Prospectus**: the Prospectus:
  - (a) contains a statement which is misleading or deceptive; or
  - (b) omits a matter required under the Corporations Act;
- (x) **Prospectus not lodged or withdrawn**: the Company does not lodge the prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company;
- (y) Other change: at any time after the Prospectus is issued, a new circumstance arises, where information about that new circumstance would have been required under the Corporations Act to be included in the Prospectus if it had arisen before the Prospectus was lodged;

- (z) Death, resignation or removed: a director of the Company dies, resigns or is removed;
- (aa) Intellectual property rights: the Company ceases to own, or have an enforceable right to use any intellectual property right as set out in this Prospectus;
- (bb) Infringement of Intellectual Property Rights: any a Relevant Company receives written notice from a third party alleging or claiming that the use by a Relevant Company of an intellectual property right breaches or infringes the intellectual property right of a third party;
- (cc) **Notice**: a person gives a notice under Section 730 of the Corporations Act in relation to the Prospectus;
- (dd) Contracts varied or terminated: any of the material contracts (as summarised in Section 11 of this Prospectus) is varied, repudiated, rescinded or terminated without first getting the Underwriter's written consent; or
- (ee) Litigation: any litigation, arbitration or other legal proceeding is commenced against any Relevant Company.

The Underwriting Agreement also contains a number of indemnities, representations and warranties that are considered standard for an agreement of this type.

#### 11.5 CORPORATE ADVISORY MANDATE

On 14 August 2014, the Company and Cicero Advisory Services Pty Ltd (**Cicero**) entered into a mandate pursuant to which the Cicero will provide corporate advisory services to the Company (**Corporate Advisory Mandate**).

In consideration for the corporate advisory services Cicero (or its nominees) will receive:

- (a) 4,500,000 Class A Performance Rights, 4,500,000 Class C Performance Rights and 4,500,000 Class D Performance Rights (some of which have or are intended to be issued to nominees); and
- (b) a management fee of \$10,000 per month for a minimum of 5 months;
- (c) an administrative services fee of \$6,000 per month for a minimum of 5 months to Cicero Corporate Services Pty Ltd in consideration for administrative services;
- (d) a seed capital fund raising fee equal to 6% of funds raised under the seed capital fund raising (\$960,000) being \$57,600 (this has been paid); and
- (e) an additional one off payment of \$235,000 (this has been paid).

Additionally, the Company shall reimburse Cicero for all out of pocket expenses incurred in performing services under the Corporate Advisory Mandate within 14 days of receipt of an invoice for those expenses.

All other terms of the Corporate Advisory Mandate are considered standard for an agreement of this nature.

## 11.6 IP ASSIGNMENT DEED

Refer to Section 2.19 for summary of the IP Assignment Deed entered into between the Company and Director, Ross Smith.

#### 11.6 AGREEMENTS WITH EXECUTIVES

Refer to Section 2.19 for summary of Consultancy Agreements with Directors.



# ADDITIONAL INFORMATION

#### **12.1LITIGATION**

As at the date of this Prospectus, our Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

# 12.2 RIGHTS ATTACHING TO SHARES

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### (a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations  $\operatorname{Act}$  and the Constitution.

# (b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

## (c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of

any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

# (d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

# (e) Shareholder liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

# (f) Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

# (g) Variation of rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

#### (h) Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

#### 12.3 TERMS AND CONDITIONS OF OPTIONS

A summary of the terms and conditions of the Options to be issued to BBY in accordance with

the terms of the Lead Manager Mandate in accordance with terms set out in Section 12.3(d) of this Prospectus is set out below:

#### (a) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

## (b) Exercise Price

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.20 (Exercise Price).

#### (c) Expiry Date

Each Option will expire at 5:00 pm (WST) on the date which is 3 years from their date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

#### (d) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (Exercise Period).

#### (e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

#### (f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

# (g) Timing of issue of Shares on exercise

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

#### (h) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

# (i) Quotation of Shares issued on exercise

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

# (j) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

# (k) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

#### (I) Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

# (m) Unquoted

The Company will not apply for quotation of the Options on ASX.

# (n) Transferability

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

#### 12.4 TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

A summary of the terms and conditions of the Performance Rights is set out below:

- (a) (Milestones): The Performance Rights shall have the following milestones attached to them (Milestones):
  - (i) Class A Performance Rights: if the 5 day volume weighted average price of fully paid ordinary shares in the capital of the Company (Shares) on the ASX is \$0.40 or higher;
  - (ii) Class B Performance Rights: if the 5 day volume weighted average price of Shares on the ASX is \$0.60 or higher;
  - (iii) Class C Performance Rights: if the Company obtains a granted patent in any jurisdiction over any claim of the patent applications in which the Company has an interest at the date the Company lodges its initial public offer prospectus with the ASIC; and
  - (iv) Class D Performance Rights: if the Company enters into a licensing agreement (or similar arrangement) with respect to the intellectual property that is the subject of the patent application referred to in paragraph (iii) above to commercialise or develop the intellectual property.
- (b) (Notification to holder): The Company shall notify the holder in writing when the relevant Milestones have been satisfied.
- (c) (Vesting): The relevant Performance Rights shall vest on the later to occur of:
  - (i) the date that the Milestone relating to that Performance Right has been satisfied;
  - (ii) two years from the date that Company lists on ASX; and
  - (iii) the date that the holder gives a notice to the Company confirming that the holder would like the Performance Rights to vest.
- (d) (Consideration): The Performance Rights will be issued for \$0.0001 each and no consideration will be payable upon the vesting of the Performance Rights.
- (e) (Conversion): Upon satisfaction of the relevant Performance Rights vesting, each Performance Right will, at the election of the holder, vest and convert as follows:
  - (i) Class A Performance Right: into one Share and one Class B Performance Right;
  - (ii) Class B Performance Right: into one Share;
  - (iii) Class C Performance Right: into one Share; and
  - (iv) Class D Performance Right: into one Share.
- (f) (Lapse of a Performance Right): If the Milestone attaching to a Performance Right has not been satisfied in the time periods set out below, it will automatically lapse:
  - (i) Class A Performance Rights: 2 years from the date the Company is admitted to the Official List of the ASX (Admission Date);
  - (ii) Class B Performance Rights: 3 years from the Admission Date;

- (iii) Class C Performance Rights: 3 years from the Admission Date; and
- (iv) Class D Performance Rights: 4 years from the Admission Date.

Otherwise, any Performance Right that has not been converted into a Share within 5 years of the Admission Date will automatically lapse.

- (g) (Share ranking): All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.
- (h) (Listing of Shares on ASX): The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.
- (i) (Transfer of Performance Rights): A Performance Right is only transferable:
  - (i) with the consent of the board; or
  - (ii) by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.
- (j) (Participation in new issues): There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (k) (Adjustment for bonus issue): If securities are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled, will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the bonus issue.
- (I) (Adjustment for reconstruction): If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right (including the Vesting Conditions) are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (m) (Dividend and Voting Rights): A Performance Right does not confer upon the holder an entitlement to vote or receive dividends.

# 12.5 INTERESTS OF DIRECTORS

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

# 12.6 INTERESTS OF EXPERTS & ADVISERS

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Wrays has acted as Patent Attorney and has prepared the Intellectual Property Report which is included in Section 8 of this Prospectus. The Company estimates it will pay Wrays a total of \$2,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Wrays has not received fees from the Company for any other services.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Corporate Finance (WA) Pty Ltd has not received any fees from the Company for any other services.

BBY Limited has acted as lead manager and underwriter in relation to the Offer. The Company estimates it will pay BBY Limited the fees set out 11.3 in Section for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BBY Limited has not received any fees from the Company for any other services.

Cicero Advisory Services Pty Ltd has acted as corporate adviser to the Company. The Company estimates it will pay Cicero Advisory Services Pty Ltd the fees set out 11.5 in Section for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Cicero Advisory Services Pty Ltd has not received any other fees from the Company for any other services.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$70,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received fees from the Company for any other services.

#### 12.7 CONSENTS

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Wrays has given its written consent to being named as the Patent Attorney in this Prospectus, the inclusion of the Intellectual Property Report in Section 8 of this Prospectus in the form and context in which the report is included. Wrays has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 of this Prospectus in the form and context in which the information and report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BBY Limited has given its written consent to being named as the lead manager and underwriter to the Company in this Prospectus. BBY Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Cicero Advisory Services Pty Ltd has given its written consent to being named as the corporate advisor to the Company in this Prospectus. Cicero Advisory Services Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as the auditor in this Prospectus. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Automic Registry Services has given its written consent to being named as the share registry to the Company in this Prospectus. Automic Registry Services has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

#### 12.8 EXPENSES OF THE OFFER

The total expenses of the Offer (excluding GST) are estimated to be approximately \$453,000 and are expected to be applied towards the items set out in the table below:

ITEM OF EXPENDITURE	FULL SUBSCRIPTION (\$)
ASIC fees	2,290
ASX fees	52,000
Underwriting Fee*	300,000
Legal Fees	70,000
Patent Attorney's Fees	2,500
Investigating Accountant's Fees	10,000
Printing and Distribution	15,000
Miscellaneous	1,210
TOTAL	453,000

<sup>\*</sup> The Underwriter may pass on some of these fees to brokers that assist with raising funds under the Offer. Broker commissions will only be paid on applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company (refer to Section 4.9 of this Prospectus for further information).

# 12.9 CONTINUOUS DISCLOSURE OBLIGATIONS

Following admission of the Company to the Official List, the Company will be a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

#### 12.10 ELECTRONIC PROSPECTUS

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at http://www.phytotechmed.com/.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### 12.11 FINANCIAL FORECASTS

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

#### 12.12 CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM (CHESS) & ISSUER SPONSORSHIP

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### 12.13 PRIVACY STATEMENT

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.



# DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

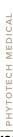
In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Peter Wall Chairman

For and on behalf of

PhytoTech Medical Limited







# **GLOSSARY**

Where the following terms are used in this Prospectus they have the following meanings

\$ means an Australian dollar.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the board of Directors as constituted from time to time.

Class A Performance Right means Class A Performances Right on the terms and conditions as set out in Section 12.4.

Class B Performance Right means Class B Performances Right on the terms and conditions as set out in Section 12.4.

Class C Performance Right means Class C Performances Right on the terms and conditions as set out in Section 12.4.

Class D Performance Right means Class D Performances Right on the terms and conditions as set out in Section 12.4.

**Closing Date** means the closing date of the Offer as set out in the indicative timetable in the Investment Overview in Section 2 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company means PhytoTech Medical Limited (ACN 601 236 417).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

Disposable Smart Vapour Technology means the technology as summarised in Section 6.3.

#### Event of Insolvency means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 14 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
  - (i) appointing a person referred to in paragraphs (a) or (b);
  - (ii) winding up a corporation; or
  - (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 14 days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts; or
  - any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

FDA means the United States Food and Drug Administration.

**Force Majeure** means any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties.

Government Agency means a government, whether federal, state, territorial or local;

- (a) a department, office or minister of a government acting in that capacity; or
- (b) a commission, delegate, instrumentality, agency, board or other government, semi-governmental, judicial, administrative, monetary or fiscal authority, whether statutory or not,

in Australia.

**Insolvency Provision** means any law relating to insolvency, sequestration, liquidation or bankruptcy (including any law relating to the avoidance of conveyances in fraud of creditors or of preferences, and any law under which a liquidator or trustee in bankruptcy may set aside or avoid transactions), and any provision of any agreement, arrangement or scheme, formal or informal, relating to the administration of any of the assets of any person.

**Material Adverse Effect** means a material adverse effect on the condition, trading or financial position and performance, profits and losses, results, prospects, business or operations of the Company and its Subsidiaries taken as a whole.

MC means medical cannabis.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 4 of this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

**Performance Right** means a Class A Performances Right, Class B Performances Right, Class C Performances Right and/or Class D Performances Right as the context requires.

Prospectus means this prospectus.

Relevant Company means the Company and any Subsidiary.

**Section** means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Sleep Disorders means sleep apnea, snoring and/or any sleep disorder and/or any other disorder that occurs during sleep.

Subsidiary means a subsidiary of the Company.

Underwriter means BBY Limited (ACN 006 070 777).

**Underwriting Agreement** means the underwriting agreement between the Company and the Underwriter on the terms as set out in Section 11.4 of this Prospectus.

WST means Western Standard Time as observed in Perth, Western Australia.



# INSTRUCTIONS TO COMPLETION FORM

#### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THE APPLICATION FORM

Please complete all relevant sections of the Application Form using BLOCK LETTERS.

The below instructions are cross-referenced to each section of the Application Form.

#### 1 Number of Shares

Insert the number of Shares you wish to apply for in section 1. Your application must be for a minimum of 10,000 Shares and in multiples of 1,000 Shares thereafter.

#### 2 Payment Amount

Enter into section 2 the total amount payable. Multiply the number of Shares applied for by \$0.20 – the application price per Share.

#### 3 Name(s) in which the Shares are to be registered

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

#### **CORRECT FORMS OF REGISTRABLE TITLE**

TYPE OF INVESTOR	CORRECT FORM OF REGISTRATION	INCORRECT FORM OF REGISTRATION
Trusts	Mr John Richard Sample <sample a="" c="" family=""></sample>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <sample a="" c="" family="" super=""></sample>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <sample &="" a="" c="" son=""></sample>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample < Food Help Club A/C>	Food Help Club
Deceased Estates	Mr John Sample <estate a="" anne="" c="" late="" sample=""></estate>	Anne Sample (Deceased)

#### 4 Postal Address

Enter into section 4 the postal address to be used for all written correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released. Should you wish to receive a hard copy of the annual report you must notify the Share Registry. You can notify any change to your communication preferences by visiting the registry website – www.automic.com.au

# 5 CHESS Holders

If you are sponsored by a stockbroker or other participant and you wish to have your allocation directed into your HIN, please complete the details in section 5.

#### 6 Email Address

As permitted under the Corporations Act, Phytotech Medical Limited will only be forwarding printed annual reports to shareholders electing to receive one. Our company annual report and company information will be available at www.phytotechmed.com You may elect to receive all communications despatched by Phytotech Medical Limited electronically (where legally permissible) such as a notice of meeting, proxy form and annual report via email.

#### 7 TFN/ABN/Exemption

If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details in section 7. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application Form.

#### 8 Payment Details

Please complete the relevant details in section 8 for either Option A or Option B.

**Option A - Payment via Cheque:** Cheques must be drawn on an Australian branch of a financial institutional in Australian currency, made payable to:

BBY Limited Trust AC 3 and crossed "Not Negotiable".

#### Option B - Payment via EFT:

BSB: 082-057 Account Number: 166 655 349 Account Name: BBY Limited Trust AC 3

Please make sure you reference the Applicant's name with your transfer of funds so the Company can reconcile your Application.

# 9 Contact Details

Please enter contact details where we may reach you between the hours of 9:00am and 5:00pm should we need to speak to you.

# **HOW TO LODGE YOUR APPLICATION FORM**

#### 1) Cheque Payments

Mail or hand deliver your completed Application Form with your cheque to:

> PhytoTech Medical Limited C/- BBY Limited Level 17, 60 Margaret Street Sydney NSW 2000

#### 2) EFT Payments

**Email** your completed Application Form to:

gib@bby.com.au

or

Fax to:

(02) 9226 0088



# APPLICATION FORM

This is an Application Form for Shares in Phytotech Medical Limited under the terms set out in the Prospectus dated 20 November 2014. This Application Form and your cheque must be received by the registry, Automic Registry Services, by the Closing Date (as defined in the Prospectus).

The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser.

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