



ASX / MEDIA RELEASE

21 March 2016

## ACQUISITION OF BOTANIX PHARMACEUTICALS INC

**An innovative medical dermatology product company utilising a novel drug active and proven drug delivery technology**

### HIGHLIGHTS

- Binding Term Sheet to acquire 100% of Botanix Pharmaceuticals Inc ("**Botanix**"), an innovative medical dermatology product company.
- Botanix is developing new dermatology prescription products to treat serious skin diseases including acne and psoriasis, by utilising a novel drug active and proven Permetrex™ drug delivery technology.
- Exclusive global licence for use of Permetrex™ drug delivery technology for broader drug class.
- Medical dermatology market valued at over US\$24 billion in 2015, with acne the most common skin condition in the United States, estimated to affect more than 85% of teenagers globally.
- Botanix rapidly advancing under proven board and management team who have more than 10 FDA approvals between them and a successful track record on ASX.
- Fully funded to complete initial Australian clinical studies through to commencement of Phase 2 efficacy study in the United States.
- Path to market for topical product application more efficient and cost effective than oral or injectable delivery.
- Argonaut appointed Lead Manager for A\$3m Capital Raising.
- Post-acquisition of Botanix and post A\$3m Capital Raising, BNE to have market capitalisation of ~\$7.6 million with cash of ~\$3.6 million, resulting in an enterprise value of ~\$4.0 million.
- BNE to be renamed Botanix Pharmaceuticals Limited,

Bone Medical Limited (ASX:BNE) ("**BNE**" or the "**Company**") is pleased to announce that it has signed a Binding Term Sheet to acquire Botanix Pharmaceuticals Inc ("**Botanix**") based in Philadelphia, USA. The transaction will be subject to a shareholder approval and re-compliance with chapters 1 & 2 of the ASX Listing Rules.

### ABOUT BOTANIX PHARMACEUTICALS

#### Summary

Botanix is a specialty pharmaceutical company based in Philadelphia, Pennsylvania, which is focused on bringing innovative and differentiated medical dermatology products to dermatologists and their patients. Botanix is developing new prescription products to treat serious skin diseases including acne, psoriasis and atopic dermatitis, by utilising a proven drug delivery technology known as Permetrex™, to more effectively deliver a pharmaceutical ingredient directly into the affected skin.



Botanix has the exclusive global in-licence for use of Permetrex™ to deliver a class of novel actives, including a synthetic form of a chemical known as cannabidiol which has a significant safety and efficacy profile in other diseases.

Botanix's first products utilise a pure and FDA grade synthetic form of a chemical also found in natural plant extracts with a chemical name of *2-[(1R,6R)-6-isopropenyl-3-methylcyclohex-2-en-1-yl]-5-pentylbenzene-1,3-diol*. Unapproved and impure natural extract forms of this molecule (known as cannabidiol) have been proposed as treatments for a range of diseases and forms of this chemical are currently being studied in numerous late stage clinical trials conducted by other pharmaceutical companies, to treat epilepsy, pain and arthritis (amongst other indications).

BNE understands that no well-controlled human clinical studies have ever been conducted with cannabidiol to treat skin disease, and no cannabidiol products have ever been approved by FDA to treat skin disease, despite scientific support for the drug's mechanism of action in skin disease.

Upon completion of the planned capital raising, Botanix will be funded to complete initial clinical studies over the next 12 months including a pilot study on patients, through to commencement of a planned Phase 2 efficacy study in the United States.

The medical dermatology market was valued at over US\$24 billion in global pharmaceutical sales in 2015.<sup>1</sup> In 2009, there were an estimated 34 million office visits to U.S. dermatologists.<sup>2</sup> Acne is the most common skin condition in the United States and it is estimated that acne affects more than 85% of teenagers globally.<sup>3</sup>

## TRANSACTION OVERVIEW

### Acquisition Terms

BNE has executed a binding term sheet to acquire 100% of the issued capital of Botanix, subject to the satisfaction of a number of conditions precedent outlined below. The term sheet has been agreed to by the management and shareholders ("**Vendors**") of Botanix.

BNE proposes to, subject to the receipt of Shareholders' approval of the Acquisition Resolutions and the terms of the Acquisition Agreement (including the conditions precedent summarised below):

- undertake a consolidation of its capital on a one (1) for three and one third (3⅓) basis ("**Consolidation**");
- proceed to completion of the Acquisition Agreement, pursuant to which BNE will issue 153,060,000 Shares to the Vendors (on a post-Consolidation basis) in consideration for 100% of the issued shares of Botanix. At completion, BNE will also repay loans incurred by Botanix up to a maximum of \$250,000;
- raise \$3,000,000 via an offer under a prospectus by the issue of 150,000,000 Shares at \$0.02 each (on a post-Consolidation basis) ("**Capital Raising**");

<sup>1</sup> [https://www.visiongain.com/Press\\_Release/365/The-dermatological-drugs-market-will-reach-24-4-billion-in-2015-shows-visiongain-report](https://www.visiongain.com/Press_Release/365/The-dermatological-drugs-market-will-reach-24-4-billion-in-2015-shows-visiongain-report)

<sup>2</sup> NAMS CDC fact sheet

<sup>3</sup> American Academy of Dermatology. Acne: Who gets and causes. <https://www.aad.org/dermatology-a-to-z/diseases-and-treatments/a---d/acne/who-gets-causes>. Accessed on October 30, 2015.



- change BNE's name to 'Botanix Pharmaceuticals Limited' with effect from the date that ASIC alters the details of the Company's registration;
- appoint Messrs Matthew Callahan and Graham Griffiths, and Dr Bill Bosch to the Board; and
- establish the Botanix Employee Share Option Plan.

### **Conditions Precedent**

Completion of the Acquisition is subject to, amongst other things, the satisfaction or waiver by the parties of the following outstanding conditions:

- (Due Diligence) Mutual due diligence to be completed with 4 weeks of execution of the binding term sheet;
- (Audited Accounts) Botanix preparing audited accounts for the shorter period of three years and the date of incorporation of Botanix;
- (Approvals) the parties obtaining all necessary regulatory and shareholder approvals pursuant to the Listing Rules, Corporations Act or any other law to allow the parties to lawfully complete the matters set out in the Acquisition Agreement;
- (Capital Raising) BNE completing the Capital Raising;
- (Reinstatement) BNE receiving conditional approval from ASX for the reinstatement of its Shares to official quotation on the ASX following Completion on conditions acceptable to BNE; and
- (Restriction agreements) to the extent required by ASX or the Listing Rules, each Vendor entering into a restriction agreement as required by ASX imposing such restrictions on trading of those Securities as mandated by the Listing Rules.

If any of the conditions precedent are not satisfied on or before 5:00pm (WST) on 18 August 2016 (or such later date as the parties may agree in writing), then BNE or Botanix may terminate the Acquisition Agreement by the provision of written notice to the other party.

### **Capital Raising**

BNE propose to raise \$3,000,000 via an offer under a Prospectus by the issue of 150,000,000 Shares at \$0.02 each (on a post-Consolidation basis). BNE reserves the right to accept oversubscriptions of an additional 25,000,000 shares raising an additional \$500,000 ("**Oversubscriptions**").

### **Consolidation and Indicative Capital Structure**

As noted above, shareholder approval will be sought by BNE to undertake a consolidation of its capital on a one (1) for three and one third ( $3\frac{1}{3}$ ) basis.

The effect of the Consolidation on the capital structure of the Company, as illustrated in the tables below, is that each holding of Shares or Options will be reduced by  $3\frac{1}{3}$  times its current level (subject to rounding). In addition, the exercise price of the Options will be increased by  $3\frac{1}{3}$  times its current level.



However, each Shareholder's proportional interest in the Company's capital will remain unchanged as a result of the Consolidation (prior to the issue of the Vendor Consideration Shares and Capital Raising Shares).

Shares	Pre-Consolidation	Post-Consolidation
On issue as at date of Notice	257,796,569	77,338,971
To be issued as part of the Acquisition and Capital Raising	1,010,200,000*	303,060,000
Total on issue post completion of the Acquisition and Capital Raising	1,267,996,569*	<b>380,398,971</b>

\* Excluding the Oversubscriptions.

Options	Pre-Consolidation		Post-Consolidation	
	Number	Ex. Price	Number	Ex. Price
Unquoted Options expiring 31 December 2016	25,803,390	\$0.04	7,741,017	\$0.13
Unquoted Options expiring 31 December 2016	6,000,000	\$0.03	1,800,000	\$0.10
Unquoted Options expiring three years after issue	--	--	13,000,000	\$0.03

### Name Change

As part of the acquisition, the Company will seek the approval of shareholders to change its name to Botanix Pharmaceuticals Limited.

### Board Changes

At completion of the transaction, two existing directors of BNE, Mr John Hannaford and Mr Phillip Wingate shall resign and Botanix shall nominate three new directors to the board, being Mr Graham Griffiths as non-executive Chairman, Mr Matthew Callahan as Executive Director, and Dr Bill Bosch as Executive Director and Chief Scientific Officer. In addition, Mr Towner will remain as a non-executive director and Mr Wingate will remain as Company Secretary.

A summary of the qualifications and experience of each of the Board members is set out in Schedule 1.



### Indicative Timetable

An indicative timetable for the Transaction is set out below. The Company notes that the timetable may be subject to change.

Event	Date
Announcement of Acquisition	21 March 2016
Despatch Notice of Meeting	15 April 2016
Lodgement of Prospectus and Offer Open	15 April 2016
Shareholder Meeting to Approve Acquisition	19 May 2016
Suspension from Trading	19 May 2016
Offer Close	19 May 2016
Re-admission to the Official List	9 June 2016

The Chairman of BNE, Mr Rob Towner, encourages shareholders and their advisors to review this acquisition with interest.

Mr Towner commented: "Botanix offers an exciting opportunity to enter a very attractive medical market. At the moment there are few drug developers working on products to address this area of unmet need."

"The Botanix program is well-developed and following the proposed Capital Raising will be well-funded. Management's plans to accelerate initial in-human trials in Australia are anticipated to greatly shorten the product development cycle. We are excited by this opportunity and look forward to welcoming all new shareholders into the Company."

### ENDS

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## **Schedule 1 - Post Transaction Board**

### ***Graham Griffiths - Non-Executive Director and Chairman***

Mr Griffiths has an executive career spanning 39 years in technology based companies, including various senior executive sales, marketing and product development positions with multi-nationals in the USA and Asia Pacific region respectively. He was Managing Director of ASX listed company ipernica Ltd, a diversified technology and intellectual property commercialisation group and was responsible for the acquisition and commercialisation of nearmap.com (ASX:NEA), a successful online mapping technology company.

His current non-executive directorships include Indji Systems (an online service provider for managing the impact of natural phenomena on utility assets), Pointerra (an online service provider for managing, distributing and visualising massive point cloud data sets) and iperative (specialist in monetising intellectual property). Mr Griffiths has a Bachelor of Business (Accounting) degree and is a Fellow of the Australian Institute of Company Directors.

### ***Matthew Callahan - Executive Director***

Mr Callahan is an experienced life sciences executive based in Philadelphia. He is the founding CEO of iCeutica Inc. and Churchill Pharma Inc. and a co-inventor of some of the technologies that comprise the SoluMatrix Fine Particle Technology™ drug delivery platform that iCeutica uses to develop new pharmaceuticals. iCeutica has developed three products to date that have received FDA approval. He has more than 20 years' legal, IP and investment management experience and is also a director of Orthocell Limited (ASX:OCC) and Glycan Bioscience LLC.

Mr Callahan has worked as an investment director for two venture capital firms investing in life sciences, clean technology and other sectors and was General Manager and General Counsel with Australian listed technology and licensing company ipernica Ltd, where he was responsible for the licensing programs that generated more than \$120M in revenue.

### ***Dr H. William Bosch - Executive Director/Chief Scientific Officer***

Dr Bosch is a seasoned pharmaceutical executive with more than 25 years' of experience in the industry, focusing on applications of drug delivery technology to pharmaceutical product development. Dr Bosch also works with iCeutica Inc. and is a co-inventor of the SoluMatrix™ technology and has been instrumental in the development and scale up of the platform and the development of the three FDA approved products that use that drug delivery technology.

Before iCeutica, he was Director of Pharmaceutical Research at Elan Corporation where he managed the development activities for four commercial products that incorporate nanotechnology. Dr Bosch was a co-founder of NanoSystems LLC in 1995 and a co-inventor of NanoCrystal® Technology.

### ***Robert Towner – Non-Executive Director***

Mr Towner is the founder and sole Director of Cornerstone Corporate Pty Ltd and has served as a Board Member of publicly listed and unlisted companies. He has considerable experience in public and private capital raising initiatives and has demonstrated the ability to build a successful life science company. From 2004 he was a founding Executive Director of Australian Stock Exchange listed bioMD Limited. In 2011, Rob played a major role in the merger of bioMD Limited with then-private Allied Health Care to create what is now Admedus Limited (ASX: AHZ), a \$200 million market capitalised company.