

BEAUTY HEALTH GROUP LIMITED

ABN 87 009 085 974

COMPANY UPDATE

12 June 2014. Beauty Health Group Limited (ASX: BHG) (**BHG** or **Company**) is pleased to provide the following update on its progress towards relisting on the ASX.

HIGHLIGHTS

- ***Intention to enter into the financial payment sector***
- ***Executed a listing agreement to enable the readmission of BHG's shares on ASX (subject to shareholder approval and satisfying the requirements of ASX and ASIC and other conditions precedent)***
- ***Share acquisitions in consideration for issuing new shares in BHG***
- ***Proceeds from POP capital raising to fund transaction and readmission costs***

1. Entry into listing agreement

BHG announces its intention to enter into the financial payment sector through the execution of a listing agreement dated 12 June 2014 with Point of Pay Pty Ltd ACN 109 933 520 (**POP**) and POPY Pty Ltd ACN 117 423 177 (**POPY**) (**POP Group**) (**Agreement**).

Under the Agreement, BHG will acquire 100% of the POP Group in consideration of the issue of new shares in BHG (**BHG POP Exchange Shares**) (**Acquisition**). The BHG POP Exchange Shares will rank pari passu with existing ordinary shares on issue in BHG and application will be made for their quotation as part of the Readmission.

On completion of the Acquisition, the current shareholders of the POP Group will hold 91% of the issued shares in BHG.

The purpose of the Acquisition is to enable BHG to apply for readmission of its ordinary shares to official quotation on ASX, subject to all required shareholder and regulatory approvals and consents (**Readmission**).

Negotiations to implement the Acquisition are in advanced stages. Share sale documentation will be entered into and the necessary shareholder and regulatory approvals will be sought at the appropriate time.

2. POP

POP is a technology company based in Melbourne, Australia, that has developed unique patented technology which is used to facilitate electronic cardholder-present payments and identity management for open networks and secure transactions using a globally patented payment system. POP was founded in July 2003 and operates its business under a unique mission statement to solve the global problem of online security, including payment fraud and identity theft.

The principal shareholder of the POP Group is H. Daniel Elbaum who, as at the date of this announcement, controls approximately 62.5% of the POP Group.

3. POP Capital Raise

The first step in the Readmission process is for POP to raise a minimum of A\$7.5 million and up to A\$10 million by any means, including, if appropriate, by the issue of the convertible notes (**POP Capital Raise**). If POP does not raise the minimum amount under the POP Capital Raise within 3 months from the date of the Agreement, any party can terminate the Agreement.

POP will use the proceeds from the POP Capital Raise to:

- pay commitments of the POP Group, including fully re-paying all amounts owing to bank lenders and creditors of the POP Group, the costs of the Readmission and the costs of POP to initialise the commercial rollout of the POP Technology in Singapore up to the Readmission date;
- fund the costs of BHG for the Readmission and under the Agreement capped at A\$500,000; and
- fund the A\$3 million in minimum net assets of BHG required by ASX for the purposes of the Readmission.

If the POP Capital Raise proceeds by way of a convertible note issue, the convertible notes will automatically convert into new shares in BHG (**BHG Relisting Conversion Shares**) on the Readmission at the rate of 50% of the BHG share issue price at the time of Readmission.

Discussions with potential investors regarding the POP Capital Raise are ongoing, but remain incomplete and non-binding at present.

4. Readmission to ASX

Following completion of the Acquisition and the Offer, BHG will apply for Readmission.

As part of the Readmission, the Company will conduct a capital raising to raise a minimum of A\$1 million and up to A\$20 million (or such larger amount as may be agreed) by the issue of new securities in BHG (**BHG Relisting Shares**) at an issue price of at least A\$0.20 (**Offer**). The Offer will be made under an appropriate disclosure document.

The Readmission and Offer will be conditional on shareholder and ASX approvals, which will be sought at the appropriate time.

5. Conditions precedent to the Acquisition

If the POP Capital Raise is completed, completion of the Acquisition is then conditional on satisfaction or waiver within 12 months of the date of the Agreement of the following:

- POP completing due diligence on BHG to the satisfaction of POP;
- BHG completing due diligence on POP and POPY to the satisfaction of BHG;
- receipt of all required regulatory approvals, consents or waivers to enable the Readmission to occur (including from ASX and ASIC);
- BHG shareholder approval;
- ASX approving the BHG POP Exchange Shares, the BHG Relisting Consideration Shares and the BHG Relisting Shares for official quotation on ASX, conditional on implementation of the Readmission; and
- no material adverse change occurring or becoming apparent in relation to any of POP, POPY or BHG.

The Company will convene an extraordinary general meeting to approve the Acquisition. An Independent Expert's Report on the fairness of the Acquisition to current BHG shareholders will be prepared as part of the Notice of Meeting for BHG shareholders to approve the Acquisition.

6. POP technology

POP has a very strong development team with over 60 years of combined experience in designing and developing mobile electronic payment technologies for the banking industry.

The key to POP's technology is the "VeroGuard" Network. The VeroGuard Network is a secure online payments network for merchants, financial institutions and their customers. Based on the current ATM / EFTPOS network technology, which, to date, is considered to be the most stringent of the remote transaction systems due in large part to its authentication and auditability features, the VeroGuard Network proves the identity of users by providing "card-present" transactions with PIN verification over the internet. As a result, the VeroGuard Network delivers unrivalled protection against unauthorised transactions and associated problems such as purchase disputes and chargebacks.

The VeroGuard Network is an advanced system of back-end and customer-facing technologies consisting of:

- hardware, software and network components;
- a suite of PCI certified terminals in various form factors able to accept and process all types of payment methods (**VeroDevices**); and
- POP gateways, which are a conduit for messages between the VeroDevices and the host and provides terminal management and value added services to transactions performed by the VeroGuard Network and enabling application programs.

The technology can perform a number of completely secure transactions, financial or otherwise, including internet banking, bill payments, online shopping, funds transfer, digital mail box, ticket sales, foreign currency dispensing and prepaid top-up and secure open based internet login to the cloud networks.

The technology system design has been rigorously tested and judged to meet strict international standards. POP has obtained a number of certifications for the VeroGuard Network, including PCI-PED, PCI-DSS, EMV Level 1, EMV Level 2 (contact and contactless), EMV online only, EMV offline, ETSL 6.0, APCA, New Zealand Banking Association, VISA PAD and MasterCard PIN Entry Device.

POP has filed a PCT provisional patent application, No. 2003906527 – Secure Payment System, in Australia on 26 November 2003. The Australian patent, PCT/AUS2004/001663/November/04, was granted with global priority from 26 November 2003. To date, in addition to Australia, POP has been granted patents in the United States, Canada, New Zealand, Singapore, South Korea, South Africa, Japan and Indonesia. Patents in China and the Europe Union are in the final examination stage. POP expects patents to be granted in the rest of 144 PCT member countries in the near future.

7. Going forward and next steps

The Board acknowledges the path to Readmission has been a long one and would like to thank its shareholders for their patience shown throughout the process.

The directors of BHG believe the execution of the Agreement represents an attractive opportunity for BHG and the proposed transactions under the Agreement have the potential to generate significant shareholder value in the future.

The Company will continue to provide updates to the market at the appropriate time.

8. Contact information

For further information, please contact Con Scrinis (Director) at BHG on +61 (03) 9845 8300.