

**BIOPROSPECT LIMITED**

**ABN 58 008 130 336**

**NOTICE OF GENERAL MEETING  
AND  
EXPLANATORY STATEMENT**

**For a Shareholders' General Meeting to be held  
on Wednesday 19 February 2014 at 10:30am  
at the Westin Hotel, 1 Martin Place, Sydney 2000.**

***This is an important document. Please read it carefully.***

***If you are unable to attend the General Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.***

## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

### **Venue**

The General Meeting of BioProspect Limited will be held at the Westin Hotel, 1 Martin Place Sydney NSW 2000

Commencing

at 10:30am (Eastern Standard Time) on 19 February 2014.

### **How to Vote**

You may vote by attending the meeting in person, by proxy or authorised representative.

### **Voting in Person**

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10:30am (Eastern Standard Time).

### **Voting by Proxy**

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- deliver the proxy form to the Company's office at Suite 605, Level 6, 50 Clarence Street, Sydney, NSW 2000;
- post the proxy form to the Company at GPO Box 4492, Sydney, NSW, 2001;
- send the proxy form by facsimile to facsimile number +61 2 9299 9501; or
- scan the document and email it to robert.lees@biopropect.com,

so that it is received not later than 10:30am (Eastern Standard Time) on 17 February 2014.  
[\*This is the date exactly 48 hours before the meeting.]

**Your proxy form is enclosed.**

**BIOPROSPECT LIMITED**  
**ABN 58 008 130 336**

**NOTICE OF GENERAL MEETING**

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Notice is hereby given that the General Meeting of the Shareholders of BioProspect Limited will be held at the Westin Hotel, 1 Martin Place, Sydney NSW 2000 on 19 February 2014 at 10:30am (Eastern Standard Time) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

**AGENDA**

**BUSINESS**

**RESOLUTION 1: APPROVAL TO CHANGE OF SCALE OF ACTIVITIES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to Resolutions 2 to 5 being passed, for the purposes of Listing Rule 11.1 and for all other purposes, approval is given for the Company to change the scale of its activities by exercising the Invatec Option and/or the Heartlink Option on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Shareholder approval is sought under Listing Rule 11.1 to allow the Company to exercise the Invatec Option and/or the Heartlink Option and thereby make a significant change to the scale of its activities.

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if this Resolution is passed and any associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 2 - RATIFICATION OF THE HEARTLINK OPTION FEE SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to Resolutions 1 and 3 to 5 being passed, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given to the issue of 25,000,000 Shares on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Shareholder approval is sought under ASX Listing Rule 7.4 to the issue of Shares representing an option fee in respect of the Heartlink Option.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue the subject of this Resolution and any associates of such a person. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

### **RESOLUTION 3 – APPROVAL TO ISSUE HEARTLINK OPTION SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to Resolutions 1, 2, 4 and 5 being passed, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 125,000,000 Shares to Heartlink or its nominees on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Shareholder approval is sought under Listing Rule 7.1 to allow the Company to issue Shares upon exercise of the Heartlink Option.

The Company will disregard any votes cast on this Resolution by a person who is to receive securities the subject of this Resolution and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if this Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

### **RESOLUTION 4 – APPROVAL TO ISSUE INVATEC OPTION SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to Resolutions 1 to 3 and 5 being passed, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 150,000,000 Shares to Invatec or its nominees on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Shareholder approval is sought under Listing Rule 7.1 to allow the Company to issue Shares upon exercise of the Invatec Option.

The Company will disregard any votes cast on this Resolution by a person who is to receive securities the subject of this Resolution and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if this Resolution is passed and any associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## RESOLUTION 5 – ELECTION OF DIRECTOR – DR STEPHEN ADDIS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to Resolutions 1 to 4 being passed, for the purposes of rule 3.4 of the Constitution of the Company and for all other purposes, Dr Stephen Addis being eligible, offers himself for election, is hereby elected as a director of the Company from the date of issue of the Invatec Option Shares on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Dr Addis is presented for election by Shareholders in accordance with rule 3.4 of the Company's Constitution. Dr Addis' appointment is to take effect from the date of issue of the Invatec Option Shares.

## VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 17 February 2014 at 10:30am (Eastern Standard Time). [*\*This is the "snapshot" date which must be 48 hours or closer to the Meeting.*]
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

**By order of the Board**



**ROBERT LEES**  
Company Secretary

Dated: 19 December 2013

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**EXPLANATORY STATEMENT**

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This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

**PART A**  
**INFORMATION ABOUT THE OPTION TRANSACTIONS**

**1. INTRODUCTION**

The Company is a biotechnology company and conducts research and early stage commercialisation activities in the pesticide and agricultural sectors. Since 2011 the Company has had an interest in the oil and gas sector through its investment in Frontier Oil Corporation. The Company sold 25% of its interest in Frontier Oil Corporation in August 2013.

As announced on 5 December 2013, the Company has entered into two complementary option agreements which bring together a project for quantitative diagnosis of depression and other mental health disorders.

The Company has the option to acquire up to 80% of Invatec by a two stage transaction. The Company can initially subscribe for up to 35% of the shares in Invatec by a stage 1 sole funding. The Company upon completing stage 2 will acquire a further 45% of the shares in Invatec by a share sale from existing shareholders (to take it to 80%). Invatec has developed a method for diagnosing mental health disorders including depression, generalised anxiety disorder, acute psychosis and panic disorder by analysing a subject's heart rate data.

In a separate agreement with Heartlink, the Company has an option to acquire an exclusive licence to use and exploit Patented Technology covering the project (stage 1 option) with a further option to acquire the entire patent suite and all associated intellectual property (stage 2 option).

Entering into a licence with Heartlink will enable Invatec's technology to be developed as the Company will hold all relevant intellectual property rights (which rights may be used by Invatec).

**1.1 Change in activities**

The exercise of the Invatec Option or the Heartlink Option will result in an expansion of the Company's activities. Resolution 1 seeks Shareholder approval to exercise the Invatec Option (stage 1 option) and/or the Heartlink Option (stage 1 option), which is required by ASX under Listing Rule 11.1.2 (change to activities).

## 1.2 Invatec profile

Invatec is developing technology for a quantitative diagnostic test for depression and mental illnesses. The key personnel of Invatec are Dr Stephen Addis who graduated in medicine from The Queens University of Belfast in 1982, completing his preliminary psychiatric training in Northern Ireland and becoming a member of the Royal College of Psychiatrists in 1987 and Claude Solitario. Dr Addis has been Director of Research for Invatec over the past 8 years while Mr Solitario has been CEO for Invatec over a similar timeframe. The company has retained a number of biomedical researchers over the past 8 years. The company has attracted research funding over the past 8 years including Federal Government grant funding.

Currently, diagnosis for mental illness is based on a subjective evaluation, which can result in inadequate or incorrect diagnosis; and inappropriate or ineffective treatment. Further, there is no reliable way of assessing the efficacy of treatment. Invatec has identified a market need for a diagnostic method that is objective; evidence based and can be administered early. The benefits from this technology include improved diagnostic methods (better treatment), earlier diagnosis (earlier intervention and improved outcomes) and improved monitoring methods (more effective treatments).

Invatec has been engaged in research and development of its technology over the last 10 years based in Western Australia and is now ready to conduct clinical trials.

The diagnostic test for depression developed by Invatec is:

- objective (it does not rely on any cognitive input from the patient);
- evidence based (uses patient's biological data);
- simple and unobtrusive (requires only a sample heart rate); and
- provides a measure of clinical change over time.

Over the next two years, Invatec proposes to conduct the following trials (concurrently):

- Independent Validation Trials . Invatec proposes to conduct trials in collaboration with a leading US-based university known as one of the world's premier centres for medical education, clinical care and biomedical research in the USA and at least one other institution, which is yet to be finalised. The validation trials with Duke will seek to confirm the effectiveness of the depression test; assess its clinical utility and evaluate its economic benefits.
- Proof of Concept Pilot Program . Invatec proposes to conduct a commercial pilot program to develop the processes, protocols and operating procedures required in order to deliver the test into the marketplace.

Upon successful completion of these trials, Invatec will seek the relevant regulatory approvals (US Food and Drug Administration and Therapeutic Goods Administration (Australia)) and then seek to licence the technology to healthcare product equipment distribution companies.

### 1.3 Heartlink Patented Technology profile

Heartlink is an Australian public unlisted company. It is the registered holder of the Patents. The Patents are held in Australia, Canada, Israel, Singapore, the United States and New Zealand. These patents are in relation to technology that provides a method for diagnosing psychiatric disorders by the analysis of heart rate patterns.

The Company upon exercise of the Heartlink Option will have an exclusive licence to be able to use and exploit this Patented Technology, which is complementary to the processes being developed by Invatec. By acquiring the licence to use and exploit the Patented Technology from Heartlink, it enables Invatec's technology to be developed as the Company will hold all relevant intellectual property rights (which rights may be used by Invatec).

## 2. TRANSACTION DETAILS

### 2.1 Invatec Transaction

The Company has entered into a deed of option with Invatec and key shareholders holding more than 94% of the shares in Invatec. Upon exercise of the option under the deed of option, the Invatec Transaction is a 2 stage transaction.

In summary, BPO will have a right to subscribe for a 35% interest in Invatec (stage 1 subscription) upon exercise of the option by sole funding Invatec and the independent validation trials. The investment to fund Invatec and independent validation trials is capped to a maximum of \$3,500,000 over 2 years. On completion of this investment, BPO will have a further option to acquire a further 45% interest in Invatec by way of a share sale from the existing shareholders (stage 2 acquisition). If both stage 1 and stage 2 are completed, BPO will acquire an 80% interest in Invatec with the existing shareholders retaining a 20% interest. The option agreement and the stages of the Invatec Transaction are set out in more detail below.

By the option agreement dated 3 December 2013, Invatec grants an exclusive option for a 6 month period. BPO has paid a non-refundable option fee of \$50,000 to Invatec. BPO anticipates completing due diligence investigations on Invatec and its technology within a 60 day period. Within this period the parties are to agree fuller form documents (anticipated to be a subscription agreement and shareholders agreement). Exercise of the option is subject to conditions precedent including that BPO raises at least \$1,000,000 and obtains the agreement to the transaction of 100% of the Invatec shareholders (which may be waived by BPO). The ASX further requires BPO to obtain Shareholder approval prior to exercise of the option. On exercise of the option, a binding agreement for the stage 1 subscription is formed.

On exercise of the stage 1 option, BPO will issue 150,000,000 Shares to Invatec or its nominees (Resolution 4) and pay \$50,000 to Invatec, which must be used to partly repay Invatec shareholder debt.

During stage 1, BPO has a right to subscribe for a 35% interest in Invatec within 2 years by sole funding Invatec. The funding is intended to be focused on independent validation trials. BPO must pay Invatec a minimum monthly amount to meet its corporate expenses (which amount is to be agreed). For every \$50,000 funded by BPO, it will be entitled to a 0.5% interest in Invatec. Thereby, a subscription of \$3,500,000 will equal a 35% interest in Invatec.



BPO may cease funding at any time by providing 3 months written notice to Invatec.

The key shareholders of Invatec have further granted BPO an option (stage 2 option) to acquire a further 45% of the shares in Invatec. On exercise of the stage 2 option, a binding agreement for stage 2 is formed.

By the stage 2 acquisition BPO may acquire up to an 80% interest in Invatec (the initial 35% interest plus a 45% interest).

Completion of the stage 2 acquisition is subject to conditions precedent including BPO raising a total of at least \$3,500,000 since execution of the option agreement, BPO obtaining all necessary shareholder and regulatory approvals and the repayment by BPO of all moneys owing under the existing convertible notes.

On completion of the stage 2 acquisition, BPO must issue the number of Shares to the Invatec shareholders so that the total number of Shares held by the Invatec shareholders (including the 150,000,000 Shares issued under stage 1) is equal to a 20% interest in the Company on a fully diluted basis at that time. Additionally, BPO must pay \$250,000 to Invatec, which must be used to partly repay Invatec shareholder debt.

Following completion of stage 2, BPO has agreed to pay the sum of \$1,200,000 to Invatec over a 4 year period, which funds will be used by Invatec to extinguish shareholder debt. The key Invatec shareholders, Stephen Addis and Claude Solitario (as the people to whom the debt is owing), may elect to be issued with Shares in lieu of the cash repayment at any time prior to a repayment.

## **2.2 Heartlink Transaction**

The Company has entered into a licence and option deed with Heartlink. By this agreement Heartlink has granted an exclusive option to BPO in respect of the intellectual property rights in respect of the Patented Technology. BPO has issued 25,000,000 Shares to Heartlink as a non-refundable option fee (Resolution 2). BPO has 90 days from execution of the agreement to exercise the option (which has been extended from 60 days). During the option period, BPO may carry out due diligence investigations upon the intellectual property rights.

Upon the exercise of the option by BPO, Heartlink grants to BPO an exclusive licence to use the intellectual property rights and exploit the technology in the relevant territory for an initial period of 2 years (stage 1). The territory over which the licence is granted is Australia, Canada, Israel, Singapore, the United States and New Zealand, being the countries in which Patents are held. BPO must issue 125,000,000 Shares to Heartlink upon the exercise of the option (Resolution 3). BPO may sub-licence its rights to Invatec and BPO will be responsible for maintaining the registration and protection of the Patents during the term of the licence.

At the end of the 2 year (stage 1) exclusive licence period, BPO may extend the exclusive use option for up to 25 years (stage 2). If the licence is extended, BPO must issue shares to Heartlink so that the total number of Shares held by Heartlink (including 150,000,000 Shares already issued) is equal to a 10% interest in BPO on a fully diluted basis at that time. BPO must also pay a royalty to Heartlink. The royalty will be calculated as a percentage of the annual revenue generated by BPO or third parties that BPO has granted a right to use the technology. The royalty is 5% on the first \$20 million of annual revenue, 2.25% on between \$20 million and \$50 million of

annual revenue, 1% between \$50 million and \$100 million of annual revenue and 0.5% over \$100 million of annual revenue.

At any time during the term of the licence, the Company has an option to acquire the intellectual property rights and the technology from Heartlink. If the option is exercised before the expiry of the initial 2 year term (during stage 1), BPO must pay the consideration set out above (as if it has extended the licence and entered stage 2). If the option is exercised during the extended term (stage 2), the consideration payable is \$1.

### 3. **CAPITAL RAISING**

One of the conditions precedent to the exercise of the Invatec Option is the Company raising at least \$1,000,000. The Company intends to raise \$1,000,000 by the issue of Shares at a relevant market price to sophisticated, professional and other investors who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act.

Upon exercise of the Invatec option, the Company intends to fund much of the stage 2 Invatec transaction by a sell down of its shares in Frontier Oil Corporation. In August 2013 the Company sold 25% of its interest in Frontier Oil Corporation for \$1,790,000. Frontier Oil Corporation is seeking to list on the Philippines First Board in early 2014.

### 4. **PROPOSED TIMETABLE**

Set out below is an estimate of the timing of events relevant to the exercise of the Heartlink Option and the Invatec Option.

General Meeting of Shareholders	19 February 2014
Exercise of Heartlink Option	By 3 March 2014
Exercise of Invatec Option	March 2014
Appointment of Dr Stephen Addis to the Board	March 2014

### 5. **EFFECT OF THE TRANSACTION OF THE COMPANY**

#### 5.1 **Pro forma statement of financial position**

An unaudited pro forma statement of financial position of the Company based on the audited 30 June 2013 financials and following exercise of both the Invatec Option and the Heartlink Option is set out below.

	<b>Actual 30 June 2013 Audited A\$</b>	<b>Pro-forma 30 June 2013 A\$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	180,937	1,420,937
Trade and other receivables	40,618	40,618
Inventories	-	-
Prepayments	9,091	9,091
<b>Total Current Assets</b>	<u>230,646</u>	<u>1,470,646</u>
<b>Non-current Assets</b>		
Available for sale investments	5,188,265	3,941,199
Property, plant and equipment	-	-
<b>Total Non-current Assets</b>	<u>5,188,265</u>	<u>3,941,199</u>
<b>TOTAL ASSETS</b>	<u>5,418,911</u>	<u>5,411,845</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	441,383	180,758
Borrowings	1,950,000	-
Provisions	-	-
<b>Total Current Liabilities</b>	<u>2,391,383</u>	<u>180,758</u>
<b>Non-current Liabilities</b>		
Borrowings	450,000	1,500,000
Other payables	39,375	35,807
<b>Total Non-current Liabilities</b>	<u>489,375</u>	<u>1,535,807</u>
<b>TOTAL LIABILITIES</b>	<u>2,880,758</u>	<u>1,716,565</u>
<b>NET ASSETS</b>	<u>2,538,153</u>	<u>3,695,280</u>
<b>EQUITY</b>		
Issued capital	36,650,527	38,250,527
Reserves	2,911,950	2,911,950
Accumulated losses	- 37,024,324	-37,467,197
<b>TOTAL EQUITY</b>	<u>2,538,153</u>	<u>3,695,280</u>

The Statement of Financial Position of the Company at 30 June 2013 has been adjusted to allow for the following matters:

- (a) The payment of \$50,000 to Invatec as a fee under the Invatec option agreement.
- (b) The issue of 25,000,000 Shares to Heartlink at a deemed issue price of 0.2 cents each as a fee under the Heartlink option agreement.
- (c) The issue of 250,000,000 Shares at 0.4 cents each under a placement. This is an assumption and the actual number of Shares to be issued and their subscription price may vary.
- (d) The issue of 150,000,000 Shares at a deemed issue price of 0.2 cents each to Invatec to exercise the Invatec option.
- (e) The issue of 125,000,000 Shares at a deemed issue price of 0.2 cents each to Heartlink to exercise the Heartlink option.

## 5.2 Pro forma capital structure

The proposed capital structure post completion of the exercise of both the Invatec Option and the Heartlink Option will be as follows:

SHARES	Number
Existing	2,898,174,372
Placement Shares	250,000,000 <sup>1</sup>
Invatec Option Shares (to exercise the Invatec Option)	150,000,000
Heartlink Option Shares (to exercise the Heartlink Option)	125,000,000
<b>Total</b>	<b>3,423,174,372<sup>2</sup></b>

The Company has 30 convertible notes on issue with a face value each of \$50,000, a maturity date of 30 June 2015 and which accrue interest at 8% per annum.

1. The placement Shares in the table above assumes the issue of 250,000,000 Shares at 0.4 cents each to raise \$1,000,000. The actual number of Shares to be issued and their subscription price may vary.
2. In the event that the Invatec transaction progresses to stage 2, the Company will issue Shares to Invatec or its nominees so that the total number of Shares issued to Invatec or its nominees (including the 150,000,000 Shares issued under stage 1) is equal to a 20% interest in the Company on a fully diluted basis at that time.

In the event that the Heartlink transaction progresses to stage 2, the Company will issue Shares to Heartlink or its nominees so that the total number of Shares issued to Heartlink or its nominees (including the 150,000,000 Shares issued prior to this time) is equal to a 10% interest in the Company on a fully diluted basis at that time.

### 5.3 Change to Board of Directors

The Board of directors currently comprises:

Peter May	Non-executive Chairman
Benjamin Cooper	Executive Director
Silvi Elkhouri	Non-executive Director

From the date of issue of the Invatec Option Shares and, subject to Shareholder approval, Dr Stephen Addis will be appointed as Medical Director. It is further intended that Claude Solitario will be appointed to the Board at some stage during stage 1 of the Invatec Transaction (the 2 years following the exercise of the Invatec Option).

The appointment of Dr Stephen Addis is the subject of Resolution 5. Details of his experience and that of Claude Solitario are set out below.

Dr. Stephen Addis has over 30 years of experience in the medical field since graduating from The Queens University of Belfast Northern Ireland in 1982. Specialist qualifications in psychiatry were obtained in 1987 and a postgraduate Masters degree in science 1992. Senior clinical and managerial positions in North America, the United Kingdom and Australia, have given him first-hand knowledge of health systems internationally and locally. Currently the Principal Investigator for a phase 3 clinical trial. Fifteen years' experience as Principal Investigator/Investigator on pharmaceutical research trials and over a decade of clinical research into the effects of mental illness upon the circadian heart rate. He has made regular academic presentations at conferences both nationally and internationally. From August 2005 to August 2013 Dr Addis was Head of Psychiatry and Service Director at Fremantle Hospital, a large university teaching hospital in Fremantle, Western Australia. In this role he gained extensive experience running a large and complex mental health service, and was responsible for organizational governance, service development, budgetary accountability, clinical and professional standards and research.

Mr Solitario has over 25 years experience in corporate and financial management. He has been involved in new and emerging technology with considerable experience in the development and commercialization of intellectual property.

Mr Solitario is a founding director and shareholder of Invatec and has been instrumental in the commercial development of the company and its intellectual property in Australia, Asia and the USA.

Prior to Invatec he held a number of board and executive management positions in public and private companies in a variety of industries including biotechnology, medical software development, automotive technology, environmental technology, communications and film and television production. He has experience in areas such as corporate governance, finance, taxation, mergers and acquisitions and corporate restructuring. He has also managed capital raisings from a variety of sources including private and public equity, debt financing and government grants.

## 6. RISKS

The Transactions will provide the Company with an opportunity to expand its biotechnology interests. A number of the risks factors below are not new to the Company as the Company's existing biotechnology assets include:

- (a) AGRIPRO<sup>®</sup> - animal health and nutrition products.
- (b) REGEN<sup>®</sup> - range of innovative health and wellness products.
- (c) Qcide<sup>®</sup> - environmentally friendly treatment for household and agricultural pests.

If the Invatec Option or the Heartlink Option is exercised, some of the material risk factors associated with developing the Invatec technology and the Patented Technology include:

- (a) Validation of technology . there is no guarantee that the Invatec technology and the Patented Technology will be validated.
- (b) Commercialisation of technology . the development of the Invatec technology and the Patented Technology is by its nature a high risk undertaking with no assurance of development of a commercially successful product.
- (c) Competition risk . competitors may have greater capital resources and expertise and seek to develop competing technologies.
- (d) Intellectual property risk - patent protection will be necessary for any commercialised technology. For this reason, the Company has entered into the Heartlink Transaction.
- (e) Regulatory risk . depending on the use of the technology developed, the technology will be governed by various government bodies and the Company will be required to seek various regulatory approvals, which can be costly and time consuming.
- (f) Risk of product liability . the development of the technology exposes the Company to potential product liability.
- (g) Retention of key personnel . technical staff with sufficient expertise will need to be retained to successfully develop the technology.

## 7. OTHER INFORMATION

### 7.1 Conditionality of Resolutions

Resolutions 1 to 5 are conditional upon the passing of each other, so that each will not have effect unless and until the other is passed.

## 7.2 **Plans for the Company if the Resolutions are not passed**

If the Resolutions are not passed, the Company will continue to focus on development of its biotechnology projects (AGRIPRO<sup>®</sup>, REGEN<sup>®</sup> and Qcide<sup>®</sup>) and look for other complementary projects for investment with the potential to enhance Shareholder value.

## 7.3 **Directors' recommendation**

The exercise of either of the Invatec Option or the Heartlink Option and the entering into of the subsequent transaction will constitute a significant increase in the scale of activities undertaken by the Company.

The current directors (Peter May, Benjamin Cooper and Silvi Elkhouri) do not have a material personal interest in the outcome of any of the Resolutions other than as Shareholders of the Company. The Directors consider that, subject to completing satisfactory due diligence in respect of the Transactions, undertaking the Transactions is in the best interests of the Company and recommend that Shareholders vote in favour of all Resolutions.

Each of the Directors intend to vote any Shares held in favour of each of the Resolutions.

# **PART B**

## **RESOLUTIONS AND REGULATORY REQUIREMENTS**

### 8. **RESOLUTION 1 – APPROVAL TO CHANGE ACTIVITIES**

The exercise of the Invatec Option or the Heartlink Option will constitute a change in the scale of the Company's activities. Shareholders should refer to the information at sections 1 to 7 for information about the Transactions and their impact on the Company.

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the scale of its activities, it must provide full details to ASX as soon as practicable. Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of shareholders and must comply with any requirements of ASX in relation to the notice of meeting.

The ASX has advised the Company that it must seek Shareholder approval for this change in scale. Accordingly, Resolution 1 seeks Shareholder approval for the exercise of the Invatec Option or the Heartlink Option under Listing Rule 11.1.2.

The ASX has advised the Company that the change in the nature and scale of the Company's activities does not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3.

9. **RESOLUTION 2 – RATIFICATION OF HEARTLINK OPTION FEE SHARES**

Resolution 2 seeks Shareholder approval in relation to the Shares issued as an option fee under the Heartlink Option.

Listing Rule 7.1 provides, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without the approval of shareholders.

The Shares issued the subject of this Resolution were issued within the Company's 15% capacity.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity) and shareholders subsequently approve it. The Company now seeks Shareholder approval to ratify the Shares issued as an option fee under the Heartlink Option and refresh the Company's 15% capacity.

In accordance with Listing Rule 7.5, the following information is provided to Shareholders in relation to Resolution 2.

- (a) The number of securities allotted was 25,000,000 Shares.
- (b) The Shares were issued at a deemed issue price of 0.2 cents each.
- (c) The Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued shares.
- (d) The Shares were allotted to Heartlink Limited, which is not a related party of the Company.
- (e) No funds were raised by the issue of the Shares.

10. **RESOLUTION 3 – APPROVAL TO ISSUE HEARTLINK OPTION SHARES**

Resolution 3 seeks Shareholder approval for the issue of up to 125,000,000 Shares to Heartlink or its nominees upon exercise of the Heartlink Option.

Listing Rule 7.1 provides, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without the approval of shareholders.

The Company seeks to have the flexibility to issue securities to allow the 125,000,000 Shares to not be included in the calculation under Listing Rule 7.1. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

In accordance with Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 3.

- (a) The maximum number of securities to be issued by the Company is 125,000,000 Shares.



- (b) The Shares will be issued no later than three months after the date of this Meeting (unless a later date is permitted by ASX waiver).
- (c) The Shares are issued for nil consideration and as part of the Heartlink Option.
- (d) The Shares will be issued to Heartlink or its nominees, who are not related parties of the Company.
- (e) The Shares to be issued will be fully paid ordinary shares of the Company that rank equally with the Company's current issued Shares.
- (f) No funds will be raised from the issue of the Shares.
- (g) It is intended that the Shares will be issued on one date.

**11. RESOLUTION 4 – APPROVAL TO ISSUE INVATEC OPTION SHARES**

Resolution 4 seeks Shareholder approval for the issue of up to 150,000,000 Shares to Invatec or its nominees upon exercise of the Invatec Option.

Listing Rule 7.1 provides, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without the approval of shareholders.

The Company seeks to have the flexibility to issue securities to allow the 150,000,000 Shares to not be included in the calculation under Listing Rule 7.1. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

In accordance with Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 4.

- (a) The maximum number of securities to be issued by the Company is 150,000,000 Shares.
- (b) The Shares will be issued no later than three months after the date of this Meeting (unless a later date is permitted by ASX waiver).
- (c) The Shares are issued for nil consideration and as part of the Invatec Option.
- (d) The Shares will be issued to Invatec or its nominees. Invatec is a related party of the Company as it is controlled by Dr Stephen Addis and Claude Solitario, who are each proposed directors of the Company. The Company is relying upon exception 6 in Listing Rule 10.12 for not seeking Shareholder approval for the issue of securities to a related party under Listing Rule 10.11. The Company is not separately seeking Shareholder approval under the related party provisions of the Corporations Act as the Invatec Transaction was negotiated on arms length terms and the Directors of the Company consider the terms of the transaction reasonable for the Company.
- (e) The Shares to be issued will be fully paid ordinary shares of the Company that rank equally with the Company's current issued Shares.

(f) No funds will be raised from the issue of the Shares.

(g) It is intended that the Shares will be issued on one date.

12. **RESOLUTION 5 – ELECTION OF DIRECTOR – DR STEPHEN ADDIS**

By rule 3.4 of the Constitution of the Company, the Company may in general meeting by ordinary resolution, appoint a person to be a Director.

Dr Stephen Addis offers himself for election and has complied with nomination requirements. If all of the Resolutions are passed and the Invatec Option is exercised, Dr Addis will be appointed as a Director on the date of issue of the Invatec Option Shares (which event follows from the exercise of the Invatec Option). The experience and qualifications of Dr Addis is summarised at section 5.3 above.

**GLOSSARY**

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In the Notice and this Explanatory Statement the following expressions have the following meanings:

"**ASX**" means ASX Limited (ACN 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Chairman**" means the chairman of the Company.

"**Company**" or "**BioProspect**" means BioProspect Limited ABN 58 008 130 336.

"**Constitution**" means the Constitution of the Company.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Directors**" mean the directors of the Company from time to time.

"**Explanatory Statement**" means this Explanatory Statement.

"**General Meeting**" means this meeting.

"**Heartlink**" means Heartlink Limited (ACN 101 733 920).

"**Heartlink Option**" means the option for the Company to obtain an exclusive licence to use the intellectual property rights and the Patented Technology as set out in the Explanatory Statement.

"**Heartlink Option Shares**" means the 125,000,000 Shares to be issued after exercise of the Heartlink Option.

"**Heartlink Transaction**" means the transaction summarised in section 2.2 of the Explanatory Statement.

"**Invatec**" means Invatec Health Pty Ltd (ACN 112 763 747).

"**Invatec Option**" means the option for the Company to acquire the right to subscribe for up to 35% of Invatec Shares as set out in the Explanatory Statement.

"**Invatec Option Shares**" means the 150,000,000 Shares to be issued after exercise of the Invatec Option.

"**Invatec Share**" means a fully paid ordinary share in the capital of Invatec.

"**Invatec Transaction**" means the transaction summarised in section 2.1 of the Explanatory Statement.

"**Meeting**" means the meeting convened by this Notice.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Patented Technology**" means methods for diagnosing psychiatric disorders the subject of the Patents.

"**Patents**" means the patents held by Heartlink or subsidiaries in Australia, Canada, Israel, Singapore, the United States and New Zealand.

"**Resolution**" means a resolution referred to in the Notice.

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

"**Shareholder**" means a registered holder of Shares in the Company.

"**Transactions**" means the Invatec Transaction and the Heartlink Transaction.

"**vwap**" means the volume weighted average price of the Company's shares traded on ASX.

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## Lodge your vote:




### By Mail:

BioProspect Limited  
GPO Box 4492  
Sydney NSW 2001  
Australia

Alternatively you can fax your form to  
+61 2 9299 9501  
or scan the document to  
robert.lees@bioprospect.com

## For all enquiries call:

(within Australia) 1300 552 270  
(outside Australia) +61 3 9415 4000



┌ 000001 000 BPO  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

 For your vote to be effective it must be received by 10:30am (Sydney time) Monday 17 February 2014

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Turn over to complete the form →**



View the annual report or update your securityholding, 24 hours a day, 7 days a week:

<http://www.investorcentre.com.au>

- Review your securityholding
- Update your securityholding

**Your secure access information is:**

SRN/HIN: I9999999999



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of BioProspect Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of BioProspect Limited to be held at the Westin Hotel, 1 Martin Place, Sydney NSW 2000 on Wednesday, 19 February 2014 at 10:30am and at any adjournment or postponement of that Meeting.

**Important for Items 1-5:** If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on **Items 1-5** below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on **Items 1-5**, the Chairman of the Meeting will not cast your votes on **Items 1-5** and your votes will not be counted in computing the required majority if a poll is called on **these items**. The Chairman of the Meeting intends to vote undirected proxies in favour of **Items 1-5** of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of **Items 1-5** and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

## STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Approval to change of scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Ratification of the Heartlink Option Fee Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Approval to issue Heartlink Option Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval to issue Invatec Option Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Election of Director - Dr Stephen Addis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

<p><b>Individual or Securityholder 1</b></p> <input style="width: 90%; height: 25px;" type="text"/>	<p><b>Securityholder 2</b></p> <input style="width: 90%; height: 25px;" type="text"/>	<p><b>Securityholder 3</b></p> <input style="width: 90%; height: 25px;" type="text"/>
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Sole Director and Sole Company Secretary      Director      Director/Company Secretary

Contact Name \_\_\_\_\_ Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_