



## ASX Release

# JAYEX HEALTHCARE FORMS NEW MEDICAL CANNABIS TECHNOLOGY SUBSIDIARY AND EXECUTES BINDING LICENCE AGREEMENT WITH MEDICANN® NZ LIMITED

**Melbourne, Australia; 10 July 2018:** Jayex Healthcare Limited (ASX: **JHL**) (JHL or **Company**) today announces the first market and product specific development and commercialisation of its P2U® script processing technology and BluePoint® remote dispensing technology, as originally foreshadowed in its 2015 Prospectus.

The commercialisation will occur under a proposed Master Technology (P2U & BluePoint) Licence Agreement with MediCann NZ® Limited (**MediCann**) by which, subject to a number of conditions which are detailed further below, MediCann will be granted the exclusive use and application of those technologies in New Zealand in connection with their proposed sale and distribution of medical cannabis products in line with the expected deregulation in New Zealand of medical cannabis (**Licence Agreement**).

The New Zealand Government has released a Bill, being the Misuse of Drugs (Medical Cannabis) Amendment Bill 2017 (NZ), to amend existing legislation (the Misuse of Drugs Act 1975 (NZ)) which if enacted as MediCann expects in late 2018 or early 2019, will allow for regulated prescribed use of medical cannabis in New Zealand commencing in or about 2019.

## INFORMATION ABOUT MEDICANN

MediCann is an unlisted New Zealand public company, co-founded by Ross Smith, a New Zealand citizen and acknowledged global expert in medical cannabis. The Board of MediCann includes Dr Franz Strydom, a noted New Zealand medical practitioner and skin cancer specialist, as chairman, and Elizabeth Plant, a noted pharmacist in New Zealand, the former President of the NZ Pharmaceutical Society for 5 years (2008-2013) and a ministerial appointee to the NZ National Health IT Board (NHITB) for eight years (2008-2016). The MediCann Managing Director is Brendon Ogilvy, also a New Zealand citizen, and an experienced IT and sales executive with extensive international management experience.

MediCann has recently completed its first private capital raising in New Zealand and is now implementing its business plan, and preparing for its associated New Zealand medical cannabis licence application processes in anticipation of the expected legislative changes. Once the legislative changes occur as expected in New Zealand, the MediCann business plan will involve large scale commercial medical cannabis production in New Zealand, medical cannabis extraction, and production, sale and distribution in New Zealand of approved medical cannabis products.

## KEY TERMS OF THE LICENCE AGREEMENT

The Company on 6 July 2018 signed a legally binding term sheet with MediCann setting out the agreed terms and conditions to date for the formal Licence Agreement, including the conditional order by MediCann for 5 BluePoint® kiosks/remote dispensing terminals. The agreement under the term sheet commences from 6 July 2018 and the parties have agreed to negotiate in good faith to conclude and execute the Licence Agreement by no later than 30 days after 6 July 2018, or such later date as the parties mutually agree.

Under the proposed Licence Agreement, the Company, through a new wholly-owned subsidiary named MC2U Pty Ltd (or Medical Cannabis 2 You or MC2U), will commit to develop and modify the P2U<sup>®</sup> software and the BluePoint<sup>®</sup> kiosk/remote dispensing terminal solution for application in the anticipated New Zealand medical cannabis product market (**Development Program**) subject to a number of conditions being satisfied, details of which are summarised below.

Under the Licence Agreement, MediCann commits to purchasing a minimum of 5 BluePoint<sup>®</sup> kiosks/remote dispensing terminals for use by MediCann in the sale and distribution of approved medical cannabis products in New Zealand. The expected sale price for the 5 machines is approximately A\$500,000, with additional fees for the software and the prescription processing to be agreed. The completion of this initial order is subject to a number of conditions being satisfied, details of which are summarised below.

Under the Licence Agreement, the parties acknowledge that MediCann's medical cannabis commercialisation project in New Zealand (**MediCann Project**), the grant and implementation of the licence under the Licence Agreement and the sale of the BluePoint<sup>®</sup> kiosks/terminals under the Licence Agreement, are subject to a number of conditions including:

- the Misuse of Drugs (Medical Cannabis) Amendment Bill 2017 (NZ) (**NZ Act**) coming into force;
- relevant regulations being made and approved by the New Zealand Parliament to give effect to the NZ Act in a manner consistent with the MediCann Project and that permits the activities contemplated by the MediCann Project; and
- MediCann or a subsidiary of MediCann applying for and being granted each of the applicable licences required to conduct the MediCann Project.

In addition to the above conditions, the grant and implementation of the licence under the Licence Agreement and the purchase of the BluePoint<sup>®</sup> kiosks/terminals by MediCann under the Licence Agreement, are subject to the successful completion by MC2U of the Development Program within the Initial Term (ie. by 31 July 2019, or such later date as agreed by the parties).

MC2U's ability to successfully complete the Development Program within the Initial Term is subject to the Company raising sufficient funding for this purpose. The Company intends to raise initial funding sufficient for the Company and MC2U's current purposes by way of an issue of new shares to third party investors. The Company will then assess whether any further funding is required to implement and complete the Development Program once the future funding requirements for the program become more certain.

The Company's initial estimate is that, subject to conditions including the Company raising sufficient funding, the Development Program should be finalised in 6-9 months. In parallel with that Development Program, and subject to the legislative changes occurring in New Zealand, MediCann expects to have also completed its medical cannabis licensing applications in the same 6-9 month period.

The Company also has the right to terminate the Licence Agreement if any of the following matters occur during the Initial Term:

- any of the above conditions are not satisfied;
- any of the applicable licences for the MediCann Project are not granted (or are granted on terms which render the MediCann Project uncommercial);
- MediCann decides for any reason not to proceed with the MediCann Project generally or in respect to the proposed sale and distribution in New Zealand of medical cannabis products; or
- the relevant legislation and regulations in New Zealand prevent the use of P2U<sup>®</sup> for electronic processing of prescriptions for medical cannabis and related pick-up and delivery and/or BluePoint<sup>®</sup> remote dispensing kiosks/terminals for sale and distribution of medical cannabis products.

## CONSULTING AGREEMENT WITH ROSS SMITH

In addition, the Company on 6 July 2018 signed a legally binding term sheet by which it has engaged Mr Ross Smith as a global consultant to advise the Company on the commercialisation of its P2U<sup>®</sup> and BluePoint<sup>®</sup> technologies for medical cannabis distribution in association with MediCann in New Zealand, and in respect to similar opportunities in Canada, certain states in the United States and potentially the United Kingdom and Australia. The parties have agreed to negotiate in good faith to execute a formal binding consulting agreement within 14 days of 6 July 2018, or such later date as the parties agree. The initial term of the consulting agreement is 12 months from 6 July 2018 and is renewable for successive 12 month periods by mutual consent.

Under the binding term sheet and the formal consulting agreement, Mr Smith is entitled to receive:

- an annual consulting fee of \$250,000 payable by the Company;
- 5 million ordinary shares upon signing the term sheet; and
- two tranches of performance rights which are subject to vesting conditions based on the implementation of the Licence Agreement (see Sign-on Performance Rights below) and the development of the Company's medical cannabis distribution technology business (see Value-add Performance Rights below).

## TERMS OF SECURITIES

Under the terms of the legally binding consulting agreement term sheet, the Company will issue the following securities to Ross Smith (or the trustee of a trust nominated by him):

- 5 million fully paid ordinary shares for nil cash consideration, which will rank pari passu with all ordinary shares currently on issue (**Sign-on Shares**); and
- 15 million performance rights (**Sign-on Performance Rights**) which will only vest upon satisfaction of defined performance conditions relating to:
  - the entry into the formal Licence Agreement, completion of a capital raising and placing by MediCann of the conditional order for 5 BluePoint<sup>®</sup> kiosks/terminals; and
  - the market price of the Company's shares (over a consecutive 14 day period) exceeding particular thresholds.

Each performance right will entitle Mr Smith to receive one fully paid ordinary share for nil consideration upon the satisfaction of the relevant performance conditions.

The above securities will be issued without shareholder approval under the Company's existing placement capacity under ASX Listing Rule 7.

The detailed terms attaching to the issue of the Sign-on Shares, and the Sign-on Performance Rights, are set out in Schedule 1.

The Company has also agreed, subject to shareholder approval, to issue 40 million performance rights (**Value-add Performance Rights**) to Ross Smith (or the trustee of a trust nominated by him) which will only vest upon satisfaction of defined performance conditions relating to:

- the development of the Company's medical cannabis distribution technology business, including the introduction of opportunities to the business, by Mr Smith or MediCann; and
- the market price of the Company's shares (over a consecutive 14 day period) exceeding particular thresholds.

Each performance right will entitle Mr Smith to receive one fully paid ordinary share for nil consideration

upon the satisfaction of the relevant performance conditions.

The issue of the Value-add Rights is conditional upon approval of Jayex shareholders in general meeting and also to completion of the proposed initial capital raising. The Company has agreed to arrange for and call a general meeting of shareholders seeking approval of the Value-add Performance Rights issue and other matters within 3 months from 6 July 2018, or such later date as the parties agree.

The detailed terms attaching to the issue of the Value-add Performance Rights are set out in Schedule 2.

The Company looks forward to working collaboratively with both MediCann and Mr Smith in pursuing this exciting opportunity in the rapidly developing global medical cannabis market.

#### **Contacts for further information:**

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#### **Forward looking statements**

This announcement contains forward looking statements. All statements that address events or developments that we expect or anticipate will or may occur in the future are forward looking statements. These forward looking statements are based on the Board or management's beliefs and expectations based on information currently available to the Board and management. The Company believes that these forward looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward looking statements which are inherently uncertain. The Company does not undertake any obligation to publicly update or revised any forward looking statements whether as a result of new information, future events or otherwise except as required by law or the ASX Listing Rules. Forward looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from the Company's historical experience, or present expectations or projections.

About Jayex Healthcare Limited - [www.jayexhealthcare.com.au](http://www.jayexhealthcare.com.au)

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Jayex Healthcare is a leading provider of integrated healthcare services delivery platforms in the United Kingdom and Australia, incorporating the Company's four interconnected and proprietary technologies, being:

- the *Enlighten* patient workflow platform;
- the *Appointuit* patient engagement solution;
- the *Pharmacy Delivery 2 U (P2U)*<sup>®</sup> prescription delivery service; and
- the *BluePoint*<sup>®</sup> remote pharmacy prescription processing and dispensing terminal.

**SCHEDULE 1**  
**SIGN-ON SHARES AND SIGN-ON PERFORMANCE RIGHTS**

**1 Sign-on Shares and**

**Sign-on Performance Rights:** “Sign on” 5 million JHL shares and 15 million Sign-on Performance Rights to be registered in the name of Ross Smith or the trustee of a trust nominated by Ross Smith and to be issued on the date of this Term Sheet.

One Sign-on Performance Right will automatically vest into one JHL share on satisfaction of the applicable performance hurdles as noted below.

**2 Performance:**

Staged Performance Entitlement to commence on and following the signing of this Term Sheet.

The Sign-on Performance Rights will be divided into three parts:

- (i) First Performance Target – 5 million Sign-on Performance Rights to automatically vest into JHL shares on satisfaction of the following:
  - volume weighted average market price over 14 consecutive ASX trading days of 6c per JHL share but less than 8c per JHL share; and
  - signing of legally binding term sheet, being the Master Technology (P2U & BluePoint) Licence Term Sheet, between JHL/MC2U and MediCann NZ.
- (ii) Second Performance Target – 5 million Sign-on Performance Rights to automatically vest into JHL shares on satisfaction of the following:
  - volume weighted average market price over 14 consecutive ASX trading days of 8c per JHL share but less than 10c per JHL share; and
  - completion of initial capital raise from a placement of 18 million JHL shares to raise approximately A\$1.8 million (excluding broker fees and costs), with such capital raise to be implemented without shareholder approval under JHL’s placement capacity pursuant to Chapter 7 of the Listing Rules.
- (iii) Third Performance Target – 5 million Sign-on Performance Rights to automatically vest into JHL shares on satisfaction of the following:
  - volume weighted average market price over 14 consecutive ASX trading days of 10c per JHL share or more; and
  - signing of the formal contract for the Master Technology (P2U & BluePoint) Licence Agreement between JHL/MC2U and MediCann NZ; and
  - first conditional order from MediCann for 5 BluePoint medical cannabis remote dispensing terminals/kiosks.

**3 Overriding principle:**

If following the signing of this Term Sheet the volume weighted average market price per JHL share over 14 consecutive ASX trading days is at any time 12c per JHL share or more – the entire Sign-on Performance Rights allocation automatically vests into JHL shares to be issued and allotted to Smith. For example, if the target share price of 12c per JHL share or more is met, then the remaining 15 million Performance Rights (after the initial placement of 5 million Sign-on Shares) will vest into JHL shares to be issued and allotted to Smith.

**4 Voluntary Escrow:**

However, if the JHL share price exceeds the benchmark of 12c per share before all the commercial deliverables identified in clause 2(i), (ii) and (iii) above are signed or completed, as the case may be, Smith will only be permitted to

dispose of any JHL shares issued on vesting of the Sign-on Shares in lock step and in the amounts agreed with the achievement of the performance targets as identified in clause 2(i), (ii) and (iii). For example, if the benchmark of 12c per JHL share is met after the First Performance Target is met, but before the Second Performance Target is met, Smith may only dispose of the initial 5 million Sign-on JHL shares and the 5 million JHL shares issued on vesting of Sign-on Performance Rights in clause 2(i). Thereafter, he may only dispose of JHL shares allotted on vesting of Sign-on Performance Rights after meeting each of the succeeding performance targets.

## 5. No transfer

Sign-on Performance Rights cannot be transferred.

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### SCHEDULE 2 VALUE-ADD PERFORMANCE RIGHTS

#### 1 Value-add

##### Performance Rights:

40 million Performance Rights to be registered in the name of Ross Smith or the trustee of a trust nominated by Ross Smith.

One Value-add Performance Right will automatically vest into one JHL share on satisfaction of the applicable performance hurdles as noted below.

#### 2 Performance:

Staged Performance Entitlement to commence on and following the signing of this Term Sheet.

The Value-add Performance Rights will be divided into four parts:

- (i) First Performance Target – 10 million Value-add Performance Rights will automatically vest on satisfaction of the following:
  - volume weighted average market price over 14 consecutive ASX trading days of 15c per JHL share but less than 20c per JHL share; and
  - JHL signing of a binding agreement for a new medical cannabis software to be provided or sourced by Smith; and/or
  - a commercial transaction or opportunity which MediCann and/or Smith identify for the purpose of the First Performance Target and at that time JHL agrees (acting reasonably) has sufficient commercial value to JHL and application in Australia, UK or elsewhere and which JHL would (acting reasonably) be able to pursue.
- (ii) Second Performance Target – 10 million Value-add Performance Rights will automatically vest on satisfaction of the following:
  - volume weighted average market price over 14 ASX consecutive trading days of 20c per JHL share but less than 25c per JHL share; and
  - signing of a Master Licence Agreement between MediCann and JHL/MC2U in respect of any of MediCann's technologies, IP, doctor training program(s) etc for medical cannabis commercialisation in Australia; and/or
  - a commercial transaction or opportunity which MediCann and/or Smith identify for the purpose of the Second Performance Target and at that time JHL agrees (acting reasonably) has sufficient commercial value to JHL and application in Australia, UK or elsewhere and which JHL would (acting reasonably) be able to pursue.
- (iii) Third Performance Target – 10 million Value-add Performance Rights will

automatically vest on satisfaction of the following:

- volume weighted average market price over 14 consecutive ASX trading days of 25c per JHL share but less than 30c per JHL share; and
- signing of a Master Licence Agreement between JHL/MC2U and Smith for a new online/kiosk medical cannabis patient qualification and medical condition/treatment software for Australian market; and/or
- a commercial transaction or opportunity which MediCann and/or Smith identify for the purpose of the Third Performance Target and at that time JHL agrees (acting reasonably) has sufficient commercial value to JHL and application in Australia, UK or elsewhere and which JHL would (acting reasonably) be able to pursue.

(iv) Fourth Performance Target – 10 million Value-add Performance Rights will automatically vest on satisfaction of the following:

- volume weighted average market price over 14 consecutive ASX trading days of 30c per JHL share or more; and
- signing of a Master Licence Agreement between Smith and JHL/MC2U of Wolf brand proprietary legal cannabis commercial cultivation systems/products; and/or
- a commercial transaction or opportunity which MediCann and/or Smith identify for the purpose of the Fourth Performance Target and at that time JHL agrees (acting reasonably) has sufficient commercial value to JHL and application in Australia, UK or elsewhere and which JHL would (acting reasonably) be able to pursue.

**3 Overriding principle:**

If following the signing of the Term Sheet the volume weighted average market price per JHL share over 14 consecutive ASX trading days is at any time 30c per share or more – the entire Value-add Performance Rights allocation vests into JHL shares which are to be automatically issued and allotted to Smith.

**4 Voluntary Escrow:**

However, if the JHL share price exceeds the benchmark of 30c per share before all the commercial deliverables identified in clause 2 above are signed and/or accepted by JHL as satisfying the relevant performance target, Smith will only be permitted to dispose of the JHL issued and allotted to him on the vesting of the relevant Value-add Performance Rights in lock step and in the amounts agreed with the achievement of the performance targets as identified in clause 2(i), (ii), (iii) and (iv).

**5. No transfer**

Value-add Performance Rights cannot be transferred.