

NARHEX LIFE SCIENCES LIMITED
ACN 094 468 318

To be renamed:

ResApp Health Limited

**Notice of General Meeting and
Explanatory Statement and
Independent Expert's Report and
Proxy Form**

**General Meeting to be held at Trident Capital, Level 24, 44 St Georges Terrace,
Perth, Western Australia on 27 May 2015 commencing at 10.00am (WST).**

The Independent Expert reporting on Resolutions 4 and 7 concludes that the acquisition is FAIR
AND REASONABLE to the non-associated Shareholders of the Company.

This Notice of General Meeting and Explanatory Statement should be read in its entirety.
If Shareholders are in doubt as to how to vote, they should seek advice from their accountant,
solicitor or other professional adviser without delay.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Narhex Life Sciences Limited (**Company**) will be held at Trident Capital, Level 24, 44 St Georges Terrace, Perth, Western Australia on 27 May 2015, commencing at 10.00am (WST).

SPECIAL BUSINESS

1. Resolution 1 – Capital Consolidation

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 13 (inclusive) being passed, in accordance with section 254H of the Corporations Act and the Constitution, and for all other purposes approval be and is hereby given that the Existing Shares in the Company shall be consolidated on a 3 for 8 basis, with any fractional entitlements being rounded down. The consolidation of the Existing Shares will occur 5 Business Days from the date of the General Meeting at which this Resolution is passed.”

2. Resolution 2 – Change in nature and scale of activities of the Company

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 13 (inclusive) being passed, in accordance with ASX Listing Rule 11.1.2, and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities as set out in the Explanatory Statement accompanying this notice.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Approval of Performance Shares

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a special resolution:

“That, subject to Resolutions 1, 2 and 4 to 13 (inclusive) being passed, for the purposes of Section 246B(1) and 246C(5) of the Corporations Act and Rule 3.9 of the Constitution of the Company and for all other purposes, the Company be authorised to issue Performance Shares, the terms of which are set out in the Explanatory Statement accompanying this notice.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by the ResApp Vendors, including Seamist, UniQuest and their associates or any other person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Issue of Consideration Shares and Performance Shares to the ResApp Vendors and UniQuest

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

“That, subject to Resolutions 1 to 3 (inclusive) and 5 to 13 (inclusive) being passed and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, approval be and is hereby given to the issue of 250,000,000 Consideration Shares (on a pre-Consolidation basis) and 250,000,000 Performance Shares (on a pre-Consolidation basis), and the conversion of such Performance Shares into 250,000,000 Shares (on a pre-Consolidation basis) if the Milestone is achieved, to the ResApp Vendors and UniQuest (as those terms are defined in the Explanatory Statement), under the Prospectus, as consideration for the Company acquiring 100% of the issued capital of ResApp, and for the acquisition by the ResApp Vendors and UniQuest of a Relevant Interest (details of which are set out in Annexure A to the Explanatory Statement) in the Consideration Shares and Performance Shares, and any Shares into which the Performance Shares may convert, to be issued to them as contemplated by this Resolution 4, further details of which are contained in the Explanatory Statement accompanying this notice.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by the ResApp Vendors, including Seamist, UniQuest and their associates or any other person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Issue of New Shares pursuant to the Capital Raising

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 (inclusive) and 6 to 13 (inclusive) being passed, and in accordance with ASX Listing Rule 7.1, and for all other purposes, approval be and is hereby given to the issue (on a post-Consolidation basis) of up to 200,000,000 New Shares at an issue price of \$0.02 per New Share to raise a minimum of \$2,500,000 and up to a maximum of \$4,000,000 under the Prospectus, further details of which are contained in the Explanatory Statement accompanying this notice.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

6. Resolution 6 – Issue of Facilitation Shares to Related Parties

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 5 (inclusive) and 7 to 13 (inclusive) being passed, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 25,000,000 Facilitation Shares (on a pre-Consolidation basis) to Trident Capital Pty Ltd (and/or

its nominees) and 5,625,000 Facilitation Shares (on a pre-Consolidation basis) to SOBOL Capital Pty Ltd (and/or its nominees) under the Prospectus, further details of which are contained in the Explanatory Statement accompanying this notice.

Shareholders should note that if this Resolution is passed, the approval of Shareholders is not required under Listing Rule 7.1.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Trident Capital Pty Ltd, SOBOL Capital Pty Ltd and/or any of their nominees or any of their associates, or any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

7. Resolution 7 – Issue of Facilitation Shares to Non-Related Parties

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 6 (inclusive) and 8 to 13 (inclusive) being passed, for the purposes of Listing Rule 7.1, item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the Company to issue 16,666,667 Facilitation Shares (on a pre-Consolidation basis) to Seamist Enterprises Pty Ltd (and/or its nominees) and 2,708,333 Facilitation Shares (on a pre-Consolidation basis) to CPS Capital Group Pty Ltd (and/or its nominees) under the Prospectus, and for the acquisition by Seamist Enterprises Pty Ltd of a Relevant Interest (details of which are set out in Annexure A to the Explanatory Statement) in the Facilitation Shares to be issued to them as contemplated by this Resolution 7, further details of which are contained in the Explanatory Statement accompanying this notice.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by CPS Capital Group Pty Ltd, the ResApp Vendors, including Seamist Enterprises Pty Ltd and UniQuest, and/or any of their nominees or any of their associates, or any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

8. Resolution 8 – Ratification of Placement Shares and Placement Options issued to Sophisticated Investors

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 7 (inclusive) and 9 to 13 (inclusive) being passed, in accordance with Listing Rule 7.4, and for all other purposes, the Shareholders hereby approve and ratify the issue of 10,000,000 Placement Shares (on a pre-Consolidation basis) on 19 December 2014 and the issue of 60,000,000 Placement Shares (on a pre-Consolidation basis) on 24 March 2015, further details of which are contained in the Explanatory Statement accompanying this notice”.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

9. Resolution 9 – Issue of Placement Options to Sophisticated Investors

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 8 (inclusive) and 10 to 13 (inclusive) being passed, in accordance with Listing Rule 7.1, and for all other purposes, the Shareholders hereby approve the issue of 30,000,000 Placement Options (on a pre-Consolidation basis) to sophisticated investors, further details of which are contained in the Explanatory Statement accompanying this notice”.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who participates in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

10. Resolution 10 – Issue of Placement Shares and Placement Options to Trident Capital Pty Ltd

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 9 (inclusive) and 11 to 13 (inclusive) being passed, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 10,000,000 Placement Shares (on a pre-Consolidation basis) and 5,000,000 Placement Options (on a pre-Consolidation basis) to Trident Capital Pty Ltd (and/or its nominees), further details of which are contained in the Explanatory Statement accompanying this notice.

Shareholders should note that if this Resolution is passed, the approval of Shareholders is not required under Listing Rule 7.1.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Trident Capital Pty Ltd and/or any of its nominees or any of their associates, or any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.

11. Resolution 11 – Change of Company name

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a special resolution:

“That, subject to Resolutions 1 to 10 (inclusive) and 12 and 13 being passed, in accordance with section 157(1) of the Corporations Act, and for all other purposes, the Company change its name from “Narhex Life Sciences Limited” to “ResApp Health Limited”.”

12. Resolution 12 – Appointment of Dr Tony Keating as Director

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 11 (inclusive) and 13 being passed and in accordance with rule 16.3 of the Constitution, and for all other purposes, Dr Tony

Keating, having been nominated and provided conditional consent to act as a director of the Company from completion of the Proposed Transaction, be elected as a director of the Company with effect from completion of the Proposed Transaction.”

13. Resolution 13 – Approval of Issue of Incentive Options to Dr Tony Keating

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 12 (inclusive) being passed, for the purposes of section 208 of the Corporations Act and for all other purposes, approval is given for the granting of the Incentive Options to Dr Tony Keating, a proposed director of the Company, upon being elected as a director of the Company, further details of which are outlined in the Explanatory Statement accompanying this Notice.”

Shareholders should note that if this Resolution is passed, the approval of Shareholders is not required under Listing Rule 7.1.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Tony Keating and/or any of his nominees or any of their associates or any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a 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 the direction on the Proxy Form to vote as the proxy decides.
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Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of General Meeting and should be read in conjunction with it.

Resolutions 1 to 13 (inclusive) are subject to and conditional on each of those resolutions being passed. Accordingly, the resolutions should be considered collectively as well as individually.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in this notice of General Meeting and the Explanatory Statement.

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 5.00pm (WST) on 25 May 2015. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the General Meeting.

By Order of the Board of Directors

Adam Sierakowski
Chairman
Narhex Life Sciences Limited
20 April 2015

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

This Explanatory Statement includes information and statements that are both historical and forward-looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry as well as matters such as general economic conditions. Actual events and results may differ materially. None of the Company, the Directors, or their advisors can assure Shareholders that forecasts or implied results will be achieved.

1. Proposed Transaction

1.1 Background

On 2 October 2014 the Company announced to ASX that it had entered into a Heads of Agreement to acquire respiratory disease diagnosis and management smart phone application technology by acquiring all the issued capital of ResApp Diagnostics Pty Ltd (ACN 600 972 192) (**ResApp**) held by the ResApp Vendors in consideration for the Company agreeing to issue to the ResApp Vendors, pro rata to their respective shareholdings in ResApp, 250,000,000 fully paid ordinary Consideration Shares (on a pre-Consolidation basis) in the capital of the Company and 250,000,000 Performance Shares (on a pre-Consolidation basis). The Performance Shares will convert into 250,000,000 fully paid ordinary Shares (on a pre-Consolidation basis) in the capital of the Company within 7 days of the release of the audited accounts in respect of the period in which ResApp and any subsidiaries of ResApp (or if the Company or any Related Entity of the Company is licensed to use the Licensed IP, the Company and that Related Entity) achieving aggregated gross revenue of \$20,000,000 in the five years commencing on the day the Company is readmitted to quotation on ASX after recompliance with Chapters 1 and 2 of the Listing Rules.

1.2 Overview of ResApp

(a) ResApp background

ResApp is a privately-held company founded in September 2014. ResApp holds the exclusive license to commercialise intellectual property around technology developed by The University of Queensland (**UQ**) that uses sound to diagnose respiratory diseases including; pneumonia, bronchitis, chronic obstructive pulmonary disease (**COPD**) and asthma. ResApp was formed to commercialise this technology by developing the world's first clinically-tested, regulatory-approved respiratory diagnostic application for smart devices.

The team at UQ, led by Associate Professor Udantha Abeyratne, has been engaged in extensive research and development of this technology since 2009 and has been funded by UQ and UniQuest as well as the Bill and Melinda Gates Foundation.

Following completion of the Proposed Transaction, ResApp will look to accelerate the commercialisation of the technology via the funding of further clinical studies in Australia and overseas, the commercial development of consumer-ready apps, engaging with strategic partners (such as telehealth providers and mobile device manufacturers) and performing marketing activities.

ResApp's long-term vision is to empower consumers and their doctors to self-diagnose and manage respiratory disease by providing effective, affordable and practical mobile health apps.

Shareholders should note that ResApp has no trading history and that there are risks, uncertainties, expenses and challenges associated with ResApp being an early-stage business.

(b) ResApp's technology

ResApp's technology is based on the premise that cough and respiratory sounds carry vital information on the state of the respiratory tract enabling ResApp to diagnose and measure the severity of a wide range of chronic and acute diseases. Traditionally, doctors have used stethoscopes to listen to the lungs as one of the first indications of a respiratory problem. If a doctor suspects one of the more serious respiratory diseases (such as pneumonia or bronchitis), they may follow up with additional tests such as X-rays, blood tests, CT scans and/or pleural fluid cultures. For asthma and COPD, a spirometry test is normally performed. Our approach is to measure sounds outside the mouth. During respiratory events (e.g. coughs), the lungs are directly connected to the atmosphere via a column of air, which has significantly lower filtering than the traditional pathway across the chest musculature.

During clinical development, ResApp has, and going forward will continue to, validate its performance against a full clinical diagnosis, typically performed using X-rays, blood tests, CT scans, pleural fluid cultures or spirometry depending on the disease. Once clinically-tested and regulatory-approved, ResApp's technology could potentially replace the need for these additional tests.

ResApp takes a machine learning approach to match cough and respiratory sounds with disease. Machine learning is an artificial intelligence approach that constructs algorithms that can learn from data. In ResApp's approach, signatures (features) are extracted from cough and/or respiratory sounds. These features characterise the respiratory tract and use a training dataset (a database of sound recordings with associated clinical diagnoses) to measure and combine (classify) the features to create a diagnostic test or severity measure of a disease. Importantly, ResApp believes these features to be consistent across the population and not specific to an individual so there is no need for a personalised training dataset.

Over the last five years the research team, led by Associate Professor Udantha Abeyratne and based at UQ has pioneered a set of mathematical features and classifier technology to accurately characterise the respiratory tract. Their approach forms a powerful platform for respiratory disease diagnosis and management. The platform is based on sound alone and does not require physical contact with the patient. With modern smartphone technology now integrating high quality microphones, the platform can be delivered without the need for additional hardware.

(i) Diagnosis

In a clinical proof of concept peer-reviewed study of 91 children UQ demonstrated that its platform is capable of classifying childhood pneumonia at a sensitivity greater than 90% and a specificity greater 85% based on cough analysis alone. By augmenting sound-based features with easily obtainable measurements such as the presence of fever and age, UQ was able to increase the specificity to above 95%. In the same study UQ documented that its technology can separate asthma from diseases such as pneumonia, bronchitis and bronchiolitis. UQ also developed technology to classify cough sounds into dry/wet classes, and to automatically extract cough events from a continuous sound recording.

With the availability of additional training datasets, ResApp plans to use the UQ-developed platform to similarly diagnose respiratory diseases in adults such as bronchitis, asthma, pneumonia and chronic obstructive pulmonary disease (COPD) as well as differentiate these diseases from the common cold and influenza.

(ii) **Disease management**

Development projects are underway at UQ to use the Licensed IP for providing severity assessment and management of chronic respiratory disease. Smartphone-ready technology to characterise the severity of diseases can become the cornerstone of a patient-centred management program on chronic respiratory diseases. One recent example is iSonea's approach to monitor pre-diagnosed asthma patients in daily life, via quantifying their wheezing rates. However, iSonea's approach required expensive, separate hardware devices (e.g. their AirSonea and SonoSentry devices) that connect to the smartphone and require correct placement on the trachea.

Using the Licensed IP, ResApp is developing technology that will not require any special sensors nor physical contact with the patient. In addition ResApp does not plan to limit itself to wheeze rates as its own mathematical features can also be used. ResApp's target is to correlate its feature set to the forced expelled volume (FEV1), the volume of air that can be forced from the lungs after a deep breath, that is measured by spirometry.

(c) **ResApp Intellectual Property**

The Licensed IP developed (and owned) by the University of Queensland and licensed to ResApp via UniQuest includes patent applications filed in five countries as well as Europe in its entirety. The patent applications all claim a priority date of 29/3/2012. The following table summarises the patent applications.

Country	Application Number	Title
Australia	2013239327	A method and apparatus for processing patient sounds

United States	14/389291	A method and apparatus for processing patient sounds
Europe	13768257.1	A method and apparatus for processing patient sounds
Japan	2015-502020	A method and apparatus for processing patient sounds
China	201380028268.X	A method and apparatus for processing patient sounds
Korea	10-2014-7030062	A method and apparatus for processing patient sounds

In addition to these patent applications, ResApp has an exclusive license of the know-how (and trade secrets) in the set of mathematical features and classifier technology used for the diagnosis and severity measurement of pneumonia, asthma and COPD developed by the research team at UQ.

1.3 Business model

ResApp plans to pursue multiple revenue streams in commercialisation of the technology:

(a) Telehealth partnerships and licensing

With the telehealth market growing at a rapid rate, partnerships with major telehealth providers would allow ResApp to quickly benefit from these providers' large and growing customer base. ResApp's technology would provide telehealth providers a unique capability that would significantly enhance the breadth of consultations available to their customers and their network of doctors.

ResApp could license the ResApp algorithms to telehealth providers for integration into their existing telehealth systems, could provide an application programming interface (API) into a cloud-hosted service or could provide a standalone application that communicates to the telehealth providers servers.

ResApp would aim to charge a fee per diagnostic test or a monthly subscription fee for chronic disease management.

(b) Direct app sales to consumers

After obtaining the required regulatory approvals, ResApp plans to make direct app sales to consumers via app stores such as the Apple AppStore and Google Play. These stores provide a unique opportunity to reach the huge smartphone user market without large distribution or shipping costs.

ResApp expects to charge a small nominal fee for purchasing and downloading the app, however it expects the majority of revenue to come from in-app

purchases associated with per diagnostic test, or monthly subscriptions in the case of management of chronic conditions.

(c) **Mobile and wearable device manufacturers and telecoms service providers partnerships and licensing**

By partnering with mobile or wearable device manufacturers, or with telecoms providers, there is the potential for preloading ResApp applications on devices (i.e. the application would be already installed on the device before it reaches the end user). Both of these groups already preload multiple applications via partnerships with applications developers. This would allow ResApp to access a significant installed base, and would potentially provide revenue through preload fees, in-app purchases or monthly subscriptions.

(d) **Partnerships with aid and humanitarian agencies**

To reach the large numbers of potential users in the resource-poor developing world, ResApp plans to partner with global aid and humanitarian agencies who have existing well-developed logistics networks in these regions. These agencies have a critical need for low cost and accurate diagnostic tools that are usable not only by trained medical professionals, but also untrained personnel operating under difficult field conditions. In the license agreement of the Licensed IP from UniQuest to ResApp, ResApp agreed to comply with the Global Access Objectives of the Bill and Melinda Gates Foundation. This requires that the product be made accessible (with respect to cost, quantity and applicability) to the people most in need within the developing countries of the world.

(e) **Big data insights**

Once in wide use, anonymized data collected by ResApp (with the permission of users) could provide unprecedented insight into respiratory conditions for researchers at large pharmaceutical companies, medical device companies, universities, medical research institutes and government agencies. Data could be collated and further analysed by ResApp to provide information on the occurrence, spread and effectiveness of treatment options. This data could be licensed or could be provided through a software-as-a-service.

1.4 Share Sale Agreement

On 20 February 2015 the Company, ResApp, UniQuest and the ResApp Vendors entered into the Share Sale Agreement. Subject to various conditions, the Company agreed to purchase 100% of the ordinary shares in ResApp, and the ResApp Vendors and UniQuest agreed to sell all of their ordinary shares in ResApp to the Company. In this regard the ResApp Vendors currently hold all of the ordinary shares in ResApp, and UniQuest will become a shareholder of ResApp immediately prior to the ResApp Vendors and UniQuest selling all of their ordinary shares in ResApp to the Company on the Completion Date.

- (a) The Share Sale Agreement is subject to and conditional upon the following conditions precedent:
- (i) The Company completing due diligence to its satisfaction, in its sole and absolute discretion.
 - (ii) ResApp completing due diligence to its satisfaction in its sole and absolute discretion.

- (iii) Prior to the Completion Date the Company does not receive a proposal in respect of the Company which an independent expert determines to be superior to the Transaction for the Company's Shareholders.
 - (iv) The Company obtaining and complying with the relevant approvals required to validly implement the Transactions (including any Consolidation and Recompliance, if required).
 - (v) The Company completing the Consolidation and Recompliance (if required).
 - (vi) The ResApp Vendors and ResApp obtaining all required ResApp shareholder approvals as may be required to legally and validly implement the Transactions.
 - (vii) The ResApp Vendors and UniQuest shall use best endeavours to facilitate and the Company shall complete the Capital Raising subject to any conditions ASX may impose on the Capital Raising, including that Completion occurs under the Share Sale Agreement and that the shares to be issued and allotted pursuant to the Capital Raising are issued in accordance with the Corporations Act.
- (b) Subject to the satisfaction (or waiver) of the Conditions, the total consideration for the purchase of the ResApp Shares comprises of:
- (i) the issue and allotment of 137,500,000 fully paid ordinary Consideration Shares (on a pre-Consolidation basis) to the ResApp Vendors according to the ResApp Vendor Proportions;
 - (ii) the issue and allotment of 112,500,000 fully paid ordinary Consideration Shares (on a pre-Consolidation basis) to UniQuest;
 - (iii) the issue and allotment of 137,500,000 fully paid Performance Shares (on a pre-Consolidation basis) to the ResApp Vendors according to the ResApp Vendor Proportions, which will convert into 137,500,000 fully paid ordinary Shares (on a pre-Consolidation basis) if the Milestone is achieved; and
 - (iv) the issue and allotment of 112,500,000 fully paid Performance Shares (on a pre-Consolidation basis) to UniQuest, which will convert into 112,500,000 fully paid ordinary Shares (on a pre-Consolidation basis) if the Milestone is achieved.
- (c) The Milestone will be achieved upon ResApp and any subsidiaries of ResApp (or if the Company or any Related Entity of the Company is licensed to use the Licensed IP, the Company and that Related Entity) achieving aggregated gross revenue of \$20,000,000 in the five years commencing on the day the Company is readmitted to quotation on ASX after recompliance with Chapters 1 and 2 of the Listing Rules.

1.5 Loan Agreement

In addition to the Share Sale Agreement, the Company entered into a Loan Agreement with ResApp on 18 March 2015 pursuant to which the Company has agreed to advance \$254,000 to ResApp (of which \$210,000 has already been advanced) to develop the technology licensed to ResApp by UQ, including for the commercial development of an app for the technology, clinical trials and for working capital including legal and accounting fees. Shareholders should be aware that if the Proposed Transaction is completed, ResApp will have become a subsidiary of the Company.

1.6 Advantages of the Proposed Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) The Company will be changing the nature of its activities to include business to respiratory disease diagnosis and management smart phone application technology.
- (b) The change in nature of the Company's activities could attract new investors and may allow the Company to more readily raise additional working capital (if required) and as such the Company may increase its ability to acquire further projects.
- (c) The Company will acquire one hundred percent (100%) of ResApp and its business by the issue of shares.

1.7 Disadvantages of Proposed Transaction

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) The Company will be changing the nature of its activities to include respiratory disease diagnosis and management smart phone application technology, which may not be consistent with the objectives of the Shareholders.
- (b) The proposed acquisition will result in the issue of shares to the ResApp Vendors, which will have a dilutionary effect on the current holdings of Shareholders.
- (c) There are risk factors associated with the change in nature of the Company's activities and associated acquisition of ResApp. Some of these risks are set out in section 1.15 below.

1.8 Effect of the Proposed Transaction on the Company

By acquiring 100% of the issued capital of ResApp, the Company will be pursuing the development and commercialization of ResApp's respiratory disease diagnosis and management smart phone application technology.

Pro Forma Capital Structure				
Shares	Pre Consolidation		Post Consolidation	
	\$2,500,000	\$4,000,000	\$2,500,000	\$4,000,000
Shares currently on issue	654,729,407	654,729,407	245,523,527	245,523,527
Remaining Shares to be issued under second Tranche of placement to Trident Capital – Resolution 10	10,000,000	10,000,000	3,750,000	3,750,000
Shares to be issued to ResApp Vendors and UniQuest	250,000,000	250,000,000	93,750,000	93,750,000
Additional Shares to be issued to ResApp Vendors and UniQuest if the 250,000,000 Performance Shares convert upon ResApp achieving gross revenue of \$20,000,000	250,000,000	250,000,000	93,750,000	93,750,000
Maximum number of Shares to be issued on Capital Raising	333,333,333	533,333,333	125,000,000	200,000,000
Facilitation Shares to be issued to Related Parties	30,625,000	30,625,000	11,484,375	11,484,375
Facilitation Shares to be issued to Non-Related Parties	19,375,000	19,375,000	7,265,624	7,265,624
Total Shares on issue following completion and recompliance	1,548,062,740	1,748,062,740	580,523,526	655,523,526

Options	Pre Consolidation		Post Consolidation	
	\$2,500,000	\$4,000,000	\$2,500,000	\$4,000,000
Options currently on issue	55,000,000	55,000,000	20,625,000	20,625,000
Remaining Placement Options to be issued under second Tranche of placement to sophisticated investors – Resolutions 8 and 9	35,000,000	35,000,000	13,125,000	13,125,000
Incentive Options to be issued to Dr Tony Keating – Resolution 13	53,333,333	53,333,333	20,000,000	20,000,000
Total Options on issue following completion and recompliance	143,333,333	143,333,333	53,750,000	53,750,000

Notes:

1. The above tables assume that none of the Placement Options or Incentive Options are exercised. Placement Options are exercisable at \$0.01 (being \$0.026 on a post-Consolidation basis), expiring on 31 December 2016 and otherwise have the terms specified in Annexure E. The Incentive Options have the terms specified in Annexure F.

2. The post-Consolidation numbers of Shares are approximate as fractional entitlements resulting from the Capital Consolidation will be rounded down, so the exact number of New Shares will only be known after the Capital Consolidation.

1.9 Independent Expert's Report

For the purposes of item 7 of section 611 of the Corporations Act and Listing Rule 10.11 and to assist Shareholders in considering the Resolutions in this Notice of Meeting, the Company has commissioned an Independent Expert's Report on the fairness and reasonableness of the Proposed Transaction. The report concludes the Proposed Transaction is FAIR AND REASONABLE to the non-Associated Shareholders.

You should consider the Independent Expert's Report in detail (see Annexure 2).

1.10 Indicative timetable

Set out in the table below is the expected timing for completion of the Proposed Transaction and the matters contemplated by the Resolutions, subject to compliance with all regulatory requirements. These dates are indicative only and are subject to change. The Directors reserve the right to amend the timetable without notice.

Action	Date
Lodgement of Prospectus with ASIC	27 April 2015
Suspension of the Company's securities from trading on ASX at the opening of trading	27 May 2015
General Meeting	27 May 2015
Prospectus offer closes	1 June 2015
Securities registered on a post-Consolidation basis	3 June 2015
Issue of all New Shares	5 June 2015
Completion of the Proposed Transaction	5 June 2015
Dispatch of new holding statements to Existing Shareholders	9 June 2015
Satisfaction of ASX conditions for reinstatement	12 June 2015
Commencement of trading of New Shares on ASX	19 June 2015

1.11 Relevant Interests and Voting Power

This section 1.10 sets out the effect of the issue of Shares pursuant to Resolution 4 (issue of Consideration Shares and Performance Shares to the ResApp Vendors and UniQuest) and Resolution 7 (issue of Facilitation Shares to Seamist Enterprises Pty Ltd) on Relevant Interests and Voting Power in relation to the Company.

(a) Identity of persons who will receive Consideration Shares, Performance Shares and Facilitation Shares pursuant to Resolutions 4 and 7 and their Associates

If Resolutions 4 (Issue of Consideration Shares and Performance Shares to the ResApp Vendors and UniQuest) and 7 (Issue of Facilitation Shares to non-Related Parties) are passed, the ResApp Vendors (including Seamist) and UniQuest will receive the numbers of New Shares (and acquire a Relevant Interest in the number of New Shares) set out in Annexure A of this Explanatory Statement.

Each of the ResApp Vendors and UniQuest do not consider they will be Associates of one another after the New Shares have been issued to them, and therefore do not consider that their Voting Power in the Company will exceed 20% following completion of the Proposed Transaction. However, at the point in time when the Consideration Shares and Performance Shares are issued, upon completion of the Sale and Purchase Agreement, each of the ResApp Vendors (including Seamist) and UniQuest will be considered Associates of one another as a consequence of their participating in the Proposed Transaction and agreeing to sell their shares in ResApp to the Company.

The following additional information is provided in relation to the ResApp Vendors and UniQuest:

(i) Brian Leedman

Mr Brian Leedman is the sole director of ResApp and is also the sole director and shareholder of Tashtech Pty Ltd, which is also a ResApp Vendor.

(ii) Phillip John Coulson

Phillip John Coulson is the sole director and shareholder of Walani Pty Ltd, which is also a ResApp Vendor

(iii) Dr Bruce Willoughby Leedman

Dr Bruce Willoughby Leedman is the father of Brian Leedman and father-in-law of Natasha Leedman.

(iv) UniQuest

UniQuest licenses the Licensed IP to ResApp under the Sub-License Agreement.

Dr Tony Keating is currently an employee of UniQuest, however, he plans to join the Company as Managing Director and Chief Executive Officer on completion of the Transaction. Dr Tony Keating has no legal or beneficial interest in the UniQuest Shares.

Each of the other ResApp Vendors and UniQuest are unrelated private investors in ResApp.

(b) Impact of the Proposed Transaction on the Voting Power in the Company's Shares

(i) The Company's capital structure

As at the date of this Explanatory Statement, the Company has 654,729,407 Existing Shares on issue, prior to the Consolidation.

Once the issue of securities as proposed in Resolutions 4, 5, 6, 7 and 10 have been completed, the capital structure of the Company will consist of approximately 580,523,527 New Shares (assuming \$2,500,000 is raised under the Capital Raising and the Performance Shares convert into Shares) and approximately 655,523,527 New Shares (assuming \$4,000,000 is raised under the Capital Raising and the Performance Shares convert into Shares).

(ii) Current Voting Power of the ResApp Vendors

As at the date of the Notice of Meeting, the following ResApp Vendors and UniQuest have a Relevant Interest in Existing Shares:

ResApp Vendor	Existing Shares	Existing Voting Power
Brian Leedman & Natasha Leedman	10,000,000	1.53%
Phillip John Coulson	10,000,000	1.53%
James Bahen	2,000,000	0.30%

Notes:

1. Brian Leedman is the sole director and shareholder of Tashtech Pty Ltd, which is also a ResApp Vendor.
2. Phillip John Coulson is the sole director and shareholder of Walani Pty Ltd, which is also a ResApp Vendor.
3. James Bahen is the sole director of Seamist Enterprises Pty Ltd, which is also a ResApp Vendor and will be receiving Facilitation Shares.

Except as disclosed above, none of the ResApp Vendors or UniQuest have any Relevant Interest in any Existing Shares. Accordingly, the ResApp Vendors' and UniQuest's combined Voting Power as at the date of the Notice of Meeting is 3.36%.

(iii) Relevant Interests and maximum Voting Power of the ResApp Vendors and UniQuest after the issue of Shares pursuant to Resolutions 4, 5, 6, 7 and 10.

Once all of the Consideration Shares and Performance Shares referred to in Resolution 4 have been issued to the ResApp Vendors and UniQuest and the Facilitation Shares referred to in Resolution 7 have been issued to Seamist (which is also one of the ResApp Vendors), the number of Shares in which the ResApp Vendors and UniQuest will have a Relevant Interest will be as set out in Annexure A.

The maximum Voting Power of the ResApp Vendors and UniQuest set out below is provided based on the Company raising:

- A. the minimum Capital Raising of \$2,500,000; and
- B. the maximum Capital Raising of \$4,000,000.

Based on the Company achieving the minimum Capital Raising of \$2,500,000, the ResApp Vendors and UniQuest would together hold a maximum Voting Power equal to 17.23% upon issue of the 93,750,000 fully paid ordinary Consideration Shares (on a post-Consolidation basis) and the 93,750,000 Performance Shares (on a post-Consolidation basis) under Resolution 4, and the issue of 6,250,000 fully paid ordinary Facilitation Shares (on a post-Consolidation basis) to Seamist under Resolution 7. If the Milestone is achieved so that the 93,750,000 Performance Shares convert into an additional 93,750,000 fully paid ordinary Shares, the ResApp Vendors (including Seamist) and UniQuest would together hold a maximum Voting Power equal to 33.38%.

Based on the Company achieving the maximum Capital Raising of \$4,000,000, the ResApp Vendors and UniQuest would together hold a maximum Voting Power equal to 15.26% upon issue of the 93,750,000 fully paid ordinary Consideration Shares (on a post-Consolidation basis) and the 93,750,000 Performance Shares (on a post-Consolidation basis) under Resolution 4, and the issue of 6,250,000 fully paid ordinary Facilitation Shares (on a post-Consolidation basis) to Seamist under Resolution 7. If the Milestone is achieved so that so that the 93,750,000 Performance Shares convert into an additional 93,750,000 fully paid ordinary Shares, the ResApp Vendors (including Seamist) and UniQuest would together hold a maximum Voting Power equal to 29.56%.

These numbers and percentages also assume that the Company does not issue any other Shares or options to any person prior to the completion of the Proposed Transaction and that no options (including the Placement Options) are exercised.

1.12 Intentions as to the future of the Company

The Company understands that the present intentions of the ResApp Vendors and UniQuest regarding the future of the Company, if the Resolutions are approved by Shareholders, are that they:

- (a) have no current intention of making any changes to the business of the Company following the acquisition of ResApp except as outlined in this Explanatory Statement or agreed to in the Company's plans for the business following the acquisition of ResApp;
- (b) do not propose to inject further capital into the Company;
- (c) do not intend to change Company Secretary and providers of administration services to the Company;
- (d) do not propose that any assets be transferred from the Company to the ResApp Vendors, UniQuest or their Associates; and
- (e) have no intention to otherwise re-deploy the fixed assets of the Company.

1.13 Financial and dividend policies of the Company

There is no immediate intention of the Existing Directors, the ResApp Vendors or UniQuest to change the financial or dividend policies of the Company.

1.14 Expenditure plans and use of funds

The Company intends to use the funds raised from the New Shares issued pursuant to the Prospectus, as contemplated by Resolution 5, as follows:

Proposed Application of funds raised				
	Minimum Subscription (\$2,500,000)		Full Subscription (\$4,000,000)	
	Amount (\$)	%	Amount (\$)	%
Expenses of the Capital Raising (including capital raising fees)	\$425,500	17.0%	\$517,500	12.9%
Product development	\$430,000	17.2%	\$743,500	18.6%
Clinical trials and R&D	\$850,000	34.0%	\$1,500,000	37.5%
Sales and marketing	\$44,500	1.8%	\$100,000	2.5%
Corporate and administration	\$650,000	26.0%	\$989,000	24.7%
Working capital	\$100,000	4.0%	\$150,000	3.8%
Total	\$2,500,000	100%	\$4,000,000	100%

Notes:

1. The corporate and administration expenses include wages, board fees, accounting, legal, audit and ASIC fees, insurance, rent and other expenses.
2. The Directors are satisfied that, upon completion of the Public Offer, the Company will have sufficient capital to meet its stated objectives as outlined in this Notice of Meeting.

1.15 Risks – Change in Nature of Activities

Shareholders should be aware that if the Resolutions are approved, the Company will be changing the nature and scale of its activities which will be subject to various risk factors. These risks are both specific to the development and commercialization of respiratory disease diagnosis and management smart phone application technology, and also relate to the general business and economic environment in which the Company will operate.

An investment in the Company is not risk free and prospective new investors along with Existing Shareholders should consider the risk factors described below, together with information contained elsewhere in this Notice of Meeting. The following is not intended to be an exhaustive list of the risk factors to which the Company will be exposed to on the acquisition of ResApp.

Based on the information available, the principal risks facing the Company upon completion of the Proposed Transaction will be as follows:

(a) Competition and New Technologies

The industry in which ResApp is involved is subject to increasing domestic and global competition which is fast-paced and fast-changing. While ResApp will undertake all reasonable due diligence in its business decisions and operations, ResApp will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of ResApp's business. For instance, new technologies could overtake the advancements made by ResApp's products. In that case, ResApp's revenues and profitability could be adversely affected.

(b) Special Reputational Risks

ResApp operates in a fast-changing environment, and negative publicity can spread quickly, whether true or false. Negative comments by disgruntled customers about ResApp may have a disproportionate effect on ResApp's reputation and its ability to earn revenues and profits. Additionally, complaints by such customers can lead to additional regulatory scrutiny and a consequential increase compliance burden in responding to regulatory inquiries. This could negatively impact on ResApp's profitability.

(c) No Trading History

ResApp has no trading history and there is therefore uncertainty in relation to the business of ResApp and investors should consider ResApp's prospects in light of its limited financial history. In addition, there is no guarantee that ResApp will be able to successfully develop or commercialise its products and if it is unable to do so it will not be able to realise significant revenues in the future.

(d) Reliance on Key Personnel

The commercial development of the Licensed IP has been in large part due to the talent, effort, experience and leadership of Tony Keating while an employee of UniQuest Pty Ltd. Tony Keating plans to join ResApp as Managing Director and Chief Executive Officer on completion of the Transaction.

There is no assurance that Tony Keating will be secured and the contracts on which they will be secured will not be terminated or will be renewed on the expiry of their term. In addition, there is no assurance that Tony Keating or intended senior management would remain healthy and able to continue in their current roles. If such contracts were terminated or breached, or if the relevant Director and employees were no longer to continue in their current roles, ResApp would need to employ alternative staff, and ResApp's operations and business would be adversely affected.

(e) Reliance on Key Researcher and The University of Queensland

The research and development of the License IP has been in large part due to the talent, effort, experience and leadership of Associate Professor Udantha Abeyratne. Associate Professor Abeyratne will continue developing the Licensed IP as an employee of UQ and ResApp expects to continue to fund this development at UQ.

There is no assurance that Associate Professor Abeyratne will continue to be an employee of UQ. In addition, there is no assurance that Associate Professor Abeyratne would remain healthy and able to continue in his current role.

On completion of the transaction, ResApp intends to enter into research agreements with UQ to fund the further development of the Licensed IP. There is no assurance that these agreements will be secured, that they will not be terminated or will be renewed on the expiry of their term. If such contracts were terminated or breached, ResApp would need to find alternative means of performing the development work, and ResApp's operations and business would be adversely affected.

(f) **Outsourcing**

The Company and ResApp outsource to consultants for expert advice and contract organisations (including UQ) for research, clinical and manufacturing services and there is no guarantee that such experts or organisations will be available as required or will meet expectations.

(g) **Liability Claims**

ResApp may be exposed to liability claims if its products or services are provided in fault and/or cause harm to its customers. As a result, ResApp may have to expend significant financial and managerial resources to defend against such claims. If a successful claim is made against ResApp, ResApp may be fined or sanctioned and its reputation and brand may be negatively impacted, which could materially and adversely affect its reputation, business prospects, financial condition and results of operation.

(h) **Customer Service Risk**

Customers may need to engage with ResApp's customer service personnel in certain circumstances, such as if they have a question about the services or if there is a dispute between a customer and ResApp. ResApp needs to recruit and retain staff with interpersonal skills sufficient to respond appropriately to customer services requests. Poor customer service experiences may result in the loss of customers. If ResApp loses key customer service personnel, fails to provide adequate training and resources for customer service personnel, this could lead to adverse publicity, litigation, regulatory inquiries and/or a decrease in customers, all of which may negatively impact on ResApp's revenue.

(i) **Risks Associated with the Regulatory Environment**

ResApp is based in Australia and is subject to Australian laws and regulations. For example, ResApp is required to comply with *Therapeutic Goods Act 1989* (Cth). If ResApp expands into other markets, for example the United States of America, then ResApp will be subject to United States laws and regulations. Users, competitors, members of the general public or regulators could allege breaches of the legislation. This could result in remedial action or litigation, which could potentially lead to ResApp being required to pay compensation or a fine. ResApp's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with its regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon ResApp's profitability. In addition, if regulators took the view that ResApp had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant reputational damage to ResApp and consequent impact upon its revenue.

(j) **Liquidity and Dilution Risk**

There are currently 654,729,407 Shares on issue with between 21.53% and 30.51% of the total Shares on issue following requotation of the Company's shares being offered to the public pursuant to the Prospectus. Upon requotation of the Company's shares, a significant portion of the Shares on issue will be subject to escrow restrictions imposed by the Listing Rules. Some investors may

consider that there is an increased liquidity risk as a large portion of the issued capital may not be able to be traded freely for a period of up to 24 months.

If all the Shares are issued pursuant to Resolutions then the total number of post-Consolidation Shares on issue following Completion of the Proposed Transaction and Recompliance will be between approximately 486,773,526 Shares (assuming Minimum Subscription), and 561,773,526 Shares (assuming Full Subscription). This assumes that the Performance Shares don't convert into Shares upon the Milestone being achieved, no Placement Options or Incentive Options are exercised and no further Shares are issued.

If the Performance Shares convert into Shares upon the Milestone being achieved, then the total number of post-Consolidation Shares on issue following Completion of the Proposed Transaction and Recompliance will be between approximately 580,523,526 Shares (assuming Minimum Subscription), and 655,523,526 Shares (assuming Full Subscription). This assumes that no Placement Options or Incentive Options are exercised and no further Shares are issued.

If all of the Placement Options and Incentive Options are also exercised then the total number of post-Consolidation Shares will be between approximately 634,273,526 Shares (assuming Minimum Subscription) and 709,273,526 Shares (assuming Full Subscription). This assumes that no further Shares are issued.

The following table summarises the percentage by which the shareholdings of the Existing Shareholders will be diluted in each of these scenarios:

Dilution of Existing Shareholders shareholdings by issue of Shares pursuant to the Proposed Transaction		
	Minimum subscription (\$2,500,000)	Full subscription (\$4,000,000)
All Shares are issued, Performance Shares do not convert into Shares and no Options are exercised	49.56%	56.29%
All Shares are issued, Performance Shares convert into Shares but no Options are exercised	57.71%	62.55%
All Shares are issued, Performance Shares convert into Shares and all Options are exercised	61.29%	65.38%

(k) Future Capital Needs

Further funding may be required by ResApp to support its ongoing activities and operations. There can be no assurance that such funding will be available on

satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of ResApp and consequently its performance.

(l) Foreign Exchange Risks

If ResApp has costs and expenses in other jurisdictions, such as the United States of America or Europe, then they will likely be denominated in foreign currency. Accordingly, the depreciation and/or the appreciation of the relevant foreign currency relative to the Australian currency would result in a translation loss on consolidation which is taken directly to shareholder equity. Any depreciation of the foreign currency relative to the Australian currency may result in lower than anticipated revenue, profit and earning. ResApp could be affected on an ongoing basis by foreign exchange risks between the Australian dollar and the relevant foreign currency, and will have to monitor this risk on an ongoing basis.

(m) Insurance Coverage

ResApp faces various risks in connection with its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. ResApp will maintain insurance coverage for its employees (as required by law in Australia) as well as insurance coverage for management liability, corporate liability, product liability, employment practices liability, crime protection and statutory liability. However, ResApp does not maintain insurance against various other liabilities. ResApp incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, its financials may be adversely affected.

(n) Clinical Testing

The Licensed IP must still undergo further clinical studies and those tests and trials may show that it does not work in a safe and effective manner. The Company intends to conduct clinical studies of the Licensed IP in the future, but there can be no guarantee that relevant regulatory agencies such as the FDA (Food and Drug Administration in the U.S.A.) or the TGA (Therapeutic Goods Administration in Australia) or other regulatory agencies will allow the Company to undertake such trials and/or the development and approval process may take longer, cost more than expected and may result in the Licensed IP not producing a viable diagnostic product.

(o) Commercialisation Risk

There is a risk that ResApp will not be able to successfully commercialize or sell its products, or be unable to attract sufficient customers to be sufficiently profitable to fund future operations.

(p) Intellectual Property Protection

The possible future commercial success of the Licensed IP may rely upon the ability to obtain and maintain patent protection and there is no guarantee that the claims and applications in respect of the Licensed IP will be found to be valid and enforceable or that all of the patent applications will be granted. The defence and prosecution of intellectual property rights are costly and time consuming and their outcome is uncertain. Further, ResApp does not own the Licensed IP, but rather has limited contractual rights as sub-licensee under the Sub-Licence.

Even with granted patent protection, the patents could be partially or wholly invalidated following challenges by third parties. The grant of a patent does not guarantee validity of that patent since it may be revoked on the ground of invalidity at any time during its life. If none of the claims of a granted patent are valid, the patent is unenforceable.

(q) Infringement of Third-Party Intellectual Property

If a third-party accuses ResApp of infringing its intellectual property or if a third-party commences litigation against ResApp for infringement of patent or other intellectual property rights, ResApp may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that ResApp incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against ResApp may be able to obtain injunctive or other equitable relief that could prevent ResApp from further developing discoveries or commercializing its products. In the event of a successful claim for infringement against ResApp, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, or at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent ResApp from commercializing available products and could cause it to incur substantial expenditure.

(r) Trade Secrets

UQ has developed (and will continue to develop) trade secrets in the form of specialized processes and software (including certain algorithms) which are licensed to ResApp for its business. UQ, UniQuest, the Company and ResApp take a number of precautions to protect such trade secrets. While the steps taken and the laws relating to trade secrets assist to protect proprietary rights, there can be no guarantee that unauthorized use or copying of that specialized technology or algorithms will be prevented or those employees that have access adhere to their confidentiality obligations.

Any significant failure or inability to adequately protect and control these proprietary trade secrets (which may be held by third-parties such as UQ) may harm the Company's business, reduce its ability to compete, result in an immediate lack of capability in relation to core systems, as well as a loss of competitive advantage.

(s) Partnerships

The commercial strategy for products which may be derived from the Licensed IP potentially includes forming partnerships with other companies that have the ability to effectively commercialise respiratory diagnostic products in key economic markets and there is no assurance that suitable partnerships will be secured or that products can be commercialised.

(t) Reliance on Third-Party Vendors

ResApp plans to utilize third-party hardware ('smartphones'), software ('mobile operating systems') and distribution ('app stores') platforms for commercialization

of the Licensed IP. If access to these platforms were terminated or reduced, ResApp's operations and business would be adversely affected.

(u) Competition

The medical device industry is highly competitive and other corporations may commercialise products that may compete with the Licensed IP or which may reach the market before any products derived from the Licensed IP are launched.

2. General Meeting

2.1 Action to be taken by Shareholders

In order to proceed with the acquisition of ResApp, the Company must convene a general meeting of its Shareholders for the purpose of passing the Resolutions in compliance with the requirements of the Corporations Act and the Listing Rules.

This Notice convening the General Meeting is included in the front of this booklet. Shareholders are encouraged to attend and vote in favour of each of the Resolutions to be put to the General Meeting.

If a Shareholder is unable to attend and vote at the General Meeting, the Shareholder is encouraged to complete the Proxy Form at the back of this booklet and return it to the Company by no later than 10.00am (WST) on 25 May 2015.

2.2 Resolutions

There are 13 Resolutions to be put to the General Meeting, with Resolutions 1, 2 and 4 to 10 (inclusive) 12 and 13 being ordinary resolutions and Resolutions 3 and 11 being special resolutions. Each Resolution relates to the acquisition of ResApp and is conditional on the passing of each of the other Resolutions so that the Resolutions will not have any effect unless all the Resolutions are passed. Accordingly, Shareholders should consider the Resolutions collectively, as well as individually.

Certain voting restrictions are imposed in relation to the Resolutions as detailed in the Notice. This section 2 sets out a brief explanation of each Resolution.

2.3 Resolution 1 – Capital Consolidation

Subject to the passing of Resolutions 2 to 13 (inclusive), Resolution 1 is an ordinary resolution that proposes that the issued capital of the Company be altered by consolidating the Existing Shares on a 3 for 8 basis. The Record Date for determining the consolidation of capital will be five (5) Business Days after the date of the General Meeting at which the Resolution is passed. Any fractional entitlements as a result of the Capital Consolidation will be rounded down to the nearest whole number.

Section 254H of the Corporations Act

Section 254H of the Corporations Act enables a company to convert all of its ordinary securities into a smaller number of securities by a resolution passed at a general meeting. The conversion proposed by Resolution 1 is permitted under section 254H of the Corporations Act.

The Consolidation will not result in any change to the substantive rights and obligations of Existing Shareholders of the Company. The purpose of the Consolidation of the existing issued capital of the Company is to reduce the number of existing shares on issue, which is considered to be a more appropriate capital structure for the Company

going forward, and to enable the Company to satisfy Chapters 1 and 2 of the Listing Rules and obtain requotation of the Shares on ASX. For example, a Shareholder currently holding 100,000 Shares in the Company will as a result of the Consolidation hold 37,500 New Shares.

The Company's balance sheet and tax position will remain unaltered as a result of the Consolidation. However, the Company's issued capital shall be reduced to approximately 245,523,527 New Shares as a result of the Consolidation as set out below.

(a) Shares

At the date of the Explanatory Statement, the Company has 654,729,407 Existing Shares on issue. The Consolidation on a 3 for 8 basis will reduce the number of fully paid Shares on issue to approximately 245,523,527 New Shares (with any fractional entitlements being rounded down, so the exact number of New Shares will only be known after the Capital Consolidation).

(b) Holding Statements

Following the Consolidation, all holding statements for Existing Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares (on a post-Consolidation basis).

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to Shareholders. It is the responsibility of each Shareholder to check the number of Shares held prior to disposal.

(c) Timetable for Capital Consolidation

If Resolutions 1 to 13 (inclusive) are passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A, paragraph 8, of the Listing Rules):

Event	Anticipated Date
Company notifies ASX that Shareholders have approved the Consolidation.	27 May 2015 (Business Day 0)
Trading would normally commence in the reorganised Shares on a deferred settlement basis.	29 May 2015 (Business Day 2)
Last day for the Company to register transfers on a pre-Consolidation basis.	2 June 2015 (Business Day 4)
Securities registered on a post-Consolidation basis.	3 June 2015 (Business Day 5)
Dispatch of new holding statements for consolidated shares.	9 June 2015 (Business Day 9)

The above dates are indicative only and are subject to change.

2.4 Resolution 2 – Change in nature and scale of activities of the Company

Subject to the passing of Resolutions 1 and 3 to 13 (inclusive), Resolution 2 is an ordinary resolution which seeks approval for the change of the Company's nature and scale of activities as a result of the acquisition of ResApp.

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and 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.

ASX has indicated to the Company that it has exercised its discretion to require the Company to seek the approval of Shareholders under Listing Rule 11.1.2 for a change in the nature of its activities. For this reason, the Company is seeking Shareholder approval for the Company to change the nature of its activities under Listing Rule 11.1.1.

As a consequence of the change to the Company's nature and scale of activities, it is required to re comply with Chapters 1 and 2 of the ASX Listing Rules. Listing Rule 2.1 Condition 2 and Listing Rule 1.1 Condition 11 require that the offer price of securities, are a minimum of 20 cents. The Company has applied to the ASX for, and has received, a waiver from Listing Rule 2.1 Condition 2 and Listing Rule 1.1 Condition 11 to allow the Company offer securities for \$0.02 each.

Recommendation

Each of the Directors has no interest in the outcome of Resolution 2, other than as Existing Shareholders. Each of them recommends that Shareholders vote in favour of Resolution 2.

Shareholders should refer to the information in section 1.7 for information about the acquisition of ResApp and its impact on the Company.

2.5 Resolution 3 – Approval of Performance Shares

Subject to the passing of Resolutions 1 and 2 and 4 to 13 (inclusive), Resolution 3 is a special resolution which seeks the approval for the issue of Performance Shares under the Company's Constitution.

Under Rule 3.1 of the Company's Constitution, and subject to the Listing Rules, any share in the capital of the Company may be issued with preferred, deferred or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the Board may from time to time determine.

Section 246C(5) of the Corporations Act provides that if a company has one class of shares and seeks to issue a new class of shares, such issue is taken to vary the rights attached to shares already issued.

Under section 246B(1) of the Corporations Act, if a company has a constitution which sets out the procedure for varying or cancelling (in the case of a company with share capital) rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure. In accordance with Rule 3.9 of the Constitution, the rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, and subject to the Listing Rules, be varied with the consent in writing of

members with at least 75% of the votes in the class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Annexure B.

The Company will also seek Shareholder approval in Resolution 4 to issue Performance Shares to the ResApp Vendors.

The resolution the subject of Resolution 3 is a **special resolution**. Accordingly, at least 75% of votes cast by shareholders present and eligible to vote (in person or by proxy) at the meeting must be in favour of this resolution for it to be passed.

2.6 Resolution 4 – Issue of Consideration Shares and Performance Shares to the ResApp Vendors and UniQuest

Subject to the passing of Resolutions 1 to 3 (inclusive) and 5 to 13 (inclusive), Resolution 4 is an ordinary resolution which seeks the approval for the issue of 250,000,000 Consideration Shares (on a pre-Consolidation basis) and 250,000,000 Performance Shares (on a pre-Consolidation basis) to the ResApp Vendors and UniQuest, as consideration for the Proposed Transaction, as summarised in section 1.4.

The terms of the Performance Shares are included at Annexure B of this Explanatory Statement.

The Consideration Shares and Performance Shares proposed to be issued to the ResApp Vendors and UniQuest under Resolution 3 will be issued under the Prospectus.

Section 611 (item 7) of the Corporations Act

The ResApp Vendors and UniQuest do not consider they will be Associates of one another after the Consideration Shares and Performance Shares are issued to them pursuant to Resolution 4, and therefore do not consider that their Voting Power in the Company will exceed 20% following completion of the Proposed Transaction. However, at the point in time when the Consideration Shares and Performance Shares are issued pursuant to Resolution 4, the ResApp Vendors and UniQuest may be considered Associates of one another as a consequence of participating in the Proposed Transaction and agreeing to sell their shares in ResApp to the Company.

Accordingly, the Company is seeking the approval of Shareholders under item 7 of section 611 of the Corporations Act for the purposes of section 606 of the Corporations Act because, at the time of issue to the ResApp Vendors and UniQuest of the Consideration Shares and Performance Shares under Resolution 4 and the issue of the Facilitation Shares to Seamist under Resolution 7, the ResApp Vendors and UniQuest may be considered Associates of one another and it is anticipated that, assuming that the Performance Shares convert into Shares, they will hold Voting Power in the Company of approximately 33.38% (assuming \$2,500,000 is raised under the Capital Raising) and approximately 29.56% (assuming \$4,000,000 is raised under the Capital Raising).

In accordance with Appendix 9B of the Listing Rules, some of the Consideration Shares and Performance Shares issued under Resolution 4 will be classified by the ASX as “restricted securities” and unable to be traded for periods of up to 24 months. It is expected that all 250,000,000 Consideration Shares (on a pre-Consolidation basis) and all 250,000,000 Performance Shares (on a pre-Consolidation basis), together with any Shares into which the Performance Shares may convert, will be escrowed for a period of 12 months from the date of the Company’s re-quotation on ASX.

Intentions as to the future of the Company

Other than as disclosed elsewhere in this Explanatory Statement and changes pursuant to the Proposed Transaction and the Resolutions, the Company understands that the ResApp Vendors, UniQuest and their Associates:

- (a) have no current intention of making any changes to the business of the Company following the acquisition of ResApp except as outlined in this Explanatory Statement or agreed to in the Company’s plans for the business following the acquisition of ResApp;
- (b) do not propose to inject further capital into the Company;
- (c) do not intend to change Company Secretary and providers of administration services to the Company;
- (d) do not propose that any assets be transferred from the Company to the ResApp Vendors, UniQuest or their Associates; and
- (e) have no intention to otherwise re-deploy the fixed assets of the Company.

Financial and dividend policies of the Company

There is no immediate intention of the Existing Directors, UniQuest or the ResApp Vendors to change the financial or dividend policies of the Company.

Proposal is fair and reasonable

The report of the Independent Expert concludes that the proposed issue of New Shares pursuant to Resolutions 4 and 7 and the Proposed Transaction described in this Explanatory Statement, is **fair and reasonable** to non-associated Shareholders. Shareholders are urged to consider the Independent Expert’s Report in detail (see Annexure D).

2.7 Resolution 5 – Issue of New Shares pursuant to the Capital Raising

Subject to the passing of Resolutions 1 to 4 (inclusive) and 6 to 13 (inclusive) Resolution 5 is an ordinary resolution which seeks approval for the issue of 125,000,000 New Shares at an issue price of \$0.02 per share to raise a minimum of \$2,500,000 and a maximum raising of up to 200,000,000 New Shares to raise up to a total of \$4,000,000.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5:

(a) Maximum number of securities the entity is to issue

The maximum number of securities to be issued by the Company under Resolution 5 is 200,000,000 New Shares.

(b) Date by which the entity will issue the securities

The New Shares will be issued no later than three (3) months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules), and it is intended that allotment will occur on the same date.

(c) Issue price of the securities

The issue price of each New Share will be \$0.02.

(d) Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected

Participants in the Capital Raising will be members of the public who are not Related Parties of the Company being applicants under a Prospectus. The successful applicants will be determined at the sole discretion of the Company.

(e) Terms of the securities

The New Shares are ordinary fully paid shares and will rank equally in respect with the Existing Shares (post Capital Consolidation).

(f) Intended use of the funds raised

The intended use of the funds raised is set out at section 1.14.

Pursuant to and in accordance with Listing Rules 7.3 and 14.11 a voting exclusion statement is included in the Notice of Meeting.

2.8 Resolution 6 – Issue of Facilitation Shares to Related Parties

Subject to the passing of Resolutions 1 to 5 (inclusive) and 7 to 13 (inclusive), Resolution 6 is an ordinary resolution and seeks Shareholder approval for the issue of 25,000,000 Facilitation Shares (on a pre-Consolidation basis) to Trident Capital (and/or its nominees) and 5,625,000 Facilitation Shares (on a pre-Consolidation basis) to SOBOL Capital Pty Ltd (and/or its nominees) under the Prospectus.

The Company has agreed to pay a facilitation fee to Trident Capital and Seamist for facilitating the Proposed Transaction. The facilitation fee payable to Trident Capital of 25,000,000 Facilitation Shares (on a pre-Consolidation basis) is to be satisfied via the issue of 25,000,000 Facilitation Shares (on a pre-Consolidation basis) to Trident Capital pursuant to Resolution 7. The facilitation fee payable to Seamist Enterprises is to be satisfied via the issue of to Seamist Enterprises of 16,666,667 Facilitation Shares (on a pre-Consolidation basis), 5,625,000 Facilitation Shares (on a pre-Consolidation basis) to SOBOL Capital and 2,708,000 Facilitation Shares (on a pre-Consolidation basis) to CPS Capital. (The issues to Seamist of 16,666,667 Facilitation Shares (on a pre-Consolidation basis) and to CPS Capital of 2,708,333 Facilitation Shares (on a pre-Consolidation basis) are being separately approved under Resolution 7 as Seamist and CPS Capital are not Related Parties of the Company.)

Trident Capital is a Related Party of the Company as Mr. Adam Sierakowski is a director of the Company and a director and shareholder of Trident Capital. SOBOL Capital is a Related Party of the Company as Chris Ntoumenopoulos is a director of the Company and a director and shareholder of SOBOL Capital. As Trident Capital and SOBOL Capital are Related Parties of the Company, Resolution 6 must be approved by Shareholders under section 208 of the Corporations Act and Listing Rule 10.11.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied in connection with the proposed issue of securities to Trident Capital and SOBOL Capital. These are summarised below.

In addition, in accordance with Appendix 9B of the Listing Rules it is expected that all of the Facilitation Shares issued under Resolution 6 will be classified by the ASX as “restricted securities” and unable to be traded for 24 months from the date of the Company’s re-quotation on ASX.

(a) ASX Listing Rule 10.11

A summary of ASX Listing Rule 10.11 is set out in section 4.3 below.

If Resolution 6 is passed, securities will be issued to Trident Capital and SOBOL Capital which are Related Parties of the Company. Accordingly approval for the proposed issue of Shares to Trident Capital and SOBOL Capital is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a Notice of Meeting proposing an approval of an issue of securities under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (i) the entities to which the Company will issue the New Shares under Resolution 6 is Trident Capital (and/or its nominees) and SOBOL Capital (and/or its nominees);
- (ii) the maximum number of securities to be issued by the Company under Resolution 6 is 25,000,000 Shares (on a pre-Consolidation basis) to Trident Capital and 5,625,000 (on a pre-Consolidation basis) to SOBOL Capital;
- (iii) the Shares will be issued no later than 3 months after the date of the General Meeting (subject to obtaining the necessary waiver from the ASX under the Listing Rules), and it is intended that allotment will occur on the same date;
- (iv) the Shares (on a pre-Consolidation basis) will be issued as consideration for assistance in relation to the acquisition by the Company of ResApp;
- (v) Mr Adam Sierakowski is both a director of the Company and a director and shareholder of Trident Capital, and Mr Chris Ntoumenopoulos is both a director of the Company and a director and shareholder of SOBOL Capital;
- (vi) the Shares issued will be fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company’s Existing Shares and will rank equally in all respects with the Existing Shares; and
- (vii) no funds will be raised from the issue of the Facilitation Shares as they will be issued as consideration for the assistance provided in relation to the acquisition of ResApp.

(b) Section 208 of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in section 4.4 below.

The proposed issue of 25,000,000 Shares (on a pre-Consolidation basis) to Trident Capital constitutes a “financial benefit” as defined in the Corporations Act. Furthermore, Trident Capital is a “Related Party” of the Company as defined under the Corporations

Act. Accordingly the proposed issue of Shares to Trident Capital Pty Ltd pursuant to Resolution 6 will constitute the provision of a financial benefit to a Related Party of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of a financial benefit to a Related Party may not apply in the current circumstances. The Directors have determined to seek Shareholder approval under section 208 of the Corporations Act to permit the issue of the securities to Trident Capital on the terms set out in Resolution 6.

(c) **Section 217 to 227 of the Corporations Act**

Pursuant to sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to Trident Capital and SOBOL Capital:

- (i) the Related Parties to which the financial benefit will be given are Trident Capital and SOBOL Capital;
- (ii) the maximum number of securities (being the nature of the financial benefit to be provided) to be issued is 25,000,000 Shares (on a pre-Consolidation basis) to Trident Capital and 5,625,000 Shares (on a pre-Consolidation basis) to SOBOL Capital;
- (iii) in resolving to issue the Shares to Trident Capital and SOBOL Capital, subject to obtaining Shareholder approval, the Directors (other than Mr Sierakowski and Mr Ntoumenopoulos) considered Trident Capital's, Seamist's and SOBOL Capital's contribution to the acquisition by the Company of ResApp;
- (iv) none of the Directors, other than Mr Sierakowski and Mr Ntoumenopoulos, has a material personal interest in the subject matter of Resolution 6. Each of the Directors, other than Mr Sierakowski and Mr Ntoumenopoulos, recommends that Shareholders vote in favour of Resolution 6;
- (v) Trident Capital has to date been paid \$69,850 for its services to the Company over the last 12 months;
- (vi) Trident Capital currently has an interest in 5,000,000 Shares in the Company, and SOBOL Capital currently has no interest in Shares of the Company;
- (vii) If Shareholders approve the issue of Shares to Trident Capital and SOBOL Capital, then the dilutionary effect of those issues on the shareholdings of Existing Shareholders is shown in the table below. However, because all the Resolutions are inter-conditional, Shareholders should also consider the full dilutionary effects of the Proposed Transaction as outlined in section 1.15(j).

Dilution of Existing Shareholders' shareholdings by issues of Shares to Related Parties		
	Trident Capital	SOBOL
Dilution of Existing Shareholders shareholdings (undiluted basis)	3.678%	0.8518%
Dilution of Existing Shareholders shareholdings (fully diluted, Minimum Subscription)	1.930%	0.434%

Note: The undiluted figures in the table are based on the number of Shares on issue as at the date of the Notice of General Meeting. The fully diluted figures assume that all Resolutions are passed by Shareholders at the

General Meeting and all securities are issued, the 250,000,000 Performance Shares issued under Resolution 4 do not convert into 250,000,000 New Shares in the Company and no Placement Options or Incentive Options are exercised.

- (viii) ASIC requires explanatory information regarding the value of the financial benefit proposed to be granted to be provided to Shareholders. The value of the Shares proposed to be issued to Trident Capital and SOBOL Capital are shown in the tables below, using highest and lowest and last trading prices on ASX during the last 3 months:

Trident Capital

	Price	No. of Shares (on a pre-Consolidation basis)	Value
Highest	\$0.009	25,000,000	\$225,000
Lowest	\$0.005	25,000,000	\$125,000
Last	\$0.009	25,000,000	\$225,000

SOBOL Capital

	Price	No. of Shares (on a pre-Consolidation basis)	Value
Highest	\$0.009	5,625,000	\$50,625
Lowest	\$0.005	5,625,000	\$28,125
Last	\$0.009	5,625,000	\$50,625

- (ix) additional information in relation to Resolution 6 is set out throughout this Explanatory Statement. Shareholders should therefore read the Notice of General Meeting and Explanatory Statement in its entirety before making a decision as to how to vote on Resolution 6.

(d) Directors' Recommendation

The Directors (other than Mr Sierakowski and Mr Ntoumenopoulos) do not have any personal interest in the outcome of Resolution 6. The Directors (other than Mr Sierakowski and Mr Ntoumenopoulos) believe that the Proposed Transaction is beneficial to the Company as it conserves the Company's cash position by the issue of securities in payment, rather than cash.

The Directors (other than Mr Sierakowski and Mr Ntoumenopoulos) believe that the number of Shares to be issued pursuant to Resolution 6 are commercial for the

Company in light of the minimal dilutionary effect and the preservations of the Company's cash, described above and recommend Shareholders vote in favour of Resolution 6.

Mr Sierakowski and Mr Ntoumenopoulos decline to make a recommendation in relation to Resolution 6 due to the fact that they have a material personal interest in the outcome.

2.9 Resolution 7 - Issue of Facilitation Shares to Non-Related Parties

Subject to the passing of Resolutions 1 to 6 (inclusive) and 8 to 13 (inclusive), Resolution 7 is an ordinary resolution and seeks Shareholder approval for the issue of 16,666,667 Facilitation Shares (on a pre-Consolidation basis) to Seamist (and/or its nominees) and 2,708,333 Facilitation Shares (on a pre-Consolidation basis) to CPS Capital (and/or its nominees) under the Prospectus.

The Company has agreed to pay a facilitation fee to Seamist for facilitating the Proposed Transaction. The facilitation fee payable to Seamist is to be satisfied via the issue of New Shares pursuant to Resolution 7 which will be issued as follows: 16,666,667 Facilitation Shares (on a pre-Consolidation basis) to Seamist, 5,625,000 Facilitation Shares (on a pre-Consolidation basis) to SOBOL Capital and 2,708,333 Facilitation Shares (on a pre-Consolidation basis) to CPS Capital. (The issue to SOBOL Capital of 5,625,000 Facilitation Shares (on a pre-Consolidation basis) is being separately approved under Resolution 6 as SOBOL Capital is a Related Party of the Company.)

The Corporations Act sets out a number of regulatory requirements which must be satisfied in connection with the proposed issue of securities to Seamist. Please refer to section 2.6 above for a summary of the relevant considerations.

For the purposes of Listing Rule 7.1, the Company provides the following information in connection with the proposed issue of securities to CPS Capital:

(a) Number of Securities issued

2,708,333 Shares will be issued (on a pre-Consolidation basis).

(b) Date

The Shares will be issued no later than 3 months after the date of the General Meeting.

(c) Issue price of the Securities issued

The Shares will be issued as consideration for assistance in relation to the acquisition by the Company of ResApp.

(d) Recipients of the issued Securities

The entity to which the Company will issue the Shares under Resolution 7 is CPS Capital.

(e) Terms of the issued Securities

The Shares issued will be fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's Existing Shares and will rank equally in all respects with the Existing Shares.

(f) **Use of funds**

No funds will be raised from the issue of the Shares.

(g) **Issue date**

The Shares will be issued at the same time that the other Shares are issued under the Prospectus and in any event no later than 3 months after the date of the General Meeting.

In addition, in accordance with Appendix 9B of the Listing Rules, it is expected that all of the Facilitation Shares issued under Resolution 7 will be classified by the ASX as “restricted securities” and unable to be traded for 24 months from the date of the Company’s re-quotation on ASX.

The Directors recommend that you vote in favour of Resolution 7.

2.10 Resolution 8 – Ratification and Approval of Past Placements to Sophisticated Investors

On 2 October 2014 the Company announced that the company would be raising funds via a Placement to sophisticated investors.

On 17 December 2014 the Company announced that the proposed capital raising via the placement has been varied, with a total of \$900,000 to be raised in two tranches as follows:

- (a) On 19 December 2014 110,000,000 Placement Shares (together with a free attaching option for every 2 Placement Shares, exercisable at \$0.01 and having an expiry date of 31 December 2016) were issued to sophisticated investors to raise \$550,000 (**Tranche 1**); and
- (b) A further 70,000,000 Placement Shares (together with a free attaching option for every 2 Placement Shares, exercisable at \$0.01 and having an expiry date of 31 December 2016) were to be issued to sophisticated investors to raise an additional \$350,000 (**Tranche 2**).

60,000,000 Placement Shares were issued to sophisticated investors under Tranche 2 on 24 March 2015. The corresponding 30,000,000 free attaching options will issued subsequently after being approved under Resolution 8.

Description of Cash Outflows	
1. Cost of Offer	\$54,000
2. Working Capital	\$846,000
Total funds raised under the Placement	\$900,000

Pursuant to Resolution 8 the Company is seeking the approval of Shareholders to ratify the issue of 60,000,000 Placement Shares already made to sophisticated investors under the Placements which have not already been approved by Shareholders (it being noted that the issue of the remaining 10,000,000 Placement Shares and 5,000,000 Placement Options to Trident Capital will be separately approved under Resolution 9).

Accordingly, the Company seeks to obtain Shareholder approval for the purposes of Listing Rule 7.4 to ratify the issue of the above mentioned Placement Shares to sophisticated investors under the Placements.

Listing Rule 7.1 prohibits a company, except in certain cases and subject to Listing Rules 7.1A and 7.4, from issuing new shares equivalent in number to more than 15% of its ordinary Share capital in any 12 month period without the prior approval of its shareholders.

Listing Rule 7.4 provides that an issue of Shares made without prior approval under Listing Rule 7.1 can be treated as having been made with that approval if Shareholders subsequently approve it and the issue did not breach Listing Rule 7.1.

If Resolution 8 is approved it will have the effect of refreshing the Company's ability to issue further Shares without the need to obtain further Shareholder approval (subject to the Listing Rules and the Corporations Act).

For the purposes of Listing Rule 7.5 the Company provides the following information:

(a) Number of Securities issued

10,000,000 Placement Shares and 5,000,000 Placement Options were issued on 19 December 2014.

60,000,000 Placement Shares were issued on 24 March 2015.

(b) Issue price of the Securities issued

The Placement Shares were issued at a price of \$0.005 per Share.

(c) Terms of the issued Securities

The Placement Shares issued under the Placement are fully paid ordinary shares and rank equally with other Shares on issue.

(d) Recipients of the issued Securities

The Placement Shares were issued to sophisticated investors that are not related to the Company.

(e) Use of funds

The funds raised from the issue of the Placement Shares will be used for the purposes set out above.

The Directors recommend that you vote in favour of Resolution 8.

2.11 Resolution 9 – Issue of Placement Options

Subject to the passing of Resolutions 1 to 8 (inclusive) and 10 to 13 (inclusive), Resolution 10 is an ordinary resolution and seeks Shareholder approval for the issue of 30,000,000 Placement Options (on a pre-Consolidation basis) to sophisticated investors, being the 1 for 2 free-attaching options referred to in section 2.10 above.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied in connection with the proposed issue of securities to Trident Capital. These are summarised below.

Listing Rule 7.1 prohibits a company, except in certain cases and subject to Listing Rules 7.1A and 7.4, from issuing new Shares equivalent in number to more than 15% of its ordinary Share capital in any 12 month period without the prior approval of its shareholders.

For the purposes of Listing Rule 7.1 the Company provides the following information:

(a) Number of Securities issued

30,000,000 Placement Options will be issued.

(b) Date

The Placement Options will be issued no later than 3 months after the date of the General Meeting.

(c) Issue price of the Securities issued

The Placement Options will be issued as 1 free attaching option for every 2 Placement Shares.

(d) Recipients of the issued Securities

The Placement Options will be issued to sophisticated investors that are not related to the Company.

(e) Terms of the issued Securities

The Placement Options have the terms outlined in Annexure E.

(f) Use of funds

No funds will be raised from the issue of the Placement Options.

(g) Issue date

The Placement Options will be issued as soon as practicable following the General Meeting and in any event no later than 3 months after the date of the General Meeting.

The Directors recommend that you vote in favour of Resolution 9.

2.12 Resolution 10 – Issue of Placement Shares and Placement Options to Trident Capital

Subject to the passing of Resolutions 1 to 9 (inclusive) and 11 to 13 (inclusive), Resolution 9 is an ordinary resolution and seeks Shareholder approval for the issue of 10,000,000 Placement Shares (on a pre-Consolidation basis) and 5,000,000 Placement Options (on a pre-Consolidation basis) to Trident Capital (and/or its nominees) under the Prospectus.

Trident Capital will be purchasing the Placement Shares and the Placement Options on the same terms as that offered to other sophisticated investors, as Trident Capital will be

paying \$0.005 per Placement Share and the Placement Options are issued on the basis of 1 free attaching option for every 2 Placement Shares, exercisable at \$0.01 and having an expiry date of 31 December 2016, and otherwise on the terms in Annexure E.

Trident Capital is a Related Party of the Company as Mr. Adam Sierakowski is a director of the Company and a director and shareholder of Trident Capital. As Trident Capital is a Related Party of the Company, Resolution 10 must be approved by Shareholders under Listing Rule 10.11.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied in connection with the proposed issue of securities to Trident Capital. These are summarised below.

(a) ASX Listing Rule 10.11

A summary of ASX Listing Rule 10.11 is set out in section 4.3 below.

If Resolution 9 is passed, securities will be issued to Trident Capital which is a Related Party of the Company. Accordingly approval for the proposed issue of Shares to Trident Capital is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a Notice of Meeting proposing an approval of an issue of securities under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 9:

- (i) the entity to whom the Company will issue the Placement Shares and Placement Options under Resolution 9 is Trident Capital (and/or its nominees);
- (ii) the maximum number of securities to be issued by the Company under Resolution 9 is 10,000,000 Placement Shares (on a pre-Consolidation basis) and 5,000,000 Placement Options (on a pre-Consolidation basis);
- (iii) the 10,000,000 Placement Shares (on a pre-Consolidation basis) and 5,000,000 Placement Options (on a pre-Consolidation basis) will be issued no later than 1 month after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules), and it is intended that allotment will occur on the same date;;
- (iv) the 10,000,000 Placement Shares (on a pre-Consolidation basis) will be issued for \$0.005 per Placement Share, and the 5,000,000 Placement Options will be issued for nil consideration;
- (v) Mr Adam Sierakowski is both a director of the Company and a director and shareholder of Trident Capital;
- (vi) the Shares issued will be fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's Existing Shares and will rank equally in all respects with the Existing Shares; and
- (vii) \$50,000 will be raised from the issue of the 10,000,000 Placement Shares (on a pre-Consolidation basis), however no funds will be raised from the issue of the 5,000,000 Placement Options because will be issued as free attaching options.

(b) Section 208 of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in section 4.4 below.

The proposed issue of 10,000,000 Placement Shares (on a pre-Consolidation basis) and 5,000,000 Placement Options (on a pre-Consolidation basis) to Trident Capital constitutes a “financial benefit” as defined in the Corporations Act. Furthermore, Trident Capital is a “Related Party” of the Company as defined under the Corporations Act. Accordingly the proposed issue of Shares to Trident Capital Pty Ltd pursuant to Resolution 10 will constitute the provision of a financial benefit to a Related Party of the Company.

It is the view of the Directors that the exception provided in section 210 of the Corporations Act will apply as the financial benefit would be reasonable in the circumstances if the public company or entity and the Related Party were dealing at arm’s length. This is because Trident Capital is subscribing for the Placement Shares and Placement Options on the same terms as the other sophisticated investors who have subscribed for Placement Shares and Placement Options, and who are not Related Parties of the Company. Accordingly, member approval is not required under Chapter 2E of the Corporations Act.

(c) Directors’ Recommendation

The Directors (other than Mr Sierakowski) do not have any personal interest in the outcome of Resolution 9 and recommend that Shareholders vote in favour of Resolution 9.

Mr Sierakowski declines to make a recommendation in relation to Resolution 9 due to the fact he has a material personal interest in the outcome.

2.13 Resolution 11 – Change of Company Name

Subject to the passing of Resolutions 1 to 10 (inclusive) 12 and 13, Resolution 11 is a special resolution which seeks approval to change the name of the Company. Consistent with the new focus and direction of the Company, upon completion of the Proposed Transaction the Company proposes to change its name from “Narhex Life Sciences Limited” to “ResApp Health Limited”. This change will not, in itself, affect the legal status of the Company or any of its assets or liabilities.

Shareholder approval is required for Resolution 11 by special resolution under section 157(1)(a) of the Corporations Act.

On or about the date of completion of the Proposed Transaction, the Company will make an application to ASIC for the change of its name to “ResApp Health Limited”. The new name will take effect upon a new certificate of registration being issued by ASIC. The Company will not change its name if completion of the Proposed Transaction does not occur.

2.14 Resolution 12 – Appointment of Dr Tony Keating as Director

Subject to the passing of Resolutions 1 to 11 (inclusive) and 13, Resolution 12 is an ordinary resolution and provides for the approval of the appointment of Dr Tony Keating to the Board. The appointment of Dr Tony Keating will become effective only on and from the date on which the Proposed Transaction is completed. A profile of Dr Tony Keating is set out at follows:

Dr Tony Keating

Dr Tony Keating is currently Director, Commercial Engagement (Engineering and ICT) at UniQuest and has over 9 years’ experience in commercialising technology. Dr Keating created the initial business strategy for ResApp and has led the commercialization of the

Licensed IP to date. While at UniQuest Dr Keating has had roles as interim Chief Executive Officer and Non-Executive Director for a number of privately-held, venture-capital funded start-up companies. Prior to joining UniQuest Dr Keating worked in business development and engineering management roles at Exa Corporation (now NASDAQ listed), a US-based software company.

Dr Keating holds a Bachelor of Engineering, a Master of Engineering Science and a Doctor of Philosophy (Mechanical Engineering) from UQ. Dr Keating also has an Executive Certificate of Management and Leadership from the MIT Sloan School of Management, and is a Graduate Member of the Australian Institute of Company Directors.

2.15 Resolution 13 – Approval of Issue of Incentive Options to Dr Tony Keating

Subject to the passing of Resolutions 1 to 12 (inclusive) Resolution 13 is an ordinary resolution that provides for the approval for the grant of Incentive Options by the Company to Tony Keating for the purposes of ASX Listing Rule 10.11 and section 208 of the Corporations Act.

A summary of ASX Listing Rule 10.11 is set out in section 4.3 below.

When the Incentive Options are issued, Tony Keating will be a Director of the Company.

For the purposes of Chapter 2E of the Corporations Act, Tony Keating is a Related Party of the Company.

Resolution 13 relates to the proposed grant of Incentive Options to Tony Keating, including access to a funding facility, which is a financial benefit that requires Shareholder approval for the purposes of section 208 of the Corporations Act.

The number of Incentive Options to be issued and the exercise price are post-Consolidation. Accordingly, neither the Incentive Options nor the exercise price will be adjusted as a consequence of the Capital Consolidation.

Information Requirements – Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act, the following information is provided.

The Related Parties to whom the proposed Resolution 13 would permit the financial benefit to be given and the nature of the financial benefit

Subject to Shareholder approval, the Incentive Options will be issued as set out in the table below. The proposed financial benefit to be given is the grant of Incentive Options for no consideration to Tony Keating, including access to a funding facility. The exercise price (**Exercise Price**) of the Incentive Options is as follows:

- (i) 5,000,000 Options to be issued on a post-Consolidation basis have an exercise price of \$0.025 each;
- (ii) 5,000,000 Options to be issued on a post-Consolidation basis have an exercise price of \$0.05 each; and
- (iii) 10,000,000 Options to be issued on a post-Consolidation basis have an exercise price of \$0.10 each.

The Board has determined that each Exercise Price represents a suitable premium to the current market price of the Company's shares to meet the objectives of the proposed grant of Incentive Options to Dr Tony Keating as outlined in this Explanatory Statement.

The table below illustrates the amounts that will need to be paid to the Company by Tony Keating if the Incentive Options are exercised.

Number of Incentive Options	Amount to be paid (A\$)
5,000,000	\$125,000
5,000,000	\$250,000
10,000,000	\$1,000,000
20,000,000	\$1,375,000

The details of the financial benefit including reasons for giving the type and quantity of the benefit

The proposed grant of Incentive Options to Dr Tony Keating will be subject to the terms set out in Annexure F.

The grant of Incentive Options encourages Dr Tony Keating to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through Share ownership. Under the Company's current circumstances, the Directors consider that the incentives intended for Tony Keating represented by the grant of these Incentive Options are a cost effective and efficient means for the Company to provide an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

Tony Keating's Current Holdings

As at the date of this Notice, Tony Keating does not have a Relevant Interest in any securities of the Company.

If the Resolutions in this Notice are passed and the Tony Keating exercises all of the Incentive Options, Tony Keating will have a Relevant Interest in 20,000,000 New Shares.

Dilution effect of grant of Incentive Options on existing members' interests

If passed, Resolution 13 will give the Directors power to grant a total of 20,000,000 Incentive Options on the terms and conditions as set out in Annexure 3 to this Explanatory Statement and as otherwise mentioned above.

The Company currently has 654,729,407 Existing Shares on issue. However, at the time the Incentive Options are granted, the Company will have between approximately 580,523,527 Shares and approximately 655,523,527 Shares on issue.

If all Incentive Options granted as proposed above are exercised, the effect would be to dilute the shareholding of existing Shareholders by: 3.95% assuming the minimum amount of \$2,500,000 is raised under the Capital Raising; and 3.44% assuming the maximum amount of \$4,000,000; (calculated on a post-Consolidation basis, and assuming that all the other Resolutions are passed, the Performance Shares do not

convert into Shares and the Placement Options are not exercised). The market price of the Company's Shares during the period of the Incentive Options will normally determine whether or not Dr Tony Keating exercises the Incentive Options. At the time any Incentive Options are exercised and Shares are issued pursuant to the exercise of the Incentive Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Incentive Options.

Proposed Directors' total remuneration package

Dr Tony Keating's remuneration per annum (including superannuation) and the total financial benefit to be received by them in this current period, as a result of the grant of the Incentive Options the subject of Resolution 13, are set out in the following table.

The indicative aggregated value of the Incentive Options is indicated below, the Incentive Options will not tradeable, the Incentive Options will not be transferrable, and the indicative value of the Incentive Options can only be realised by the party exercising the Incentive Options and a significant increase in the Share price.

Proposed Director	Salary p.a. incl superannuation (A\$)	Other remuneration p.a.	Aggregate Value of Incentive Options (A\$)	Total Financial Benefit (A\$)
Dr Tony Keating	\$200,000	0	\$330,000	\$530,000

The indicative aggregate option valuation of A\$330,000 is the aggregate of the theoretical valuations of each Incentive Option using the Black & Scholes Model. To realise each indicative option value the party will have to exercise each option at the relevant Option Exercise Price and the market value of the Company's Shares increase to a value equal to the relevant Option Exercise Price plus the relevant indicative option value.

Valuation of Incentive Options

The Company's advisers have valued the Incentive Options to be granted to Tony Keating using the Black & Scholes Model. The value of an option calculated by the Black & Scholes Model is a function of a number of variables. The valuation of the Incentive Options has been prepared using the following assumptions:

The 5,000,000 Incentive Options with an Exercise Price of \$0.025 each

Variable	Input
Share price	\$0.024
Exercise price	\$0.025
Risk Free Interest Rate	1.92%
Volatility	110%
Time (years to expiry)	5 years

The 5,000,000 Incentive Options with an Exercise Price of \$0.05 each

Variable	Input
Share price	\$0.024
Exercise price	\$0.05
Risk Free Interest Rate	1.92%
Volatility	110%
Time (years to expiry)	5 years

The 10,000,000 Incentive Options with an Exercise Price of \$0.10 each

Variable	Input
Share price	\$0.024
Exercise price	\$0.10
Risk Free Interest Rate	1.92%
Volatility	110%
Time (years to expiry)	5 years

The Company's advisers have calculated the value of each Incentive Option based on the following assumptions:

- (a) they have based the underlying value of each Share in the Company on the ASX closing price of A\$0.024 on the valuation date of 27 March 2015, adjusted to reflect the Capital Consolidation;
- (b) the exercise price used is:
 - (i) \$0.025 for the 5,000,000 Incentive Options with an Exercise Price of \$0.025 each;
 - (ii) \$0.05 for the 5,000,000 Incentive options with an Exercise Price of \$0.05 each; and
 - (iii) \$0.10 for the 10,000,000 Incentive Options with an Exercise Price of \$0.10 each.
- (c) risk free rate of return – 1.920% (based on the Australian Government 5-year bond rate as at the valuation date of 27 March 2015); and
- (d) they used a volatility of the Share price of 110% calculated by Hoadley's volatility calculator for 1, 2, 3, 4 and 5 year periods, using data extracted from Bloomberg.

Based on the above assumptions, the Company's advisers have calculated an indicative value of the Incentive Options to be granted to Tony Keating to be:

- (i) \$95,000 (representing \$0.019 per Option) for the 5,000,000 Incentive Options with an Exercise Price of \$0.025 each;
- (ii) \$85,000 (representing \$0.017 per Option) for the 5,000,000 Incentive Options with an Exercise Price of \$0.05 each; and
- (iii) \$150,000 (representing \$0.15 per Option) for the 10,000,000 Incentive Options with an Exercise Price of \$0.10 each.

Any change in the variables applied in the Black & Scholes calculation between the date of the valuation and the date the Incentive Options are granted would have an impact on their value.

No discount has been applied to the indicative value of an Incentive Option for the Incentive Option not being tradeable and for the Incentive Options not being transferable. The indicative value can only be realised upon the exercise of the Incentive Option and an increase in the market price of the Shares.

Company's historical Share price

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 31 March 2015:

Highest Price (A\$)/Date	Lowest Price (A\$)/Date	Latest Price (A\$)/Date
\$0.009 18 March 2015 – 17 April 2015	\$0.002 6 June 2014	\$0.009 17 April 2015

Other Information

Under the Australian Equivalent of the International Financial Reporting Standards (IFRS), the Company is required to expense the value of the Incentive Options in its statement of financial performance for the current financial year.

Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Incentive Options pursuant to Resolution 13.

It is expected that the Incentive Options will be classified by the ASX as "restricted securities" and will be escrowed for a period of 24 months from the date the Company's Shares are reinstated to quotation on ASX following recompliance with Chapters 1 and 2 of the Listing Rules.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolution 13.

3. OTHER INFORMATION

3.1 Scope of disclosure

The law requires that this Explanatory Statement sets out all other information that is reasonably required by the Existing Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolutions and which is known to the Company.

The Company is not aware of any relevant information that is material to the decision on how to vote on the Resolutions other than as is disclosed in this Explanatory Statement or previously disclosed to Existing Shareholders by the Company by notification to the ASX.

3.2 Existing Directors' profiles

Mr Adam Sierakowski

Adam Sierakowski is a lawyer and founding director of the legal firm Price Sierakowski. He has over 17 years' experience in legal practice, much of which he has spent as a corporate lawyer consulting and advising on a range of transactions to a variety of large private and listed public entities. He is the co-founder and director of Perth based corporate advisory business, Trident Capital, where he has for years advised a variety of large private and public companies on structuring their transactions and coordinating fundraising both domestically and overseas.

Mr Sierakowski has held a number of board positions with ASX listed companies and is currently a member of the Australian Institute of Company Directors and the Association of Mining and Exploration Companies.

Dr Robert Ramsay

Dr Ramsay is a geologist with over 30 years' experience working with Rio Tinto, Striker Resources, BHP Billiton, and several junior explorers. During 20 years with Rio Tinto and Striker Resources, Dr Ramsay specialized in diamond exploration and the assessment of diamond-pipe prospectivity using indicator-mineral geochemistry. Most recently Dr Ramsay was the Senior Project Geologist with Speewah Metals Ltd where he was responsible for the planning and implementation of drilling programmes from discovery through to a JORC compliant resources of 4.7 billion tonnes on the V- Ti – magnetite along with mapping and drilling of an epithermal, vein style deposit of fluorite adjacent to the V-Ti -magnetite deposit leading to the expansion of a JORC compliant resource of 6.7Mt. Dr. Ramsay is also a Director of ASX listed Coziron Resources Limited (ASX: CZR).

Mr Chris Ntoumenopoulos

Mr Ntoumenopoulos is a partner at CPS Capital, a WA based Stockbroking and Corporate Advisory firm. He has worked in financial markets for the past 12 years, focusing on Capital Raisings, Portfolio Management and Corporate Advisory. Mr Ntoumenopoulos has advised and funded numerous ASX companies from early stage venture capital, through to IPO.

He is an executive director of various private companies which span across finance, technology and medical sectors.

Mr Ntoumenopoulos has a Bachelor of Commerce degree from the University of WA, majoring in Money and Banking, Investment Finance and Electronic Commerce.

3.3 Voting intentions and interests of Existing Directors

The Existing Directors of the Company and their interests in the Company are set out in the table below. As at the date of this Explanatory Statement, the Existing Directors intend to vote in favour of the Resolutions set out in the Notice of General Meeting.

Except as otherwise disclosed or referred to in this section 3.3, the Existing Directors have no interest in the outcome of the Resolutions except as Existing Shareholders of the Company. In this regard, the table below sets out the details of the Shares held (directly or indirectly) by the Existing Directors and their Associates and the percentage ownership in the Existing Shares of the Company.

Name of Existing Director	Number of Existing Shares held (directly or indirectly)	Percentage interest in Existing Shares¹
Adam Sierakowski ²	22,195,939	3.39%
Robert Ramsay	0	0%
Chris Ntoumenopoulos	0	0%
TOTAL	22,195,939	3.39%

1 Based on the total number of 654,729,407 Existing Shares of the Company.

2 Mr Sierakowski is a director and shareholder of IML Holdings Pty Ltd and a director and shareholder of Trident Capital Pty Ltd.

3 In addition, 25,000,000 Facilitation Shares (on a pre-Consolidation basis) are to be issued to Trident Capital Pty Ltd (and/or its nominees) under Resolution 6 and 10,000,000 Placement Shares (on a pre-Consolidation Basis) are to be issued to Trident Capital Pty Ltd (and/or its nominees) under Resolution 10.

3.4 Taxation

The Proposed Transaction and/or the passing of the Resolutions (including the Consolidation) may give rise to income tax implications for the Company and Existing Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal position and neither the Company, nor any Existing Director or advisor to the Company accepts any responsibility for any individual Existing Shareholder's taxation consequences on any aspect of the Proposed Transaction or the Resolutions.

3.5 Existing Director's recommendations in respect of the Resolutions

The Existing Directors recommend that Shareholders vote in favour of the Resolutions for the reasons outlined in section (noting that Adam Sierakowski provides no recommendation for Resolutions 6 and 10 as he has a material personal interest in the subject matter of Resolutions 6 and 10).

4. REGULATORY REQUIREMENTS

4.1 Section 254H of the Corporations Act

In Resolution 1, the Company proposes to consolidate its existing issued capital on a 3 for 8 basis in accordance with section 254H of the Corporations Act. Under section 254H of the Corporations Act, a company may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting of the Company.

4.2 Listing Rule 11.1

Under Listing Rule 11.1, if a Company wishes to make a significant change to the nature or scale of its activities it must provide ASX full details regarding the change and if ASX requires, it must obtain Shareholder approval.

ASX has informed the Company that the acquisition of ResApp constitutes a significant change in the nature and scale of activities of the Company and it requires the Company to:

- (h) obtain Shareholder approval for the proposed change of activities; and
- (i) re-comply with the requirements set out in Chapters 1 and 2 of the Listing Rules.

Accordingly, the Company is seeking Shareholder approval under Listing Rule 11.1.2 in relation to Resolution 1.

The acquisition of ResApp will result in a change to the nature and scale of the Company's activities from mining exploration to respiratory disease diagnosis and management smart phone application technology. ASX has confirmed that it will require the Company to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules.

ASX will suspend quotation of the Shares until the Company has satisfied the requirements of Listing Rule 11.1. The Company will require a trading halt on the day of the General Meeting in respect of the approval of the Proposed Transaction. If Shareholders approve the Proposed Transaction by passing Resolutions 1 to 13 (inclusive), trading in the Company's securities will be suspended until the Company satisfies the requirements of Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3. It is anticipated that the re-quotation of the Company's securities will occur on or around 19 June 2014.

If all the Resolutions are approved and implemented, re-quotation of the Company on ASX will be subject to the Company meeting these requirements. The Company intends to meet these requirements as soon as practicable after the General Meeting. A copy of the Prospectus will be available to Existing Shareholders once lodged with ASIC.

If Shareholders reject the Resolutions or completion of the acquisition does not occur in accordance with the terms (including the approval of ASX for reinstatement of the Company's securities to quotation), the Company will not issue the securities contemplated in the Resolutions.

Accordingly, Shareholders should carefully consider all of the information contained in this Explanatory Statement before making a decision as to whether to vote in favour of the change in the nature and scale of the Company's activities. In particular,

Shareholders should carefully consider the advantages, disadvantages and risks of the proposed acquisition of ResApp set out in section 1.

4.3 Listing Rule 10.11

Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between a company and “persons in a position of influence”. Listing Rule 10.11 provides that a company must not issue equity securities to a “Related Party” without the approval of holders of ordinary securities by ordinary resolution. The term “Related Party” is defined in for these purposes to include a Related Party within the meaning of section 228 of the Corporations Act and a person whose relationship with the entity or a Related Party is, in ASX’s opinion, such that approval should be obtained.

Trident Capital is a “Related Party” of the Company within the terms of the Listing Rules. As a result Resolutions 6 and 10 must be approved by Shareholders under Listing Rule 10.11.

SOBOL Capital is a “Related Party” of the Company within the terms of the Listing Rules. As a result Resolution 6 must be approved by Shareholders under Listing Rule 10.11.

For the purposes of Listing Rule 10.13, the information set out at sections 2.8(a) and 2.12(a) is provided to Shareholders in respect of Resolutions 6 and 10.

Tony Keating is a “Related Party” of the Company within the terms of the Listing Rules, however he falls within Exception 7 of Rule 10.12 as he is a Related Party by reason only of a transaction which is the reason for the issue of the securities and the application of section 228(6) of the Corporations Act and so Shareholder approval is not required under Listing Rule 10.11.

4.4 Section 208 of the Corporations Act

Section 208(1)(a) of the Corporations Act prohibits a company from giving a financial benefit (including an issues of shares) to a Related Party of the company without the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by the Related Party or by an Associate of the Related Party or the giving of the financial benefit falls within an exception set out in the Corporations Act.

Trident Capital and SOBOL Capital are each a “Related Party” of the Company for the purposes of section 208 of the Corporations Act. Accordingly, approval is sought for the issue of Facilitation Shares to them as contemplated by Resolution 6 under section 208 of the Corporations Act.

For the purposes of ASIC Regulatory Guide 76, the information set out at section 2.8 is provided to Shareholders in respect of Resolution 6.

Regarding the proposed issue of Placement Shares and Placement Options to Trident Capital under Resolution 10, it is the view of the Directors that the exception provided in section 210 of the Corporations Act will apply as the financial benefit would be reasonable in the circumstances if the public company or entity and the Related Party were dealing at arm’s length. This is because Trident Capital is subscribing for the Placement Shares and Placement Options on the same terms as the other sophisticated investors who have subscribed for Placement Shares and Placement Options, and who are not Related Parties of the Company. Accordingly, member approval is not required under Chapter 2E of the Corporations Act.

Tony Keating is a “Related Party” of the Company for the purposes of section 208 of the Corporations Act. As a result, Resolution 13 must be approved by Shareholders under section 208 of the Corporations Act.

For the purposes of ASIC Regulatory Guide 76, the information set out at section 2.13 is provided to Shareholders in respect of Resolution 13.

4.5 Section 611 of the Corporations Act

Resolutions 4 and 7 seek Shareholder approval under item 7 of section 611 of the Corporations Act to the acquisition by the ResApp Vendors and UniQuest of a relevant interest in up to 250,000,000 Consideration Shares (on a pre-Consolidation basis), 250,000,000 Performance Shares (on a pre-Consolidation basis) (and an additional 250,000,000 Shares (on a pre-Consolidation basis) if the Performance Shares convert into Shares on their terms), and the 25,000,000 Facilitation Shares (on a pre-Consolidation basis) to be issued to Seamist, upon the issue of those securities.

Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after the acquisition, that person or any other person would have a relevant interest or voting power in excess of 20% of the voting shares in that company.

Item 7 of section 611 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of a relevant interest in the voting shares in a company if the company has agreed to the acquisition by resolution passed at a general meeting at which no votes are cast in relation to the resolution by the person to whom the shares are to be issued or by an Associate of that person.

Under section 610 of the Corporations Act, a person’s voting power is defined as the percentage of the total voting shares in the Company held by the person and the person’s Associates.

As set out in the Voting Exclusion Statements in the Notice of Meeting and in accordance with the Listing Rules, the ResApp Vendors and their Associates, and UniQuest and its Associates, are precluded from voting on Resolutions 4 and 7.

4.6 ASIC Regulatory Guide 74

The information set out in section 2.6 is included in accordance with the requirements of item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74.

4.7 ASIC Regulatory Guide 76

The information set out in sections 2.8 and 2.13 is included in accordance with the requirements of section 219 of the Corporations Act and ASIC Regulatory Guide 76.

4.8 ASX Listing Rule 7.1

Shareholder approval is being sought pursuant to Resolution 5 for the issue of up to 200,000,000 New Shares for the purposes of Listing Rule 7.1. The Consideration Shares and Performance Shares (and any Shares issued upon the conversion of the Performance Shares on their terms) will not be included in the Company’s 15% calculation for the purposes of ASX Listing Rule 7.1.

Shareholder approval is being sought pursuant to Resolution 7 for the issue of 2,708,333 Facilitation Shares (on a pre-Consolidation basis) to CPS Capital (and/or its nominee(s))

for the purposes of Listing Rule 7.1. The Facilitation Shares will not be included in the Company's 15% calculation for the purposes of ASX Listing Rule 7.1.

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. The limitation is to 15% of a company's capital in any 12 month period.

Listing Rule 7.1 provides that a company must not, without shareholder approval, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

For the purposes of ASX Listing Rule 7.3, the information set out at section 2.7 is provided in relation to Resolution 5.

For the purposes of ASX Listing Rule 7.3, the information set out at section 2.9 is provided in relation to Resolution 7.

4.9 ASIC and ASX's Role

For the purposes of Resolutions 4 and 7, in accordance with Regulatory Guide 74, the Company must lodge the Notice of Meeting and the Explanatory Statement with ASIC before the Notice of Meeting can be dispatched.

Approval under Listing Rule 7.1 for the issue of the New Shares under Resolution 4 and the issue of New Shares to Seamist under Resolution 7 are not required by virtue of Exception 16 of Listing Rule 7.2, because approval is being sought under item 7 of section 611 of the Corporations Act.

The fact that the Notice of Meeting, Explanatory Statement and other relevant documentation has been received by ASX and the ASIC is not to be taken as an indication of the merits of the Resolutions or the Company. The ASIC, ASX and its respective officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Annexure	annexure to this Explanatory Statement.
ASIC	Australian Securities and Investments Commission.
Associate	in the following sections has the following meanings: (i) in section 4.4, has the meaning set out in section 12 of the Corporations Act; (ii) in the Voting Exclusion Statements of the Notice of Meeting, has the meaning set out in section 11 and sections 13 to 17 of the Corporations Act, applied in accordance with the note to Listing Rule 14.11; and (iii) elsewhere, has the meaning the sections 11 to 17 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires.
Board	board of Directors.
Business Day	has the meaning it has under the Listing Rules, being Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
Capital Raising	the proposed Issue of New Shares under the Prospectus, as contemplated by Resolution 5.
Chairman	Adam Sierakowski.
Company	Narhex Life Sciences Limited (ACN 094 468 318).
Company Approvals	the approvals of the Company's Shareholders required pursuant to the Corporations Act and the Listing Rules for the purpose of implementing the Proposed Transaction.
Completion Date	the latest of the date that is 7 Business Days after the date on which the Conditions are satisfied; or any other date, which is agreed in writing between the parties.
Consideration Shares	the 250,000,000 fully paid ordinary shares (on a pre-Consolidation basis) in the capital of the Company to be issued to the ResApp Vendors, subject to consolidation in the same ratio which applies to the Consolidation.
Consolidation	the consolidation of the Existing Shares of the Company on the basis of 3:8, as proposed under Resolution 1 and detailed in section 2.3.
Constitution	constitution of the Company.
COPD	means chronic obstructive pulmonary disease.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CPS Capital	CPS Capital Group Pty Ltd (ACN 088 055 636).
Director	a director of the Company.

Existing Directors	Adam Sierakowski, Robert Ramsay and Chris Ntoumenopoulos.
Existing Shareholders	the holder of an Existing Share.
Existing Shares	the issued shares in the Company as at the date of this Notice of Meeting being 654,729,407 fully paid ordinary shares.
Explanatory Statement	this explanatory statement accompanying the Notice of Meeting.
Facilitation Shares	the 50,000,000 Shares (on a pre-Consolidation basis) to be issued to Trident Capital and Seamist under Resolutions 6 and 7.
General Meeting	the general meeting of the Company to be held on 27 May 2015 at 10.00am WST.
Heads of Agreement	the Heads of Agreement between ResApp, ResApp Vendors and the Company.
Incentive Options	the incentive options being issued to Dr Tony Keating the terms of which are set out in Annexure F.
Independent Expert	BDO Corporate Finance (WA) Pty Ltd (ABN 27 124 031 045).
Independent Expert's Report	the report of the Independent Expert attached to Annexure 2 and forming part of the Explanatory Statement.
Licensed IP	has the meaning given in the Sub-Licence.
Listing Rules	the official listing rules of the ASX from time to time.
New Shares	fully paid ordinary shares in the Company after the Consolidation.
Notice of Meeting	the notice convening the General Meeting which accompanies this Explanatory Statement.
Performance Shares	means the 250,000,000 fully paid Performance Shares (on a pre-Consolidation basis) in the capital issued on the terms provided in Annexure B.
Placements	means the placements being ratified under Resolution 8 the placement to sophisticated investors being approved under Resolution 9 the placement to Trident Capital being approved under Resolution 10.
Placement Option	an option to acquire a Share on the terms set out in Annexure E.
Placement Shares	the Shares issued or to be issued under the Placements.
Proposed Transaction	the proposal for the acquisition of shares in ResApp pursuant to the Share Sale Agreement, as described in section 1.4.
Prospectus	the prospectus to be issued by the Company as referred to in Resolution 5.
Quotation	official quotation as defined in the Listing Rules.
Recompliance	the reinstatement of fully paid ordinary shares in the Company to Quotation (except for any shares that may be designated as "restricted securities" under the Listing

	Rules) if required by ASX following the Company recomplying with Chapters 1 and 2 of the Listing Rules to the satisfaction of ASX.
Record Date	27 May 2015.
Regulatory Authority	any government or local authority and any department, minister or agency of any government; and any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange (including ASX).
Related Body Corporate	has the meaning given to that term in the Corporations Act.
Related Entity	in relation to a corporation means: (a) a Related Body Corporate of that corporation; and (b) a trustee of any unit trust in relation to which that corporation, or any corporation referred to in paragraph (a), directly or indirectly: (i) controls the right to appoint the trustee; (ii) is in a position to control the casting of, more than one half of the maximum number of votes that might be cast at a meeting of holders of units in the trust; or (iii) holds or is in a position to control the disposal of more than one half of the issued units of the trust.
Related Party	has the meaning given to that term in the Listing Rules unless otherwise indicated.
Relevant Interest	the meaning given to that term in the Corporations Act.
ResApp	ResApp Diagnostics Pty Ltd (ACN 600 972 192)
ResApp Vendors	the existing holders of all the issued capital of ResApp, details of which are set out in Annexure A.
ResApp Vendor Proportions	in respect of a ResApp Vendor and/or UniQuest, the number and proportion of Consideration Shares and/or Performance Shares (as applicable) set out next to that Vendor's or UniQuest's name in Schedule 1 of the Share Sale Agreement.
Resolutions	the resolutions set out in the Notice of Meeting.
Seamist	Seamist Enterprises Pty Ltd (ACN 133 740 655).
Share and Shares	fully paid ordinary share in the capital of the Company.
Shareholder	shareholder of the Company.
Share Sale Agreement	the Share Sale and Purchase Agreement entered into between the Company, UniQuest and the ResApp Vendors and ResApp dated 20 February 2015.
SOBOL Capital	SOBOL Capital Pty Ltd (ACN 126 969 800).
Sub-Licence	the licence agreement executed between UniQuest and ResApp dated on or about 26 September 2014 as varied by a variation deed on 20 February 2015.

Transaction	the transactions, acts, omissions or circumstances expressly contemplated by the Share Sale Agreement, or the execution or performance of the transactions under this Agreement.
Trident Capital	Trident Capital Pty Ltd (ACN 100 561 733).
UniQuest	UniQuest Pty Ltd (ACN 010 529 898) of General Purpose South Building, Level 7, Staff House Road, The University of Queensland, Queensland, which will become a hold of issued capital of ResApp prior to the Completion Date.
UQ	The University of Queensland.
Voting Power	the meaning given to that term in the Corporations Act.
WST	Western Standard Time in Australia.

ANNEXURE A – RESAPP VENDORS AND UNIQUEST

	Consideration Shares (post- Consolidation)	Performance Shares (post- Consolidation)	Facilitation Shares (post- Consolidation)	Total post- Consolidation Shares (assuming conversion of the Performance Shares)	Voting Power (post- Consolidation, assuming Minimum Subscription)	Voting Power (post- Consolidation, assuming Full Subscription)
Tashtech Pty Ltd (ACN 149 379 288)	4,500,000	4,500,000	0	9,000,000	1.56%	1.37%
Seamist Enterprises Pty Ltd (ACN 133 740 655)	3,750,000	3,750,000	6,250,000	13,750,000	2.37%	2.10%
Walani Pty Ltd (ACN 161 171 571)	3,750,000	3,750,000	0	7,500,000	1.29%	1.14%
Brian Leedman and Natasha Leedman	18,750,000	18,750,000	0	37,500,000	6.46%	5.72%
Dr Bruce Willoughby Leedman	3,000,000	3,000,000	0	6,000,000	1.03%	0.92%
Phillip John Coulson	9,375,000	9,375,000	0	18,750,000	3.23%	2.86%
Newtonmore Biosciences Pty Ltd (ACN 107 684 284) as trustee for the Newtonmore Superannuation Fund	8,437,500	8,437,500	0	16,875,000	2.91%	2.57%
UniQuest Pty Ltd (ACN 010 529 898)	42,187,500	42,187,500	0	84,375,000	14.53%	12.87%
TOTAL	93,750,000	93,750,000	9,375,000	193,750,000	33.38%	29.56%

ANNEXURE B – PERFORMANCE SHARE TERMS

1. Definitions

In these terms and conditions, the following terms have the following meaning unless the context otherwise requires:

- (a) **“NLS”** means Narhex Life Sciences Limited (ACN 094 468 318).
- (b) **“Milestone”** means:
 - (i) ResApp and any subsidiaries of ResApp; and
 - (ii) if NLS or any Related Entity of NLS is licensed to use Licensed IP, NLS and that Related Entity;
achieving aggregated gross revenue of \$20,000,000 in the five years commencing on the day NLS is readmitted to quotation on ASX after recompliance with Chapters 1 and 2 of the Listing Rules.
- (c) **“ResApp”** means ResApp Diagnostics Pty Ltd (ACN 600 972 192) a wholly owned subsidiary of NLS as at the date NLS is readmitted to the Official List of the ASX following its recompliance with Chapters 1 and 2 of the Listing Rules.
- (d) **“Shareholders”** means the existing shareholders of NLS.
- (e) **“Share”** means an ordinary fully paid share in the capital of NLS.

2. Rights attaching to Performance Shares

- (a) Each Performance Share shall be issued for nil consideration.
- (b) Each Performance Share is a share in the capital of NLS.
- (c) The Performance Shares shall confer on a holder the right to receive notices of general meetings and financial reports and accounts of NLS that are circulated to Shareholders. A holder has the right to attend general meetings of Shareholders.
- (d) A holder is not entitled to vote on any resolutions proposed at a general meeting of NLS other than in the circumstances specifically allowed for under the Corporations Act.
- (e) The Performance Shares do not entitle a holder to any dividends.
- (f) The Performance Shares do not confer on a holder any right to participate in the surplus profits or assets of NLS upon the winding up of NLS.
- (g) The Performance Shares are not transferrable.
- (h) The Performance Shares do not entitle the holder to participate in new issues of Securities.
- (i) If at any time the issued capital of NLS is reorganised, the Performance Shares are to be treated in the manner set out in Listing Rule 7.21 (or other applicable Listing Rules), being that the number of Performance Shares or the conversion ratio in section 3(a) or both will be reorganised so that the holder of the Performance Shares will not receive a benefit that holders of Shares will not receive and so that the holders of Shares will not receive a benefit that the holder of the Performance Shares does not receive.
- (j) Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into Shares pursuant to section 3, NLS must apply for the Official Quotation of the Shares arising from the conversion on ASX in accordance with the Listing Rules, and use its best endeavours to obtain Official Quotation. ASX may require that the fully paid ordinary shares arising from the conversion be escrowed and, the holders are required to enter into any agreement necessary to effect the escrow prior to the issue of the converted shares.

- (k) The Performance Shares do not confer on a holder any right other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms and conditions.

3. Conversion of Performance Shares to Ordinary Shares

- (a) Subject to section 3(b), once NLS's auditors determine that the Milestone has been achieved based upon NLS's audited accounts over the period up to the time at which the Milestone is met, then, within 7 days of the release of the audited accounts in respect of the period in which the Milestone has been met, the Performance Shares will convert to Shares on the basis of one (1) fully paid ordinary share per Performance Share being converted on achievement of the Milestone. NLS agrees to instruct NLS's auditors in each of the five years commencing on the day NLS is readmitted to quotation on ASX after recompliance with Chapters 1 and 2 of the Listing Rules, to determine if the Milestone has been met on the basis of the audited accounts of NLS in the aggregate of the current period and previous relevant periods.
- (b) If the conversion of the Performance Shares would cause a contravention of section 606 of the Corporations Act, the conversion will be subject to the approval of NLS Shareholders under item 7, section 611 of the Corporations Act, and NLS must promptly convene a meeting of NLS Shareholders for that purpose and use its best endeavours to obtain that approval.
- (c) If the Milestone has not occurred on or prior to the date that is five years from the date NLS is readmitted to quotation on ASX after recompliance with Chapters 1 and 2 of the Listing Rules, every Performance Share will be cancelled.
- (d) Upon:
 - (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of NLS and:
 - (A) the bidder having received acceptances for not less than 50.1% of NLS's shares on issue or the Board recommending acceptance; and
 - (B) been declared unconditional by the bidder; or
 - (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of NLS or its amalgamation with any other company or companies,

then, to the extent the Performance Shares have not converted due to satisfaction of the Milestone, the Performance Shares automatically convert to that number of Shares which when issued together with all Shares issued under any other class of Performance Shares then on issue, is equal to the lesser of one Share per Performance Share and 10% of the total Shares on issue in NLS at that time. Performance Shares that are not converted into Shares will continue to be held by the holder on the same terms and conditions.

- (e) The Shares issued on conversion of the Performance Shares will rank *pari passu* in all respects with existing Shares.

4. Compliance with Corporations Act, ASX Listing Rules and Constitution

- (a) Notwithstanding anything else contained in these terms and conditions, if the Listing Rules, the Corporations Act or the Constitution prohibits an act being done, that act shall not be done.
- (b) Nothing contained in these terms and conditions prevents an act being done that any of the Listing Rules, the Corporations Act or the Constitution requires to be done.

- (c) If any of the Listing Rules, the Corporations Act or the Constitution conflicts with these terms and conditions, or these terms and conditions do not comply with any of the Listing Rules, the Corporations Act or the Constitution, the holders authorise NLS to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.

ANNEXURE C – PRO FORMA STATEMENT OF FINANCIAL POSITION

NOTES TO PRO FORMA STATEMENT OF FINANCIAL POSITION

This section contains the Pro Forma Statement of Financial Position for the Company as a merged group with ResApp (**Merged Group**), reflecting the combined business of the Company and ResApp. The Pro Forma Statement of Financial Position is presented to provide Shareholders with an indication of the Merged Group's consolidated financial position as if the Proposed Transaction had been implemented as at 31 December 2014.

As the Proposed Transaction, if implemented, will be effected at a future date, the actual financial position of the Merged Group post implementation of the Proposed Transaction will differ from that presented below.

References to notes in the table presented below refer to the notes to pro forma adjustments set out in this section.

Basis of preparation

The Pro Forma Statement of Financial Position is provided for illustrative purposes and is prepared in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards on the assumption that the Proposed Transaction occurred on 31 December 2014.

The Pro Forma Statement of Financial Position is presented in an abbreviated form insofar as it does not contain all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports usually provided in an annual report prepared in accordance with the Corporations Act.

The Company is the legal acquirer (i.e. the parent company) and will be the reporting entity of the Merged Group. We have provisionally accounted for the acquisition as an asset acquisition due to ResApp not meeting the definition of a business under AASB 3 Business Combinations at this point in time. The deferred consideration relating to the performance rights has not been recognised.

The accounting policies of the Merged Group used in the compilation of the Pro Forma Financial Information are based on those of the Company. A summary of the significant accounting policies of the Company is disclosed in the audited financial statements of the Company for the year ended 30 June 2014, available on ASX's website at www.asx.com.au or on the "Investor Centre" section of the Company's website at www.narhex.com.au.

Upon completion of the Proposed Transaction, the business purpose of the Company will have changed to that of the Merged Group resulting in the need to consider and/or adopt new accounting policies.

No adjustments have been made in the Pro Forma Statement of Financial Position for any expected synergies or integration costs following the completion of the Proposed Transaction. Nor have any adjustments been made in the Pro Forma Statement of Financial Position for any one-off or non-recurring costs, other than those set out in the pro forma adjustments.

The functional and presentation currency of the Company (the reporting entity) is Australian dollars.

**PROFORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

Statement of Financial Position	Unaudited as at 31-Dec-14	Acquisition of ResApp	Pro forma Minimum Raising \$2.5 m	Pro forma Maximum Raising \$4.0 m
	\$	\$	\$	\$
CURRENT ASSETS				
Cash assets	361,233	1,052	2,765,785	4,173,785
Trade receivables	14,038	-	14,038	14,038
Other receivables	290,000	-	290,000	290,000
Other	6,398	-	6,398	6,398
TOTAL CURRENT ASSETS	671,669	1,052	3,076,221	4,484,221
NON CURRENT ASSETS				
Intangibles (see note C)	-	1,754,802	1,754,802	1,754,802
TOTAL NON CURRENT ASSETS	-	1,754,802	1,754,802	1,754,802
TOTAL ASSETS	671,669	1,755,854	4,831,023	6,239,023
CURRENT LIABILITIES				
Payables	13,774	2,200	15,974	15,974
Borrowings	-	3,654	3,654	3,654
Provisions	1,745	-	1,745	1,745
TOTAL CURRENT LIABILITIES	15,519	5,854	21,373	21,373
TOTAL LIABILITIES	15,519	5,854	21,373	21,373
NET ASSETS	656,150	1,750,000	4,809,650	6,217,650
EQUITY				
Issued capital	3,672,950	1,750,000	8,326,450	9,734,450
Reserves	210,000	-	210,000	210,000
Accumulated losses	(3,226,800)	-	(3,726,800)	(3,726,800)
TOTAL EQUITY	656,150	1,750,000	4,809,650	6,217,650

Notes:

- A. The issue of 93,750,000 Shares (Post Consolidation) to acquire 100% of the share capital of ResApp.
- B. The Pro Forma Statement of Financial Position assumes that the Capital Raising will be fully subscribed.
 - i. 26,250,000 Shares (Post Consolidation) issued to sophisticated investors under Tranche 2 of the Placement to raise \$350,000, net of transaction costs of \$21,000.
 - ii. A Capital Raising of 125,000,000 shares (Post Consolidation) at \$0.02, net of transaction costs of \$425,500 for the minimum amount of \$2.5 million and 200,000,000 shares (Post Consolidation) at \$0.02, net of transaction costs of \$517,500 for the maximum amount of \$4.0 million.
 - iii. 18,750,000 Shares (Post Consolidation) issued to advisors as remuneration for facilitating the Proposed Transaction capital raising services.
- C. The Intangibles balance relates to the excess of the consideration over the net assets acquired, this has been provisionally accounted for under AASB 3 Business Combinations. At the time of completion of the acquisition a purchase price allocation exercise will be undertaken to allocate the excess of the consideration to intangible assets, any remaining balance would constitute goodwill.
- D. As noted on page 15 of the Independent Expert's Report, the Audited financial statements for ResApp for the period ended 31 December 2014 present an unqualified audit opinion. The auditor raises an Emphasis on Matter regarding inherent uncertainty of the going concern assumption, however this uncertainty will be resolved upon completion of the Proposed Transaction.

NARHEX LIFE SCIENCES LIMITED
Independent Expert's Report

OPINION: FAIR AND REASONABLE

16 April 2015





Financial Services Guide

16 April 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Narhex Life Sciences Limited ('Narhex') to provide an independent expert's report on the proposal to acquire ResApp Diagnostics Pty Ltd. You will be provided with a copy of our report as a retail client because you are a shareholder of Narhex.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

BDO CORPORATE FINANCE (WA) PTY LTD

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$22,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Narhex for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution***Internal complaints resolution process***

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	4
4.	Outline of the Transaction	6
5.	Profile of Narhex Life Sciences Limited	8
6.	Profile of ResApp Diagnostics Pty Ltd	14
7.	Economic analysis	17
8.	Industry analysis - Mobile Health ('mHealth')	18
9.	Valuation approach adopted	21
10.	Valuation of the Company prior to Transaction	22
11.	Valuation of the Company following the Transaction	29
12.	Is the Transaction fair?	33
13.	Is the Transaction reasonable?	33
14.	Conclusion	35
15.	Sources of information	35
16.	Independence	35
17.	Qualifications	36
18.	Disclaimers and consents	37

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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16 April 2015

The Directors
Narhex Life Sciences Limited
Level 24, 44 St Georges Terrace
PERTH WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 2 October 2014, Narhex Life Sciences Limited ('Narhex' or 'the Company') announced that it had entered into a Heads of Agreement to acquire all the issued capital of ResApp Diagnostics Pty Ltd ('ResApp') referred to as the Transaction.

On 23 February 2015, Narhex announced it had executed a formal Share Sale Agreement ('SSA') regarding the Transaction.

Narhex will be issuing greater than 20% of its issued capital to the Vendors of ResApp.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Narhex have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Transaction is fair and reasonable to the non associated shareholders of Narhex ('Shareholders').

Our Report is prepared pursuant to section 611 of the Corporations Act and is to be included in the Explanatory Memorandum for Narhex in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of a Narhex share on a control basis prior to the Transaction compares to the value of a Narhex share on a minority basis following the Transaction;

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- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to Shareholders.

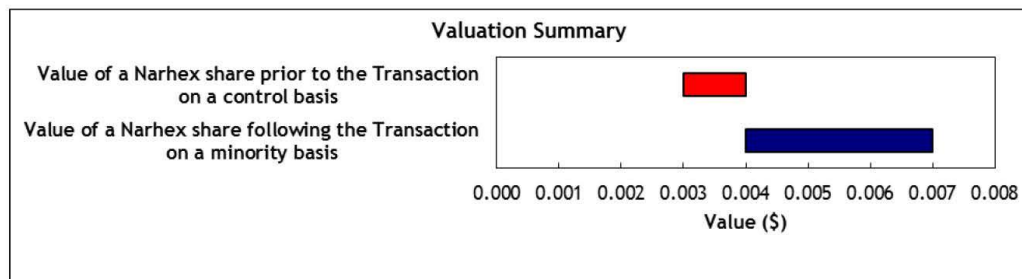
2.4 Fairness

In section 12 we determined that the value of a Narhex share prior to the Transaction on a controlling basis compares to the value of a Narhex share post Transaction on a minority interest basis, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a Narhex share Pre Transaction controlling interest	10.3	0.003	0.003	0.004
Value of a Narhex share Post Transaction minority interest	11.1	0.004	0.005	0.007

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Transaction is reasonable for Shareholders.



The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	The Transaction is fair	13.5	Changing the nature of the business may not appeal to current shareholders
13.4	Business diversification	13.5	Dilution of current shareholdings
13.4	Change in the nature of the business could attract new investors	13.5	Limited trading history of ResApp's technology
13.4	Narhex will acquire 100% of ResApp		
13.4	Exposure to the Mobile Health industry		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposal
13.2	Practical level of control
13.3	Consequences of not approving the Transaction

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act Regulations (**'the Act'**) expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

The Vendors of ResApp (including UniQuest) hold a pre-Transaction shareholding in Narhex of 3.36%. Post-Transaction, the Vendors of ResApp will hold a shareholding of 22.24%, taking their shareholding over the 20% limit for control.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Narhex, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Narhex have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert



believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a Narhex share prior to the Transaction on a control basis and the value of a Narhex share following the Transaction on a minority basis (fairness - see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

ResApp, the Vendors of ResApp and Narhex have executed an SSA under which Narhex will acquire 100% of the issued capital of ResApp.

UniQuest Pty Ltd (**'UniQuest'**) has been granted an exclusive license of the licensed Intellectual Property (**'IP'**) and the software from The University of Queensland (**'UQ'**), and in turn UniQuest has granted to ResApp a Sub-license to commercialise the licensed IP and software.

Together with the proposed acquisition of ResApp by Narhex, as part of the Transaction there will be a share consolidation, capital raising, share placement and facilitation shares issued to Trident Capital Pty Ltd (**'Trident Capital'**), Seamist Enterprises Pty Ltd (**'Seamist'**), SOBOL Capital Pty Ltd (**'SOBOL Capital'**) and CPS Capital Group Pty Ltd (**'CPS Capital'**) as detailed below. All aspects of the Transaction are interdependent on each other.

Share consolidation

The share consolidation proposes that the issued capital of Narhex be altered by consolidating the existing shares on a 3 for 8 basis. The record date for determining the consolidation of capital will be six business days after the date of the general meeting at which the resolution is passed. Any fractional entitlements as a result of the consolidation will be rounded down to the nearest whole number.

Consideration shares

The SSA stipulates that Narhex will acquire 100% of the issued capital of ResApp held by the ResApp Vendors in consideration for Narhex agreeing to issue to the ResApp Vendors, pro rata to their respective shareholdings in ResApp, the following:

- 93.75 million fully paid ordinary Consideration Shares (on a post-consolidation basis) in the capital of Narhex; and
- 93.75 million Performance Shares (on a post-consolidation basis) which will convert into 93.75 million fully paid ordinary shares (on a post-consolidation basis) in the capital of Narhex within seven days of ResApp or the Company (or any related entity of Narhex that is licensed to use the licensed IP) achieving aggregate gross revenue of \$20 million in the five years commencing on the day Narhex is readmitted to quotation on ASX after recompliance with Chapters 1 and 2 of the Listing Rules.

Capital raising

The capital raising will involve the issue of 125 million ordinary shares (on a post-consolidation basis) at an issue price of \$0.02 per share to raise a minimum of \$2.5 million and a maximum raising of up to 200 million ordinary shares (on a post-consolidation basis) to raise up to a total of \$4.0 million.

Share placement

Narhex will issue shares to sophisticated investors through a share placement. As part of the acquisition of ResApp, Narhex announced on 17 December 2014 that the proposed capital raising via the placement would raise a total of \$900,000 in two tranches as follows:

- Tranche One: On 19 December 2014 110 million placement shares (on a pre-consolidation basis) (together with a free attaching option for every 2 placement shares, exercisable at \$0.01 and having an expiry date of 31 December 2016) were issued to sophisticated investors to raise \$550,000; and



- **Tranche Two:** A further 70 million placement shares (on a pre-consolidation basis) (together with a free attaching option for every 2 placement shares, exercisable at \$0.01 and having an expiry date of 31 December 2016) were to be issued to sophisticated investors to raise an additional \$350,000. On 24 March 2015 60 million placement shares were issued to sophisticated investors with the remaining 10 million placement shares (on a pre-consolidation basis) to be acquired by Trident Capital after shareholders have approved that issue.

Facilitation shares

A total of 18,749,999 ordinary shares (on a post-consolidation basis) will be issued to Trident Capital, Seamist, SOBOL Capital and CPS Capital as consideration for facilitating the Transaction.

Pre and Post Transaction share structure

Taking into account all share structure adjustments included in the Transaction, we have outlined the Narhex share structure on a pre-Transaction and post-Transaction basis, as set out below.

	Minimum	Maximum
Pre-Transaction	654,729,407	654,729,407
Post-Transaction		
Share Consolidation	245,523,527	245,523,527
Consideration shares	93,750,000	93,750,000
Capital raising	125,000,000	200,000,000
Share placement - Tranche Two	3,750,000	3,750,000
Facilitation shares - Trident Capital	9,375,000	9,375,000
Facilitation shares - Seamist	6,250,000	6,250,000
Facilitation shares - SOBOL Capital	2,109,375	2,109,375
Facilitation shares - CPS Capital	1,015,624	1,015,624
Post-Transaction share structure	486,773,526	561,773,526

Note that we have not included the Performance shares issued to the Vendors of ResApp in our post-Transaction share structure. We have not undertaken an analysis of the Performance shares as these are contingent on future events for which no reasonable basis as to the likelihood of them converting is present.



5. Profile of Narhex Life Sciences Limited

5.1 History

Narhex Life Sciences Limited listed on the Australian Securities Exchange on 12 January 2005.

The current Narhex Board of Directors consists of the following members:

- Mr Adam Sierakowski, Chariman;
- Mr Christopher Ntoumenopoulos, Non-executive Director; and
- Mr Robert Ramsay, Non-executive Director.

Prior to executing the SSA to acquire the issued capital of ResApp, Narhex had entered into a Heads of Agreement to acquire 75% of the issued capital of Golden Saint Mineral Guinee SA ('GSMG'). GSMG is a Guinea incorporated company that holds 100% interest in five permits that cover four projects that are prospective for diamonds, gold and bauxite.

Narhex had also completed due diligence activities in relation to the proposed acquisition of Golden Saint Liberia Limited ('GSLI'), a Liberian gold and diamond project.

\$110,000 has been spent on due diligence of the potential acquisition of the Guinea and Liberian projects. However, due diligence processes have been delayed for a number of reasons including in-country issues such as the outbreak of the Ebola virus in Liberia and Guinea.

Narhex intends to change the nature and scale of activities undertaken by the Company from mining exploration into the field of respiratory disease diagnosis and management using smart phone application technology.

5.2 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-14 \$	Audited as at 30-Jun-14 \$
CURRENT ASSETS		
Cash assets	361,234	38,034
Trade receivables	14,037	5,514
Other receivables	290,000	290,000
Other	6,397	4,878
TOTAL CURRENT ASSETS	671,668	338,426
TOTAL ASSETS	671,668	338,426
CURRENT LIABILITIES		
Payables	13,773	215,269
Provisions	-	1,745
TOTAL CURRENT LIABILITIES	13,773	217,014
TOTAL LIABILITIES	13,773	217,014
NET ASSETS	657,895	121,412
EQUITY		
Issued capital	3,672,949	3,151,649
Reserves	210,000	210,000
Accumulated losses	(3,225,054)	(3,240,237)
TOTAL EQUITY	657,895	121,412

Source: Reviewed Interim Financial Report for the half year ended 31 December 2014 and the 2014 Annual Report.

The reviewed Interim Financial Report for the half year ended 31 December 2014 includes an unqualified review opinion and does not feature the emphasis of matter regarding inherent uncertainty on going concern that was included in the audit report that accompanied the 30 June 2014 financial statements.

Commentary on Historical Balance Sheet

- The Cash assets have significantly increased in the six months ended 31 December 2014 from \$38,034 to \$361,234. This increase is due to a capital raising of \$521,000, after capital raising costs of \$29,000. The remainder of the capital raised was used to pay outstanding creditors.
- The Other receivables balance consists solely of a loan advanced to GSMG for \$290,000 to provide working capital to GSMG. The loan was entered into on 30 December 2013. The advance was to be repaid on 30 December 2014 and remains payable as at the date of our report.
- The Payables balance has been significantly reduced in the six months ended 31 December 2014. This is due to the capital raising completed in December 2014, as mentioned previously, and \$148,876 of liabilities that were forgiven.



- Net assets have increased significantly to \$657,895 at 31 December 2014 due to net capital raised in December of \$521,000.

5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the six months to 31-Dec-14	Audited for the year ended 30-Jun-14
	\$	\$
Revenue		
Interest Revenue	382	-
Other revenue	150,621	1,467
Expenses		
Administration expenses	(135,562)	(457,441)
Exploration costs	-	(12,896)
Finance costs	(258)	(902)
Due diligence	-	(108,616)
Profit from continuing operations before income tax	15,183	(578,388)
Income tax expense	-	-
Profit from continuing operations	15,183	(578,388)
Other comprehensive income	-	-
Total comprehensive income	15,183	(578,388)

Source: Reviewed Interim Financial Report for the half year ended 31 December 2014 and the 2014 Annual Report.

Commentary on Historical Statement of Comprehensive Income

- Narhex does not currently have any revenue producing operations. The \$150,621 Other income is made up mostly of a forgiveness of creditor liability which amounts to \$148,876. This is made up of Trident Capital and Trident Management Services invoices that were written off and forgiven. In addition to this, \$6,623 was written off as it is not claimable from the Australian Taxation Office ('ATO').
- Administration costs have reduced in the six months ended 31 December 2014 due to a halt in business operations during the financial year ended 30 June 2014 as the coal mining development in Queensland was dismissed and the potential acquisition of the Guinea and Liberian projects have been put on hold due to the outbreak of the Ebola virus in the areas where the tenements reside.
- Exploration costs have ceased in the six months ended 31 December 2014 as the coal mining development in Queensland was dismissed in the financial year ended 30 June 2014.
- Due diligence costs expensed in the financial year ended 30 June 2014 were in relation to the proposed acquisition of GSLL, the Liberian gold and diamond project. The due diligence was completed in the financial year ended 30 June 2014.

5.4 Capital Structure

The share structure of Narhex as at 24 March 2015 is outlined below:

	Number
Total ordinary shares on issue	654,729,407
Top 20 shareholders	422,007,729
Top 20 shareholders - % of shares on issue	64.46%

Source: Narhex Management

The range of shares held in Narhex as at 24 March 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	262	223,447	0.03%
1,001 - 5,000	384	1,052,445	0.16%
5,001 - 10,000	120	977,165	0.15%
10,001 - 100,000	146	6,101,394	0.93%
100,001 - and over	247	646,374,956	98.72%
TOTAL	1,125	654,729,407	100.00%

Source: Narhex Management

The ordinary shares held by the most significant shareholders as at 24 March 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Freeman Road Pty Ltd	70,000,000	10.69%
Mr Jason Peterson & Mrs Lisa Peterson	60,625,623	9.26%
HSBC Custody Nominees (Australia) Limited	42,595,837	6.51%
Narhex Life Sciences Developments Limited	40,000,000	6.11%
Mr Mark John Bahen & Mrs Margeret Patricia Bahen	30,000,000	4.58%
Subtotal	243,221,460	39.37%
Others	411,507,947	60.63%
Total ordinary shares on Issue	654,729,407	100.00%

Source: Narhex Management



The option holders of Narhex as at 24 March 2015 are outlined below:

Name	Number of Options	Exercise Price (\$)	Expiry Date
Freeman Road Pty Ltd	40,000,000	0.01	31 December 2016
Mr Brian Leedman & Mrs Natasha Leedman	5,000,000	0.01	31 December 2016
Troca Enterprises Pty Ltd	5,000,000	0.01	31 December 2016
Elise Ashley Ntoumenopoulos	2,750,000	0.01	31 December 2016
Mr Charles William Thomas	1,250,000	0.01	31 December 2016
K W Investment Holdings Limited	1,000,000	0.01	31 December 2016
Total Number of Options	55,000,000		
Cash raised if Options exercised (\$)	550,000		

Source: Narhex Management



6. Profile of ResApp Diagnostics Pty Ltd

6.1 History

ResApp was incorporated on 30 July 2014. The sole Director of ResApp is Brian Leedman

The main technology transfer and commercialisation company of UQ, UniQuest, has been granted an exclusive licence of the IP and software from UQ regarding the technology for the diagnosis and management of respiratory disease using smartphones. In turn, UniQuest has granted to ResApp a sub-licence to commercialise the licensed IP and software. The Transaction is a condition subsequent to the sub-licence.

Given that the Transaction has not been completed yet, and so the condition subsequent has not been satisfied, ResApp does not hold any IP on the balance sheet at the period end date 31 December 2014.

The technology is based on a machine learning algorithm that uses sound alone to diagnose and measure the severity of a respiratory condition without the need for additional hardware. Through funding from the Bill and Melinda Gates Foundation, UQ validated the algorithm in a brief clinical study of 91 patients. The trial demonstrated 96% and 90% accuracy for the diagnosis of pneumonia and asthma, respectively.

ResApp's vision is to empower consumers to self-diagnose and manage respiratory disease by providing effective, affordable and practical mHealth apps. Patients will be more informed about their health and be able to work more closely with their doctor to achieve better health outcomes.

ResApp will initially target a range of respiratory diseases, including pneumonia, bronchitis, chronic obstructive pulmonary disease and asthma. The planned timeframe to market is potentially less than 18 months with planned US Food and Drug Association ('FDA') clinical trial success and the launch of an approved product in 2016.

6.2 Historical Balance Sheet

Statement of Financial Position		Audited as at 31-Dec-14 \$
CURRENT ASSETS		
Cash assets		1,052
TOTAL CURRENT ASSETS		1,052
TOTAL ASSETS		1,052
CURRENT LIABILITIES		
Payables		2,200
Borrowings		3,654
TOTAL CURRENT LIABILITIES		5,854
TOTAL LIABILITIES		5,854
NET ASSETS/(LIABILITIES)		(4,802)
EQUITY		
Issued capital		1,000
Accumulated losses		(5,802)
TOTAL EQUITY		(4,802)

Source: Audited financial statements for the period ended 31 December 2014

The Audited financial statements for the period ended 31 December 2014 present an unqualified audit opinion. However, the auditor raises an Emphasis of Matter regarding inherent uncertainty of the going concern assumption.

The auditor draws attention to Note 1 in the financial report. This indicates that ResApp incurred a net loss of \$5,802 for the period ended 31 December 2014 and finished the period with a net working capital position in a deficit of \$4,802. Note 1 also indicates that to continue as a going concern, ResApp is dependent on the completion of the Heads of Agreement acquisition of ResApp by Narhex. The auditor concludes that these conditions indicate a material uncertainty that may cast doubt about the ability of the Company to continue as a going concern.

Commentary on Historical Balance Sheet

- Payables consist solely of audit fees payable to Bentleys.
- Borrowings relate to unsecured loans from related parties

6.3 Historical Statement of Comprehensive Income

	Audited period ended 31-Dec-14 \$
Statement of Comprehensive Income	
Revenue	
Other income	-
Expenses	
Administration expenses	(5,802)
Loss from continuing operations before income tax	(5,802)
Income tax expense	-
Loss from continuing operations after income tax	(5,802)
Foreign currency translation differences	-
Total comprehensive loss for the year	(5,802)

Source: Audited financial statements for the period ended 31 December 2014

Commentary on Historical Statement of Comprehensive Income

- ResApp is awaiting the completion of the transaction to satisfy the conditions subsequent under the sub-licence to commercialise the technology for the diagnosis and management of respiratory disease using smartphones from UniQuest.
- Administration expenses consist of accountancy fees, audit fees and bank fees and charges.

7. Economic analysis

Growth in the global economy continued at a moderate pace in 2014. A similar performance is expected by most observers in 2015, with the US economy continuing to strengthen, even as China's growth slows a little from last year's outcome.

Commodity prices have declined over the past year, in some cases sharply. The price of oil in particular has fallen significantly. These trends appear to reflect a combination of lower growth in demand and, more importantly, significant increases in supply. The much lower levels of energy prices will act to strengthen global output and temporarily to lower CPI inflation rates.

Financial conditions are very accommodative globally, with long-term borrowing rates for several major sovereigns at all-time lows over recent months. Some risk spreads have widened a little but overall financing costs for creditworthy borrowers remain remarkably low.

In Australia the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak. As a result, the unemployment rate has gradually moved higher over the past year. The economy is likely to be operating with a degree of spare capacity for some time yet. With growth in labour costs subdued, it appears likely that inflation will remain consistent with the target over the next one to two years, even with a lower exchange rate.

Credit is recording moderate growth overall, with stronger growth in lending to investors in housing assets. Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities over recent months. The Reserve Bank of Australia ('RBA') is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have risen, in part as a result of declining long-term interest rates.

The Australian dollar has declined noticeably against a rising US dollar, though less so against a basket of currencies. It remains above most estimates of its fundamental value, particularly given the significant declines in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy.

Further easing of policy may be appropriate over the period ahead, in order to foster sustainable growth in demand and inflation consistent with the target. The Board will further assess the case for such action at forthcoming meetings.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 3 March 2015

8. Industry analysis - Mobile Health ('mHealth')

8.1 Respiratory Condition

Respiratory conditions affect the airways, including the lungs as well as the passages that transfer air from the mouth and nose into the lungs. They can be long lasting (chronic) or short term (acute) and can cause ill health, disability and death. The Federation of International Respiratory Societies confirmed 1 billion people worldwide suffered from chronic respiratory or pulmonary disease in 2013.

According to the Australian Health Survey, an estimated 6.3 million Australians suffered from a chronic respiratory condition in 2011-12, with it being the most commonly managed problem in general practice. Data from the Bettering the Evaluation and Care of Health survey of general practitioners suggest that they were managed at a rate of approximately 20 times per 100 encounters from 2003-04 to 2012-13.

The National Ambulatory survey conducted in the United States showed similar results with 101 million visits categorised as diseases of the respiratory system in 2010.

8.2 Biotechnology

Biotechnology refers to the use of living organisms, or their products, to modify human health and the human environment. It is becoming an increasingly important part of product development in a variety of industries with the main branches of biotechnology being; medical, agricultural, industrial, environmental and nano-biotech. As at November 2014, Australia's top 10 ASX-listed biotech companies were worth over \$43 billion. Globally, biotechnology is dominated by the United States, which is estimated to generate 60% of global biotechnology revenue, with Australia ranking fourth.

IBISWorld's Biotechnology in Australia report for 2014 shows that industry is forecast to generate revenue of \$6.7 billion in 2014-15, with an increase of 4.1% expected for the current year. Industry revenue is expected to grow at an annualised 3.5% over the five years through 2014-15. Strong levels of foreign investment have boosted the industry along with various government-backed funding schemes over this period. However, the 2014-15 Federal Budget cuts that removed or reduced the three major biotech support schemes are expected to have implications for industry commercialisation during the year.

Access to funding for research and development ('R&D') from private and public entities is a core component for commercialising industry activities. Investment and industry revenue have been slowly recovering since 2009-10, following the global financial crisis. The industry has been one of the beneficiaries of the recent investment slowdown in Australia's resource sector, with investors turning to the biotech sector due to a decline in available resource projects to invest in.

While the sector is largely funded by governments and not-for-profit organisations, the private sector has been increasing its contribution. Receipts from capital raisings and interest incomes earned on cash balances have also been important sources of funding for R&D. The importance of revenue streams outside of government funding has increased over the past 5 years and this shift has occurred as more products have reached the marketing stage, allowing companies to generate sales revenue.

In 2013-14, a number of biotech companies raised capital by issuing equity, and more firms are expected to do so over 2014-15, as they seek to fund research, development and commercialisation programs. The majority of biotechnology development in Australia relates to health concerns, with the prevalence of health concerns expected to increase as the population ages.

The Australian Biotechnology industry is characterised by high barriers to entry, reflecting the nature of the industry itself. The high costs and long lead times involved in the development of a novel biotech product represent a significant entry barrier, along with high degree of risk associated with developing a

biotech product. A human health product must undergo a range of pre-clinical and clinical testing before facing the relevant approval agency, as well as demonstrating significant quality advantages over existing products. This makes intellectual property protection vital, with patents an effective way to raise barrier to entry assuring companies that their market niche will be fairly protected as long as the patent is in place.

The biotechnology industry is technology-intensive with capital playing an important role in how the industry functions. The industry relies primarily on skilled labour for its R&D and product development, with labour costs accounting for just under a quarter of industry revenue. Vast amounts of capital are also used on scientific instruments and equipment at the R&D stage. For every dollar spent on the use and replacement of plant and equipment, \$2.60 is spent on labour.

Biotech companies tend to be small enterprises with just one to a few compounds in development, with many operating at a loss given the length and cost of the R&D process. Australia's biotech industry has a low level of market share concentration, with the top four players accounting for 25% of the market. Concentration has been on the decline with many players that were not previously commercially ready now profitable. These companies have either increased revenue through their own means or through acquisitions by multinational companies looking to bolster their product pipelines and capitalise on their experience in transitioning from R&D stage to commercialisation stage.

Over the five years through 2019-20, a larger proportion of firms are expected to begin generating sales revenue and moving towards profitability. An ageing population will drive demand for new, targeted biotech products that are geared towards unmet needs. Industry revenue is expected to grow at an annualised 5.1% over the next five years, to reach \$8.6 billion in 2019-20. Employment is projected to continue growing at an annualised 2.5% over the next five years, with the industry gaining access to more qualified personnel.

8.3 mHealth

The use of mobile and wireless technologies has the potential to revolutionise the healthcare industry. According to the International Telecommunication Union there are over 5 billion wireless subscribers, with over 85% of the world's population now covered by a commercial wireless signal. Overall mobile penetration rates will have reached 96% globally by 2013, 128% in the developed world and 89% in the developing world. Most of the market share will be in Europe and the Asia-Pacific regions with 30% of share each, followed by North America with 28%.

A report by the World Health Organisation in 2011 found that the most commonly reported mHealth initiatives were health call centres (59%), emergency toll-free telephone services (55%), emergencies (54%) and mobile telemedicine (49%), all of which involve the use of the core voice functionality of a mobile device.

The most pressing global challenge for the Healthcare industry is to make it more accessible at a higher standard for a lower cost. Innovators must manoeuvre through culturally conservative, highly regulated, fragmented and monopolistic systems with contradictory incentives for each party involved. Patients want more convenience and control, while doctors will resist loss of control but enjoy reduction in administration costs.

The services that make up mHealth include:

- Monitoring services and applications, driven primarily by the rapidly ageing population in developed countries and the high levels of chronic disease in emerging markets. Monitoring

services represent a greater percentage of mHealth revenue in countries with higher income level;

- Diagnostic services, expected to support developing markets in bridging their healthcare access challenges, with the majority of revenues expected to come from call-centre and mobile telemedicine solutions. Diagnostic services represent a greater percentage of mHealth revenue in countries with lower income (typically low physician and hospital densities); and
- Treatment, set to also comprise a significant revenue opportunity.

8.3.1 Factors driving change

Drivers of mHealth in each country are different, creating a diversity of interests. The key drivers to consider in the take up of mHealth include healthcare access, mobile penetration, rural urban divide, disease profiles, dependant population and income levels.

There have been rapid advances in mobile technology and applications, growth in coverage of cellular network and a rise in new opportunities for integrated mobile health into eHealth services.

Regulatory reform driven by demographic changes, such as an ageing population and chronic illness, is levelling out the balance between public and private sector participation in healthcare. The public sector is seeking to optimise access and quality while looking towards private healthcare providers for innovation and efficiency, all of which can be enabled with mHealth.

Disruptive innovation typically occurs on the fringes of a sector where consumers have fewer resources and entrenched interests are weaker, which is the case in emerging markets.

8.3.2 Barriers to adoption

Strong resistance to change will slow down adoption with different barriers for each key player. New technology needs to be accompanied by a change in behaviour for all players involved. From a survey conducted by the Economics Intelligence Unit ('EIU') they found that 27% of doctors and 26% of payers say a conservative culture is the leading barrier to adoption of mHealth.

Providers' main concerns arise from privacy and security concerns, with IT integration impeding the take up. From the same EIU survey they found that just 53% of doctors surveyed felt that mHealth applications and service they use work with their current IT systems. For regulators the challenge is to balance patient safety with potential benefits in fast changing field. MHealth services and products also need to appeal to current payers because patients are highly sensitive to price, through sense of entitlement, and will provide little income. Initiatives that involve the purchase of additional hardware can act as a barrier due to the higher costs associated with its use.

8.4 Summary

The path to market is already well established for mHealth, with an evident shift from eHealth to mHealth supported by significant increases in mobile use globally. The popularity of telehealth is an indicator of the growing demand for more cost effective alternatives to the traditional healthcare schemes. With over 85% of the world population having access to a wireless signal, the uptake of mHealth is growing. Products that do not require the purchase of additional hardware will be an attractive alternative, as a result of the consumer friendly operation and reduced cost. Operators within the mHealth industry that can offer new alternatives, at a lower cost, and with fewer regulatory hurdles to overcome will have an easier road to market.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Narhex shares we have chosen to employ the following methodologies:

- Net asset value
- Quoted market price

We have chosen these methodologies for the following reasons:

- Narhex does not currently have business operations with stable historical earnings on which to base an earnings valuation methodology.
- Narhex no basis for future foreseeable income on which to base an earnings valuation methodology.
- Narhex is listed on the ASX and this provides an indication of the market value where a regulated and observable market for the securities exists.
- We have considered QMP as a secondary method as a cross check.

10. Valuation of the Company prior to Transaction

10.1 Net Asset Valuation of Narhex

The value of Narhex's assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	31-Dec-14 \$	Low value \$	Preferred value \$	High value \$
CURRENT ASSETS				
Cash assets	361,234	661,234	661,234	661,234
Trade receivables	14,037	14,037	14,037	14,037
Other receivables	290,000	-	145,000	290,000
Other	6,397	6,397	6,397	6,397
TOTAL CURRENT ASSETS	671,668	681,668	826,668	971,668
TOTAL ASSETS	671,668	681,668	826,668	971,668
CURRENT LIABILITIES				
Payables	13,773	13,773	13,773	13,773
Provisions	-	-	-	-
TOTAL CURRENT LIABILITIES	13,773	13,773	13,773	13,773
TOTAL LIABILITIES	13,773	13,773	13,773	13,773
NET ASSETS	657,895	667,895	812,895	957,895
Shares on issue (pre-consolidation)	654,729,407			
Shares on issue (post-consolidation)	245,523,527			
Value per share (\$)		\$0.003	\$0.003	\$0.004

Source: BDO analysis

The table above indicates that the net asset value of a Narhex share is between \$0.003 and \$0.004 on a post consolidation basis.

The following adjustments were made to the net assets of Narhex as at 31 December 2014 in arriving at our valuation.

Cash assets

We have adjusted Cash assets to include the capital raised from the share issue of 60 million placement shares that took place on 24 March 2015. Placement shares were issued at \$0.005 per share, equating to funds raised totalling \$300,000. Adding this to the balance as at 31 December 2014 brings the Cash assets balance to \$661,234.

Other receivables

Other receivables consist of a loan to GSMG that was to be repaid on 30 December 2014, but has not been repaid as at the date of our Report. Narhex management has advised that they are pursuing remedies



under the loan agreement for funds to be repaid. We have adjusted the value of Other receivables as the likelihood of having the loan repaid is uncertain. For this reason we have accounted for the uncertainty by attaching a 50% probability that the loan will be repaid to our preferred value, equating to an asset value of \$145,000.

10.2 Quoted Market Prices for Narhex Securities

To provide a comparison to the valuation of Narhex in Section 10.1, we have also assessed the quoted market price for a Narhex share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst ResApp will not be obtaining 100% of Narhex, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Narhex share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Narhex share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Narhex share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a Narhex share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 2 October 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 1 October 2014 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Narhex shares from 1 October 2013 to 1 October 2014 has ranged from a low of \$0.002 on 6 June 2014 to a high of \$0.009 on 15 November 2013.

Narhex shares were thinly traded over the 12 months analysed in the chart above with approximately half of the trading days registering nil trades. The majority of trading took place in the two month window from mid-May to mid-July. The share price peaked at the beginning of the 12 month period, gradually declining through to July. The share price recovered, somewhat, to stay at around \$0.006 up until the announcement date.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)		\$ (movement)	
01/09/2014	Preliminary Final Report 30 June 2014	0.007	► 0.0%	0.005	▼ 28.6%
30/04/2014	Appendix 4C - quarterly 31 March 2014	0.005	► 0.0%	0.003	▼ 40.0%
14/02/2014	Agreement to Acquire 75% of Guinea Exploration Company	0.008	▲ 14.3%	0.007	▼ 12.5%
20/12/2013	Acquisition of GSAL, Placement & Board Changes	0.006	▲ 20.0%	0.006	► 0.0%

Source: Bloomberg

Some of the Narhex announcements and corresponding trading and share price consequences are detailed below:

- On 20 December 2013, Narhex announced the following:
 - Narhex has finalised its due diligence on the acquisitions of GSAL and now plans to proceed with the acquisition of GSAL;
 - Three board members resigned, being replaced by Mr Adam Sierakowski and Dr Robert Ramsay;
 - Existing director, Mr Cyril D'Silva, took on the role of Executive Chairman of Narhex; and

- Narhex placed 54,612,057 shares at \$0.01, raising \$546,120.57.

Following the announcement, the Narhex share price did not react at all. This indicates that the market assessed the announcement as non-consequential to the value of equity in Narhex.

- On 14 February 2014, the Company announced that it had entered into a Heads of Agreement to acquire 75% of issued capital of GSMG. GSMG is a Guinea incorporated company that holds 100% interest in five permits that cover four projects that are prospective for diamonds, gold and bauxite. The market initially reacted positively to the announcement, with the share price increasing 14% on the day of the announcement. However, the share price had decreased back to its pre-announcement value three days after the announcement was released to the market. This indicates that the market had varying views on the prospects of GSMG.
- On 30 April 2014, Narhex released its quarterly cash flow Appendix 4C. The main concern to come out of the announcement was that Narhex experienced high cash outflow during the quarter, leaving a low cash balance to continue the running of the business. The market reacted negatively to the news with the share price dropping by 40% in the three days after the announcement was released to the market.
- On 1 September 2014, the Company released its Preliminary Financial Report for the year ended 30 June 2014 which detailed the first insight into the consequences that the Ebola crisis is having on the Company's operations in Liberia and Guinea. The due diligence being completed had been delayed until further notice. The market reacted negatively to the news with the share price dropping by 29% in the three days after the announcement was released to the market.

To provide further analysis of the market prices for a Narhex share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 1 October 2014.

Share Price per unit	01-Oct-14	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.007				
Volume weighted average price (VWAP)		\$0.006	\$0.006	\$0.006	\$0.005

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Narhex shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Narhex shares for the twelve months to 1 October 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.007	\$0.007	200,000	0.03%
10 Days	\$0.006	\$0.008	5,041,125	0.85%
30 Days	\$0.005	\$0.008	10,292,550	1.73%
60 Days	\$0.004	\$0.008	26,141,034	4.40%
90 Days	\$0.002	\$0.008	44,879,677	7.55%
180 Days	\$0.002	\$0.008	56,805,200	9.55%
1 Year	\$0.002	\$0.009	78,002,696	13.12%

Source: Bloomberg, BDO analysis



This table indicates that Narhex's shares display a low level of liquidity, with 13% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Narhex, we do not consider there to be a deep market for the Company's shares as a result of only 13% of the Company's weighted average issued capital being traded over the twelve months prior to the announcement of the Transaction. A deep market for a Company's shares would trade approximately 50% of a Company's issued capital over a comparable period of twelve months.

Our assessment is that a range of values for Narhex shares based on market pricing, after disregarding post announcement pricing, is between \$0.005 and \$0.007.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX up to the announcement date. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	23	777.73	35.08
2013	16	459.82	40.55
2012	32	524.62	41.72
2011	53	921.08	42.60
2010	49	1109.33	37.58
2009	25	1055.97	43.34
2008	25	1440.73	37.92
Median		921.08	40.55
Mean		898.47	39.83

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;



- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that there has been a consistent trend of control premia paid by acquirers of all companies on the ASX since 2008, with an average of around 40%. Based on the analysis above we believe that an appropriate control premium is between 20% and 30%.

Quoted market price including control premium

Applying a control premium to Narhex's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.005	0.006	0.007
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	0.006	0.008	0.009

Source: BDO analysis

Therefore, our valuation of a Narhex share based on the quoted market price method and including a premium for control is between \$0.006 and \$0.009, with a midpoint value of \$0.008, on a pre-consolidation basis.

We have valued Narhex using the NAV methodology on a post-consolidation basis, therefore, we must value Narhex using QMP methodology on a post-consolidation basis. This brings our valuation of a Narhex share based on the QMP method, including a premium for control and on a post-consolidation basis to between \$0.016 and \$0.024, with a midpoint value of \$0.020.

10.3 Assessment of Narhex Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net asset value (Section 10.1)	0.003	0.003	0.004
ASX market prices (Section 10.2)	0.016	0.020	0.024

Source: BDO analysis

We note the value obtained under the NAV methodology is lower than the value obtained under the QMP methodology in our low, preferred and high scenarios. The difference between the valuations obtained under the NAV and QMP approaches can be explained by the following:



- The NAV value range is lower than the QMP value range, which is not uncommon for exploration companies (as Narhex was prior to the ResApp acquisition announcement), which often trade at a premium to its net asset value. This is because investors anticipate some potential upside or 'bluesky' prospects for the company which are factored into the share price in advance of any such value being warranted.
- In our share price analysis above it was noted that there is not a deep market for the Company's shares due to a low level of liquidity.

The net assets value methodology has been deemed most reliable for this purpose due to our analysis of the quoted market price of a Narhex share as we note that only 13% of the Company's issued capital had been traded in the year to 1 October 2014 which is indicative of a low level of liquidity. Therefore, we believe the quoted market price methodology is not as reliable as the net asset value methodology in determining the value of a Narhex share.

We have based our valuation of a Narhex share on the net asset value methodology and utilising the results above we consider the value of a Narhex share to be in the range of \$0.003 and \$0.004, on a control basis.



11. Valuation of the Company following the Transaction

11.1 Valuation of Narhex Post Transaction

Statement of Financial Position	Note	Low value \$	Preferred value \$	High value \$
CURRENT ASSETS				
Cash assets	a)	2,785,734	2,785,734	4,193,734
Trade receivables		14,037	14,037	14,037
Other receivables	b)	-	145,000	290,000
Other		6,397	6,397	6,397
TOTAL CURRENT ASSETS		2,806,168	2,951,168	4,504,168
NON CURRENT ASSETS				
ResApp Investment	c)	(4,802)	(4,802)	(4,802)
TOTAL NON CURRENT ASSETS		(4,802)	(4,802)	(4,802)
TOTAL ASSETS		2,801,366	2,946,366	4,499,366
CURRENT LIABILITIES				
Payables		13,773	13,773	13,773
Provisions		-	-	-
TOTAL CURRENT LIABILITIES		13,773	13,773	13,773
TOTAL LIABILITIES		13,773	13,773	13,773
NET ASSETS		2,787,593	2,932,593	4,485,593
Shares on issue (post-consolidation)	d)	486,773,526	486,773,526	561,773,526
Value per share (\$)		\$0.006	\$0.006	\$0.008
Minority discount		23%	20%	17%
Value per share on a minority discount		\$0.004	\$0.005	\$0.007

Source: BDO analysis

The following adjustments have been made to the valuation of Narhex pre transaction to form our valuation range on a post transaction basis.



a) Cash assets

Cash assets have been adjusted to reflect the transactions below.

	Cash raised from share issues		
	Low	Preferred	High
	\$	\$	\$
Pre-transaction	661,234	661,234	661,234
Resolution 5 - Issue of New shares pursuant to capital raising	2,500,000	2,500,000	4,000,000
Resolution 10 - Issue of 10m (pre-consolidation) Tranche 2 shares to Trident Capital Pty Ltd	50,000	50,000	50,000
Capital raising costs	(425,500)	(425,500)	(517,500)
Total Cash assets	2,785,734	2,785,734	4,193,734

Source: BDO analysis

Regarding Resolution 5, our preferred value incorporates the underwritten number of shares of 125 million shares which is the underwritten component of the capital raising. At the issue price of \$0.02 per share, the share issue will raise \$2.5 million.

Costs associated with the capital raising have been estimated by estimated by Narhex management as detailed below.

	Subscription amount	
	\$2.5 million	\$4.0 million
	\$	\$
Capital raising costs		
Legals	100,000	100,000
Accounting, Tax and IAR	50,000	50,000
Corporate advisory fees	50,000	50,000
ASIC fees	2,500	2,500
ASX fees	63,000	65,000
Other Costs	10,000	10,000
Broker Fees - 6% funds raised	150,000	240,000
Total Estimated Expenses	425,500	517,500

Source: Narhex management

Our preferred value incorporates the capital raising costs of \$425,500 associated with the underwritten component of the capital raising for \$2.5 million.

b) Other receivables

As outlined in Section 10.1, Other receivables consists of a loan to GSMG that was to be repaid on 30 December 2014, but has not been repaid as at the date of our Report. Narhex management has advised that they are pursuing remedies under the loan agreement for funds to be repaid. We have adjusted the value of Other receivables as the likelihood of having the loan repaid is uncertain. For this reason we have accounted for the uncertainty by attaching a 50% probability that the loan will be repaid to our preferred value, equating to an asset value of \$145,000.

c) ResApp investment

The value attributed to the ResApp investment is the Net Asset value of ResApp as at 31 December 2014, as detailed in Section 6.2.

Given the early research and development stage of the respiratory disease diagnosis technology, it is difficult to have reasonable grounds to attribute a value to the technology. For this reason we have used the book value of the net assets of ResApp as the most reasonable basis to value the technology.

d) Shares on issue

Shares on issue have been adjusted to reflect the share issues detailed in the Notice of Meeting, as follows:

	Post-consolidation		
	Low	Preferred	High
Opening balance (pre-consolidation)	654,729,407	654,729,407	654,729,407
Opening balance (post-consolidation)	245,523,527	245,523,527	245,523,527
Resolution 4 - Issue of Consideration shares to ResApp vendors and UniQuest	93,750,000	93,750,000	93,750,000
Resolution 5 - Issue of New shares pursuant to Capital Raising	125,000,000	125,000,000	200,000,000
Resolution 6 - Issue of Facilitation shares to Trident Capital	9,375,000	9,375,000	9,375,000
Resolution 6 - Issue of Facilitation shares to SOBOL Capital	2,109,375	2,109,375	2,109,375
Resolution 7 - Issue of Facilitation shares to Seamist	6,250,000	6,250,000	6,250,000
Resolution 7 - Issue of Facilitation shares to CPS Capital	1,015,624	1,015,624	1,015,624
Resolution 10 - Issue of Tranche 2 shares to Trident Capital Pty Ltd	3,750,000	3,750,000	3,750,000
Total shares on issue following completion and recompliance	486,773,526	486,773,526	561,773,526

Regarding Resolution 5, our preferred value incorporates the underwritten number of shares of 125 million shares which is the underwritten component of the capital raising. At the issue price of \$0.02 per share, the share issue will raise \$2.5 million.

We have not included the exercise of any unlisted options or the Performance shares, as detailed below.

Unlisted options

We have considered the options on issue and the options to be issued under the Transaction. All options have the same terms, as outlined in Section 5.4. Given the share consolidation embedded in the Transaction, the exercise price of the options will increase from \$0.010 to \$0.027. At the post-consolidation exercise price the options are out of the money and so we have assumed they will not be exercised as part of the Transaction.

Performance shares

We have not undertaken an analysis of the Performance shares as these are contingent on future events for which no reasonable basis as to the likelihood of them converting is present. We note that should they convert there is likely to be an increase in the value of the Company which will benefit shareholders.



Incentive options

We have considered the Incentive options to be issued to Dr Tony Keating under the Transaction. The post-consolidation exercise price of each respective tranche of options is \$0.025, \$0.05 and \$0.10, which means all three tranches of Incentive options are out of the money and so we have assumed they will not be exercised as part of the Transaction.

12. Is the Transaction fair?

The pre and post Transaction values of Narhex are compared below:

	Ref	Low \$	Preferred \$	High \$
Value of Narhex Pre Transaction controlling interest	10.3	0.003	0.003	0.004
Value of Narhex Post Transaction minority interest	11.1	0.004	0.005	0.007

We note from the table above that the value of a Narhex share prior to the Transaction on a controlling interest basis is less than the value of a Narhex share on a minority basis following the Transaction. Therefore, we consider that the Transaction is fair.

13. Is the Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Narhex a premium over the value ascribed to, resulting from the Transaction.

13.2 Practical Level of Control

If the Transaction is approved then the Vendors of ResApp will hold an interest of approximately 22.24% in Narhex. This is under the scenario where the underwritten amount is raised in the capital raising, no performance shares are converted and no unlisted options are exercised. In addition to this, Narhex will have a number of Board members nominated by the Vendors of ResApp.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Transaction is approved then the Vendors of ResApp will not be able to block special nor general resolutions, however they are likely to have a significant influence in the decision making of the Company.

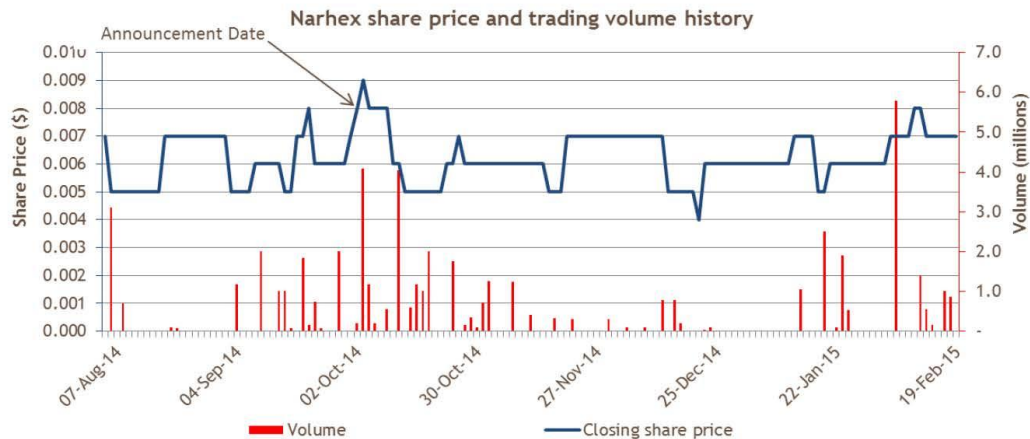
13.3 Consequences of not approving the Transaction

Consequences

If the Transaction is not approved Narhex will need to consider alternative options. The proposed capital raising is interdependent on this acquisition and as such may be difficult to undertake should the acquisition not be approved.

Potential decline in share price

We have analysed movements in Narhex's share price since the Transaction was announced. A graph of Narhex's share price since the announcement is set out below.



Source: Bloomberg

We note that the share price peaked at around the timing of the announcement of the acquisition of ResApp and has remained relatively stable since the announcement.

Given the above analysis it is possible that if the Transaction is not approved then Narhex's share price may not be impacted.

13.4 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Advantage	Description
The Transaction is fair	As set out in Section 12 the Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
Business diversification	Narhex will be diversifying its asset portfolio to include respiratory disease diagnosis and management smart phone technology.
Change in the nature of the business could attract new investors	The change in the Company's activities could attract new investors and may allow the Company to more readily raise additional working capital and as such Narhex may increase its ability to acquire further projects.
Narhex will acquire 100% of ResApp	Acquiring 100% of ResApp will offer full control of the operations of the ResApp business.
Exposure to the Mobile Health industry	The Mobile Health industry is in a high growth stage of the industry life cycle as outlined in Section 8.

13.5 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Changing the nature of the business could lose current investors	Narhex will be changing the nature of its business activities to include mobile health technology development, which may not be consistent with the objectives of the current shareholders of Narhex.
Dilution of current shareholdings	The proposed acquisition will result in the issue of shares to the ResApp Vendors, which will have a dilutionary effect on the current holdings of Shareholders
Limited trading history of ResApp's technology	ResApp is currently in the process of commercialising its product which is set to be launched to market in 2016. Therefore, there is uncertainty in relation to the business of ResApp and investors should consider ResApp's prospects in light of its limited financial history. Also, there is no guarantee that ResApp will successfully commercialise its products.

14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Shareholders of Narhex.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Narhex for the years ended 30 June 2013 and 30 June 2014;
- Reviewed interim financial statements of Narhex for the six months ended 31 December 2014;
- Audited financial statements of ResApp for the year ended 30 June 2014;
- Share Sale Agreement between Narhex and ResApp;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Narhex.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$22,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.



BDO Corporate Finance (WA) Pty Ltd has been indemnified by Narhex in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Narhex, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Narhex and ResApp and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Narhex and ResApp and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Narhex, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Narhex and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 17 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.



18. Disclaimers and consents

This report has been prepared at the request of Narhex for inclusion in the Explanatory Memorandum which will be sent to all Narhex Shareholders. Narhex engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the Transaction to acquire ResApp Diagnostics Pty Ltd is fair and reasonable to shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Narhex. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Narhex, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes
Director

Adam Myers
Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Narhex Life Sciences Limited
CPS Capital	CPS Capital Group Pty Ltd
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FDA	US Food and Drug Association
FME	Future Maintainable Earnings
GSLI	Golden Saint Liberia Limited
GSMG	Golden Saint Mineral Guinee SA
HOA	Heads of Agreement
IP	Intellectual Property
mHealth	Mobile Health
Narhex	Narhex Life Sciences Limited
NAV	Net Asset Value
RBA	The Reserve Bank of Australia



Our Report	This Independent Expert's Report prepared by BDO
ResApp	ResApp Diagnostics Pty Ltd
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Seamist	Seamist Enterprises Pty Ltd
SSA	Share Sale Agreement
Shareholders	Shareholders of Narhex not associated with ResApp
SOBOL Capital	SOBOL Capital Pty Ltd
The Transaction	The proposal to acquire all of the issued shares of ResApp
Trident Capital	Trident Capital Pty Ltd
UniQuest	UniQuest Pty Ltd
UQ	The University of Queensland
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

ANNEXURE E – TERMS OF PLACEMENT OPTIONS

The Placement Options entitle the holder to subscribe for Shares on the terms and conditions set out below.

(a) **Entitlement**

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

(b) **Expiry Date**

Each Option will expire at 5.00pm (WST) on 31 December 2016 (**Expiry Date**).

(c) **Exercise Price**

Each Option will have an exercise price equal to \$0.01 (**Exercise Price**).

(d) **Exercise period and lapsing**

Subject to clause (i), Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.

(e) **Exercise Notice and payment**

Options may be exercised by notice in writing to the Company (**Exercise Notice**) together with payment of the Exercise Price for each Option being exercised. Any Exercise Notice for an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. Cheques paid in connection with the exercise of Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

(f) **Shares issued on exercise**

Shares issued on exercise of Options will rank equally in all respects with then existing fully paid ordinary shares in the Company.

(g) **Quotation of Shares**

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of issue of Shares**

Subject to clause (i), within 5 business days after the later of the following:

- (i) receipt of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised by the Company if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
- (ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Notice of Exercise and payment of the Exercise Price for each Option being exercised by the Company,

the Company will:

- (iii) allot and issue the Shares pursuant to the exercise of the Options;
- (iv) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (to the extent that it is legally able to do so); and
- (v) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Options.

(i) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Options into Shares will be subject to the Company obtaining all required (if any) Shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be

entitled to assume that the exercise of the Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four business days after the issue is announced. This is intended to give the holders of Options the opportunity to exercise their Options prior to the announced record date for determining entitlements to participate in any such issue.

(k) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

(m) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(n) **Quotation**

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

(o) **Transferability**

Options can only be transferred with the prior written consent of the Company (which consent may be withheld in the Company's sole discretion).

ANNEXURE F – TERMS OF INCENTIVE OPTIONS

The Incentive Options entitle the holder Tony Keating (**Employee**) to subscribe for Shares on the terms and conditions set out below.

(a) **Entitlement**

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

(b) **Expiry Date**

Each unexercised Option will expire at 5.00pm (WST) on the 5th anniversary of the issue of the Options (**Expiry Date**).

(c) **Exercise Price**

The Options will have the following applicable exercise prices (**Exercise Price**):

- (i) 5,000,000 Options (on a post-Consolidation basis) with an exercise price of \$0.025;
- (ii) 5,000,000 Options (on a post-Consolidation basis) with an exercise price of \$0.05;
- (iii) 10,000,000 Options (on a post-Consolidation basis) with an exercise price of \$0.10.

(d) **Exercise period and lapsing**

Subject to clause (i), and for so long as the Employee remains an employee of the Company, Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, or if the Employee ceases to be an employee of the Company, any unexercised Options will automatically lapse.

(e) **Exercise Notice and payment**

Options may be exercised by notice in writing to the Company (**Exercise Notice**) together with payment of the Exercise Price for each Option being exercised. Any Exercise Notice for an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. Cheques paid in connection with the exercise of Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

(f) **Shares issued on exercise**

Shares issued on exercise of Options will rank equally in all respects with then existing fully paid ordinary shares in the Company.

(g) **Quotation of Shares**

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of issue of Shares**

Subject to clause (i), within 5 business days after the later of the following:

- (i) receipt of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised by the Company if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
- (ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Notice of Exercise and payment of the Exercise Price for each Option being exercised by the Company,

the Company will:

- (iii) allot and issue the Shares pursuant to the exercise of the Options;
- (iv) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (to the extent that it is legally able to do so); and
- (v) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Options.

(i) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Options into Shares will be subject to the Company obtaining all required (if any) Shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of the Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four business days after the issue is announced. This is intended to give the holders of Options the opportunity to exercise their Options prior to the announced record date for determining entitlements to participate in any such issue.

(k) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

(m) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(n) **Quotation**

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

(o) **Transferability**

Options can only be transferred with the prior written consent of the Company (which consent may be withheld in the Company's sole discretion).

PROXY FORM

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of Narhex Life Sciences Limited and entitled to attend and vote hereby appoint the following proxy/proxies to attend and act on my/our behalf and to vote in accordance with my/our following directions at the General Meeting of Narhex Life Sciences Limited to be held at Trident Capital, Level 24, 44 St Georges Terrace, Perth, Western Australia on 27 May 2015 at 10.00am (WST) and at any adjournment of that meeting.



The Chairman
of the meeting

(mark with an 'X')

OR

IMPORTANT:

If the Chairman of the meeting is your proxy, or if appointed your proxy by default and you do **not** wish to direct him/her how to vote on any of these resolutions, you must mark this box with an "X". By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy on those resolutions (for which you have not given a direction) even if he/she has an interest in the outcome of the resolution and that votes cast by him/her, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on any of these resolutions, the Chairman of the meeting will not cast your votes on the resolutions (for which you have not given a direction) on a show of hands or on a poll. The Chairman of the meeting intends to vote undirected proxies in favour of each resolution.

If the person you are appointing as your proxy is someone other than the Chairman of the meeting:

Write the name of that person in the box below.

If you hold 2 or more Shares in Narhex Life Sciences Limited you may appoint a second proxy:

Write the name of your second proxy in the box below.

%

You must specify the % of your votes that you authorise your proxy to exercise if:

- (a) you have only appointed 1 proxy and do not want him/her to exercise all of your votes; or
(b) if you have appointed 2 proxies under this proxy form.

%

If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of Narhex Life Sciences Limited to be held at Trident Capital, Level 24, 44 St Georges Terrace, Perth, Western Australia on 27 May 2015 at 10.00am (WST) and at any adjournment of that meeting.

Voting directions to your proxy- Please mark only one of the boxes with an "X" for each resolution to indicate your directions.

		For	Against	Abstain
Special Business				
Resolution 1.	Capital Consolidation	☐	☐	☐
Resolution 2.	Change in nature and scale of activities of the Company	☐	☐	☐
Resolution 3.	Approval of Performance Shares	☐	☐	☐
Resolution 4.	Issue of Consideration Shares and Performance Shares to UniQuest and the ResApp Vendors	☐	☐	☐
Resolution 5.	Issue of New Shares pursuant to the Capital Raising	☐	☐	☐
Resolution 6.	Issue of Facilitation Shares to Related Parties	☐	☐	☐
Resolution 7.	Issue of Facilitation Shares to Non-Related Parties	☐	☐	☐
Resolution 8.	Ratification of Placement Shares and Placement Options issued to Sophisticated Investors	☐	☐	☐
Resolution 9.	Issue of Placement Options to Sophisticated Investors	☐	☐	☐
Resolution 10.	Issue of Placement Shares and Placement Options to Trident Capital Pty Ltd	☐	☐	☐
Resolution 11.	Change of Company Name	☐	☐	☐
Resolution 12.	Appointment of Dr Tony Keating as Director	☐	☐	☐
Resolution 13.	Approval of Issue of Incentive Options to Dr Tony Keating	☐	☐	☐

If you mark the "Abstain" box with an "x" for a particular resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll.

PLEASE SIGN HERE
implemented

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

1. Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3. Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy please write the name of that person.

To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5. Signing Instructions

You must sign this form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | where the holding is in one name, the holder must sign. |
| Joint Holding: | where the holding is in more than one name, all of the shareholders should sign. |
| Power of Attorney: | to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place. |

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

6. Lodgment of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting ie. no later than 10.00am (WST) on 25 May 2015. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at c/- Trident Capital, Level 24, 44 St Georges Terrace, Perth, WA 6000 or sent by facsimile to the registered office on (08) 6211 5099.