



**NSX Announcement**

**3 July 2017**

## **ACQUISITION OF PRO-THOTICS TECHNOLOGY INC**

NuCannaCo Science Limited (NSX:NCS) (the **Company** or **NCS**) is pleased to announce that it has entered into a binding acquisition agreement (**Acquisition Agreement**) to purchase 100% of Pro-Thotics Technology, Inc., which operates in the US as Prothotics Health (**Prothotics**).

Formed in 1988, New York-based Prothotics is a medical equipment company that provides orthotic and prosthetic products to patients throughout the United States and Puerto Rico. Prothotics has perfected the marketing of its products and plans to utilise its proprietary techniques and extensive distribution network to market existing and future NuCannaCo products.

The Board of Directors of NCS believes Prothotics to be a profitable and stable business and a perfect fit within the Company's strategic portfolio. Prothotics provides a product solution for pain management without drugs. The Prothotics business will complement the Company's CBD product line designed to reduce pain and inflammation, particularly its first product, NuOxy Complex ([www.NuOxyCo.com](http://www.NuOxyCo.com)).

Discussions with Prothotics began early in 2016 and resulted in a letter of intent from Prothotics in November 2016 to purchase US\$2,000,000 of NuCannaCo CBD products. The contemplated acquisition is a result of discussions in 2017 and Prothotics test marketing its customers and determining they are the perfect target market for NuCannaCo products.

### **The Prothotics Business**

Prothotics provides orthotic and prosthetic (**O&P**) devices via clinician and mail delivery systems. Beginning in 1988, Prothotics maintained a traditional bricks and mortar O&P practice servicing New York, New Jersey and Florida. Commencing in late 2014, the business model was redirected to focus on its current clinician and mail delivery business which provides the ability to reach thousands of patients throughout the US.

The business specialises in state-of-the-art orthotics and prosthetics, wound-care devices, treatment of neuro-muscular disorders, sports rehabilitation bracing, spinal orthotics and custom-made footwear.

Prothotics maintains a full-service Pediatric Care Division and is certified by the American Board of Pediatrics.

Prothotics works with United Cerebral Palsy Associations, schools and pre-schools for the developmentally disabled. Prothotics certified practitioners have a minimum of 20 years' service in the field of pediatrics. Their primary focus is to combine gentle

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caring treatment with personalised orthotic or prosthetic technology solutions for relief of pain without the use of drugs.

### Acquisition Terms

Pursuant to the terms of the Acquisition Agreement, NCS has agreed to acquire 100% of the issued share capital in Pro-Thotics Technology Inc. (**Acquisition**), a corporation incorporated under the laws of the State of New York.

The key terms of the Acquisition are as follows:

- (a) as consideration for the Acquisition, the Prothotics shareholders will receive the following:
  - (i) the issue of 61,176,471 fully paid ordinary shares in NCS at \$0.20 per share at closing; and
  - (ii) a deferred consideration component payable after 1 January 2018 via an earn-out process of cash and/or fully paid ordinary shares in NCS (at the sole discretion of the Company) equal in value to 4.0 times Prothotics' audited FY2017 EBITDA, less USD\$9,411,765.
- (b) NCS will provide a deposit comprising the issue of 4,100,000 fully paid ordinary shares in NCS at \$0.20 per share, and NCS will accept a promissory note bearing simple interest of 5% annually from Prothotics equal to the amount of AUD\$820,000 as consideration for the purchase of the shares in lieu of cash (**Note**);
- (c) the Note can be repaid by either:
  - (i) payment of the principal amount of the Note and any accrued interest in six equal payments commencing seven months from the date of the Acquisition Agreement and each month thereafter for six consecutive months; or
  - (ii) at the closing of the Acquisition, the reduction of 4,100,000 fully paid ordinary shares from the 61,176,471 shares required to be issued by NCS at completion.
- (d) the closing of the Acquisition is subject to the approval / final satisfaction of the Board and approval of NCS' shareholders at an extraordinary general meeting;
- (e) following completion, the Board has agreed to appoint three nominees of Prothotics as directors of the Company and two current US directors of NCS shall resign;
- (f) both parties agree to commence the purchase, marketing and promotion of each other's products and services immediately following the execution of the Acquisition Agreement.

The Acquisition Agreement also contains terms typical for a transaction of this nature, including standard representations and warranties from both parties.

#### Shareholder Approval

The Acquisition may be viewed as a significant transaction for the Company under NSX Listing Rule 6.41 and the acquisition of a substantial asset requiring approval in accordance with NSX Listing Rule 6.43. The acquisition also involves related parties, such that the Company believes that it requires approval from shareholders in accordance with Chapter 2E of the *Corporations Act 2001*. In addition, with respect to the issue of shares to the Prothotics shareholders, the Company will also seek shareholder approval under the takeover provisions (principally, s611 item 7 of the *Corporations Act 2001*) and NSX Listing Rules 6.25 and 6.44.

An Extraordinary General Meeting will be convened to seek the above approvals and any other approvals that the NSX may require, with the meeting expected to be held in early September 2017. Subject to shareholders voting in favour of the Acquisition, completion of the Acquisition will occur shortly thereafter.

On behalf of the Board,

Jonathan W. Lindh  
Company Secretary