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ASX / MEDIA RELEASE

Incitive Acquires V-Patch Medical Systems

Incitive Limited (ASX; ICV), Executive Chairman, Mel Bridges today announced the signing of a Share Sale Agreement to acquire 100% of the shares in Australian medical device company V-Patch Medical Systems1 Pty Ltd and its related entities (**V Patch**).

The acquisition will also coincide with a capital raising for a minimum of \$1m at 1cent to further capitalise the company and continue the international distribution of the V Patch technology.

In making the announcement, Mr Bridges said the V-Patch acquisition will position Incitive in an income earning position as early as the last quarter of 2009, and importantly position the company to be cash flow positive in a faster timeframe. "The V-Patch acquisition, on the back of the recently announced license deal to Peptech for the animal health rights, positions Incitive as a growth technology stock going forward," Mr Bridges added.

V Patch's core business is the development of a non-invasive, non-obtrusive wireless based telemetry system for collecting human vital signs, initially focussed on cardiac (heart) monitoring in real time.

The company has designed, developed and manufactures a set of miniaturised, wearable, non-invasive and non-obtrusive biosensors comprising disposable "patches" and non disposable, wearable, "smart-analysis" modules with wireless connection to mobile/cell phone networks directly interfacing with the internet. This innovative device allows physicians the ability to remotely monitor and analyse a patients' Electro Cardiograph (ECG).

In total, more than \$5.0 million has been spent in developing the device. Initially this technology and the resultant data analysis is being applied to ECG heart measurements to diagnose the early onset of heart disease. The product, called V-Patch®, allows the doctor to select one or all of 10 different suspect rhythms and analyses each heart beat on the body in real time. The beats of interest are then transmitted via the Vodafone cell phone network back to the doctor via the internet and the doctor is advised of the event by email or SMS text, allowing perfect freedom for both patient and doctor.

This system has been tested operationally across diverse telephony/data networks in the UK, Italy, France, Holland, Belgium, Turkey, China and Brazil to ensure the true roaming nature of the technology. The market opportunity exists on various levels:

- At the basic level driving the company's revenue potential it directly taps into the existing annual US\$1.7 billion cardiac monitor market. This market continues to grow due to the obesity pandemic. The V-Patch device is the most advanced in its innovation, advanced telemetry and small size;
- Using the platform telemetry technology for other forms of mobile ambulatory telemetry("MAT") – Monitor equipment sales is a US\$5 billion pa market. MATS is envisaged for intra-hospital use and because of its wireless and light weight nature will allow more patients to be monitored in a mobile situation within the hospital

without expensive and hard wired installations as currently exists. It will also allow the monitoring of patients to occur outside the hospital, using the same equipment with some recuperation at home, thus lowering hospital costs and speeding recovery times

- Discussions regarding the integration of the V-Patch telemetry platform to monitor glucose levels for diabetes patients is also advancing.

The V-Patch product already has CE-Mark (European Union) approval for Europe, and the intention is to file for FDA approval in the 2009-2010 FY.

Key Facts:

Patents: There are a total of 21 Patents employed in this technology, and protection has been secured in both Australia and key overseas markets, creating substantial barriers to entry for competitors.

Manufacturer Agreement: Manufacturing agreements are in place.

Distributor Model: To date, distributors have been signed to represent V-Patch in the UK, Italy, Holland, USA, China, Turkey and Benelux. Negotiations are presently underway for representation in Scandinavia, the Baltic States, Hungary, Czech Republic, Slovenia, Spain, Iran, Argentina, Brazil, Chile, Mexico and India.

Senior Management & Board: Peter Taylor, the current Managing Director and co-founder of V-Patch, will assume the CEO and Managing Director role with Incitive post the acquisition. Mr Bridges will remain the independent Chairman together with Winton Willesee as an independent director. V-Patch will nominate up to two additional directors.

V-Patch Managing Director, Mr Peter Taylor said the opportunity to merge resources and technology with Incitive makes fundamental sense. By joining forces we bring together over a 100 years of collective medical device and international marketing experience. The V-Patch shareholders 100% support putting the two companies together and building the next generation of globally successful and profitable medical device company, he added.

Acquisition Details

ICV is to issue, subject to shareholder approval, and the satisfaction of certain milestones – up to 495 million FPO shares (initially comprising only “performance shares”); and up to 400 million options to acquire ordinary shares exercisable at 1 cent per new share (subject to achievement of performance criteria).

The transaction has been structured such that V-Patch shareholders and interested parties will hold between 51% and 64% of ICV (depending on the outcome of the performance milestones).

ICV is to raise between A\$1 to 2 million of new equity. The shares offered under this placement will be subject to approval by shareholders at the General Meeting approving the acquisition.

For further information on the acquisition please see schedules 1 to 5 below.

Company Background - Specific to Acquisition

Incitive will use the V-Patch acquisition to continue to build on its human and animal health assets. The acquisition will be funded through a structure such that the costs to Incitive will be minimal.

The Board of Incitive is committed to proceed with the V-Patch acquisition.

Mr Bridges closed by saying that the V-Patch acquisition represents an exciting growth opportunity for Incitive shareholders and a potential fast track to maximising shareholder return. We see this acquisition as providing the revenue base to move to cash flow positive in a timely manner, Mr Bridges added.

Company Background – General

Incitive is a Life Science/biotech company that has stated its aim is to become a leader in the medical device sector. The Company will initially focus on the core growth business of remote cardiac monitoring, but will continue to build on this asset and technology base to develop a suite of high volume devices. The Company also specialises in the development of compounds from Bromelain to treat a range of inflammatory and gastrointestinal diseases. These markets are large with Inflammatory Bowel Disease pharmaceutical treatments generating over US\$2.3 billion in sales globally each year.

The business focus is to become a sustainable Life Science device company by internally developing and in-licensing technology.

Incitive's board and management will look at continuing the current pipeline of therapeutic products in a corporate structure to allow the company to focus on the lucrative medical device sector going forward.

Mr Bridges said the therapeutic pipeline will be separately funded. "The therapeutic products we have in our portfolio are novel and based on over ten years of international peer-reviewed research. The lead products include small molecule drugs and protein drugs, all aimed to treat major indications such as organ transplantation and autoimmune diseases – large markets of substantially unmet clinical needs. The mix of scientific excellence, commercial expertise, access to top research facilities and a solid pipeline, puts ICV in a favourable position to place these assets in a separately funded structure," Mr Bridges added.

Incitive is actively pursuing available options to achieve a commercial outcome for its technology, the Company and its Shareholders.

ENDS:

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Executive Chairman

Incitive Limited

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SCHEDULE 1 – SUMMARY OF THE TRANSACTION

Summary of Acquisition

Incitive Limited (**Company** or **ICV**) has entered into certain agreements to conditionally acquire a 100% interest in three entities (**V-Patch 1, V-Patch 2 and V-Patch 3**) that own the assets and intellectual property related to the V-Patch product (**Transaction**). The Transaction is to be conducted in the following three stages:

- a) the Company has entered into a share sale agreement with V-Patch Medical Systems 1 Pty Ltd (**V Patch 1**) and the shareholders in V Patch 1 (**V Patch 1 Shareholders**) to acquire 100% of the issued capital in V Patch 1 (**Share Sale Agreement**) in consideration for the issue of up to 234,424,080 Class A Performance Shares (**V Patch 1 Consideration**) where each Class A Performance Share will convert into one (1) fully paid ordinary share in the capital of the Company (**ICV Share**) in the event that 100% of both V-Patch 2 and V-Patch 3 are acquired through any combination of:
- i. the Company exercising the call option under the V Patch 2 Option Agreement prior to the expiry date for the V-Patch 2 call option.
 - ii. the Company exercising the call option under the V Patch 3 Option Agreement prior to the expiry date for the V-Patch 3 call option.
 - iii. V Patch 1 sells and delivers a minimum of 1,350 units of the "V-Patch" product on or before 28 February 2010, and V-Patch 2 exercises the put option under the V Patch 2 Option Agreement;
 - iv. V Patch 1 obtains approval from the Food and Drug Administration for distribution of the "V-Patch" product on or before 30 June 2010, and V-Patch 3 exercises the put option under the V-Patch 3 Option Agreement,

(the acquisition of both V-Patch 2 and V-Patch 3 through any combination of (i),(ii),(iii), (iv) above is the **V Patch 1 Milestone**);

- b) the Company has entered into a call and put option agreement with V Patch Medical Systems 2 Pty Ltd (**V Patch 2**) and the shareholders in V Patch 2 (**V Patch 2 Shareholders**) where:

- (i) the V Patch 2 Shareholders grant the Company the option to acquire 100% of their shares in V Patch 2; and
- (ii) the Company grants V Patch 2 the option to sell 100% of their V Patch 2 Shares to the Company, subject to V Patch 2 achieving Milestone 1 (**V Patch 2 Option Agreement**),

in consideration for the issue of up to 127,867,680 Class A Performance Shares (V Patch 2 Consideration) where each Class A Performance Share will convert into one (1) ICV Share in the event that the V Patch 1 Milestone is satisfied:

- c) the Company has or will enter into a call and put option agreement with V Patch Medical Systems 3 Pty Ltd (**V Patch 3**) and the shareholders in V Patch 3 (**V Patch 3 Shareholders**) where:

- (i) the V Patch 3 Shareholders grant the Company the option to acquire 100% of their shares in V Patch 3; and
- (ii) the Company grants V Patch 3 the option to sell 100% of their V Patch 3 Shares to the Company, subject to V Patch 3 achieving Milestone 2 on or before 30 June 2010 (V Patch 3 Option Agreement),

in consideration for the allotment and issue of:

- (i) 133,195,500 ICV Shares;
- (ii) 200,000,000 unlisted options to acquire an ICV Share on or before 29 December 2011 at an exercise price of \$0.01, subject to a vesting condition on the terms and conditions as set out in Schedule 3 (Purchaser A Options); and
- (iii) 200,000,000 unlisted options to acquire an ICV Share on or before 28 December 2012 at an exercise price of \$0.01, subject to a vesting condition on the terms and conditions as set out in Schedule 4 (Purchaser B Options),

to the shareholders in V Patch 3 (V Patch 3 Consideration).

The Company will also retain the right to waive compliance with the milestones.

The Company is scheduled to hold a general meeting of its shareholders (**Shareholders**) in August 2009 (**General Meeting**) to approve, amongst other things the issue of the V Patch 1 Consideration, the V Patch 2 Consideration and the V Patch 3 Consideration (together, the **Consideration**).

ICV will make an application to ASX for a waiver from the requirements of ASX Listing Rule 7.3.2, which relates to the period of time within which the Company must issue the V Patch 1 Consideration to the V Patch 1 Shareholders, the V Patch 2 Consideration to the V Patch 2 Shareholders and the V Patch 3 Consideration to the V Patch 3 Shareholders once obtaining shareholder approval pursuant to ASX Listing Rule 7.1.

Summary of VPMS

VPMS is a biotechnology business that has developed a non-invasive, non-obtrusive wireless, telemetry system for collecting human vital signs marked under the trade name 'V-patch'.

V-Patch 1, V-Patch 2 and V-Patch 3 each hold different parts of the intellectual property relating to the 'V-Patch'.

Incitive and the Shareholders intend to agree that the VPMS business, assets and intellectual property will be acquired in the three stages. Stage 1 involves the acquisition of V-Patch 1 and is only proposed to be subject to ICV shareholder approval.

Stages 2 and 3 involve the potential acquisition of V-Patch 2 and V-Patch 3 and will enable the Company to acquire 100% of V Patch 2 and V Patch 3. However, these acquisitions are contingent on those companies meeting certain defined performance milestones. In addition to the above, the Company will make a secured (first ranking) loan available to V Patch 1 of up to \$850,000 (Loan). These funds will be applied towards developing the V Patch business.

SCHEDULE 2 – PRO- FORMA CAPITAL STRUCTURE

The effect of the Transaction on the capital structure of the Company can be summarised as follows:

	Shares	Options	% equity
Existing shares	360,188,014	23,600,000	37.6%
Proposed Placement @1cent	100,000,000		10.5%
Total prior to Acquisition	460,188,014	23,600,000	48.1%
ICV acquires 100% of V Patch 1	234,424,080		24.5%
ICV acquires 100% of V Patch 2 (subject to meeting milestone)	127,867,680		13.4%
ICV acquires 100% of V Patch 3 (subject to meeting milestone)	133,195,500	400,000,000	14.0%
Total	955,675,274	423,600,000	100.0%

SCHEDULE 3 – PRO-FORMA BALANCE SHEET

Pro-Forma Balance Sheet

Set out below is a proforma balance sheet of the Company showing the effects of the acquisition of V Patch 1.

	31 March 2009 Proforma Post Rights Issue and Capital Raising	31 March 2009 Proforma Post V-Patch 1 Acquisition
Current Assets		
Cash assets	1,742,924	1,742,924
TOTAL CURRENT ASSETS	<u>1,742,924</u>	<u>1,742,924</u>
Non-Current Assets		
Investments	0	1,172,120
TOTAL NON-CURRENT ASSETS	<u>0</u>	<u>1,172,120</u>
TOTAL ASSETS	<u>1,742,924</u>	<u>2,915,044</u>
Current Liabilities		
Payables	130,846	130,846
TOTAL CURRENT LIABILITIES	<u>130,846</u>	<u>130,846</u>
Non-Current Liabilities		
Payables	0	0
TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>130,846</u>	<u>130,846</u>
NET ASSETS	<u>1,612,078</u>	<u>2,784,198</u>
Equity		
Contributed equity	8,129,902	9,302,022
Reserves	367,657	367,657
Accumulated losses	(6,885,481)	(6,885,481)
TOTAL EQUITY	<u>1,612,078</u>	<u>2,784,198</u>

The above balance sheet is based on the actual accounts of the Company at 31 March 2009, adjusted for the net proceeds of the recently completed rights issue (\$688,960) and the net proceeds of the proposed Capital raising of \$940,000.

The above balance sheet shows the acquisition of V-Patch 1 for the issue of 234,424,080 shares at 0.5c per share (\$1,172,120).

The above balance sheets assume that no draw down on the Loan has occurred.

SCHEDULE 4 – PURCHASER A OPTIONS

The 200,000,000 Purchaser A Options will entitle the holder to subscribe for Incentive Shares on the following terms and conditions:

- (a) Each Purchaser A Option gives the Optionholder the right to subscribe for one Incentive Share. To obtain the right given by each Purchaser A Option, the Optionholder must exercise the Purchaser A Options in accordance with the terms and conditions of the Purchaser A Options.
- (b) The Purchaser A Options will expire at 5:00 pm (WST) on 29 December 2011 (Expiry Date). Any Purchaser A Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Purchaser A Option will be \$0.01 (Exercise Price).
- (d) Subject to paragraph (e) below, the 200,000,000 Purchaser A Options will only vest in the event that the NPAT for V Patch 1 for the financial year ending 30 June 2011 is at least \$1,680,000 (80% of the NPAT Budget 2011).
- (e) If the NPAT target set out in paragraph (d) is not achieved but, however, the NPAT for V Patch 1 for the financial year ending 30 June 2011 is between 50% (\$1,050,000) and 80% (\$1,680,000) of the NPAT Budget 2011 (\$2,100,000), the Purchaser A Options will vest on a pro rata basis to the NPAT actually achieved up to the NPAT Budget 2011 (\$2,100,000). i.e. if NPAT is 60% of the NPAT Budget 2011, 60% of the Purchaser A Options will vest. The amount of Purchaser A Options that will vest will be allocated between the Shareholders according to the percentage set out next to their name in the eighth column of Schedule 1 of the V Patch 3 Option Agreement (rounded down to the nearest number). For the purposes of this clause, the Shareholders' Representative must, between 30 June 2011 and the Expiry Date, provide the Purchaser's auditor with the relevant evidence and supporting documentation of the NPAT for V Patch 1 so that the Purchaser's auditor can verify and confirm the NPAT calculation. The determination made by the Purchaser's auditor will be final and not open for dispute.
- (f) Until the Purchaser A Options have vested in accordance with paragraphs (d) or (e), the holder must not do any of the following:
 - (i) exercise or agree to exercise the Purchaser A Options;
 - (ii) create, or agree or offer to create any security interest in the Purchaser A Options; or
 - (iii) do, or omit to do, any act if the act or omission would have the effect of transferring ownership or effective control of the Purchaser A Options.
- (g) The Purchaser A Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (h) An Optionholder may exercise their Purchaser A Options by lodging with the Purchaser, before the Expiry Date:
 - (i) a written notice of exercise of Purchaser A Options specifying the number of Purchaser A Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Purchaser A Options being exercised,

(Exercise Notice).

- (i) An Exercise Notice is only effective when the Purchaser has received the full amount of the Exercise Price in cleared funds.
- (j) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Purchaser will allot the number of Incentive Shares required under these terms and conditions in respect of the number of Purchaser A Options specified in the Exercise Notice.
- (k) The Purchaser A Options are not transferable.
- (l) All Incentive Shares allotted upon the exercise of Purchaser A Options will upon allotment rank pari passu in all respects with other Incentive Shares.
- (m) The Purchaser will not apply for quotation of the Purchaser A Options on ASX. However, the Purchaser will apply for quotation of all Incentive Shares allotted pursuant to the exercise of Purchaser A Options on ASX within 10 Business Days after the date of allotment of those Incentive Shares.
- (n) If at any time the issued capital of the Purchaser is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (o) There are no participating rights or entitlements inherent in the Purchaser A Options and Optionholders will not be entitled to participate in new issues of capital offered to Incentive shareholders during the currency of the Purchaser A Options. However, the Purchaser will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Purchaser A Options prior to the date for determining entitlements to participate in any such issue.
- (p) In the event the Purchaser proceeds with a pro rata issue (except a bonus issue) of securities to Incentive shareholders after the date of issue of the Purchaser A Options, the exercise price of the Purchaser A Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (q) In the event the Purchaser proceeds with a bonus issue of securities to Incentive shareholders after the date of issues of the Purchaser A Options, the number of securities over which an Purchaser A Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Purchase A Option had been exercised before the record date for the bonus issue.

SCHEDULE 5 – PURCHASER B OPTIONS

The 200,000,000 Purchaser B Options will entitle the holder to subscribe for Incitive Shares on the following terms and conditions:

- (a) Each Purchaser B Option gives the Optionholder the right to subscribe for one Incitive Share. To obtain the right given by each Purchaser B Option, the Optionholder must exercise the Purchaser B Options in accordance with the terms and conditions of the Purchaser B Options.
- (b) The Purchaser B Options will expire at 5:00 pm (WST) on 28 December 2012 (Expiry Date). Any Purchaser B Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Purchaser B Option will be \$0.01 (Exercise Price).
- (d) Subject to paragraph (e) below, the 200,000,000 Purchaser B Options will only vest in the event that the NPAT for V Patch 1 for the financial year ending 30 June 2012 is at least \$4,080,000 (80% of the NPAT Budget 2012).
- (e) If the NPAT target set out in paragraph (d) is not achieved but, however, the NPAT for V Patch 1 for the financial year ending 30 June 2012 is between 50% (\$2,550,000) and 80% (\$4,080,000) of the NPAT Budget 2012 (\$5,100,000), the Purchaser A Options will vest on a pro rata basis to the NPAT actually achieved up to the NPAT Budget 2011 (\$5,100,000). i.e. if NPAT is 60% of the NPAT Budget 2012, 60% of the Purchaser B Options will vest. The amount of Purchaser B Options that will vest will be allocated between the Shareholders according to the percentage set out next to their name in the eighth column of Schedule 1 of the V Patch 3 Option Agreement (rounded down to the nearest number). For the purposes of this clause, the Shareholders' Representative must, between 30 June 2012 and the Expiry Date, provide the Purchaser's auditor with the relevant evidence and supporting documentation of the NPAT for V Patch 1 so that the Purchaser's auditor can verify and confirm the NPAT calculation. The determination made by the Purchaser's auditor will be final and not open for dispute.
- (f) Until Purchaser B Options have vested in accordance with paragraphs (d) or (e) above, the holder will not do any of the following:
 - (i) exercise or agree to exercise the Purchaser B Options;
 - (ii) create, or agree or offer to create any security interest in the Purchaser B Options; or
 - (iii) do, or omit to do, any act if the act or omission would have the effect of transferring ownership or effective control of the Purchaser B Options.
- (g) The Purchaser B Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (h) An Optionholder may exercise their Purchaser B Options by lodging with the Purchaser, before the Expiry Date:
 - (i) a written notice of exercise of Purchaser B Options specifying the number of Purchaser B Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Purchaser B Options being exercised,

(Exercise Notice).

- (i) An Exercise Notice is only effective when the Purchaser has received the full amount of the Exercise Price in cleared funds.
- (j) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Purchaser will allot the number of Incentive Shares required under these terms and conditions in respect of the number of Purchaser B Options specified in the Exercise Notice.
- (k) The Purchaser B Options are not transferable.
- (l) All Incentive Shares allotted upon the exercise of Purchaser B Options will upon allotment rank pari passu in all respects with other Incentive Shares.
- (m) The Purchaser will not apply for quotation of the Purchaser B Options on ASX. However, the Purchaser will apply for quotation of all Incentive Shares allotted pursuant to the exercise of Purchaser B Options on ASX within 10 Business Days after the date of allotment of those Incentive Shares.
- (n) If at any time the issued capital of the Purchaser is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (o) There are no participating rights or entitlements inherent in the Purchaser B Options and Optionholders will not be entitled to participate in new issues of capital offered to Incentive shareholders during the currency of the Purchaser B Options. However, the Purchaser will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Purchaser Options prior to the date for determining entitlements to participate in any such issue.
- (p) In the event the Purchaser proceeds with a pro rata issue (except a bonus issue) of securities to Incentive shareholders after the date of issue of the Purchaser B Options, the exercise price of the Purchaser B Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (q) In the event the Purchaser proceeds with a bonus issue of securities to Incentive shareholders after the date of issues of the Purchaser B Options, the number of securities over which an Purchaser B Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Purchase B Option had been exercised before the record date for the bonus issue.