

Addresses of Chairman and Acting Managing Director to AGM

CHAIRMAN'S ADDRESS

The major feature of the last financial year was a 553% increase in sales on 2015 with sales reaching \$2.664 million. These sales were all from the sale of Arthrem® and were 99% in New Zealand. In 2016, according to an independent report from RPM Pharmacy Retail, Arthrem® was the top selling pharmacy product in New Zealand by dollar value.

This level of sales was based on the work undertaken in 2015 and benefited from a significant increase in television advertising.

In early October 2016 the results of a six month extension study following the successful clinical trial was published in the New Zealand Medical Journal.

Since the last annual meeting the company's share price has increased from 1.9 cents to 4 cents this morning, an increase of 110%. There were not many NZX listed shares providing that level of return to shareholders over the last year.

Over the last 12 months there has been a much higher level of trading in the company's shares than has been seen for many years. A number of legacy shareholders have left the share register altogether and a number of others have reduced their holdings. Accordingly, between annual reports the number of shareholders has increased from 1149 to 1387, an increase of 238 or approximately 20%.

In December 2016 the company raised \$1.4m by way of a 1 for 10 cash issue at a price of 3 cents per shares. Shareholders were able to apply for shares in excess of their entitlement. Applications for additional shares were scaled back to 22% of the number applied for. The directors consider this to be a very satisfactory outcome. The funds raised will be used to fund expansion of the product supply line and fund the launch of Arthrem® in Australia and the launch of the dog product, Artevite®, in New Zealand.

The company's online strategy in the United States did not produce the expected results and in mid-year all expenditure on this market was terminated until a new strategy can be developed. Development of a new strategy for the US is not the board's highest priority for 2017 but it will be one of a number of matters under active consideration. The company continues to make sales in the US and will continue to supply orders from the US based contracted fulfillment center.

In March this year the company's former chief Executive Officer, Mr. Charlie Daily, left the company to pursue other opportunities. The company acknowledges Mr. Daily's contribution to the development of the company over the last four years.

While the company focuses on a number of urgent tasks at hand one of the directors, Mr. Tom Brankin, has offered to fill the role of Acting Managing Director. The Board felt that it could not wait for the appointment of a new CEO to attend to some urgent priorities, particularly the launch of Artevite® and the launch of Arthrem® in Australia. I can advise you that considerable progress is being made. Tom will address you shortly.

In February this year the company appointed Donna Campbell as its Management Accountant. Donna is an experienced chartered accountant and has already made a significant contribution to the financial operation of the company. Donna is an integral part of the management team.

The loss of \$450,000 for the year was expected but was 47% of the 2015 year and less than budgeted. The generation of trading profits is a priority for the board and management.

I wish to thank my co-directors for their considerable personal commitment to the company during the year and to our management team for their continued commitment and achievement of key results. Malcolm Johnson left the board in June 2016 and the governance responsibilities have been carried by the remaining directors. Today we will appoint an additional director which will strengthen the board ready for the next growth stage.

There have been a number of changes in the marketplace since this time last year. We have three competitors offering an *Artemisia* based treatment for osteoarthritis, one of them a major producer of health products. We will work on strengthening our relationships with New Zealand pharmacies and pharmacy groups and highlight the benefits to them from supporting a successful brand that brings repeat business to their pharmacy.

ACTING MANAGING DIRECTOR'S ADDRESS

In early 2017 the previous CEO Charles Daily announced his resignation from Promisia to pursue other interests. As an interim measure I have taken on the role as Acting Managing Director. My services are offered at no charge to Promisia although the company is covering my expenses.

2016 was another year of excellent growth in terms of both unit sales and revenue for our flagship product Arthrem®.

In 2017 activities in New Zealand have focused on strengthening relationships with our pharmacy retailers, a key component in the success of Arthrem®. Our updated advertising campaign and a higher level of instore support have been developed to meet the challenges of a competitive market.

In April Promisia moved to a new office in Panama House, 22 Panama St. These premises will provide us with a suitable base for the next 2-3 years.

For those present at last year's AGM reference was made to sales of Arthrem® in the US. As Stephen has mentioned, it became obvious that we were under resourced to make an impact in the US market and have now diverted international sales activities, in the first instance, to the Australian market.

In order to do this we needed to obtain TGA (Therapeutic Goods Administration) listing of Arthrem® as a complementary medicine. I am very pleased to report, as announced to NZX on 26 April, that TGA approval has been secured. The process of securing an Australian

distributor that can provide a full service offering for Promisia in Australia is underway. A launch in Australia is expected before the end of the year but is dependent upon reaching acceptable distribution terms.

In addition to the Australian market we are currently doing due diligence on a distribution network in South Korea.

Promisia's second product to the New Zealand market will be Artevite®, a product specifically formulated for dogs. Artevite® will be launched in New Zealand in August to pet shops, veterinary clinics and a few other specialty outlets.

Our research efforts into additional applications for the use of *Artemisia annua*, the key ingredient in both Arthrem® and Artevite®, continues. Promisia has been successful in securing research grants from the Callaghan Institute for additional scientific research, which will be addressed by Promisia's Chief Scientist. I would like to thank the Callaghan Institute on behalf of Promisia for their ongoing support.

We have provided for the expected demand for our *Artemisia* crop through an increase in production by our grower in Tanzania of 60% for 2016 with an additional 60% targeted for 2017.

We remain very optimistic as to the future of Promisia's growth in revenues with the launch of Artevite® and entry of Arthrem® into the Australian retail market. We look forward to updating shareholders in our half yearly report.