



CHAIRMAN'S ADDRESS

It is almost a year ago, to the day, that I addressed my first Annual General Meeting as your incoming Chairman.

Suffice to say this Company is a very different one in a great many respects than was the case a year ago.

With the backing and input of the Board, management has chartered an exciting new course to become a global leader in developing and marketing unique and safe therapeutic natural products. These products will employ validated scientific methodology gathered by robust, evidence-based data.

The comprehensive 2013 annual report bears witness to this new course and the commitment the board has to raising governance standards such that we meet best practice as befitting an NZX listed entity.

We have made two key management appointments being Mr. Charlie Daily, the Company's Chief Executive Officer and Dr. Sheena Hunt the Company's Principal Scientist. In no small way the Company's progress to date is because of Charlie's and Sheena's efforts.

We also welcomed businessman Tom Brankin to the board and we look forward to his contribution particularly his knowledge of agronomy and the healthcare industry.

The Company has raised in excess of \$680,000 through placements and the early exercise of options.

We have a new name and branding strategy the benefits of which are beginning to flow through. I will let Charlie and Sheena provide more background to the Company's strategic thrust and positioning.

We have been successful in receiving two research grants from Callaghan Innovation, a government entity. The application process for these research grants is long and complex and it is a testament to the hard work of the management team that both grant applications were successful.

I thank my Co-Directors for their considerable personal commitment to the company during the year and look forward with the help of our management team to executing on the Company's strategic direction.

CHIEF EXECUTIVE'S ADDRESS

Introduction

It has been just over a year since I took over as CEO of the company.

Challenge for past year

When I took over it was blessed with a game changing extract that was being marketed as a dietary supplement for assisting with joint support to alleviate symptoms associated with arthritis. Anecdotal feedback was overwhelmingly positive. Unfortunately, anecdotal feedback can only help with word of mouth marketing. Healthcare professionals require published robust results from scientific based studies and trials before they will endorse or recommend a product for a therapeutic benefit. The other interesting observation is that not only did our product lack the scientific validity, but the industry as a whole is also lacking the application of such scientific validity. We are determined to develop a significant point of difference between the products we will market in the future and the competition.

Direction

Throughout the past year our company has made some made some big steps in becoming a company that is focused in developing and marketing unique therapeutic natural products with proven safety and efficacy based on robust research. One of the key steps in guiding us in this direction was the appointment of Principal Scientist, Dr Sheena Hunt in September of last year. Dr Hunt brings over 20 years' experience in scientific research.

We are currently carrying out laboratory-based *in vitro* testing of our extract in collaboration with Trinity Bioactives an independent laboratory in Upper Hutt, specialising in testing the bioactivity of natural products. Preliminary results are extremely positive and have well exceeded our early expectations. The laboratory testing was 40% funded by the Crown through a grant from Callaghan Innovation. It is important to know that the results will remain the IP of Promisia Integrative. We have recently received another grant from Callaghan Innovation to fund 40% of a

double-blind, placebo controlled trial at Dunedin Hospital. Again, this trial is with our unique extract and will therefore provide more IP for Arthrem™. Dr Hunt will shortly provide more insight on the early results from the *in vitro* testing, the design of the clinical trial and future research plans.

Brand

Along with our new scientific approach we have re-branded our company. Our new name, Promisia Integrative represents a strong association with science and it also has ties to the plant we are working with, *Artemisia*.

Our advertising agency has put together an engaging campaign to support our rebranding which includes new packaging for our product Arthrem™, in store pharmacy promotional material, a New Zealand Medsafe compliant Arthrem™ website along with a brand new corporate Promisia Integrative website. In conjunction with our branding and advertising, releases from validated scientific research will also bolster product awareness.

Competitive Advantage

Our Arthrem™ brand is becoming well established in New Zealand as a preferred product for joint support. The more validated research which is carried out on our product the more we will differentiate ourselves.

The competitive advantage for our current product Arthrem,™ is based on an established agricultural growing program combined with a unique diffusion-based, high pressure, low temperature extraction process. This in turn is backed by years of unique validated research relevant to our particular extract.

In conjunction with our competitive advantage we also maintain significant quantities of our unique extract. Testing by our Swiss laboratory has shown that our extract has at least a 5 year shelf life before there is any appreciable degradation.

Sales

Sales for Arthrem™ in New Zealand, have seen steady growth since April of last year. We have an outstanding working relationship with our New Zealand pharmacy distributor, Pharmabroker. Their sales team understand our product and there are some specific pharmacies in New Zealand that have had real success in selling our product. A grass roots approach with pharmacies by giving out samples to known

customers who suffer from arthritis has been the most sustainable way of building up product awareness. We have also been using radio as another stimulus, targeting the over 55 age bracket.

The market here in New Zealand is a great test market. But it has never been our intention to focus on New Zealand as the breadwinner for Promisia. The proposition of selling our product overseas is what enticed me into taking on this role and also investing my own money into the company.

As many are aware, I am now based in the US. Unlike the New Zealand market, the pharmacies in the US are controlled by the big players such as Walgreens, CVS and Rite-aid. Finding a distribution arrangement similar to the one here in New Zealand simply doesn't exist. Instead we are focussing on a program that will market directly to the consumer. I am working on establishing relationships with reputable spokespeople from the Healthcare profession in the US. This exercise will work on the backbone of our scientific research. Press releases of our scientific results will need to go through the proper channels to gain the best validated exposure. In conjunction with the business model exercise we are also building an ecommerce website that will be US FDA compliant. Along with our online presence we are negotiating terms for distribution through healthcare professionals, such as Chiropractors, Doctors of Osteopathy and Naturopaths. Integrative medicine in the US appears more established than here in NZ. . The key to our success there will be how we position ourselves. With the research program that our Principal Scientist Dr Hunt is overseeing, the Company is confident that 2015 will produce some impressive sales figures.

As well as the US, we will be working to establish our brand in Australia in the middle of 2015. Unlike New Zealand and the US, Australia has a third category for healthcare products called listed complementary medicine. As a dietary supplement in the US and New Zealand, we are limited as to the therapeutic claims we can make. Once we have results from trials and scientific studies, we will register our product as a listed complementary medicine with the Australian Therapeutic Goods Administration. With this registration and the trial results showing statistical significance, we will be able to make claims in Australia such as "Treatment for Arthritis."

Goals for the next 12 months

Along with growing our sales, Promisia Integrative will also be focusing on the development of some new product formulation. There is definitely a demand for a topical cream that could be used for inflammation of joints and sore muscles. Along with product development we will be striving to develop more valuable IP. The ongoing scientific research is already leading to some inventive ideas which would ultimately create unique patentable formulations.

Our growing program in Tanzania improves each year. Tom Brankin, one of our company directors, is helping with establishing an innovative growing program here in NZ. The goal is to constantly develop a unique agricultural regime for growing *Artemisia annua*.

Share Purchase Plan

We currently have an SPP in the market and we are pleased with progress to date. We have extended the SPP by a further two weeks.

Concluding Remarks

Overall, I'm very pleased with the prospects for growing this company. The board of directors fully understands and endorses our direction, and the growth potential is substantial. I look forward to reporting to the shareholders on our progress over the next 12 months.

PRINCIPAL SCIENTIST'S ADDRESS

I have thoroughly enjoyed the last 8 months at Promisia. I'd like to thank Charlie and the board for their support while I develop a comprehensive scientific programme for the company.

When I started at Promisia, while we had a very exciting product, Arthrem™, there was a lack of any scientific data regarding its efficacy or safety. Such evidence-based data is crucial if we want to gain the confidence of consumers, the trust and endorsement of healthcare professionals and to differentiate our product from the numerous untried and untested supplements on the market.

There are three main questions we need to answer in order to give us the information that we need: "does it work?", "is it safe?" and "how does it work?" The questions, "Does it work" and "is it safe" can only be answered by conducting a well-

designed, ethically approved clinical trial. We have a clinical trial underway and I will discuss that in a moment. We can answer the question, “how does it work” by conducting *in vitro* (laboratory) tests.

***In vitro* testing**

Inflammation is how the immune system in our bodies deals with injury or infection – the aim of inflammation is to remove the harmful stimulus and to initiate healing. White blood cells release chemicals that protect us from infection or injury. Normally this system works well and keeps us safe. But the inflammatory response can sometimes be excessive and inflammation can become chronic.

To test for inflammation *in vitro* we can look at white blood cells – the cells that normally release the chemicals (or inflammatory mediators) to protect the body. In a laboratory, it is possible to activate white blood cells to simulate an inflammatory situation. Stimulating the cells causes them to produce inflammatory markers. These markers can then be measured with and without a test substance, so that you can see whether or not there is any anti-inflammatory effect. While you can't directly extrapolate what is happening in a test tube to what happens in a human body. If you look at *in vitro* results in tandem with clinical trial results then it is possible to get a sense of whether and how a product works.

So far, in collaboration with Trinity Bioactives, we have investigated the effect of our extract on three inflammatory mediators: tumour necrosis factor α (TNF- α); nitric oxide and COX-2. These chemicals are all involved in the inflammatory pathway, and while they are necessary for our bodies to heal damage and fight infection, when they are produced inappropriately or in excess they can cause problems.

Excitingly, the extract in our product Arthrem™ has shown potent anti-inflammatory activity in all three assays *in vitro*. Interestingly in all three assays, the pure single compound artemisinin (which was originally assumed to be the only active compound in the plant extract) is not as active on its own as when it is in the crude plant extract. This is great news for us as it means that it is our unique plant extract that possesses the activity, not a single compound that could potentially be copied.

While the *in vitro* results indicate that the plant extract in Arthrem™ capsules has potential anti-inflammatory activity, only a clinical trial will show us how well Arthrem™ works in the human body.

Clinical trial

We have just started a clinical trial at Dunedin Hospital with consultant rheumatologist, Dr Simon Stebbings, as the principal investigator. The trial will investigate Arthrem™ as a complementary therapy in patients with hip and knee osteoarthritis. The trial will assess patients' pain, stiffness and functionality over a 12 week period. The trial will be randomised, placebo-controlled and double-blind (which means neither the patient nor their doctor will know which treatment that has been allocated to them). We designed the trial in conjunction with Dr Stebbings and a highly qualified biostatistician to ensure that it is statistically sound and scientifically robust. The trial will compare two doses of Athrem™ with a placebo group. We are also going to look at long-term safety. After the 12 week double-blind portion of the trial, patients will be given the option to continue taking Arthrem™ for an additional 6 months (all patients will take the same dose during the long-term safety follow-up). During this time safety will be monitored to allow us to collect much needed long-term safety data. The trial has been approved by NZ Health and Disability Research Ethics Committees and is listed with the Australia and New Zealand Clinical Trials Registry. We aim to publish the results of the 12 week study after the data analysis for that part of the study, with a follow up publication on the safety results 6 months later. It is these publications in peer-reviewed journals that will give the product the credibility it needs to differentiate it from other dietary supplements.

Product development

As Charlie mentioned we are in the process of exploring other products. In terms of osteoarthritis we have met with formulations chemists to design a gel and/or a rub for sore joints and muscles. We believe that our extract has other bioactive properties and we are looking into further product development.

Concluding remarks

I am extremely excited about what the next 12 months holds for us in terms of results and publication of our first clinical trial, the continuation of the scientific programme and the development of new products.

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