ARMILLARY
PRIVATE CAPITAL

Promisia Integrative Limited

Proposed $1.67 million partially underwritten Pro-rata Renounceable Rights Issue, Associated Persons Underwriting Agreement and Related Party Transaction.

Independent Adviser's Report and Independent Appraisal Report

In respect of:

- The Proposed Underwriting Agreement and Allotment of ordinary shares to the Brankin Trust; and
- Authorizing the Brankin Trust to purchase ordinary shares pursuant to a put option exercise.

16 November 2018

Statement of Independence

Armillary Limited, trading as Armillary Private Capital, confirms that it:

– Has no conflict of interest that could affect its ability to provide an unbiased Report; and

– Has no direct or indirect pecuniary or other interest in the proposed transaction considered in this Report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this Report.

Armillary Limited, trading as Armillary Private Capital, has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this Report.

Important Note

This Report has been prepared without considering the objectives, financial situation or needs of individual Promisia Integrative Limited shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the opinion having regard to their own objectives, financial situation or needs. Shareholders should read the Notice of Special Meeting issued by Promisia Integrative Limited in relation to the Proposed Transactions.

Voting for or against the Resolutions is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions or other events, and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transactions should consult with their professional financial advisor.

Similarly, it is a matter for individual shareholders as to whether to buy, hold, or sell securities in Promisia Integrative Limited. This is an investment decision independent of a decision on whether to vote for or against the Resolutions. Armillary Limited does not offer an opinion in this regard and shareholders should consult their professional financial advisor if they wish to buy, hold, or sell securities in Promisia Integrative Limited.

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1. Introduction

1.1. Background

Promisia Integrative Limited ("Promisia" or "the Company") develops and markets therapeutic natural products in New Zealand. It offers Arthrem, a dietary supplement that helps maintain normal healthy function, flexibility and mobility in stiff, and worn or damaged joints; and Artevite, a dietary supplement for dogs, which helps maintain and support healthy joint function and mobility. It markets its products through pharmacies and distributors. Promisia was incorporated in 1983 and is based in Wellington, New Zealand. The Company was formerly known as Savoy Equities Limited and changed its name to Promisia Integrative Limited in December 2013.

As at 31 October 2018 Promisia had 556.7 million ordinary shares on issue, a market price of $0.005 per share and a market capitalisation of $2.78 million. The current share price is reflective of the Company's financial position and recent performance following the Medsafe Alert and associated press in mid-February 2018, which questioned the safety of Arthrem as a consumable product. The market reaction to the Alert and subsequent announcements has significantly impacted demand for Promisia's products and its financial performance has suffered accordingly. Promisia reported a net loss of $1.22 million in the six months ending 30 June 2018 and now requires additional capital to remain solvent and continue operations.

Further information on the Company is set out in section 4.

The Company intends to enter into a series of transactions to provide up to $1.67 million of additional ordinary share capital to repay debt and provide funds for future operations. In addition, there have been several transactions between shareholders in relation to assignment of debts owed by the Company and a put option over existing ordinary shares in the Company. These transactions (collectively "the Proposed Transactions") trigger obligations for the Company under various provisions of the Takeovers Code and the NZX Listing Rules and accordingly shareholder approval is required for them to proceed. Promisia is holding a Special Meeting of shareholders on 4 December 2018 ("Special Meeting") to vote on two resolutions in relation to the Proposed Transactions.

As part of the Special Meeting there is the requirement for an Independent Adviser's Report on the "merits" of the Proposed Transactions in accordance with the Takeovers Code and an Independent Appraisal Report on the "fairness" of the Proposed Transactions in accordance with the NZX Listing Rules (together the "Report").

Armillary Limited, trading as Armillary Private Capital ("Armillary") has been engaged by Promisia to prepare the Report.

1.2. Thomas Brankin

Mr. Thomas Brankin ("Mr. Brankin") is a New Plymouth based businessman. His commercial interests have included a hospital, rest homes and retirement villages throughout New Zealand. He owns iAgri Limited which has developed a cloud-based farm management program. Mr. Brankin has other interests in commercial and residential property.

Mr. Brankin is a director of Promisia, has served as acting CEO in 2017 and has provided additional funding for the Company as required.

A trust associated with Mr. Brankin ("the Brankin Trust") is the largest single shareholder of Promisia. As at 8 November 2018, T.D. Brankin & M. J. Lay, as Trustees of the Brankin Family Interest Trust, held 53,804,210 ordinary shares in Promisia, representing 9.66%[1] of the Company's ordinary shares on issue.

The Brankin Trust has agreed to underwrite, at no cost, $1.05 million of the Company's proposed Pro-rata Renounceable Rights Issue. As part of the underwriting, subject to sufficient shortfall shares being available, the Brankin Trust can, at its discretion, subscribe for an additional $250,000 of ordinary shares making a total commitment from the Brankin Trust of up to $1,300,000.

On 1 October 2018, the Brankin Trust entered into a Deed of Assignment of Debt whereby a debt owing by the Company, of just under $800,000, was sold by Mr. Gary Wells and Wells Investments Limited (collectively "Wells") to the Brankin Trust.

Further, Mr. Brankin is party to a Put Option Deed (the "Put Option") with Wells. Under the Put Option Deed Wells is able to require Mr. Brankin (or his nominee) to purchase up to 39, 027,368 ordinary shares currently held by Wells and representing 7.01% of the current issued ordinary shares of the Company. The Put Option has exercise dates of 30 January 2019 and 30 September 2020.

As at 5 October 2018, the Brankin Trust had advanced Promisia $300,000 in cash and $60,000 in asset purchases and expenses. As announced to NZX on 6 November 2018, the Brankin Trust has agreed to advance a further $440,000 making a total of $800,000. These advances are interest free with no immediate repayment requirement and are secured by a General Security Agreement. As part of the Proposed Transactions it is expected that these $800,000 of advances will be reduced by being offset against the Underwriting Agreement obligation or repaid if the underwriting is not called on to a sufficient extent.

[1] In this Report all shareholding percentages are rounded up or down to two decimal places (i.e. 9.6647% is rounded down to 9.66%). In the Notice of Special Meeting shareholding percentages are all rounded up to two decimal places (i.e. 9.6647% is rounded up to 9.67%).

1.3. The Proposed Transactions

1.3.1. Renounceable Pro-Rata Rights Issue

Promisia intends to undertake a Renounceable Pro-Rata Rights Issue ("Rights Issue") to raise up to $1.67 million (approximately) in additional capital and strengthen its balance sheet.

The Rights Issue provides shareholders with the right to subscribe for 3 new ordinary shares for every 1 ordinary share held, at a price of $0.001 to be fully paid in cash.

The Brankin Trust has agreed to underwrite the Rights Issue to the value of $1.05 million subject to approval by Promisia shareholders. The Underwriting Agreement also allows for the Brankin Trust, at its discretion, to subscribe for an additional $250,000 of ordinary shares (subject to the availability of shortfall shares from the Rights Issue).

The proceeds from the Rights Issue will be used to reduce debt and provide funds to launch new product lines.

Overview of the Rights Issue

The principal terms of the proposed Rights Issue are:

- the right to subscribe for 3 new ordinary shares for every 1 ordinary share held as at the record date (expected to be very shortly after the Special Meeting), resulting in the issue of up to 1,670,126,913 new ordinary shares (subject to rounding);

- the new ordinary shares will be issued at $0.001 each, payable in full in cash;

- due to varying legislative requirements relating to the issue of new ordinary shares some shareholders with offshore registered addresses may not be eligible to participate in the Rights Issue. All shareholders who are residents of New Zealand will be eligible to participate in the Rights Issue;

- the rights are renounceable, meaning shareholders can sell or transfer some or all of their rights, however quotation of the rights on the NZX Main Board will not be sought;

- subject to shareholder approval, the Rights Issue will be underwritten by the Brankin Trust to a value of $1.05 million, with the right to subscribe for an additional $250,000 of ordinary shares taking its commitment up to a maximum amount of $1.30 million;

- there is an oversubscription facility for shareholders to apply for ordinary shares in excess of their *pro rata* entitlement;

- ordinary shares up to a maximum value of $1,670,127 (subject to rounding) will be allotted pursuant to the Rights Issue in the following order:

  - shareholders subscribing for their *pro-rata* entitlement (up to a maximum amount of $1,670,127);

  - the Brankin Trust as underwriter (for an amount which is the lower of $1,050,000 or $1,670,127 less the amount received from valid shareholder subscriptions);

  - the Brankin Trust's discretionary subscription (for an amount, subject to availability, of up to $250,000); and

  - shareholders applying in the oversubscription facility for ordinary shares in excess of their *pro-rata* entitlement (subject to availability and, if necessary, allocated on a *pro-rata* basis); and

- the Rights Issue is expected to be completed prior to 31 December 2018.

Subject to shareholder approval, the full terms of the Rights Issue will be set out in the Rights Issue Share Offer document expected to be sent out shortly after the Special Meeting.

1.3.2. The Underwriting Agreement

The principal terms of the proposed Underwriting Agreement ("the Underwriting Agreement") between Promisia and the Brankin Trust are that the Brankin Trust will underwrite the Rights Issue, for no fee, to a value of the lower of $1.05 million or $1,670,127 less the aggregate amount of valid subscriptions from shareholders for their *pro-rata* entitlement.

In addition to the underwritten amount, the Brankin Trust may, at its discretion, subscribe for an additional $250,000 of shares making for a total commitment of up to $1.30 million of new ordinary shares.

While Non-Associated Shareholders will be able to apply in the Rights Issue for additional ordinary shares beyond their 3 for 1 entitlement, the Brankin Trust will, as detailed above, have the first right, up to a maximum value of $1.30 million, to take up the entitlements of other shareholders that do not want to participate in the Rights Issue.

1.3.3. The Put Option Deed

The Company has had a longstanding liability to Mr. Wells, a former Chairman of the Company, and Wells Investments Limited (collectively "Wells"). This liability has been disclosed in the Company's Annual Reports and has been reduced from approximately $1.20 million to $798,175 as at 30 September 2018.

On 1 October 2018 the Brankin Trust entered into a Deed of Assignment of Debt with Wells to acquire that debt. The Company was not party to this transaction. A condition of the assignment was a separate Put Option Deed ("the Put Option") entered into by Wells and Mr. Brankin. The Put Option enables Wells, and other interests associated with Wells, to sell (or 'put') up to a designated number of existing ordinary shares to Mr. Brankin (or his nominee) on one of two exercise dates, being 30 January 2019 (at a price of $0.006 per share) or 30 September 2020 (at a price of $0.009 per share).

Mr. Brankin has indicated that if he is required to buy any ordinary shares as a result of Wells electing to exercise the Put Option, he will nominate the Brankin Trust as the purchaser of those ordinary shares. The numbers and analysis within this Report are based on the assumption that the Brankin Trust is the purchaser of any shares bought as a result of Wells exercising the Put Option.

The maximum number of ordinary shares that can be put to Mr. Brankin (or his nominee) is 39,027,368 representing 7.01% of the current issued ordinary share capital of the Company. The exercise of the Put Options can be split between the two exercise dates but in no circumstances can the number of ordinary shares sold be greater than the maximum. Wells, as party to the Put Option, is able to sell its shares to other parties at any time, with any shares sold deducted from the number of shares covered by the Put Option, meaning that if the Put Option is exercised the final number sold to Mr. Brankin (or his nominee) could be less than that maximum amount.

The Put Option relates to existing ordinary shares so has no impact on the total number of ordinary shares issued by, or the financial position of, the Company. However, if it is exercised, the Brankin Trust would hold a larger percentage of the voting rights of the Company.

1.3.4. The General Security Agreement

As discussed above the Company has several debt liabilities outstanding to the Brankin Trust. The Brankin Trust has, or by the time of the Special Meeting is expected to have, made cash advances to the Company totaling $800,000. In addition, it has purchased the debt formerly owing to Wells of $798,175.

A General Security Agreement over all the assets of the Company has been granted to the Brankin Trust ("the GSA") by the Company.

If the Proposed Transactions are approved by shareholders, it is expected that the $800,000 of advances will be repaid by being offset against the Brankin Trust's underwriting commitment and/or repaid out of proceeds from the Rights Issue. If this occurs the GSA will secure the residual balance of the debt of $798,175 acquired from Wells.

1.4. Impact on Ownership

Ownership Levels Prior to the Rights Issue

The Company's shareholders not associated with Mr. Brankin or the Brankin Trust ("the Non-Associated Shareholders") collectively hold 90.34% of the Company's ordinary shares on issue as at 8 November 2018.

Ownership Levels After the Rights Issue

After completion of the Rights Issue, which is expected to be prior to 31 December 2018, between 1,050,000,000 and 1,670,126,913 new ordinary shares will be issued:

– Between 0 and 1,508,714,283 ordinary shares will be allotted to the Non-Associated Shareholders subject to their level of participation in the Rights Issue;

– Subject to the level of Non-Associated Shareholder participation in the Rights Issue, and whether the Brankin Trust elects to subscribe for its additional discretionary subscription of up to $250,000, a minimum of 1,050,000,000 and a maximum of 1,300,000,000 ordinary shares will be allotted to the Brankin Trust pursuant to the Underwriting Agreement; and

– Subject to the level of participation of Non-Associated Shareholders in the Rights Issue and whether the Brankin Trust elects to subscribe for additional ordinary shares further ordinary shares will be issued to shareholders who applied for additional shares in the oversubscription facility.

As detailed in Section 2.10, this will result in the Brankin Trust owning between 9.66% and 72.91% of the ordinary shares in the Company.

Levels Following Exercise of the Put Option

The Put Option covers 7.01% of the current issued ordinary shares in the Company however as it is expressed as a fixed number of shares this percentage will reduce substantially as a consequence of the Rights Issue. Depending on the exact outcome of the Rights Issue the Put Option will cover between 1.75% and 2.43% of the issued ordinary shares in the Company. Accordingly, if the Rights Issue proceeds and the Put Option is exercised by Wells the Brankin Trust would end up owning between 11.42% and 75.02% of the issued ordinary shares in the Company.

1.5. Impact of Granting Security

Granting a GSA over the assets of a company is the standard form of protection for lenders in New Zealand. Any lender to the Company will require security over its assets as protection for the amounts owing.

In Promisia's case, given its small size and poor financial performance, this is particularly relevant. It is unlikely that alternative debt providers would be available so granting a security interest over all of its assets to any party willing to lend to it is an appropriate course of action.

1.6. Regulatory Requirements

1.6.1. Takeovers Code

Promisia's ordinary shares are listed on the NZX Main Board and as an Issuer the Company is classified in the Takeovers Code ("the Code") as a Code Company.

Rule 6 of the Code prohibits:

– A person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%; and

– A person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights,

unless the person and their associates comply with the exceptions to Rule 6.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of shareholders of the code company.

The Underwriting Agreement, and subsequent allotment of ordinary shares, may result in the Brankin Trust increasing its control of the voting rights in Promisia from 9.66% to between 9.66% - 72.91%, depending, *inter alia*, on the level of Non-Associated Shareholder participation in the Rights Issue.

In addition, if the Put Option is exercised by Wells the Brankin Trust's shareholding in Promisia would increase by between 1.75% - 2.43% above its shareholding following the Rights Issue.

Accordingly, the Non-Associated Shareholders will, in accordance with the Code, vote at the Special Meeting on an ordinary resolution in respect of the Underwriting Agreement between Promisia and the Brankin Trust and authorizing the Brankin Trust to acquire any ordinary shares it may be required to purchase as a result of Wells exercising the Put Option.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an acquisition under Rule 7(c) or an allotment under Rule 7(d).

The Independent Adviser's Report is to be included in, or accompany, the Notice of Special Meeting pursuant to Rules 15(h) and 16(h).

1.6.2. NZX Main Board Listing Rules

Promisia's ordinary shares are listed on the NZX Main Board and as an Issuer Promisia is subject to the NZX Listing Rules ("the Listing Rules").

Listing Rule 7.5.1 states that no issue of Securities shall be made by an Issuer if:

– there is a significant likelihood that the issue will result in any person or group of Associated Persons materially increasing their ability to exercise, or direct the exercise (either then or at any future time) of effective control of that Issuer; and

– that person or group of Associated Persons is entitled before the issue to exercise, or direct the exercise of, not less than 1% of the total Votes attaching to Securities of the Issuer,

unless the precise terms and conditions of the issue have been approved by an Ordinary Resolution of the Issuer.

The Underwriting Agreement involves the issue of ordinary shares which may materially increase Mr. Brankin's and the Brankin Trust's ability to exercise control over the Company.

Accordingly, the Non-Associated Shareholders will vote at the Special Meeting on an ordinary resolution in respect of the Underwriting Agreement, and potential allotment of ordinary shares, between Promisia and the Brankin Trust, in accordance with the Listing Rules.

Listing Rule 6.2.2 (a) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 7.5.

Listing Rule 9.2.1 stipulates that an Issuer shall not enter into a Material Transaction (as defined in Listing Rule 9.2.2) if a Related Party is a party to the Material

Transaction or to one of a related series of transactions of which the Material Transaction forms part without first obtaining approval of the transaction by way of an ordinary resolution from shareholders not associated with the Related Party.

The Brankin Trust is a Related Party of the Company as it is an Associated Person of Mr. Brankin under the Listing Rules. Mr. Brankin is a Related Party of the Company as he is a director of the Company.

The Underwriting Agreement between the Company and the Brankin Trust is for an amount in excess of 10% of the Average Market Capitalisation of the Company (as that term is defined in the Listing Rules) meaning that it constitutes a Material Transaction.

Listing Rule 9.2.5 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 9.2.1.

1.7. Special Meeting

Shareholders will vote at the Special Meeting on 4 December 2018 on two resolutions ("the Resolutions") to give effect to the Proposed Transactions.

In relation to Resolution 1 ("Brankin Trust – Potential Share Issues and Share Acquisitions") and pursuant to Rule 17 of the Takeovers Code Mr. Brankin, the trustees of the Brankin Trust, Mr. Garrick Wells, Wells Investments Limited and their respective Associates are prohibited from voting any ordinary shares that they hold. Shareholders should read the section "Voting Restrictions" within the Notice of Special Meeting for further details.

In relation to Resolution 2 ("Brankin Trust – Related Party Transaction") and pursuant to Listing Rule 9.3.1 Mr. Brankin and his Associated Persons are prohibited from voting any ordinary shares that they hold.

Shareholders, subject as above to eligibility, will vote on the following resolutions:

Resolution 1: Brankin Trust – Potential Share Issues and Share Acquisitions

Subject to Resolution 2 being approved by shareholders, that under Rules 7(c) and 7(d) of the Takeovers Code and NZX Listing Rule 7.5.1 (as applicable):

a) The Company is authorised to issue up to 1,300,000,000 Shares to Brankin Trust at an issue price of $0.001 per Share under the Underwriting Agreement for the Rights Issue that is described in this Notice of Meeting; and

b) Brankin Trust is authorised to acquire up to 39,027,368 shares if the Put Option described in this Notice of Meeting is exercised, *on the terms further described, and on such additional terms as are not inconsistent with those set out in the Explanatory Notes to the Notice of Meeting.*

Resolution 2: Brankin Trust – Related Party Transaction

Subject to Resolution 1 being approved by shareholders, that under Listing Rule 9.2.1 the Company is authorised to perform the Underwriting Agreement with Brankin Trust that is described in this Notice of Meeting on the terms further described, and on such additional terms as are not inconsistent with those set out in the Explanatory Notes to the Notice of Meeting.

1.8. Purpose of the Report

Promisia's board of directors ("the Board") has engaged Armillary to prepare an Independent Adviser's Report on the merits of the potential share issues and share acquisitions in accordance with Rule 18 of the Code.

Armillary was approved by the Takeovers Panel on 26 October 2018 to prepare the Independent Adviser's Report.

The Board has also engaged Armillary to prepare an Appraisal Report on the fairness of the potential share issues and related party transactions in accordance with Listing Rules 6.2.2 (a) and 9.2.5(b).

Armillary was approved by NZX Regulation on 1 November 2018 to prepare the Appraisal Report.

Armillary issues this Independent Adviser's Report and Appraisal Report to the Board for the benefit of the Non-Associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Resolutions in relation to the Proposed Transactions at the Special Meeting on 4 December 2018.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits and fairness of the Proposed Transactions in relation to each individual shareholder. This report on the merits and fairness of the Proposed Transactions is therefore necessarily general in nature.

This Independent Adviser's Report and Appraisal Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Merits of the Proposed Transactions for the Purposes of the Takeovers Code

2.1. Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the potential share issue and share acquisition by the Brankin Trust with regards to the interests of the Non-Associated Shareholders.

There is no legal definition of the term "merits" in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of merits, guidance can be taken from:

- the Takeovers Panel Guidance Note on Independent Advisers and the Takeovers Code dated 1 March 2018;
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction;
- overseas precedents; and
- the ordinary meaning of the term "merits".

In our opinion the assessment of the merits of the potential share issues and share acquisitions by the Brankin Trust should focus on the:

- requirement for the Rights Issue;
- outlook for Promisia without the Rights Issue;
- background to the Put Option;
- the likelihood of exercise of the Put Option;
- structure and size of the Rights Issue;
- terms and conditions of the Underwriting Agreement;
- alternatives to the Underwriting Agreement;
- effect of the Rights Issue on Promisia's financial position;
- impact on the control of the Company;

- likelihood of a takeover following the transactions;
- impact of the transactions on Promisia's share price and liquidity;
- the dilutionary impact on the Non-Associated Shareholders;
- other benefits and disadvantages to Mr. Brankin and the Brankin Trust;
- other benefits and disadvantages to the Non-Associated Shareholders; and
- wider implications if the Resolutions are not approved.

Our opinion should be considered as a whole. Selecting only portions, without considering all the factors and analysis together, could create a misleading view of the factors and process underlying the opinion.

2.2. Summary of the Evaluation of the Potential Share Issues and Share Acquisitions

Our evaluation of the merits of the potential share issue and share acquisition by the Brankin Trust is set out in detail in sections 2.3 to 2.17.

In summary, the positive aspects are:

- the rationale for the Rights Issue and the Underwriting Agreements is appropriate;
- the Rights Issue is of sufficient size to repay debt and support the commercialization of new product lines;
- all eligible shareholders are able to participate in the Rights Issue on a pro-rata basis and, if they choose, apply for additional shares;
- the rights are renounceable, meaning that they can be transferred or sold however, the rights will not be quoted on the NZX Main Board or any other financial product market;
- the terms of the Underwriting Agreement are favorable to the Company and Non-Associated Shareholders. Typically, an underwriting fee of up to 5% would be charged for similar transactions and zero underwriting fees are rare;
- the Underwriting Agreement provides Promisia with the certainty that the Rights Issue will raise at least $1.05 million;
- the Underwriting Agreement and the Rights Issue will have a positive impact

on the Company's financial position;

- there are few, if any, alternatives to the Underwriting Agreement;
- the potential share issues and share acquisitions may increase the likelihood of a Takeover Offer; and
- The implications of the Resolutions not being approved by the Non-Associated Shareholders are significant. The Company's ability to fund continuing operations will be seriously impacted.

In summary, the negative aspects of the potential share issues and share acquisitions by the Brankin Trust are:

- the Brankin Trust's level of voting rights will range from 9.66% up to 72.91% following the Rights Issue, depending on the level of participation in the Rights Issue by the Non-Associated Shareholders;
- the Rights Issue is likely to have a negative impact on the liquidity of Promisia's ordinary shares;
- the issue price of $0.001 is at a deep discount to the market price of $0.005 as at 9 November 2018. Non-Associated Shareholders that do not take up their entitlements and do not sell their rights will see a significant dilution in the value of their investment in the Company;
- while there is no underwriting fee the Brankin Trust is able to increase the amount subscribed for in the Rights Issue from $1.05 million to $1.30 million. This will increase the level of dilution for Non-Associated Shareholders;
- the Put Option is likely to be exercised, increasing the Brankin Trust's shareholding by between 1.75% and 2.43%;
- the potential share issues and share acquisitions may decrease the likelihood of a Takeover Offer; and
- if the Rights Issue is not well supported by the Non-Associated Shareholders, the effect of the potential share issues and share acquisitions is that Mr. Brankin will significantly increase his ability to influence the outcome of shareholder voting and exert control over the Board and the Company's operations.

There are both positive and negative aspects associated with the potential share issues and share acquisitions by the Brankin Trust. In our opinion, when the Non-Associated Shareholders are evaluating the merits of the potential transactions, they need to carefully consider whether the negative aspects could justify voting against the Resolutions, with the outcome that Promisia would be undercapitalized and in urgent need of additional funding which if not raised could result in an insolvency event for the company.

In our opinion, taking into account all relevant factors, the positive aspects of the Underwriting Agreement and the allotment of ordinary shares to the Brankin Trust, and the associated authority for the Brankin Trust to acquire ordinary shares if the Put Option is exercised outweigh the negative aspects from the perspective of the Non-Associated Shareholders.

2.3. The Requirement for the Rights Issue

The intent of the Rights Issue is to raise funds to enable Promisia to repay debt, fund continuing operations, and launch new products into the market as part of the Company's turnaround strategy.

If fully subscribed, the Rights Issue will raise approximately $1.67 million of new capital. The capital will be used to:

- reduce debt;
- fund losses from the continuing day-to-day operation of the business;
- launch new product lines;
- develop and implement marketing programs for these products; and
- continue to support the Arthrem line through ongoing discussions with Medsafe.

2.4. The Outlook for Promisia Without the Rights Issue

The book value of Promisia's Shareholders Funds at 30 June 2018 was $764,000. It had $104,000 in cash and equivalents, loans of $921,000 and reported a $1.222 million loss in the 6 months to 30 June 2018.

The Company has only managed to survive through the financial support provided by the Brankin Trust. Without the Rights Issue, which seeks to restructure that funding, the Company would be unable to repay its loans or fund ongoing business operations. In the absence of alternative sources of capital, which the Promisia directors believe is unlikely to be available, the Company would likely have to cease operations and find a buyer for its assets. Such an outcome is unlikely to result in any return to shareholders.

2.5. Background to the Put Option

The Put Option arose from a transaction between the Brankin Trust and Wells in relation to the assignment of debt owed by the Company to Wells. That debt was interest bearing (at a rate of 6.50% per annum) with a fixed monthly repayment schedule meaning that it would be fully repaid by August 2019.

With the deterioration in the Company's financial performance over 2018 following the Medsafe Alert the Company was not able to generate sufficient operating cashflow to pay the interest or make the principal repayments nor was it in a position to refinance the loan from alternative providers.

The Company was not a party to the transactions between the Brankin Trust and Wells however to have the Brankin Trust acquire the debt previously owed to Wells was a positive outcome for the Company. Mr. Brankin and the Brankin Trust have demonstrated themselves to be supportive capital providers to the Company and our understanding is that the payment terms of this loan will not be enforced if the Company is unable to make either principal or interest payments on the loan.

The Put Option was a condition of the assignment of that debt. In our opinion the Company benefits from having the debt owed to the Brankin Trust, rather than to Wells, due to Mr. Brankin's and the Brankin Trust's previously demonstrated willingness to amend debt payment terms if the Company is unable to make such payments. Accordingly, in our opinion the combined debt assignment and Put Option transactions are of positive benefit to Promisia and the Non-Associated Shareholders.

2.6. The Likelihood of Exercise of the Put Option

The Put Option is exercisable by Wells at one, or both, of two future dates with a different price applying at each exercise date. Wells can elect to put the ordinary shares to the Brankin Trust at either 30 January 2019 (at a price of $0.006 per share) or 30 September 2020 (at a price of $0.009 per share).

Both these exercise prices are above the current share price of $0.005 and the theoretical ex-rights price of $0.002 per share (see Section 2.12).

There are factors other than price that a holder of a put option may consider before deciding whether to exercise their option. Such factors could include likely future prospects for the company, the liquidity of the underlying shares and the likelihood of finding an alternative buyer for the shares.

Considering these factors, in particular the volume of ordinary shares that have traded on the NZX (see Section 4.9) relative to the number of ordinary shares to which the Put Option relates, along with the relationship between the current share price and the exercise prices of the Put Option we consider it likely that Wells will exercise the Put Option.

2.7. Structure of the Rights Issue

Overview

The Rights Issue is structured as an issue of up to 1,670,126,913 new ordinary shares to eligible shareholders on a 3:1 basis at $0.001 per new share. The Rights Issue will be partially underwritten by the Brankin Trust for an amount of $1.05 million (or 1,050,000,000 new shares) with the Brankin Trust having the right to subscribe for an additional amount of $250,000 for a potential maximum investment of $1.30 million (or 1,300,000,000 new shares).

Size of the Rights Issue

The $1.05 - $1.67 million of capital to be raised under the Rights Issue is based on the Board's estimate of the level of capital required to repay debt, remain solvent in the medium term, support the commercialization of new product lines, and continue support for the Arthrem product.

Pricing

The Rights Issue is priced at a deep discount to the prevailing share price. The Board has set the subscription price at $0.001 which is an 80% discount to the closing share price of $0.005 on 9 November 2018.

The $0.001 price compares to the Net Tangible Assets of $0.0011 per share and Net Asset Value per share of $0.0014 as at 30 June 2018.

This level of discount is at the upper end of the range of discounts observed for rights issues in New Zealand. In the context, however, of a *pro-rata* rights issue for a company in poor financial condition a discount of this magnitude is less unusual.

Renounceable

The rights are renounceable, meaning that they can be transferred or sold, however they will not be quoted on the NZX Main Board or any other financial product market. Given the structure and pricing of the Rights Issue we can understand the Board's decision not to seek quotation of the rights.

2.8. Underwriting Alternatives

Promisia had the following options in relation to underwriting the Rights Issue:

– the Underwriting Agreement with the Brankin Trust as proposed;

– seek an alternative underwriter; or

– propose a non-underwritten Rights Issue.

Proposed Underwriting Agreement with Mr. Brankin

The Brankin Trust will not charge an underwriting fee however as underwriter the Brankin Trust will have the right to take up any shortfall shares ahead of any other shareholders being able to subscribe for them.

As underwriting fees generally account for up to 5.0% of the underwritten amount, Armillary considers the Underwriting Agreement to be favorable to Promisia and the Non-Associated Shareholders.

Alternative Underwriter

Given the small size of the Company, its current financial performance, the limited number of institutional investors on its share register, and the limited liquidity of the Company's shares, we consider it unlikely that Promisia would have been able to secure an alternative underwriter.

We are advised that the Board sought alternative funding options but was not able to progress those discussions in a meaningful manner.

No Underwriter

While rights issues are typically better subscribed for when the issue price is at a large discount to the prevailing share price a discounted issue price does not guarantee the full take-up of a rights issue. Other factors that impact the level of participation in a rights issue include:

– the liquidity of the shares and the spread of shareholders;

– the level of the required investment both in absolute terms and relative to the market value of each holder’s shareholding. In Promisia’s case any shareholder wishing to take up their full entitlement is required to invest 60% of the current market value of their holding in the Rights Issue. For the Non-Associated Shareholders, excluding any within the 20 largest holders, the average investment required to take up their full entitlement is approximately $576;

– the financial performance of the company; and

– the general state of share markets as a whole.

Given the low demand for Promisia shares (based on volumes traded over the last six months), its recent poor financial performance and its very small overall size, we are of the view that Promisia would have a very low probability of raising the underwritten amount of $1.05 million if it elected to have a non-underwritten issue.

2.9. Impact on Financial Position

Promisia's unaudited Shareholders Funds at 30 June 2018 was $764,000. This equated to $0.0014 per share. Loans totaling $921,000 represented 55% of Total Net Operating Assets at the same date. A summary of Promisia's financial position is set out in section 4.7.

The Underwriting Agreement ensures that the Rights Issue will raise at least $1.05m while if the Rights Issue is fully subscribed approximately $1.67 million will be raised.

For illustrative purposes, if the full proceeds from the Rights Issue had been received on 30 June 2018, and the full $800,000 of cash advances had been made by the Brankin Trust at the same date, Promisia's total equity would have increased to $2.43 million and loans would account for 25% of Total Net Operating Assets.

Illustrative Effect of the Rights Issue on Promisia's Financial Position

$'000	30 June 2018	Advances	Adjustments Rights Issue	*Pro-forma* 30 June 2018 Balance Sheet
Cash at Bank	104	677	870	1,651
Net Working Capital	1,340	-	-	1,340
Total Tangible Non-Current Assets	116	-	-	116
Intangible Assets	125	-	-	125
Total Net Operating Assets	**1,685**	**677**	**870**	**3,232**
Long Term Loan (incl. Current Portion)	821	(23)	-	798
Other Advances	100	700	(800)	-
Total Liabilities	**921**	**677**	**(800)**	**798**
Net Assets	**764**	**-**	**1,670**	**2,434**
Share Capital	57,059	-	1,670	58,729
Accumulated Losses	(56,472)	-	-	(56,472)
Other Equity Reserves	177	-	-	177
Total Equity	**764**	**-**	**1,670**	**2,434**
Share on Issue (million)	556.71			2,226.84
Net Assets per share	$ 0.0014			$ 0.0011
Net Tangible Assets per share	$ 0.0011			$ 0.0011

Source: Company Announcements, Directors Report for 6 months to 30 June 2018 (unaudited)

As Promisia is not party to the Put Option (i.e. it relates to existing ordinary shares in the Company) the exercise, or not, of that option has no impact on the financial position of the Company.

2.10. Impact on Control

Share Capital and Shareholders

Promisia currently has 556,708,971 fully paid ordinary shares on issue held by 1,446 shareholders. The names, number of shares and percentage holding of the Company's 20 largest shareholders as at 8 November 2018 are set out in section 4.3.

Promisia currently has two substantial security holders:

- T.D. Brankin & M. J. Lay as Trustees for the Brankin Family Interest Trust – 9.66% of the fully paid ordinary shares

- E. M.M. Johnson & K. Johnson & E. Wright – 8.01% of the fully paid ordinary shares

The Brankin Trust's Potential Shareholding Levels

The Proposed Transactions result in a wide range of possible future shareholding scenarios. Armillary has analysed the impact of the transactions on the basis of three separate scenarios in relation to the Rights Issue and the Underwriting Agreement along with the subsequent impact of the future exercise of the Put Option.

Scenario 1	Non-Associated Shareholders take up 100% of their entitlement under the Rights Issue.
Scenario 2	Non-Associated Shareholders take up 0% of their entitlement under the Rights Issue; and The Brankin Trust underwrites the Rights Issue to $1.05m and subscribes for 1,050,000,000 new ordinary shares.
Scenario 3	Non-Associated Shareholders take up 0% of their entitlement under the Rights Issue; and The Brankin Trust underwrites the Rights Issue to $1.05m and elects to subscribe for an additional $0.25 million and subscribes for a total of 1,300,000,000 new ordinary shares.

As shown in the table below the Brankin Trust could potentially increase its control of voting rights in Promisia from 9.66% up to 72.91% depending on the level of Non-Associated Shareholder participation in the Rights Issue. If the Put Option is exercised the Brankin Trust's shareholding, and control of voting rights, would increase further by between 1.75% and 2.43% depending on the level of Non-

Associated Shareholder participation in the Rights Issue.

	Brankin Trust		Non-associated shareholders		Total	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
Before the Rights Issue						
	53,804,210	9.66%	502,904,761	90.34%	556,708,971	100.00%
After the Rights Issue but BEFORE exercise of the Put Option						
: Scenario 1	215,216,840	9.66%	2,011,619,044	90.34%	2,226,835,884	100.00%
: Scenario 2	1,103,804,210	68.70%	502,904,761	31.30%	1,606,708,971	100.00%
: Scenario 3	1,353,804,210	72.91%	502,904,761	27.09%	1,856,708,971	100.00%
After the Rights Issue and AFTER exercise of the Put Option						
: Scenario 1	254,244,208	11.42%	1,972,591,676	88.58%	2,226,835,884	100.00%
: Scenario 2	1,142,831,578	71.13%	463,877,393	28.87%	1,606,708,971	100.00%
: Scenario 3	1,392,831,578	75.02%	463,877,393	24.98%	1,856,708,971	100.00%

While the extent of the increase is unknown the Brankin Trust is likely to increase its control of voting rights in the Company, possibly to over 50%, without having to make a formal offer to all shareholders in accordance with Rules 7(a) or 7(b) of the Code. To do this requires the Non-Associated Shareholders to pass an ordinary resolution on the matter.

Shareholder Voting Level Scenarios

The Brankin Trust's current level of voting rights of 9.66% does not enable it to pass or block either ordinary or special resolutions (which require the approval of 50% or 75% respectively of the votes cast by shareholders).

Subject to the level of Non-Associated Shareholder participation in the Rights Issue the Brankin Trust's ability to influence the outcome of shareholder voting will likely increase. In the event of low take-up by Non-Associated Shareholders in the Rights Issue the Brankin Trust will gain enough control to pass, or block, any ordinary resolution that they are entitled to vote on and while it could end up in a position of being able to block a special resolution in no circumstances would it control enough votes to pass a special resolution on its own.

If the Put Option, to which the Company is not a party, is exercised (in either January 2019 or September 2020) that will increase the Brankin Trust's level of voting rights by between 1.75% and 2.43% and thus increase its ability to influence the outcome of shareholder voting.

How significant the impact of the increase resulting from an exercise of the Put Option is remains dependent on the outcome of the Rights Issue and, in particular, the level of participation by Non-Associated Shareholders. There are scenarios where, if the Put Option is exercised, the Brankin Trust ends up controlling over 75% of the voting rights and thus gains the ability to pass special resolutions that it is entitled to vote on. For example, if there is zero participation by Non-Associated Shareholders in the Rights Issue, the Brankin Trust elects to subscribe for the maximum number of 1,300,000,000 ordinary shares and the Put Option is exercised the Brankin Trust would control 75.02% of the voting rights in Promisia.

If the Non-Associated Shareholders vote against the Resolutions, the Put Option could still be exercised by the Wells' interests in either January 2019 or September 2020. However, dependent on the Brankin Trust's shareholding prior to that exercise, there are potential implications under the Code if that were to happen.

It is also important to note that the ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by other means such as the Company's constitution, the Code, the Listing Rules and the Companies Act 1993.

Overall, although subject to the level of Non-Associated Shareholder participation in the Rights Issue, we consider that the Underwriting Agreement is likely to significantly increase the Brankin Trust's ability to exert voting control over Promisia.

The impact of the Put Option exercise is likely to be less significant as it represents, at most, 2.43% of post Rights Issue ordinary issued capital of the Company. However, there are scenarios whereby the impact of the Put Option is significant on the Brankin Trust's level of control over Promisia in that it enables it to pass special resolutions, on which it is able to vote on, on its own.

Ability to Creep

If the Brankin Trust ends up controlling more than 50% of the voting rights in the Company, it will then be able to utilise the creep provisions of Rule 7(e) of the Code. These provisions enable shareholders holding more than 50%, and less than 90%, of the voting securities in a Code Company to buy up to an additional 5% of that company's shares each year, in this case starting 12 months after the Rights Issue, without the need for shareholder approval.

Depending on the level of the Non-Associated Shareholders' participation in the Rights Issue, the Brankin Trust may end up in a position where it can utilise these creep provisions.

Board Control

As set out in section 4.2, the Company currently has four directors. Other than Mr. Brankin himself none are deemed to be associates of Mr. Brankin or the Brankin Trust.

We are advised by the Company that at this point in time no agreements have been made with Mr. Brankin as to future board representation following the allotment of ordinary shares under the Proposed Transactions. The level of control that the Brankin Trust has over director appointment and removal will be dependent, *inter alia*, on the level of Non-Associated Shareholder participation in the Rights Issue along with provisions of the Company's constitution and the Listing Rules.

Promisia's constitution allows for directors to be appointed or removed by an ordinary resolution of the shareholders. However, as an Issuer, Promisia has to comply with the Listing Rules which stipulate that there must be at least two Independent Directors or, if there are eight or more Directors, three or one-third of the total number of Directors, whichever is the greater. Such provisions serve to limit the control that Mr. Brankin could have over the level of board representation.

Operations

While Mr. Brankin is a director of the Company this does not entitle him to any direct role in the day-to-day operations of the Company and we are advised that this is not expected to change following completion of the Proposed Transactions.

2.11. Dilutionary Impact

The dilutionary impact of the Pro-Rata Rights Issue and associated Underwriting Agreement on the Non-Associated Shareholders will be between 0% and 63.25% depending on the level of Non-Associated Shareholder participation in the Rights Issue and whether the Brankin Trust elects to subscribe for more than the underwritten amount of $1.05 million.

If the Rights Issue is fully subscribed, the Brankin Trust will maintain its current shareholding of 9.66%. If the Rights Issue is not supported at all by the Non-Associated Shareholders, the Underwriting Agreement will result in the Non-Associated Shareholders interests falling from 90.34% to 27.09%.

As the Put Option relates to existing ordinary shares, it has no dilutionary effect on shareholders.

2.12. Impact on Share Price and Liquidity

Share Price

A summary of Promisia's daily closing share price and daily volume of shares traded from 2 November 2015 is set out in section 4.9.

During 2018, Promisia's shares have traded between $0.02 and $0.004 with a

Volume Weighted Average Price ("VWAP") of $0.0103 and $0.0084 for the period following the Medsafe Alert.

As the Rights Issue subscription price of $0.001 is at an 80% discount to the current market price, the Company's share price is likely to drop following the approval of the Proposed Transactions.

A theoretical price for the Company's ordinary shares following completion of the Rights Issue can be calculated. The theoretical ex-rights price ("TERP") is a function of the ratio of new shares issued to the number of existing shares and the issue price compared to the market price prior to the Rights Issue.

Whether a company's shares trade at, above or below the TERP following completion of a rights issue is determined by factors including share liquidity, investor expectations for future performance and the general state of equity markets as a whole.

In Promisia's case using the 3 for 1 ratio, an issue price of $0.001 per ordinary share and a price prior to the Rights Issue of $0.005 the TERP is $0.002.

The Put Option relates to existing, fully paid ordinary shares, so its exercise or not would not be expected to have any impact on the share price.

Liquidity

Trading in the Company's shares is relatively thin, which is likely a reflection of the fact that that the top 20 shareholders collectively hold 50.84% of the Company's ordinary shares as well as the low market capitalisation of the Company. Only 8.5% of the Company's ordinary shares have traded in 2018 with approximately one third of those traded on a single day (20 February when 18.0 million shares were traded immediately following the Medsafe Alert).

In our opinion the level of Non-Associated Shareholder participation in the Rights Issue will ultimately determine the impact on the liquidity of Promisia's shares. If the Rights Issue is well supported by Non-Associated Shareholders, liquidity is likely to remain at current levels. If the Rights Issue is not well supported by the Non-Associated Shareholders and the Brankin Trust's shareholding increases substantially, there would likely be a negative impact on the liquidity of Promisia's ordinary shares.

The Put Option relates to existing shares held by a long-term investor in the Company. Armillary does not believe that exercise of the Put Option will have a material impact on future liquidity of the shares.

2.13. Key Benefit to Mr. Brankin

The Proposed Transactions provide Mr. Brankin with the possibility to increase his shareholding and level of control in Promisia to a significant level and at a discount to the current share price.

However, this opportunity will only arise if the Non-Associated Shareholders choose not to take up their entitlements under the Rights Issue and Wells elects to exercise the Put Option. In other words, Mr. Brankin and the Brankin Trust has little control over their ultimate level of shareholding in, and control over, the Company.

The Proposed Transactions also have the effect of consolidating the Brankin Trust's interests in Promisia, strengthening the Company's balance sheet, and reaching a satisfactory arrangement with another long-term shareholder in the Company.

2.14. Disadvantages to Mr. Brankin

Increased Exposure to the Risks of Promisia

Section 4.5 outlines a number of factors influencing the performance of Promisia and the risks that the Company faces. As the Brankin Trust's ownership in Promisia increases, so does its exposure to these risks. Following the allotment of ordinary shares under the Rights Issue, the Brankin Trust's level of shareholding will be between 9.66% and 72.91% and will be between 11.42% and 75.02% if the Put Option is exercised.

According to the directors, there are already few, if any, other shareholders willing to provide material financial support to Promisia and this is likely to be exacerbated by the Proposed Transactions. This is likely to mean that the Brankin Trust may need to continue to provide a proportion of the Company's funding requirements in excess of its *pro-rata* shareholding in Promisia.

Mr. Brankin and the Brankin Trust have little control over the ultimate level of their shareholding in Promisia as it will be a function of the level of Non-Associated Shareholders participation in the Rights Issue and whether Wells elects to exercise the Put Option.

Further Financial Commitments

The market value of the Brankin Trust's holding of ordinary shares at 8 November 2018 was $269,021.

The Brankin Trust has advanced $360,000 to Promisia and has committed to advance a further $440,000. These $800,000 of advances are expected to effectively be repaid out of the proceeds from the Rights Issue.

The transaction with Wells, whereby the Brankin Trust purchased a debt owing by the Company, has a total financial commitment of $398,000.

These holdings, and commitments, represent a combined investment of $1,467,021.

The Brankin Trust is able to subscribe for up to1,300,000,000 new ordinary shares under the Underwriting Agreement at a cost of $0.001 per share or $1.30 million in total. The minimum level of its investment in the Rights Issue is $1.05 million.

If Wells elects to exercise the Put Option, the Brankin Trust has a further commitment of up to $351,246.

Overall the Proposed Transactions would increase the Brankin Trust's level of investment in Promisia by between 95.5% and 112.6% depending on the level of Non-Associated Shareholder participation in the Rights Issue, the level of the Brankin Trust's subscription pursuant to the Underwriting Agreement and whether Wells exercises the Put Option.

2.15. Other Issues

All Shareholders Have the Opportunity to Participate in the Rights Issue

The Rights Issue is a *pro-rata* offer to all shareholders. While certain shareholders with an offshore registered address may not be eligible all shareholders who are resident in New Zealand have the opportunity to take up their entitlements to acquire new ordinary shares as well as the opportunity to apply for additional ordinary shares. If all Non-Associated Shareholders take up their entitlements, then the Brankin Trust will not increase its level of voting rights in the Company as a result of the Underwriting Agreement. In that case the Brankin Trust would subscribe to its entitlement in the Rights Issue and maintain its current shareholding of 9.66%.

In this scenario the Brankin Trust's holding would only increase to 11.42% of the issued ordinary shares of Promisia if the Put Option was exercised.

Benefits to Promisia having Mr. Brankin as Major Shareholder

The primary benefit to Promisia of the Underwriting Agreement is that the Company is certain of obtaining at least $1.05 million, and possibly up to $1.30 million, in funding from the Rights Issue.

The Brankin Trust underwriting the Rights Issue will cement the Brankin Trust's position as a cornerstone investor in the Company and further signals its confidence in the future prospects of Promisia. The Brankin Trust has already shown itself to be a supportive shareholder by, *inter alia*, advancing short term funding to the Company on attractive terms (e.g. no interest and no prescribed repayment) as well as underwriting the Rights Issue for no fee.

Impact on the Likelihood of a Takeover Offer

The allotment of ordinary shares to the Brankin Trust under the Underwriting Agreement may result in its level of voting rights in the Company increasing from 9.66% up to a maximum of 72.91% (depending on the level of support from Non-Associated Shareholders in the Rights Issue and whether the Brankin Trust elects to subscribe for more than the underwritten amount of $1.05 million). This will increase to between 11.42% and 75.02% if the Put Option is exercised.

Depending on where the Brankin Trust's shareholding ends up as a result of the Proposed Transactions, it is most likely that it will not be able to increase its shareholding unless it complies with the provisions of the Code and the Listing Rules. It is likely that the Brankin Trust will be in a position whereby it is only able to acquire more shares in the Company if:

– It makes a full or partial takeover offer; or

– The acquisition is approved by way of an ordinary resolution of the Non-Associated Shareholders; or

– The Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-Associated Shareholders; or

– The Company undertakes a share buyback that is approved by the Company's shareholders and the Brankin Trust does not accept the offer of the buyback; or

– It complies with the creep provisions of Rule 7(e) of the Code.

An increase in the Brankin Trust's control of voting rights to between 9.66% and 75.02% may reduce the likelihood of a full takeover offer for the Company from the Brankin Trust as it may consider that it already has a sufficient shareholding in the Company.

In addition, it is possible that if the Brankin Trust did make an offer for further shares in the Company it may offer a lower control premium than would otherwise be expected, as it may price the offer on the basis that it already has a significant interest of the Company and hence does not need to pay a large premium for the balance.

The increase in the Brankin Trust's shareholding may reduce the attraction of Promisia as a takeover target to other parties, as any bidder looking to fully or partially take over the Company would need to ensure that the Brankin Trust would accept its offer.

Alternatively, the Proposed Transactions may increase the likelihood of a takeover as either:

- the Brankin Trust looks to move to 100%; or
- an external party may be more attracted to make an offer as, in the first instance, it would only have to reach an agreement with one party (the Brankin Trust) to achieve a significant level of control over the company. Under the provisions of the Code if a third party were to buy the Brankin Trust's shareholding it would, depending on the level of Non-Associated Shareholder participation in the Rights Issue, be likely to result in an offer for 100% of the ordinary shares of the Company.

2.16. Implications of the Resolutions not Being Approved

If the Resolutions are not approved, then the Brankin Trust will not be able to underwrite the Rights Issue and the Rights Issue will not proceed.

Unless the Company could raise sufficient capital from alternative sources within a short timeframe the Company would likely have to cease operations and find a buyer for its assets. Such an outcome is unlikely to result in any return to shareholders.

2.17. Voting For or Against The Resolutions

Voting for or against the Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser.

3. Evaluation of the Fairness of the Proposed Transactions for the Purposes of the NZX Listing Rules

3.1. Basis of Evaluation

NZX Listing Rule 1.7.2 requires an Appraisal Report to consider whether or not, in the opinion of the Appraiser, the consideration and the terms and conditions of the Proposed Transactions are fair to the holders of equity securities other than those associated with the Brankin Trust and its Associated Persons, and the grounds for that opinion.

This Report is addressed to the Non-Associated directors of Promisia being those persons who are not Associated Persons of Mr. Brankin or the Brankin Trust. This Report is for the benefit of the Non-Associated Shareholders of Promisia, being those shareholders who are not Associated Persons of Mr. Brankin or the Brankin Trust.

There is no legal definition of the term "fair" in New Zealand in either the NZX Listing Rules or in any statute dealing with securities or commercial law. However, it is generally considered that an assessment of the fairness of a transaction (as required under NZX Listing Rules) is a narrower test than an assessment of the merits of a transaction (as required under the Takeovers Code). Notwithstanding this we have evaluated the fairness of the Proposed Transactions on essentially the same terms as we evaluated the merits of the Proposed Transactions and have given due regard to:

– the rationale for the Proposed Transactions;

– the terms and conditions of the Proposed Transactions;

– potential alternatives to the Proposed Transactions;

– the potential impact on the ownership of Promisia by Mr. Brankin and the Brankin Trust;

– the potential impact on the control of Promisia by Mr. Brankin and the Brankin Trust;

– Other benefits and disadvantages to Promisia and the Non-Associated Shareholders; and

– The implications of the Resolutions in respect of the Proposed Transactions not being approved.

Our opinion should be considered as a whole. Selecting only portions, without considering all the factors and analysis together, could create a misleading view of the factors and process underlying the opinion.

3.2. Evaluation of the Fairness of the Proposed Transactions

In our opinion, taking into account all relevant factors, the consideration and the terms and conditions of the Proposed Transactions are fair to the Non-Associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.17. In summary, the key factors leading to our opinion are:

- The rationale for the Rights Issue and the Underwriting Agreement is sound;

- The terms of the Rights Issue and the Underwriting Agreement are reasonable;

- The Underwriting Agreement provides Promisia with the certainty that the Rights Issue will raise at least $1.05 million;

- The Rights Issue and Underwriting Agreement will have a positive impact on the Company's financial position;

- The attraction of Promisia as a takeover target may change if the Brankin Trust's shareholding increases substantially;

- The Brankin Trust's level of voting rights will range between 9.66% - 72.91% after the allotment of ordinary shares under the Rights Issue and Underwriting Agreement and will range from 11.42% up to 75.02% if the Put-Option is exercised depending, *inter alia*, on the level of Non-Associated Shareholder support for the Rights Issue. This may result in the Brankin Trust significantly increasing its ability to influence the outcome of shareholder voting and exert shareholder control over the Board and the Company's operations;

- The dilutionary impact of the Pro-Rata Rights Issue and Underwriting Agreement on the Non-Associated Shareholders who do not support the Rights Issue will result in their current collective interests in the Company reducing by up to 63.25% following the allotment of ordinary shares;

- The Rights Issue is priced at a deep discount to the current share price. Non-Associated Shareholders who do not take up their entitlements and do not sell their rights will most certainly see a dilution in the value of their investment in the Company;

- The Underwriting Agreement is likely to have a material impact on the liquidity of Promisia's ordinary shares if Non-Associated Shareholder participation in the Rights Issue is low; and

- The implications of the Resolutions not being approved by the Non-Associated Shareholders are significant. The Company's ability to remain solvent and fund the commercialisation of its two new product lines would have to be considered in doubt.

3.3. Voting For or Against the Resolutions

Voting for or against the Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

4. Profile of Promisia Integrative Limited

4.1. Company Profile

Promisia is a global natural healthcare company developing and distributing premium quality natural products. It markets its products globally through pharmacies and distributors.

Since incorporation the company has had several name changes and was most recently known as Savoy Equities Limited before changing its name to Promisia Integrative Limited in December 2013. The company is based in Wellington, New Zealand.

The Company has two product lines which are its main source of revenue:

– Arthrem is a dietary supplement for joint health containing a supercritical extract of the plant Artemisia annua. This herb, also known as sweet wormwood or qinghaosu, has been used in Chinese medicine for more than 2,000 years. The Artemisia annua plant is sourced in Switzerland, grown and harvested by hand in Tanzania, then extracted and manufactured into the Arthrem product in New Zealand.

– Artevite is a dietary supplement for dogs. It helps maintain normal healthy function, flexibility and mobility in stiff, and worn or damaged joints. The key ingredient to Artevite is an extract of the traditional medicinal plant Artemisia annua. Artemisia annua seeds are sourced from Switzerland and grown at high altitudes in Tanzania. The dried plant is shipped to New Zealand where the active compounds are extracted using supercritical carbon dioxide. The plant extract is combined with other ingredients to make a chewable tablet known as Artevite.

4.2. Directors and Senior Management

Promisia Board of Directors	
Name	**Role**
Stephen Underwood	Chairman and Independent Non-Executive Director
Duncan Priest	Independent Non-Executive Director
Thomas Brankin	Non-Executive Director
Helen Down	Independent Non-Executive Director

Promisia Senior Management	
Rene de Wit	CEO

4.3. Capital Structure and Shareholders

Fully Paid Ordinary Shares

Promisia currently has 556,708,971 fully paid ordinary shares on issue held by 1,446 shareholders.

The names, number of shares, and percentage holding of the 20 largest shareholders as at 8 November 2018 are set out below.

Holder	Number Held	% Held
T.D. Brankin & M.J.K. Lay	53,804,210	9.66%
E.M.M Johnson & K. Johnson & E. Wright	44,570,320	8.01%
S.P. Ward & J.P. Ward & J.M. Ward	18,597,771	3.34%
S. Underwood	15,193,890	2.73%
Bank Of America Merrill Lynch International Limited	12,854,532	2.31%
J.P Ward	12,351,498	2.22%
E.M.M. Johnson	12,204,680	2.19%
G.R. Wells	11,915,613	2.14%
M.D. Priest	10,836,315	1.95%
Daily Global Enterprises Limited	10,669,767	1.92%
S.A. Armstrong	10,020,779	1.80%
Templar Investments Limited	8,400,000	1.51%
C.K. Mooi	8,400,000	1.51%
Wells Investments Limited	8,295,068	1.49%
C.O. Daily & J.F. O`Sullivan & C.E. Ritchie	7,714,573	1.39%
J.M. O'Brien	7,232,266	1.30%
P. Mcveigh	6,843,607	1.23%
New Zealand Central Securities Depository Limited	6,812,976	1.22%
D.J. Robinson	6,156,571	1.11%
Ballynagarrick Investments Limited	5,060,706	0.91%
Central Nominees Limited	5,025,908	0.90%
Top 20 Shareholders	**282,961,050**	**50.84%**

Source: Promisia Share Register

The only other securities on issue are 16,595,856 unpaid ordinary shares issued as part of a Staff Unpaid Share Scheme ("Scheme"). The unallocated and unpaid ordinary shares are held by a nominee company, Promisia Trustee Limited.

The Scheme offers eligible employees and contracted staff ("Staff") an entitlement to purchase shares with various criteria around vesting and payment dates. Eligible Staff are able to purchase ordinary shares at an issue price of $0.16 per share.

These unpaid shares have no voting rights, no entitlement to participate in the Rights Issue and with an issue price materially in excess of the current market price have, for the purposes of the Report, been ignored from consideration.

At 31 December 2017 the Company had 7,310,000 options on issue to Directors and staff (including 1,770,000 held by Mr. Brankin) with a weighted average exercise price of $0.06 per option. These options expired, unexercised, on 29 May 2018.

The Company has no other securities on issue.

4.4. Strategic Plan

The Company's current strategy is based on two key themes:

– Commercialise new product lines; and

– Re-launch the marketing campaign in Australia which was significantly hampered by the Medsafe Alert.

The main priorities for the Company in 2019 are:

– expand geographical reach and customer diversification through sales new distribution partnerships;

– restoring pharmacy and consumer confidence in Arthrem;

– creation of an in-house sales and marketing team;

– building Arthrem as a credible brand in Australia where the product is sold as a Listed Complementary Medicine with considerably greater freedom to describe its benefits; and

– build the Artevite brand as a credible and effective product providing joint support to dogs.

4.5. Key Issues and Risks Affecting the Company

The main industry and specific business factors and risks that the Company faces include:

– the Company's ability to finance its activities;

– the development and commercialisation of new product lines;

– regulatory or legislative changes following the Medsafe Alert;

– a sustained reduction in overall market demand following the Medsafe Alert;

– the reliance on pharmacies and distributors to sell the products in alignment with the respective agreements; and

– foreign currency fluctuations that may adversely affect earnings from sales in the Australian and other overseas markets.

4.6. Financial Performance

A summary of Promisia's financial performance for the years ending 31 December 2015, 2016, 2017, and the six-month period ending 30 June 2018 is summarized in the table below.

Summary Statement of Financial Performance

($'000)	12 months 31 Dec 2015	12 months 31 Dec 2016	12 months 31 Dec 2017	6 months 30 June 2018
Revenue	408	2,665	2,332	1,481
Cost Of Goods Sold	(98)	(773)	(642)	(422)
Gross Profit	**310**	**1,892**	**1,690**	**1,059**
Total Operating Expenses	(1,202)	(2,307)	(2,583)	(2,754)
Operating Income	**(892)**	**(415)**	**(817)**	**(1,695)**
Net Interest Expense	(54)	(44)	(42)	(52)
Income Tax Expense	-	-	-	-
Net Income/ (Loss)	**(946)**	**(459)**	**(859)**	**(1,737)**

Source: Company Announcements

Promisia's revenue increased by 88% in the 2015 financial year due to strengthening of its customer base acceptance of the product range by pharmacies and other distributors. Net Income fell by 22% over this period reflecting the need to increase costs in the business to support this growth.

The 2016 financial year saw revenue grow by 553% to $2.665 million as the Arthrem product gained increasing customer acceptance. Despite the Company investing in market development expenses the growth in sales saw a substantially smaller Net Loss for the year when compared to 2015.

2017 was a year of consolidation with a small drop in sales but a further increase in Operating Expenses as the Company began preparations for a 2018 marketing push into Australia.

Gross profit margins have remained strong throughout the period ranging between 60%-75% in the period set out above.

The current year's performance has been dominated by the Medsafe Alert in February 2018 which has resulted in a substantial drop in sales while the Company still incurred the high costs of the planned product launches into Australia.

There were plans to also launch two complimentary products to the Arthrem range in June 2018, but these plans were cancelled due to the Medsafe Alert.

These events have had a significant impact on the Company's profitability as highlighted in the half yearly report released in respect of the period ending 30 June 2018. Sales for the period were $467,000 representing a 64% reduction over the same period in the previous year. The Net Loss for the period of $1.122 million was significantly worse than the $344,000 loss for the same period in 2017.

4.7. Financial Position

A summary of Promisia's financial position as at 31 December 2015, 2016, 2017, and as at 30 June 2018 is summarized in the table below.

Summary Statement of Financial Position

($'000)	31 Dec 2015	31 Dec 2016	31 Dec 2017	30 June 2018
Assets				
Cash And Equivalents	1,021	1,827	324	104
Other Current Assets	735	1,158	1,764	1,614
Total Current Assets	**1,756**	**2,985**	**2,088**	**1,718**
Intangibles	115	127	125	125
Other Non-Current Assets	75	80	82	116
Total Non-Current Assets	**190**	**207**	**207**	**241**
Total Assets	**1,946**	**3,192**	**2,295**	**1,959**
Liabilities				
Current Liabilities	315	468	357	275
Loans	1,096	1,039	919	921
Total Liabilities	**1,411**	**1,507**	**1,276**	**1,196**
Total Equity	**535**	**1,685**	**1,019**	**764**
Total Liabilities And Equity	**1,946**	**3,192**	**2,295**	**1,959**

Source: Company Announcements

Promisia's main asset is Inventory which accounted for $1.29 million of the Other Non-Current Assets at 30 June 2018.

Current liabilities comprise mainly Accounts Payable ($0.26 million as at 30 June 2018).

Promisia had cash on hand of $104,000 at 30 June 2018 and total loans of $921,000 ($821,000 of which was the loan from Wells Investment Limited which has subsequently been assigned to the Brankin Trust.

4.8. Cash Flow

A summary of Promisia's cash flows for the years ending 31 December 2015, 2016, 2017, and the six-month period ending 30 June 2018 is summarized in the table below.

Summary Statement of Cash Flows

($'000)	**12 months 31 Dec 2015**	**12 months 31 Dec 2016**	**12 months 31 Dec 2017**	**6 months 30 June 2018**
Net Cash Used in Operating Activities	(892)	(664)	(1,526)	(1,128)
Net Cash Used In Investing Activities	19	(40)	(24)	(45)
Net Cash From Financing Activities	1,284	1,510	47	953
Net Change in Cash	**373**	**806**	**(1,503)**	**(220)**
Cash at start of Period	648	1,021	1,827	324
Cash at end of Period	1,021	1,827	324	104

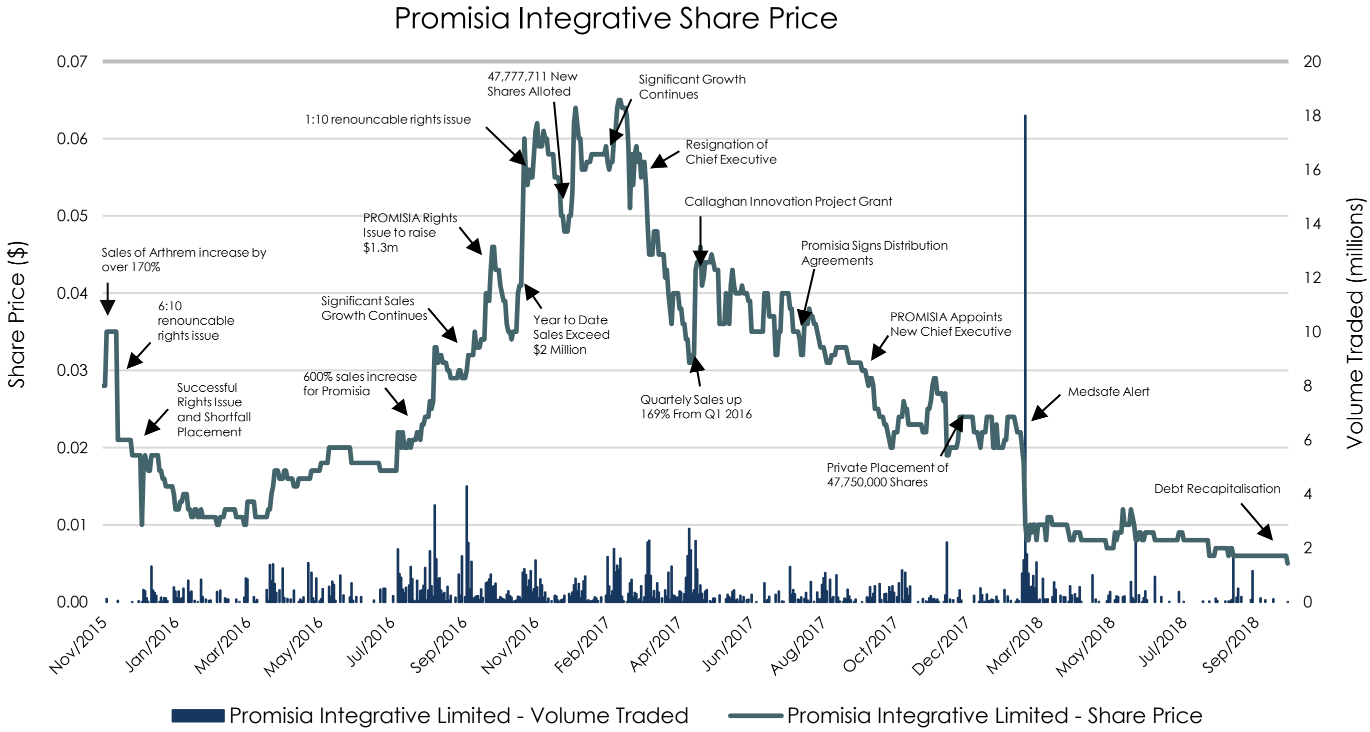
Source: Company Announcements

Net Cash Used in Operating Activities mainly represents losses within the business along with investment in Inventory and other Working Capital items.

Over the period shown the Company has raised a total of $5.76 million from ordinary share issues. These amounts form part of Net Cash from Financing Activities.

4.9. Share Price History

A summary of Promisia's daily closing share price and volumes of shares traded from 2 November 2015 to 31 October 2018 is shown in the chart below.



Source: S&P Capital IQ and NZX Announcements

Trading in the Company's shares is relatively thin, which is likely to be a reflection of the fact that the top 20 shareholders collectively hold 50.84% of the Company's ordinary shares and the low market capitalisation of the Company.

During the three year period, Promisia's shares have traded between $0.065 and $0.005 at a VWAP of $0.029.

Only 8.5% of the Company's shares have traded in 2018 with roughly one third of those trading on a single day (20 February when 18.0 million shares were traded immediately following the Medsafe Alert).

Only 3.6% of the Company's shares have traded since the beginning of March 2018 at a VWAP of $0.0082.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) is set out below.

Period	Low ($)	High ($)	Volume Traded	VWAP ($)	Liquidity
1 Month	0.0050	0.0060	1,590,709	0.0060	0.29%
3 Months	0.0050	0.0090	4,873,354	0.0063	0.88%
6 Months	0.0050	0.0120	13,068,765	0.0078	2.35%
12 Months	0.0050	0.0290	59,718,391	0.0126	10.93%

** As at October 31 2018*

Source: S&P Capital IQ

5. Sources of Information, Reliance on Information, Disclaimer and Indemnity

5.1. Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft Notice of Special Meeting;
- Promisia Integrative Limited annual reports for the years ended 31 December 2015 to 2017;
- Promisia Integrative Limited Interim report for the period ended 30 June 2018;
- The draft Underwriting Agreement;
- NZX announcements; and
- S&P Capital IQ.

During the course of preparing this report, we have had correspondence and discussions with and / or received information from the Board and executive management of Promisia and its legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report and Appraisal Report with all information relevant to the Rights Issue, the Underwriting Agreements, and the Related Party Transactions, that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report and Independent Appraisal Report.

In our opinion, the information to be provided by Promisia to the Non-Associated Shareholders is sufficient to enable the Board and the Non-Associated Shareholders to understand all relevant factors and to make an informed decision in respect of the Proposed Transactions.

5.2. Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Promisia and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report, but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Promisia. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

5.3. Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Promisia will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Promisia and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favorable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of this Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in this Report or assumptions reasonably taken as implicit, provided that this shall not absolve Armillary Private Capital from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update the Report.

Armillary Private Capital has had no involvement in the preparation of the Notice of Special Meeting issued by Promisia and have not verified or approved the contents of the Notice of Special Meeting. Armillary Private Capital does not accept any responsibility for the contents of the Notice of Special Meeting except for this Report.

5.4. Indemnity

Promisia has agreed that to the extent permitted by law, it will indemnify Armillary Private Capital and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of this Report. This indemnity does not apply in respect of any negligence, willful misconduct or breach of law. Promisia has also agreed to indemnify Armillary Private Capital and its directors, employees and consultants for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Armillary Private Capital or its directors, employees and consultants are found liable for or guilty of negligence, willful misconduct or breach of law or term of reference, Armillary Private Capital shall reimburse its fees for preparing this Report.

6. Qualifications, Independence, Declarations and Consents

6.1. Qualifications and Expertise

Armillary Private Capital is a specialist New Zealand based investment banking, funds management, financial training and advisory firm. We provide a range of services including the preparation of valuations, merger and acquisition advice, capital raising and due diligence. Our client base includes a range of small to medium sized private and listed companies and a number of government agencies.

The individuals responsible for preparing this report are David Wallace (BCom, Dip Bus Fin), Geoff Davis (BCom, ACA) and Joshua Schreiber (BCom).

David Wallace is a founding director of Armillary Private Capital and is active across the Investment Banking, Funds Management and Advisory areas of the firm. He has a background in investment banking, investment analysis and corporate treasury, with over 30 years' experience working in the capital markets in New Zealand. David holds a Bachelor of Commerce degree from Canterbury University and a Post Graduate Diploma in Business Finance from the Auckland University Graduate School of Business. David has been involved in the preparation of independent appraisal reports in respect of both the Takeovers Code and NZX related party transactions.

Geoff Davis has over 30 years of experience in finance and investment markets with a particular emphasis on corporate finance, equity capital markets and all aspects of M&A. Prior to joining Armillary Private Capital, Geoff has worked at TeamTalk, Active Equities, Brierley Investments and National Mutual / AXA Funds Management. Geoff holds a Bachelor of Commerce degree from the University of Auckland and is an ACA member of Chartered Accountants Australia and New Zealand.

Joshua Schreiber has three years of experience in finance and international markets. Prior to joining Armillary Private Capital Josh worked at FNZ Custodians across a number of operational functions whilst completing his Bachelor of Commerce degree at Victoria University of Wellington.

6.2. Independence

Armillary Private Capital has not had any part in the formulation of the Pro-Rata Rights Issue, the Underwriting Agreements, the Related Party Transactions, or any aspects thereof. Armillary's only involvement has been the preparation of this report.

Armillary Private Capital will receive a fixed fee for the preparation of this Report.

This fee is not contingent on the conclusions of this Report or the outcome of the voting in respect of the Resolutions.

Armillary Private Capital will receive no other benefit from the preparation of this Report. Armillary Private Capital does not have any conflict of interest that could affect its ability to provide an unbiased report.

6.3. Declarations

This Report is dated 16 November 2018 and has been prepared by Armillary Private Capital at the request of the independent directors of Promisia to fulfil the reporting requirements of the Code and NZX Listing Rules. This Report, or any part of it, should not be reproduced or used for any other purpose.

Armillary Private Capital specifically disclaims any obligation or liability to any party whatsoever in the event that the Report is supplied or applied for any purpose other than that for which it is intended.

Advance drafts of the Report were provided to Promisia directors. Certain changes were made to the Report as a result of the circulation of the drafts. However, there was no material alteration to any part of the substance of this Report, including the methodology or conclusions as a result of issuing the drafts.

Our terms of reference for this engagement did not contain any term that materially restricted the scope of the Report.

6.4. Consents

Armillary Private Capital consents to the issuing of this Report in the form and context in which it is to be included with the Promisia Notice of Special Meeting to be sent to Promisia shareholders. Neither the whole nor any part of this Report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Yours faithfully,

David Wallace
Joint Managing Director
Armillary Limited

Geoff Davis
Executive Director
Armillary Limited