

11 August 2017

ASX Announcement

Notice of meeting

Medibio Limited (**Company**) (ASX: MEB) has despatched to its shareholders the **attached** Notice of Meeting convening a general meeting.

The Company wishes to advise that in addition to the voting exclusion statements in the Notice of Meeting relating to the issue of securities to related parties of the Company in Resolutions 3 to 12 inclusive (each a **Relevant Resolution**), for the purposes of Part 2E of the Corporations Act, a vote on these Resolutions must not be cast by or on behalf of:

- A related party of the Company to whom a Relevant Resolution would permit a financial benefit to be given; and
- any associate of such a related party.

However, this does not prevent the casting of a vote on this Resolution if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of a person referred to above.



Robert Lees
Company Secretary

Notice of General Meeting and Explanatory Memorandum

Medibio Limited ACN 008 130 336

Date of Meeting: 11 September 2017

Time of Meeting: 10:00am

Place of Meeting: Computershare Limited
Level 4, 60 Carrington Street,
Sydney NSW 2000

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

If you do not understand it you should consult your professional advisors without delay

Notice of Meeting

Notice of Meeting

Notice is hereby given that a General Meeting of shareholders of **Medibio Limited ACN 008 130 336 (Medibio or Company)** will be held on September 11, 2017 at the offices of Computershare Level 4, 60 Carrington Street Sydney NSW 2000 commencing at 10:00 AM (Sydney time).

Terms used in this Notice of Meeting are defined in Section 11 of the accompanying Explanatory Memorandum.

The Explanatory Statement and the Proxy Form accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting.

Agenda

The agenda for the meeting is as follows:

1. Opening of meeting.
2. Issue of Partly Paid Shares to Relevant Option Holders (see **Resolution 1**)
3. Adoption of Incentive Performance Rights Plan (see **Resolution 2**)
4. Approval of the issue of Incentive Options to Mr Jack Cosentino (see **Resolution 3**)
5. Approve grant of Performance Rights to the Directors (see **Resolution 4, 5, 6, 7, 8, 9, 10 and 11**)
6. Approve Share Issue to Mr Prendergast as part payment of Directors Fees (see **Resolution 12**)
7. Ratification of previous issues of Securities (see **Resolution 13**).
8. Issue Shares to staff and contractors (see **Resolution 14**)
9. Increase the maximum aggregate remuneration of Non-Executive Directors (see **Resolution 15**)
10. Other business.
11. Close of meeting.

Ordinary business

1. Resolution 1: Issue of Partly Paid Shares to Relevant Option holders

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with Listing Rules 7.1 and 6.23.2 and for all other purposes, the Company be authorised to issue up to 4,650,000 Partly Paid Shares, paid up to \$0.01 and unpaid at \$0.29 per Partly Paid Share, to holders of unexercised Relevant Options in exchange for their Relevant Options, on the basis and otherwise upon the terms and conditions described in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) a person who:
 - (i) holds Relevant Options;
 - (ii) may participate in the proposed issue of Partly Paid Shares; and
 - (iii) might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 1 is passed; and
- b) any associate of any person mentioned in a)(i), (ii) and (iii) above.

However, the Company need not disregard a vote if:

- c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

2. Resolution 2: Adoption of Incentive Performance Rights Plan

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

““That, for the purposes of Exception 9 to ASX Listing Rule 7.2 and for all other purposes, the following plan be approved:

- (a) *the establishment and operation of an incentive plan to be called the “Medibio Incentive Performance Rights Plan” (**Incentive Performance Rights Plan**) for the grant of Performance Rights to the employees and other persons who the Board declares are eligible to receive Performance Rights; and*
- (b) *the grant of Performance Rights and the subsequent issue of Securities to participants under the Incentive Rights Plan,*

as described in the accompanying Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) by a Director (except a Director who is ineligible to participate in any employee incentive scheme); and
- b) any associate of such a Director.

However, the Company need not disregard a vote if:

- c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

3. Resolution 3: Approval of the issue of Incentive Options to Mr Jack Cosentino

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That, for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Shareholders approve the grant to Mr Jack Cosentino of 10,000,000 Options (each to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years from the date of issue), and to allot and issue Shares on the exercise of those Options, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) Mr Jack Cosentino; and
- b) any associate of Mr Cosentino.

However, the Company need not disregard a vote if:

- c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

4. Resolution 4: Approve the grant of Performance Rights to Mr Chris Indermaur

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Mr Chris Indermaur of 750,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) any Director who is eligible to participate in the Director Fees Rights Plan; and
- b) any associates of such Director.

However, the Company need not disregard a vote if:

- c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. Resolution 5: Approve the grant of Performance Rights to Mr Kris Knauer

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Mr Kris Knauer of 500,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) any Director who is eligible to participate in the Director Fees Rights Plan; and
- b) any associate of such Director.

However, the Company need not disregard a vote if:

- c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Resolution 6: Approve the grant of Performance Rights to Mr Andrew Maxwell

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Mr Andrew Maxwell of 500,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) any Director who is eligible to participate in the Director Fees Rights Plan; and
- b) any associate of such Director.

However, the Company need not disregard a vote if:

- c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Resolution 7: Approve the grant of Performance Rights to Dr Franklyn Prendergast

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Dr Franklyn Prendergast of 500,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) any Director who is eligible to participate in the Director Fees Rights Plan; and
- b) any associate of such Director.

However, the Company need not disregard a vote if:

- c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

8. Resolution 8: Approve the grant of Performance Rights to Dr Adam Darkins

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Dr Adam Darkins of 500,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) any Director who is eligible to participate in the Director Fees Rights Plan; and

b) any associate of such Director.

However, the Company need not disregard a vote if:

c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9. Resolution 9: Approve the grant of Performance Rights to Mr Michael Phelps

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Mr Michael Phelps of 500,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

a) any Director who is eligible to participate in the Director Fees Rights Plan; and

b) any associate of such Director.

However, the Company need not disregard a vote if:

c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

10. Resolution 10: Approve the grant of Performance Rights to Mr Peter Carlisle

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Mr Peter Carlisle of 500,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

a) any Director who is eligible to participate in the Director Fees Rights Plan; and

b) any associate of such Director.

However, the Company need not disregard a vote if:

c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

11. Resolution 11: Approve the grant of Performance Rights to Mr Patrick Kennedy

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Mr Patrick Kennedy of 500,000 Performance Rights (each capable of being converted on vesting into an Option to acquire one Share at an exercise price of \$0.45 per Option and expiring 5 years after the date of issue), and to allot and issue Options on the vesting of those Performance Rights, as set out in the Explanatory Memorandum."

Voting Exclusion Statement

the Company will disregard any votes cast on this Resolution by:

- a) any Director who is eligible to participate in the Director Fees Rights Plan; and
- b) any associate of such Director.

However, the Company need not disregard a vote if:

- c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

12. Resolution 12: Approve the issue of Shares to Dr Franklyn Prendergast as part satisfaction of Directors fees

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That, for the purposes of ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to issue 77,778 Shares in the Company at an issue price of \$0.30 as partial payment of director's fees to Dr Franklyn Prendergast on the terms and conditions described in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) Dr Franklyn Prendergast; and
- b) any associate of Dr Prendergast.

However, the Company need not disregard a vote if:

- c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

13. Resolution 13: Ratification of previous issue of Securities

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue of:

(a) 11,792,425 Shares under the Company's Listing Rule 7.1 capacity;

(b) 5,000,000 Options under the Company's Listing Rule 7.1 capacity; and

(c) 12,416,018 Shares under the Company's Listing Rule 7.1A capacity,

*to exempt investors under Section 708 of the Corporations Act (**Placees**) on such terms as set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) a person who participated in the issue; and
- b) any associate of any person who participated in the issue.

However, the Company need not disregard a vote if:

- d) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- e) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

14. Resolution 14: Approve the issue of Shares to various contractors and consultants

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 1,672,556 Shares to various contractors and consultants as remuneration under their service contracts on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- a) a person who may participate in the issue and a person who might obtain a benefit solely in the capacity of a holder ordinary securities, if this Resolution is passed; and
- b) any associate of any person who may participate in the issue.

However, the Company need not disregard a vote if:

- d) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- e) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

15. Resolution 15: Increase the maximum aggregate remuneration of Non-Executive Directors

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That for the purpose of ASX Listing Rule 10.17, Clause 10.2 of The Company’s Constitution and for all other purposes, the aggregate maximum sum available for the remuneration of Non-Executive Directors be increased by \$250,000 from \$500,000 per year to \$750,000 per year with effect from 1 October 2017.”

Voting Exclusion Statement

The Company will disregard any votes cast in any capacity on this Resolution by any Director and any associate of a Director.

In addition, as the proposed resolution is directly related to the remuneration of members of the Company’s KMP, the Company will disregard any votes cast on this Resolution in any capacity, by or on behalf of:

- a) Directors and the other members of the Company’s KMP, details of whose remuneration are included in the Remuneration Report; and
- b) closely related parties of those persons.

However, the Company need not disregard a vote if:

- c) it is cast for a person entitled to vote in accordance with the directions on the Proxy Form; or
- d) it is cast by the Chairman of the Meeting for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit on the resolution even though that Item is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

Please refer to the Explanatory Memorandum for details of these resolutions

Dated: 9 August 2017

By order of the board



Mr Robert Lees
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 2 9299 9580.

Explanatory Memorandum

Introduction

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions

Terms used in this Explanatory Memorandum are defined in Section 11.

ORDINARY BUSINESS

1. Resolution 1 – Issue of Partly Paid Shares to Option Holders

1.1 Background

The Company announced on 5 April 2017 that it has entered into binding agreements with the holders of 4,650,000 options exercisable at \$0.30, which expired on April 1st, 2017 (**Relevant Options**), prior to expiry of the Relevant Options. Under the agreements, the Company will exchange each unexercised Relevant Option into a partly paid share with a paid-up capital of \$0.01 and unpaid as to \$0.29 per share (**Partly Paid Shares**). The unpaid capital is payable where called upon by the Company in the 12 months from the date of issue of the Partly Paid Shares. The paid-up component of each Partly Paid Share, being \$0.01 per Partly Paid Share, will be due and payable to the Company on the issue of the Partly Paid Shares.

The ASX has advised the Company that the Company will need to seek Shareholder approval for the purposes of Listing Rule 6.23.2 for the Company to exchange the unexercised Relevant Options for the Partly Paid Shares. Accordingly, the binding agreements that the Company has entered into with the holders of the Relevant Options are conditional on Shareholder approval of this Resolution.

1.2 Terms of Partly Paid Shares

The terms of the Partly Paid Shares are as follows:

- (a) A Relevant Option holder will be entitled to accept the offer of Partly Paid Shares (**Offer**) on the basis of one Partly Paid Share for one unexercised Relevant Option held by the Relevant Optionholder on the expiry date of the Relevant Option exercise period (**Expiry Date**). For the avoidance of doubt, the Offer does not apply to any Relevant Options which the Relevant Optionholder has exercised. Where the issue of the Partly Paid Shares takes place after the Expiry Date of the Relevant Options, the Offer will apply to the Relevant Options which have not been exercised on the date of expiry of the option period;
- (b) Each Partly Paid Share will be paid up to \$0.01. The unpaid capital owing on the Partly Paid Shares of \$0.29 per Partly Paid Share shall be due and payable to the Company within 30 days from the date on which the Company issues a written notice to the holder the Partly Paid Shares (**Partly Paid Shareholder**) calling for the payment of the unpaid capital owing on the Partly Paid Shares (**Call Notice**);
- (c) If on the date that is 11 months from the date of issue of the Partly Paid Shares the Company has not issued a Call Notice, the Company will be deemed to have issued a Call Notice for any unpaid capital owing on the Partly Paid Shares and the Partly Paid Shareholder must pay the Company the unpaid capital owing on the Partly Paid Shares on the date that is 12 months from the date of issue of the Partly Paid Shares;
- (d) In addition to the provisions set out in these terms for the issue of a Call Notice, the Directors may make calls upon the Partly Paid Shareholders in accordance with the Listing Rules, the Corporations Act, the Company's Constitution (**Regulations**);

Explanatory Memorandum

- (e) Each Partly Paid Shareholder shall upon receiving a Call Notice (or where a Call Notice is deemed to have been issued) must pay to the Company the unpaid capital owing on the Partly Paid Shares at the stated time and place the amount specified in the Call Notice or notified by the Company in writing;
- (f) Any moneys payable in respect of a call made in accordance with the terms and conditions of this Offer which remain outstanding shall from and including the day for payment incur an interest charge of 8% until the date the payment is received;
- (g) Subject to the Listing Rules, the Directors may revoke or postpone any of the call as set out in a Call Notice. The company will comply with the Listing Rules in relation to a Call Notice;
- (h) Any amount that by the terms of issue of Partly Paid Shares becomes payable on allotment or at a fixed date, shall be deemed to be a call duly made by, and payable to, the Company;
- (i) The joint holders of Partly Paid Shares are jointly and severally liable to pay any Call Notice in respect of the Partly Paid Shares;
- (j) The Partly Paid Shareholder may at any time pay up the whole or any part of the amount unpaid on the Partly Paid Shares;
- (k) If a Partly Paid Shareholder fails to pay a call on the day that the payment of the call is to be made pursuant to a Call Notice, the Directors may at any time after this day and at any time that the call or part of the call remains unpaid serve a notice (**Remedy Notice**) on the Partly Paid Shareholder requiring payment of so much of the call which is unpaid together with any interest that has accrued. The Remedy Notice shall stipulate another day not being less than fourteen (14) days after the date of the Remedy Notice on or before which the payment required by the Remedy Notice is to be made and will state that in the event of non-payment on or before the time stipulated (the Partly Paid Shares in respect of which the call was made will be liable to be forfeited);
- (l) If the instructions contained in the Remedy Notice served are not complied with the Partly Paid Shares in respect of which a call is unpaid at the expiration of fourteen (14) days after the day for its payment may be forfeited by resolution of the Directors to the effect. The forfeiture will include all dividends declared in respect of the forfeited Partly Paid Shares and not paid before the forfeiture;
- (m) The Partly Paid Shares which have been forfeited may be sold or otherwise disposed of on the terms and in a manner that the Directors determine and, at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors decide;
- (n) The Partly Paid Shareholder is able at any time to pay up all of the unpaid capital owing on the Partly Paid Shares;
- (o) On the issue of the Partly Paid Shares, the Partly Paid Shares will remain unquoted. Once the unpaid capital on the Partly Paid Shares are fully paid up, the Company will apply to the ASX to have the Partly Paid Shares granted official quotation as fully paid ordinary shares;
- (p) A person whose Partly Paid Shares have been forfeited ceases to be a Partly Paid Shareholder in respect of the forfeited Partly Paid Shares but is liable to pay the Company all the money, at the date of forfeiture that was payable by them to the Company in respect of the Partly Paid Shares (including interest calculated at a rate as stipulated in the Regulations from the date of forfeiture on the money for the time being unpaid if the Directors decide to enforce payment of the interest), but his or her liability shall cease upon the Company receiving payment in full of all the money (including interest) payable in relation to the Partly Paid Shares;
- (q) With respect to any forfeited Partly Paid Shares:

Explanatory Memorandum

- (1) The Company may receive the consideration (if any) given for a forfeited Partly Paid Share on any sale or disposition of the Issued Shares, and may execute a transfer of the Partly Paid Shares in favour of the person to whom the Partly Paid Shares are sold or disposed of. When the transfer is executed the transferee will be registered as the holder of the Partly Paid Shares and is not bound to see the application of any money paid as consideration. The title of the transferee to the Partly Paid Shares is not affected by any irregularity or invalidity in connection with the forfeiture, sale or disposal of the Issued Shares;
- (2) A statement in writing declaring that the person making the statement is either a Director or the Company Secretary of the Company, and that a Partly Paid Share in the Company has been duly forfeited on a date stated in the statement, is prima facie evidence of the facts stated in the statement as against all person to be entitled to the partly paid share; and
- (3) The Company shall comply with the Listing Rules with respect to any forfeited Issued Shares and may do all such things as may be necessary or appropriate for it to do to protect any lien, charge or other right to which it may be entitled under any law or the Company's Constitution;
- (r) In the event of any reconstruction, including consolidation, sub-division, reduction or return (of the issued capital of the Company) the Partly Paid Shares shall be reorganised in accordance with the Corporations Act, the Listing Rules and the Company's Constitution;
- (s) Where a poll is demanded a Partly Paid Shareholder shall be entitled, for each Partly Paid Share to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) bears to the total issue price for the Partly Paid Shares (excluding amounts credited);
- (t) In the case of joint holders of Partly Paid Shares, the vote of a senior who tenders a vote, whether in person or by proxy, attorney or representative (which will be accepted to the exclusion of the votes of the other joint holders). For this purpose, seniority shall be determined by the order in which the names stand in the Register of Partly Paid Shareholders; and
- (u) The joint holders of Partly Paid Shares are jointly and severally liable to pay all calls in respect of the Partly Paid Shares.
- (v) The holders of Partly Paid Shares must not be entitled to a greater proportion of either:
 - (1) a dividend; or
 - (2) an issue of bonus securities,

than the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

Explanatory Memorandum

1.3 Relevant Legislation – ASX Listing Rules 6.23.2 and 7.1

Listing Rule 6.23.2

Listing Rule 6.23.2 requires that any cancellation of an Option for consideration can only be made with shareholder approval.

The consideration to be provided to holders of the Relevant Options is the issue of the Partly Paid Shares. ASX has advised that Shareholder approval is required under this Listing Rule 6.23.2.

The proposed issue of Partly Paid Shares in exchange for the Relevant Options does not have the effect of reducing the exercise price, increasing the period of exercise or increasing the number of securities received on exercise and therefore does not fall within the prohibitions contained within Listing Rule 6.23.3. It should be noted that the proposed arrangement should be seen as beneficial to the Company as the issue of the Partly Paid Shares affords the Company additional certainty that the unpaid component shall be paid by the Partly Paid Shareholder under the terms of the Partly Paid Shares.

Listing Rule 7.1

The proposed issue of Partly Paid Shares in exchange for the Relevant Options may require Shareholder approval under the 15% Rule in Listing Rule 7.1.

If Resolution 1 is passed, the Company will have approval to issue up to 4,650,000 Partly Paid Shares in exchange for the Relevant Options.

The effect of the Shareholders approving the issue of these additional securities will be that the issue will not be counted in the calculation of the Company's available 15% capacity under Listing Rule 7.1 or its additional 10% capacity under Listing Rule 7.1A. The Company will therefore retain a greater proportion of the 15% capacity and additional 10% capacity for any subsequent requirements that may arise.

The Directors recommend that you vote in favour of Resolution 1 and each of the Directors intends to vote any Shares they own or control in favour of Resolution 1.

2. Resolution 2 – Adoption of Incentive Performance Rights Plan

2.1 Background

The Company is focused on the delivery of sustainable value to its Shareholders. As such, the Company's remuneration philosophy is premised on the following key goals:

- (a) To attract and retain talented and high calibre Key Management Personnel (**KMP**) and employees to the Company, who are able to deliver its business objectives;
- (b) To ensure Total Fixed Remuneration (TFR and inclusive of base salary and compulsory superannuation contributions) is competitive in relation to the broader market and is linked to role, experience and performance;
- (c) To ensure incentive schemes are aligned with the long-term interests of the Company and its shareholders and are acceptable to shareholders;
- (d) To ensure remuneration systems are transparent, simple, clear and have measurable targets that are controllable by KMP/employees;

To ensure remuneration systems are compatible with the Company's phase of development longer term, a remuneration structure has been developed which aligns KMP and other eligible employees' interests with those of Shareholders and the generation of long term sustainable value.

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Under the proposed Incentive Performance Rights Plan, eligible participants will be offered Performance Rights as a part of their annual total variable remuneration. Performance Rights will only vest into Shares subject to the meeting or exceeding of a number of performance hurdles including stretch targets, which will be measured over the short term, being generally 12 months and others over the longer term, being generally 3 years.

Performance hurdles will only be assessed based on the gateway condition of continuity of service being met by the eligible participant. Once this is satisfied, performance of the eligible participant against the designated performance hurdles will be evaluated by the Board in order that none, some or all, of the Performance Rights vest into Shares.

Performance hurdles will include such elements as Total Shareholder Return (**TSR**), and other internal strategic objectives associated with financial performance of the Company, growth measures and operational/production measures. The individual performance of the eligible participant will also be a factor for assessment, thereby ensuring that the Incentive Performance Rights Plan remunerates those who contribute the most value to the Company over the short and long term.

The TSR hurdle has been selected as it aligns long term reward with the creation of shareholder value and is in line with market practice. Incentives are linked to the generation of long term TSR outperformance, relative to the TSR performance of a specified group of comparator peer companies (Relative TSR).

When vesting and exercise of the Performance Rights occurs, it will result in the issue to the eligible participant of one Share of the Company for every Performance Right. Performance Rights that do not vest will lapse. Under the terms of the Incentive Performance Rights Plan, the Board has discretion to make a cash payment to the holder in lieu of Shares. The Company is focussed on preserving cash and it is therefore not the Company's current intention to issue cash payments in lieu of Shares.

In the future, it is proposed that a grant of Performance Rights will be made annually following announcement of the Company's full year results. The Board will have discretion to make grants at other times, including the commencement of employment by a person deemed by the Board to be eligible to participate in the scheme.

The Incentive Performance Rights Plan has been developed to replace the current Performance Rights plan. The new Incentive Performance Rights Plan has been devised to align with recent changes to legislation but it is important to note that the substance of the Plan and the quantum of incentives has not changed in the revised version. A total of 3,387,500 performance rights were issued under the old plan up to 30 June 2017. No Securities have yet been issued by the Company under the Incentive Performance Rights Plan for which Shareholder approval is being sought.

2.2 Relevant Legislation – ASX Listing Rules 7.1 and 7.2

Resolution 2 seeks Shareholder approval for the adoption of the Incentive Performance Rights Plan in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 months' period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period, without requiring Shareholder approval.

Listing Rule 7.2 (Exception 9(b))

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

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If Resolution 2 is passed, in accordance with ASX Listing Rule 7.2 Exception 9, any securities issued under the Plan will be excluded from the calculation of the maximum number of new securities that can be issued by the Company in any 12 months period for the purposes of Listing Rule 7.1 for a period of three (3) years from the date of this approval.

Resolution 2 seeks Shareholder approval for the adoption of the Incentive Performance Rights Plan in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

In accordance with the requirements of Exception 9(b) of Listing Rule 7.2, the Company advises that:

- (a) A summary of the rules of the e Incentive Performance Rights Plan is set out in Schedule 2;
- (b) A total of 3,472,933 Performance Rights were issued under the current Performance Rights plan; and
- (c) A voting exclusion statement is included in the Notice of Meeting in relation to eligible Directors and their associates.

The Performance Incentive Rights Plan is also available for Shareholder review at the registered office of the Company until the date of the Meeting. Shareholders are invited to contact the Company if they have any queries or concerns.

Shareholder approval is now sought for the adoption of the Incentive Performance Rights Plan as a vehicle for aligning key management personnel and other invited employees' interests with those of shareholders.

3. Resolution 3 – Issue of Incentive Options to Mr Jack Cosentino

3.1 Background

In Resolution 3 the Company is seeking approval for the grant of 10,000,000 Incentive Options to Mr Jack Cosentino in accordance with Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

3.2 Details about the grant of Incentive Options

- (a) The Company proposes to grant the Incentive Options to Mr Jack Cosentino, the CEO and Managing Director of Medibio.
- (b) Incentive Options to be issued:
 - (1) The maximum number of Incentive Options to be issued to Mr Cosentino is 10,000,000;
 - (2) The Incentive Options will have an exercise price of \$0.45 per share and will expire 5 years from the date of their issue;
 - (3) For each year of service by Mr Cosentino with the Company as CEO and Managing Director, 2 million Incentive Options will vest and be capable of being exercised into Shares;
 - (4) Where a Change in Control Transaction takes places, any Incentive Options which have yet to vest will automatically vest.

It is proposed to grant the Mr Cosentino with Incentive Options in order to provide him with reward and incentive for future services he will provide to the Company to further progress the aims and objectives of the Company and better align his interest with the interests of the Shareholders.

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3.3 Relevant Legislation - Chapter 2E of the Corporations Act, Listing Rule 10.11 and Listing Rule 7.1

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Relevantly, there is an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met (**Shareholder Approval Exception**).

A "Related Party" is defined widely in section 228 of the Corporations Act and includes, relevantly, a director (or proposed director) of a public company, any entity that controls (or is reasonably likely to control) a public company, and any entity that is controlled by a person or entity which is otherwise a Related Party, or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company.

A "Financial Benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Listing Rule 10.11

Listing Rule 10.11 requires that an entity must obtain the approval of Shareholders to issue Securities to a Related Party and in doing so must provide the information specified in Listing Rule 10.13, unless an exception applies.

Listing Rule 7.1 - Issues exceeding 15% of capital

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period (**15% Capacity**) without the prior approval of a majority of disinterested shareholders, or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Rule**). However, under Listing Rule 7.2 (Exception 14), if approval is being sought under Listing Rule 10.11 or Listing Rule 10.14, approval will not be required under Listing Rule 7.1. Therefore, the issue of the Options to the Directors under Resolutions 6 to 11 (inclusive), if passed, will not count towards the Company's 15% Capacity under Listing Rule 7.1.

3.4 Shareholder Approval Requirement

Resolution 3, if passed, will confer financial benefits and involve the issue of Options to a Director being a Related Party of the Company.

Therefore, the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.11.

As approval is being sought under Listing Rule 10.11, in accordance with Listing Rule 7.2 (Exception 14) approval will not be required under Listing Rule 7.1. Therefore, the issue of the Incentive Options to Mr Cosentino under Resolution 3 will not count towards the Company's 15% Capacity under Listing Rule 7.1.

3.5 Information for Shareholders

Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to shareholders:

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(a) **The Related Party to whom Resolution 3 would permit the financial benefit to be given (section 219(1)(a))**

The proposed financial benefit will be given to Mr Jack Cosentino who is a Director of the Company and therefore a Related Party.

(b) **The nature of the financial benefit (section 219(1)(b))**

10,000,000 Incentive Options to be issued to Mr Cosentino.

(c) **Directors' Recommendation (section 219(1)(c))**

With respect to Resolution 3, Messrs, Knauer, Maxwell, Indermaur, Darkins, Prendergast, Phelps, Carlisle and Kennedy recommend that Shareholders vote in favour of Resolution 3. The Directors (with the exception of Mr Cosentino) have formed the view that Resolution 3 be put to Shareholders for the following reasons:

- (1) the grant of the Incentive Options as proposed to Mr Cosentino will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Incentive Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Cosentino) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Incentive Options.

As Mr Cosentino is interested in the outcome of Resolution 3, he accordingly makes no recommendation to Shareholders in respect of this resolution.

(d) **Directors' Interest and other remuneration (section 219(1)(d))**

Mr Cosentino has a material personal interest in the outcome of Resolution 3, as it is proposed that Incentive Options be issued to him.

Excluding the Incentive Options to be issued to Mr Cosentino pursuant to Resolution 3, Mr Cosentino (and entities associated with him) holds 200,000 Shares and nil Options in the Company:

Other than the Incentive Options to be issued to Mr Cosentino pursuant to Resolution 3 and any other cash incentives approved by the Remuneration Committee, Mr Cosentino shall receive remuneration of US\$314,4000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as the Managing Director.

(e) **Valuation**

The Incentive Options are not currently quoted on the ASX and as such have no market value. The Incentive Options each grant the holder a right to one ordinary Share in the Company at a price of \$0.45 for a period of 5 years from the date of their issue. Accordingly, the Incentive Options may have a present value at the date of their grant.

Various factors impact upon the value of Incentive Options including:

- (1) the period outstanding before the expiry date of the Incentive Options;

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- (2) the underlying price or value of the securities into which they may be converted;
- (3) the proportion of the issued capital as expanded consequent upon the conversion of the Incentive Options and the issue of the resultant Shares (i.e. whether or not the Shares that might be acquired upon conversion of the Incentive Options represent a controlling or other significant interest); and
- (4) the value of the resultant Shares on the conversion of the Incentive Options.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model valuation formula, the Binomial Option Pricing model, and the Monte Carlo simulation).

The Company has commissioned an independent valuation of the Incentive Options, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass this Resolution and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using the Binomial Option Pricing Model. The value of an option calculated by the Binomial Option Pricing Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying Share price and expected dividends.

Inherent in the application of the Binomial Option Pricing Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Binomial Option Pricing Model was:

- (1) the exercise price of each Incentive Options being \$0.45;
- (2) a market price of Shares of \$0.36;
- (3) vesting date and expiry date of 5 years;
- (4) a volatility measure of 79.58%;
- (5) a risk-free interest rate of 2.19%; and
- (6) a dividend yield of 0.00%.

Based on the independent valuation of the Incentive Options, the Company agrees that the total value of the Incentive Options to be issued to Mr Cosentino under Resolution 3 is \$2,177,891.

- (f) **Any other information that is reasonably required by Shareholders to make a decision on Resolution 3 and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))**

There is no other information known to the Company or any of its Directors save and except as follows:

Market Price movements:

The Incentive Options valuation noted above is based on a market price per Share of \$0.36 which is the closing trading price on 30 June 2017 which is the Trading Date immediately before the valuation was carried out.

There is a possibility that the market price of the Shares will change up to the date of the General Meeting.

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Trading history

In the 12 months prior to 1 July 2017, the Company's trading history is as follows:

- the highest trading price was \$0.525 on 11 October 2016;
- the lowest trading price was \$0.255 on 3 March 2017; and
- The VWAP per Share over the 12 month period prior to 1 July 2017 was \$0.372.

The trading price of the Shares on the close of trading on 8 August 2017 (being the last trading day before this Notice of Meeting was printed) was \$0.425.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Incentive Options is the potentially dilutionary impact on the issued share capital of the Company. To the extent that the dilutionary impact caused by the issue of Incentive Options will be detrimental to the Company, this is considered to be more than offset by the advantages accruing from the Company securing the services of experienced and skilled CEO and Managing Director on appropriate incentive terms.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Incentive Options. No GST will be payable by the Company in respect of the grant of the Incentive Options (or if it is then it will be recoverable as an input credit).

AASB 2 – Share Based Payment, requires that reporting entities must recognize services acquired in a share-based payment transaction as the services are received. The issue of Incentive Options is in return for services provided to the Company therefore these services are to be recognised.

The value of the services acquired by the Company is to be measured at the fair value of the equity instrument granted, where fair value of the services provided cannot be estimated reliably. As the issue of Incentive Options is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the Incentive Options to be issued needs to be used as the reliable measurement of the services provided.

As the Incentive Options will not be listed on the ASX and will not be tradeable, the market value of the Incentive Options cannot be readily determined from any sales data. Therefore, a pricing model is necessary to provide a value for the Incentive Options to be issued.

Dilutionary Effect

The effect that the issue of the Shares on the exercise of the Incentive Options (assuming that the conversion is effected) and the exercise of the Performance Rights issued to the Eligible Directors under Resolutions 4 to 11 and the issue of Shares to Dr Prendergast under Resolution 12 (assuming that none of the other existing Options on issue in the Company and held by non-Directors have been exercised and no other Shares are issued), is as set out in the table in Schedule 4.

Listing Rule 10.13

For the purposes of Listing Rule 10.13 and for all other purposes the following information is provided to Shareholders:

- (a) **10.13.1 and 10.13.4: Name and relationship of the Related Party**

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The related party is Mr Jack Cosentino a Director of the Company.

(b) **10.13.2: Maximum Number of Securities to be issued (if known) or the formula for calculating the number of Securities to be issued**

The maximum number of Equity Securities to be issued to Mr Cosentino is 10,000,000 Incentive Options.

(c) **10.13.3: Date by which the Securities will be issued**

The Company will issue the Incentive Options no later than 1 month after Shareholder approval is given in respect of Resolution 3.

(d) **10.13.4: Issue price and terms of the Securities**

The Incentive Options will be issued for nil consideration and are exercisable at \$0.45 expiring 5 years after the date of issue. For each year of service by Mr Cosentino with the Company as CEO and Managing Director, 2 million Incentive Options will vest and be capable of being exercised into Shares.

The remainder of the terms of the Incentive Options to be issued are set out in Schedule 3. Any Shares issued as a result of the exercise of the Incentive Options will rank pari passu with all of the other Shares on issue in the Company.

(e) **10.13.6A: Intended use of funds raised**

No funds are being raised by the issue of the Incentive Options.

(f) **10.13.6: Voting exclusion statement**

The relevant voting exclusion statement is set out in Resolution 3 of the Notice of Meeting.

4. Resolutions 4, 5, 6, 7, 8, 9, 10 and 11: The grant of Performance Rights to Directors

4.1 Background

In Resolutions 4, 5, 6, 7, 8, 9, 10 and 11 (**Related Party Resolutions**), the Company is seeking approval for the grant of Performance Rights under the Director Fees Rights Plan (Rights will convert on a one-for-one basis to an Option to acquire Shares for \$0.45 per Option expiring 5 years after the date of issue) to each of the Directors (other than Mr Cosentino) in accordance with Listing Rule 10.14 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.14, approval will not be required under Listing Rule 7.1.

The Director Fees Rights Plan has been developed as a vehicle for payment of at least 50% of Director fees to Directors, in lieu of cash, as a means of preserving the Company's cash reserves. A summary of the Director Fees Rights Plan is set out in Schedule 1.

The principles of the Plan allow for the grant of Performance Rights to the value of the accrued Director's fees, to be made on a quarterly basis. The Performance Rights to be issued under the Director Fees Rights Plan are immediately exercisable.

It is important to note that the Director Fees Rights Plan has been designed to give the Company a mechanism to pay at least 50% of Non-Executive Directors fees and as such the Managing Director and CEO Mr Jack Cosentino is not eligible to participate in the Director Fees Rights Plan. All non-executive Directors have agreed to participate in the plan for a minimum of 50% of their remuneration as non-executive Directors.

In return for agreeing to participate in the plan for the payment of at least 50% of Director fees in Performance Rights each participating Director (excluding Mr Cosentino) will be issued 500,000 (other

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than Mr Indermaur who will receive 750,000) Performance Rights with each Performance Right capable of being converted into one Option to acquire a Share at a conversion price of \$0.45 with an expiry date of 5 years from the date of issue. This is outlined in the Related Party Resolutions.

When vesting and exercise of one (1) Performance Right occurs, it will result in the issue to the eligible Director of one (1) Option in the Company for every Performance Right. Under the terms of the Director Fee Performance Rights Plan, the Board has discretion to make a cash payment to the holder in lieu of Securities. The Company is focused on preserving cash and it is therefore not the Company's current intention to issue cash payments in satisfaction of Securities.

4.2 Details about the grant of Performance Rights

(a) The Company proposes to grant the Performance Rights to the following Directors:

- (1) Mr Chris Indermaur;
- (2) Mr Kris Knauer;
- (3) Mr Andrew Thomas Maxwell;
- (4) Dr Franklyn Prendergast;
- (5) Dr Adam Darkins;
- (6) Mr Michael Phelps;
- (7) Mr Peter Carlisle, and
- (8) Mr Patrick Kennedy.

(collectively the **Eligible Directors**).

Mr Cosentino as the CEO and Managing Director of the Company is not eligible to participate in the Director Fees Performance Rights Plan.

(b) Performance Rights to be issued:

- (1) The maximum number of Performance Rights to be issued to each Eligible Director is 500,000 except the Chairman, Mr Indermaur who will be issued with 750,000. The Performance Rights will convert on a one-for-one basis into an Option exercisable at \$0.45 per Option and expiring 5 years after the date of issue (Please refer to Schedule 3 for the remainder of the terms of the Options).
- (2) Each Eligible Director has agreed to participate in the Director Fees Performance Rights Plan for a minimum of 50% of their respective Directors fees per annum. Accordingly, the Performance Rights to be issued to each Eligible Director under the Related Party Resolutions will vest in the following manner:
 - (A) On Shareholder approval being granted for the Related Party Resolutions, half of the Performance Rights granted to each of the Eligible Directors will vest (**Initial Vesting Date**) and be capable of being converted into Options; and
 - (B) On the date that is 12 months after the Initial Vesting Date, the balance of the Performance Rights granted to each of the Eligible Directors will vest and be capable being converted into Options.

It is proposed to grant the Directors with Performance Rights in order to provide the Directors with reward and incentive for future services they will provide to the Company to further progress the aims and objectives of the Company.

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4.3 Relevant Legislation - Chapter 2E of the Corporations Act, Listing Rule 10.11 and Listing Rule 7.1

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Relevantly, there is an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met (**Shareholder Approval Exception**).

A "Related Party" is defined widely in section 228 of the Corporations Act and includes, relevantly, a director (or proposed director) of a public company, any entity that controls (or is reasonably likely to control) a public company, and any entity that is controlled by a person or entity which is otherwise a Related Party, or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company.

A "Financial Benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Listing Rule 10.14

Listing Rule 10.14 requires that an entity must obtain the approval of Shareholders to issue Securities to a Related Party under an employee incentive scheme and in doing so must provide the information specified in Listing Rule 10.15, unless an exception applies.

Listing Rule 7.1 - Issues exceeding 15% of capital

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period (**15% Capacity**) without the prior approval of a majority of disinterested shareholders, or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Rule**). However, under Listing Rule 7.2 (Exception 14), if approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. Therefore, the issue of the Options to the Eligible Directors under Resolutions 4 to 11 (inclusive), if passed, will not count towards the Company's 15% Capacity under Listing Rule 7.1.

4.4 Shareholder Approval Requirement

The Related Party Resolutions, if passed, will confer financial benefits and involve the issue of Performance Rights to the Eligible Directors being a Related Parties of the Company.

Therefore, the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.14.

As approval is being sought under Listing Rule 10.14, in accordance with Listing Rule 7.2 (Exception 14) approval will not be required under Listing Rule 7.1. Therefore, the issue of the Performance Rights to the Directors under the Related Party Resolutions will not count towards the Company's 15% Capacity under Listing Rule 7.1.

4.5 Information for Shareholders

Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to shareholders:

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(a) **The Related Party to whom the Related Party Resolutions would permit the financial benefit to be given (section 219(1)(a))**

The proposed financial benefit will be given to Mr Chris Indermaur, Mr Kris Knauer, Mr Andrew Maxwell, Dr Adam Darkins, Dr Franklyn Prendergast, Mr Michael Phelps, Mr Peter Carlisle, and Mr Patrick Kennedy who are Directors of the Company and therefore each of them is a Related Party.

(b) **The nature of the financial benefit (section 219(1)(b))**

The nature of the proposed financial benefit to be given on the approval of the Related Party Resolutions is the issue to the Related Parties of the following:

- (1) 750,000 Performance Rights to be issued to Mr Indermaur;
- (2) 500,000 Performance Rights to be issued to Mr Knauer;
- (3) 500,000 Performance Rights to be issued to Mr Maxwell;
- (4) 500,000 Performance Rights to be issued to Dr Prendergast.
- (5) 500,000 Performance Rights to be issued to Dr Adam Darkins;
- (6) 500,000 Performance Rights to be issued to Mr Michael Phelps;
- (7) 500,000 Performance Rights to be issued to Mr Peter Carlisle; and
- (8) 500,000 Performance Rights to be issued to Mr Patrick Kennedy.

On vesting, each Performance Right is capable being converted into one (1) Option exercisable at \$0.45 and expiring 5 years after the date of issue. Please refer to Schedule 3 for the remainder of the terms of the Options.

(c) **Directors' Recommendation (section 219(1)(c))**

With respect to **Resolution 4**, Messrs Cosentino, Knauer, Maxwell, Darkins, Prendergast, Phelps, Carlisle, and Kennedy recommend that Shareholders vote in favour of Resolution 4. The Directors (with the exception of Mr Indermaur) have formed the view that Resolution 4 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Mr Indermaur will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Indermaur) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Mr Indermaur is interested in the outcome of Resolution 4, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to **Resolution 5**, Messrs Indermaur, Cosentino, Maxwell, Darkins, Prendergast, Phelps, Carlisle, and Kennedy recommend that Shareholders vote in favour of Resolution 5. The

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Directors (with the exception of Mr Knauer) have formed the view that Resolution 5 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Mr Knauer will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Knauer) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Mr Knauer is interested in the outcome of Resolution 5, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to **Resolution 6**, Messrs Indermaur, Cosentino, Knauer, Darkins, Prendergast, Phelps, Carlisle and Kennedy recommend that Shareholders vote in favour of Resolution 6. The Directors (with the exception of Mr Maxwell) have formed the view that Resolution 6 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Mr Maxwell will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Maxwell) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Mr Maxwell is interested in the outcome of Resolution 6, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to **Resolution 7**, Messrs Indermaur, Cosentino, Knauer, Maxwell, Darkins, Phelps, Carlisle and Kennedy recommend that Shareholders vote in favour of Resolution 7. The Directors (with the exception of Dr Prendergast) have formed the view that Resolution 7 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Dr Prendergast will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Dr Prendergast) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be

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recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Dr Prendergast is interested in the outcome of Resolution 7, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to **Resolution 8**, Messrs Indermaur, Cosentino, Knauer, Maxwell, Prendergast, Phelps, Carlisle and Kennedy recommend that Shareholders vote in favour of Resolution 8. The Directors (with the exception of Dr Darkins) have formed the view that Resolution 8 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Dr Darkins will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Dr Darkins) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Dr Darkins is interested in the outcome of Resolution 8, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to **Resolution 9**, Messrs Indermaur, Cosentino, Knauer, Maxwell, Prendergast, Darkins, Carlisle and Kennedy recommend that Shareholders vote in favour of Resolution 9. The Directors (with the exception of Mr Phelps) have formed the view that Resolution 9 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Mr Phelps will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Phelps) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Mr Phelps is interested in the outcome of Resolution 9, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to **Resolution 10**, Messrs Indermaur, Cosentino, Knauer, Maxwell, Prendergast, Darkins, Phelps and Kennedy recommend that Shareholders vote in favour of Resolution 10. The Directors (with the exception of Mr Carlisle) have formed the view that Resolution 10 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Mr Carlisle will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;

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- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Carlisle) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Mr Carlisle is interested in the outcome of Resolution 10 he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to **Resolution 11** Messrs Indermaur, Cosentino, Knauer, Maxwell, Prendergast, Darkins, Phelps and Carlisle recommend that Shareholders vote in favour of Resolution 11. The Directors (with the exception of Mr Kennedy) have formed the view that Resolution 11 be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Mr Kennedy will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Kennedy) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights.

As Mr Kennedy is interested in the outcome of Resolution 11 he accordingly makes no recommendation to Shareholders in respect of this resolution.

(d) **Directors' Interest and other remuneration (section 219(1)(d))**

(1) **Mr Indermaur;**

Mr Indermaur has a material personal interest in the outcome of Resolution 4, as it is proposed that Performance Rights be issued to him.

Excluding the Performance Rights to be issued to Mr Indermaur pursuant to Resolution 4, Mr Indermaur (and entities associated with him) holds 160,417 Shares and nil Options in the Company:

Other than the Performance Rights to be issued to Mr Indermaur pursuant to Resolution 4 and any other cash incentives approved by the Remuneration Committee, Mr Indermaur shall receive remuneration of \$75,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as the Chairman.

(2) **Mr Knauer;**

Mr Knauer has a material personal interest in the outcome of Resolution 5, as it is proposed that Performance Rights be issued to him.

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Excluding the Performance Rights to be issued to Mr Knauer pursuant to Resolution 5, Mr Knauer (and entities associated with him) holds 6,540,541 Shares and 3,000,000 Options in the Company.

Other than the Performance Rights to be issued to Mr Knauer pursuant to Resolution 5 and any other cash incentives approved by the Remuneration Committee, Mr Knauer shall receive remuneration of \$50,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as Director.

(3) **Mr Maxwell;**

Mr Maxwell has a material personal interest in the outcome of Resolution 6, as it is proposed that Performance Rights be issued to him.

Excluding the Performance Rights to be issued to Mr Maxwell pursuant to Resolution 6, Mr Maxwell (and entities associated with him) holds 26,000 Shares and nil Options in the Company:

Other than the Performance Rights to be issued to Mr Maxwell pursuant to Resolution 6 and any other cash incentives approved by the Remuneration Committee, Mr Maxwell shall receive remuneration of \$50,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as Director.

(4) **Dr Prendergast;**

Dr Prendergast has a material personal interest in the outcome of Resolution 7, as it is proposed that Performance Rights be issued to him.

Excluding the Performance Rights to be issued to Dr Prendergast pursuant to Resolution 7, Dr Prendergast (and entities associated with him) holds 166,667 Shares and nil Options in the Company:

Other than the Performance Rights to be issued to Dr Prendergast pursuant to Resolution 7 and any other cash incentives approved by the Remuneration Committee, Dr Prendergast shall receive remuneration of \$50,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as Director.

(5) **Dr Darkins;**

Dr Darkins has a material personal interest in the outcome of Resolution 8, as it is proposed that Performance Rights be issued to him.

Excluding the Performance Rights to be issued to Dr Darkins pursuant to Resolution 8, Dr Darkins (and entities associated with him) holds nil Shares and nil Options in the Company:

Other than the Performance Rights to be issued to Dr Darkins pursuant to Resolution 8 and any other cash incentives approved by the Remuneration Committee, Dr Darkins shall receive remuneration of \$50,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as Director.

(6) **Mr Phelps;**

Mr Phelps has a material personal interest in the outcome of Resolution 9, as it is proposed that Performance Rights be issued to him.

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Excluding the Performance Rights to be issued to Mr Phelps pursuant to Resolution 9, Mr Phelps (and entities associated with him) holds nil Shares and nil Options in the Company:

Other than the Performance Rights to be issued to Mr Phelps pursuant to Resolution 9 and any other cash incentives approved by the Remuneration Committee, Mr Phelps shall receive remuneration of \$50,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as Director.

(7) **Mr Carlisle;**

Mr Carlisle has a material personal interest in the outcome of Resolution 10, as it is proposed that Performance Rights be issued to him.

Excluding the Performance Rights to be issued to Mr Carlisle pursuant to Resolution 10, Mr Carlisle (and entities associated with him) holds 5,500 Shares and nil Options in the Company:

Other than the Performance Rights to be issued to Mr Carlisle pursuant to Resolution 10 and any other cash incentives approved by the Remuneration Committee, Mr Carlisle shall receive remuneration of \$50,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as Director. Mr Carlisle is the alternate Director for Mr Phelps.

(8) **Mr Kennedy**

Mr Kennedy has a material personal interest in the outcome of Resolution 11, as it is proposed that Performance Rights be issued to him.

Excluding the Performance Rights to be issued to Mr Kennedy pursuant to Resolution 11, Mr Kennedy (and entities associated with him) holds nil Shares and nil Options in the Company:

Other than the Performance Rights to be issued to Mr Carlisle pursuant to Resolution 11 and any other cash incentives approved by the Remuneration Committee, Mr Kennedy shall receive remuneration of \$50,000 per annum (excluding superannuation) per annum (total cost to the Company) from the Company for his services as Director.

(e) **Valuation**

The Performance Rights are not currently quoted on the ASX and as such have no market value. The Performance Rights each grant the holder a right to one Option to acquire one ordinary Share in the Company on the terms as set out in this Explanatory Memorandum. Accordingly, the Performance Rights may have a present value at the date of their grant.

Various factors impact upon the value of Performance Rights including:

- (1) the period outstanding before the expiry date of the Performance Rights;
- (2) the underlying price or value of the securities into which they may be converted;
- (3) the proportion of the issued capital as expanded consequent upon the conversion of the Performance Rights and the issue of the resultant Shares (i.e. whether or not the Shares that might be acquired upon conversion of the Performance Rights represent a controlling or other significant interest); and
- (4) the value of the resultant shares on the conversion of the Performance Rights.

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There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model valuation formula, the Binomial Option Pricing Model and the Monte Carlo simulation).

The Company has commissioned an independent valuation of the Performance Rights, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass the Related Party Resolutions and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using the Binomial Option Pricing Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Binomial Option Pricing Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying Share price and expected dividends.

Inherent in the application of the Binomial Option Pricing Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Binomial Option Pricing Model was:

- (1) the exercise price of each Performance Right being nil;
- (2) a market price of Shares of \$0.36;
- (3) vesting date and expiry date of 5 years;
- (4) a volatility measure of 79.58%;
- (5) a risk-free interest rate of 2.19%; and
- (6) a dividend yield of 0.00%.

Based on the independent valuation of the Performance Rights, the Company agrees that the total value of the Performance Rights to be issued to the Directors under the Related Party Resolutions are as follows:

- (1) Mr Indermaur: \$163,341.81;
 - (2) Mr Knauer: \$108,894.54;
 - (3) Mr Maxwell: \$108,894.54;
 - (4) Dr Prendergast: \$108,894.54;
 - (5) Dr Darkins: \$108,894.54;
 - (6) Mr Phelps \$108,894.54;
 - (7) Mr Carlisle \$108,894.54;
 - (8) Mr Kennedy \$108,894.54.
- (f) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))**

There is no other information known to the Company or any of its Directors save and except as follows:

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Market Price movements:

The Performance Rights valuation noted above is based on a market price per Share of \$0.36 which is the closing trading price on 30 June 2017 which is the Trading Date immediately before the valuation was carried out.

There is a possibility that the market price of the Shares will change up to the date of the General Meeting.

Trading history

In the 12 months prior to 1 July 2017, the Company's trading history is as follows:

- the highest trading price was \$0.525 on 11 October 2016;
- the lowest trading price was \$0.255 on 3 March 2017; and
- The VWAP per Share over the 12 month period prior to 1 July 2017 was \$0.372.

The trading price of the Shares on the close of trading on 8 August 2017 (being the last trading day before this Notice of Meeting was printed) was \$0.425.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Performance Rights is the potentially dilutionary impact on the issued share capital of the Company. To the extent that the dilutionary impact caused by the issue of Performance Rights will be detrimental to the Company, this is considered to be more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors on appropriate incentive terms.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Performance Rights. No GST will be payable by the Company in respect of the grant of the Performance Rights (or if it is then it will be recoverable as an input credit).

AASB 2 – Share Based Payment, requires that reporting entities must recognize services acquired in a share-based payment transaction as the services are received. The issue of Performance Rights is in return for services provided to the Company therefore these services are to be recognised.

The value of the services acquired by the Company is to be measured at the fair value of the equity instrument granted, where fair value of the services provided cannot be estimated reliably. As the issue of Performance Rights is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the Performance Rights to be issued needs to be used as the reliable measurement of the services provided.

As the Performance Rights will not be listed on the ASX and will not be tradeable, the market value of the Performance Rights cannot be readily determined from any sales data. Therefore, a pricing model is necessary to provide a value for the Performance Rights to be issued.

Dilutionary Effect

The effect that the issue of the Shares on the exercise of the Incentive Options (assuming that the conversion is effected) and the exercise of the Performance Rights issued to the Eligible Directors under Resolutions 4 to 11 and the issue of Shares to Dr Prendergast under Resolution 12 (assuming that none of the other existing Options on issue in the Company and held by non-

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Directors have been exercised and no other Shares are issued), is as set out in the table in Schedule 4.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by the Related Party Resolutions.

Listing Rule 10.15

For the purposes of Listing Rule 10.15 and for all other purposes the following information is provided to Shareholders:

(g) **10.15.1 and 10.15.4A: Name and relationship of the Related Parties entitled to participate in Director Fees Rights Plan**

The related parties are:

- (4) Mr Chris Indermaur;
- (5) Mr Kris Knauer;
- (6) Mr Thomas Maxwell;
- (7) Dr Franklyn Prendergast;
- (8) Dr Adam Darkins;
- (9) Mr Michael Phelps;
- (10) Mr Peter Carlisle; and
- (11) Mr Patrick Kennedy.

The related parties are Directors of the Company.

(h) **10.15.2: Maximum Number of Securities to be issued (if known) or the formula for calculating the number of Securities to be issued**

The maximum number of Equity Securities to be issued are 4,250,000 Performance Rights.

(i) **10.15.3: Issue price and terms of the Securities**

The Performance Rights will be issued for nil consideration.

The remainder of the terms of the Performance Rights to be issued to the Directors are set out in Schedule 1. On vesting, each Performance Right is capable being converted into one (1) Option exercisable at \$0.45 and expiring 5 years after the date of issue (Please refer to Schedule 3 for the remainder of the terms of the Options). Any Shares issued as a result of the exercise of the Options issued to the Eligible Directors on the conversion of the Performance Rights will rank pari passu with all of the other fully paid ordinary shares on issue in the Company.

(j) **10.15.4: Securities previously issued under the Director Fees Rights Plan**

No Securities have previously been issued under the Director Fees Rights Plan.

(k) **10.15.6 Terms of any loan**

The Company and the Related Parties in (g) above have not entered, and do not propose to enter, into any loans relating to the Securities to be issued.

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(l) **10.13.6: Voting exclusion statement**

The relevant voting exclusion statement is set out in Resolutions 4, 5, 6, 7, 8, 9, 10 and 11 of the Notice of Meeting.

(m) **10.15.7: Date by which the Securities will be issued**

The Company will issue the Performance Rights as soon as possible but in any event within 12 months following this Meeting.

5. Resolution 12 – Issue of Shares to Dr Franklyn Prendergast in part satisfaction of Directors fees

5.1 Background

The proposed issue of Shares to Dr Franklyn Prendergast (Dr Prendergast) will be considered an issue of securities to a related party under ASX Listing Rule 10.11. The issue of Shares arises as a result of Dr Prendergast agreeing to forego part of the cash remuneration payable to him for Directors fees.

5.2 Relevant Legislation - Chapter 2E of the Corporations Act, Listing Rule 10.11 and Listing Rule 7.1

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the Company or a related party, is in the ASX's opinion, such that approval should be obtained from the Shareholders of the company, unless an exception in ASX Listing Rule 10.12 applies. As described above, Dr Prendergast is a director and a related party of the Company at the time of the proposed issue of Shares and as such the exceptions set out in ASX Listing Rule 10.12 would not apply.

Shareholder approval under ASX Listing Rule 7.1 not sought

ASX Listing Rule 7.2 provides that Shareholder approval under ASX Listing Rules 7.1 is not required for the issue of securities to related parties which are approved under ASX Listing Rules 10.11 (exception 14).

Accordingly, the issue of the Shares will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rules 7.1.

Shareholder approval not required under Chapter 2E of the Corporations Act

For a public company, or an entity that a public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 221 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 apply.

Dr Prendergast is a Director and the issue of Shares to him will fall within the definition of a "financial benefit" for the purposes of the Corporations Act, as he is considered a related party of the Company.

Consequently, the issue of the Shares to Dr Prendergast, will for the purposes of Chapter 2E of the Corporations Act, constitute giving a financial benefit to related parties of the Company.

The financial benefit being given to Dr Prendergast as a related party of the Company will be given in lieu of remuneration to Dr Prendergast and the Company is of the opinion it is reasonable in the

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Company's circumstances. Therefore, it falls within the exception set out in section 211(1) of the Corporations Act.

Accordingly, Shareholder approval for the purposes of Chapter 2E of the Corporations Act is not being sought.

5.3 Information required by ASX Listing Rule 10.13

The information required by ASX Listing Rule 10.13 in respect of the Director Share to be issued to the Director is set out below:

(a) **The name of the related party**

Dr Franklyn Prendergast.

(b) **The maximum number of Shares to be issued and equivalent remuneration**

77,778 Shares will be issued to Dr Prendergast in lieu of remuneration equal to \$23,333.40

(c) **The date on which the Shares will be issued to Dr Prendergast**

The Shares will be issued to Dr Prendergast within 1 month of the date of the Meeting.

(d) **The issue price of the Shares and terms of the issue**

The issue price of each Share will be \$0.30 per Share.

The Shares will be issued as fully paid Shares in the capital of the Company and on the same terms as the Company's existing Shares.

(e) **Intended use of the funds raised from the issue**

The Shares are to be issued to Dr Prendergast in lieu of cash payment of Directors fees. As such, the Shares will be granted for nil consideration and no funds will be raised as a result.

(f) **Voting exclusion statement**

The relevant voting exclusion statement is set out in Resolution 12 of the Notice of Meeting.

6. Resolution 13 – Ratification of previous issues of Securities

6.1 Securities issued by the Company in the previous 12 months

In the previous 12 months the Company has issued securities without Shareholder approval as noted below. These securities were issued within the capacity of the Company to issue not more than 15% of its capital in any 12 months period without Shareholder approval under Listing Rule 7.1 and also pursuant to its capacity to issue an additional 10% of its capital as approved at the Company's last annual general meeting.

Pursuant to Resolution 13, the Company is seeking the ratification by the Shareholders of the issue of the securities noted below.

6.2 Listing Rule 7.4 – Ratification of issue of Securities

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

Listing Rule 7.1A allows a company to seek approval from its shareholders at an annual general meeting to have the ability to issue securities equal to 10% (in addition to its 15% capacity in Listing

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Rule 7.1) of its capital. Securities issued under Listing Rule 7.1A and ratified by shareholder approval do not count towards the 10% additional capacity under Listing Rule 7.1A.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 and Listing Rule 7.1A can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with Listing Rule 7.4, Shareholder approval is sought under Resolution 13 to ratify the issue of the securities set out below.

If Resolution 13 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital under Listing Rule 7.1 and the additional 10% of its capital under Listing Rule 7.1A during the next 12 months without the need to obtain further Shareholder approval.

6.3 Listing Rule Information

For the purposes of Listing Rule 7.5:

(a) **Shares issued under the Company's Listing Rule 7.1 capacity (including issue price and use or intended use of funds raised)**

- (1) 9,586,168 fully paid ordinary Shares:
 - (A) Issued at \$0.40 per Share;
 - (B) Funds raised to be used for additional working capital.
- (2) 1,206,257 fully paid ordinary Shares:
 - (A) Issued at \$0.40 per Share;
 - (B) Funds raised to be used for additional working capital.
- (3) 1,000,000 fully paid ordinary Shares:
 - (A) Issued at \$0.40 per Share;
 - (B) No funds raised, Shares issued for payment of services of consultant/contractors.

(b) **Options issued under the Company's Listing Rule 7.1 capacity**

- (1) 1,500,000 unlisted Options:
 - (A) Exercise price of \$0.40 per Option expiring on 30 November 2018;
 - (B) No funds raised from the issue of Options.
- (2) 3,500,000 unlisted Options:
 - (A) Exercise price of \$0.48 expiring on 30 November 2019;
 - (B) No funds raised from the issue of Options.

(c) **Shares issued under the Company's Listing Rule 7.1A capacity (including issue price and use or intended use of funds raised)**

12,416,018 Shares:

- (1) Issued at \$0.40 per Share;

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- (2) Funds raised to be used for additional working capital.

(d) **Terms of the Securities**

The Shares issued rank parri passu with all other fully paid ordinary shares on issue in the Company.

(e) **Names of the person to whom the Securities were issued or the basis upon which those persons were determined**

The Securities were issued to exempt investors under Section 708 of the Corporations Act.

(f) **Voting Exclusion Statement**

A voting exclusion statement is included in the Notice of Meeting for Resolution 13.

(g) **Effect of approval of Resolution 13 for the Company's 15% capacity under Listing Rule 7.1 and additional 10% capacity under Listing Rule 7.1A**

By approving Resolution 13 and ratifying the previous issue of:

- (1) 11,792,425 Shares and 5,000,000 Options to those persons noted above will permit the Company to rely on Listing Rule 7.1 to raise further capital (if required) by issuing further Securities not exceeding 15% of the Company's capital in accordance with Listing Rule 7.1;
- (2) 12,416,018 Shares to those persons noted above will permit the Company to rely on Listing Rule 7.1A to raise further capital (if required) by issuing further Securities not exceeding 10% (in addition to its 15% capacity under Listing Rule 7.1) of the Company's capital in accordance with Listing Rule 7.1A.

Each of the Directors believe that the ratification of the previous share and options issues is in the best interests of Shareholders as a whole. The Directors recommend that you vote in favour of Resolution 13 and each of the Directors intends to vote any Shares they own or control in favour of Resolution 13.

7. Resolution 14 – Issue of Shares to contractors and consultants

7.1 Introduction

Resolution 14 proposes the allotment and issue of up to 1,672,556 Shares to various contractors or their nominees under their consultancy agreements as part of their remuneration, at a range of issue prices from \$0.30 to \$0.40 per Share. The Shares will not be issued to any related parties of the Company.

7.2 Listing Rule 7.1

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

Listing Rule 7.1A allows a company to seek approval from its shareholders at an annual general meeting to have the ability to issue securities equal to 10% (in addition to its 15% capacity in Listing Rule 7.1) of its capital. Securities issued under Listing Rule 7.1A and ratified by shareholder approval do not count towards the 10% additional capacity under Listing Rule 7.1A.

The effect of Medibio Limited Shareholder approval will be that the Shares issued will not be counted in calculating the number of securities which the Company can issue in the next 12 months under the 15% limit imposed by ASX Listing Rule 7.1

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7.3 Listing Rule Information

In accordance with ASX Listing Rules 7.3, the following information is provided in relation to the issue of the Shares under Resolution 14:

Maximum number of securities to be issued or the formula for calculating the number of securities to be issued:	1,672,556 fully paid ordinary Shares in the Company 1) 541,667 shares at \$0.40 per share 2) 25,923 shares at \$0.39 per share 3) 119,769 shares at \$0.33 per share 4) 985,197 shares at \$0.30 per share
The date by which the entity will issue the securities:	The Shares will be issued no later than 3 months after the date of the General Meeting.
Price at which the securities will be issued:	The minimum issue price will be \$0.30 per Placement Share and the maximum \$0.40 per Placement Share.
Persons to be issued the Shares	The Shares will be issued in payment of the remuneration due to contractors of the Company.
Terms of the securities:	Fully paid ordinary shares of the Company ranking equally with all other ordinary shares of the Company.
Use (or intended use) of the funds raised:	No funds will be raised by the issue of these shares.
Voting exclusion statement	The relevant voting exclusion statement is set out in Resolution 14 of the Notice of Meeting.

Each of the Directors believe that the issue is in the best interests of Shareholders as a whole. The Directors recommend that you vote in favour of Resolution 14 and each of the Directors intends to vote any Shares they own or control in favour of Resolution 14.

8. Resolution 15 – Increase the maximum aggregate remuneration of Non-Executive Directors

8.1 Introduction

Resolution 15 proposes to increase the maximum aggregate remuneration of Non-Executive Directors. The maximum remuneration payable by Medibio to Non-Executive Directors is determined by Medibio shareholders in general meeting.

8.2 Listing Rule 10.17

Listing Rule 10.17 prohibits a company from increasing the total aggregate amount of director's fees payable to all of its Non-Executive Directors without shareholder approval.

8.3 Listing Rule Information

The Company's policy is to adequately remunerate Non-Executive Directors at market rates for their time, commitment and responsibilities. Under the Company's Remuneration Policy Non-Executive Director's remuneration is reviewed by comparison of director's remuneration with companies of similar characteristics. From time to time, an independent check is undertaken to provide a reference point.

Explanatory Memorandum

The maximum aggregate remuneration of Non-Executive Directors is currently \$500,000 per year. This cap includes all fees and superannuation contributions paid to Non-Executive Directors and is the amount approved by shareholders of the Company at the annual general meeting held on 24 November 2014.

All elements of remuneration of Non-Executive Directors for the financial year ended 30 June 2016 are disclosed in the Remuneration Report. The Securities that have been issued to The Company's Non-Executive Directors under ASX Listing Rules 10.11 or 10.14 at any time within the last three years are as follows.

James Campbell	250,000 options exercisable at \$0.30 expiring 2 years from the date of approval -approved by shareholders at General meeting held 6 March 2015
Chris Indermaur	150,000 shares granted as remuneration approved by shareholders at General meeting held 6 March 2015 41,667 shares granted as remuneration approved by shareholders at AGM held 24 November 2015 55,460 shares granted as remuneration approved by shareholders at General meeting held 29 November 2016
Franklyn Prendergast	166,667 shares granted as remuneration approved by shareholders at AGM held 24 November 2015 129,630 shares granted as remuneration approved by shareholders at General meeting held 29 November 2016
Vincent Fayad	416,667 shares upon conversion of a convertible note at \$0.30 per shares approved by shareholders at General meeting held 6 March 2015
Kris Knauer	3,250,000 shares and 3,000,000 options exercisable at \$0.10 expiring 3 years from date of approval upon conversion of a convertible note at \$0.30 per shares approved by shareholders at General meeting held 6 March 2015 100,000 shares purchased on market 8 March 2017

In addition, the Company Notes that Resolutions 4 to 12 of this Notice of Meeting will result in the issue of securities to Non-Executive Directors.

As the company's activities and focus have moved to the USA, it has become appropriate to appoint a number of American based directors with particular skills to bring the Board more in line with its US peers. The company has been fortunate in attracting some very high calibre new directors.

When the aggregate board fees were set in November 2014 at \$500,000 there were 3 directors, there are now 8 directors. The base pay for directors is \$50,000 plus a superannuation allowance of 9.5%, making a total of \$54,750. The Chairman receives a 1.5 times loading on a non-executive directors fee. In addition, there are payments to Frank Prendergast to chair a sub-committee. While these fees are low by international standards, it is not intended to increase them in the immediate future.

Explanatory Memorandum

The board size has more than doubled since the aggregate was last set in November 2014 and it is therefore proposed to increase the cap by \$250,000 to \$750,000. The new cap of \$750,000, in addition to allowing Non-Executive Directors to be remunerated at market rates for their efforts also contains an allowance to accommodate fees for additional Non-Executive Directors to assist in Board succession. The intention is that new Directors will be appointed to the Board prior to the retirement of existing Directors to allow time for an orderly transfer of responsibilities.

Accordingly, the Board seeks The Company shareholder approval of a new maximum aggregate sum of \$750,000 per year for Non-Executive Directors remuneration. This increase will allow the Board to:

- (a) recognise increases in both the workload and responsibilities of Non-Executive Directors on the Board and its committees;
- (b) provide for effective succession planning and transition arrangements; and
- (c) have the flexibility to attract and retain the services of Non-Executive Directors of the highest calibre.

As each of the Non-Executive Directors has a personal interest in Item 9, it is not appropriate for them to make any recommendation as to how The Company shareholders should vote on this resolution.

9. Voting entitlement

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 10:00am (Sydney Time) on 9 September 2017. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

10. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

ASX means the ASX Limited.

Change in Control Transaction means:

- (a) any change in Company ownership occurring when any person or entity, directly or indirectly, becomes the beneficial owner of greater than fifty percent (50%) voting equity shares of the Company;
- (b) any direct or indirect sale or transfer of substantially all of the assets of the Company;
- (c) a plan of liquidation or an agreement for the sale on liquidation is legally approved and completed; or
- (d) the Board or empowered managing committee determines and declares that a change of control has occurred, irrespective of any occurrences described above.

Company means Medibio Limited - ACN 008 130 336 (ASX: MEB).

Constitution means the constitution of the Company from time to time.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Director Fees Rights Plan means the performance rights plan a summary of which is set out in Schedule 1.

Explanatory Memorandum

Directors means the board of directors of the Company as at the date of the Notice of Meeting.

Eligible Directors means those Directors referred to in clause 5.2(a).

Explanatory Memorandum means the explanatory statement accompanying this Notice.

Incentive Options means those Options which is the subject of Resolution 3.

Incentive Performance Rights Plan means the performance rights plan proposed to be adopted under Resolution 2 a summary of which is set out in Schedule 2.

KMP means Key Management Personnel.

Listing Rules means the official listing rules of the ASX as amended from time to time.

Meeting means the General Meeting to be held as convened by the accompanying Notice of Meeting.

Notice of Meeting or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum.

Option means an option to acquire a Share.

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders.

Partly Paid Shares means a share with a paid-up capital of \$0.01 and unpaid as to \$0.29 per share.

Related Party has the meaning given in Section 228 of the Corporations Act.

Related Party Resolutions means Resolutions 4, 5, 6, 7, 8, 9, 10 and 11.

Relevant Options means options to acquire fully paid ordinary shares in the Company exercisable at \$0.30 expiring on 1 April 2017.

Resolutions means the resolutions set out in the Notice of Meeting.

Security or **Securities** has the meaning given in the Listing Rules.

Shares means fully paid ordinary shares in the Company from time to time.

Shareholder means a shareholder of the Company.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to:

Mr Robert Lees (Company Secretary):

Post: Attention: Robert Lees
C/- CoySec Services Pty Ltd
GPO Box 4492
Sydney NSW 2000

Tel: 02 9299 9580
Email: rob.lees@medibio.com.au

Explanatory Memorandum

Schedule 1 – Terms of Director Fees Performance Rights Plan

Eligible Participants: A non-executive Director or Prospective Director of the Company (or another entity within the Company group) who is declared by the board to be eligible to participate in the Director Fees Performance Rights Plan.

Offers: The Board may, from time to time, in its absolute discretion, and only where an Eligible Participant continues to satisfy any relevant conditions imposed by the Board, make an offer to any Eligible Participant to apply for Performance Rights for the payment of at least 50% of a non-executive Director's annual Director fees owing by the Company to the Eligible Participant upon the terms set out in the Director Fees Rights Plan.

Performance Rights: Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one Share or one Option (as the case may be) or cash payment (as elected by the Board in its absolute discretion).

Not transferrable: Performance Rights are only transferrable in special circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

Exercise: A participant (or their legal representative where applicable) may, subject to the terms of any offer, exercise any vested Performance Right at any time after it is granted and before it lapses.

Cash Payment or Shares or Options: Subject to the Corporations Act, the ASX Listing Rules, the Director Fees Rights Plan and the terms of any offer under the Director Fees Rights Plan, within 10 days of receipt of a valid notice of exercise for Performance Rights, the Board must, in its absolute discretion, either;

- (a) pay the Participant or his or her personal representative a cash payment for each Performance Right exercised; or
- (b) issue one (1) Share or one (1) Option, free of encumbrances, to the Participant or his or her personal representative for each Performance Right exercised.

Lapse of a Performance Right: A Performance Right will lapse upon the earlier to occur of:

- (a) an unauthorised dealing in, or hedging of, the Performance Right;
- (b) a Relevant Person (as defined in the Director Fees Rights Plan) ceases to be an Eligible Participant where the Performance Right granted in respect of that relevant person is not exercised within one (1) month (or such later date as the Board determines) of the date of the Relevant Person ceases to be an Eligible Participant;
- (c) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
- (d) the Expiry Date of the Performance Right; and
- (e) the seven (7) year anniversary of the date of grant of the Performance Rights.

Shares and Options: All Shares and Options issued under the Director Fees Rights Plan will rank equally in all respects with the Shares and Options of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue.

Quotation of Shares: If Shares of the same class as those allotted under the Director Fees Rights Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any restriction period applying to the disposal of Shares ends. The Company will not apply for any quotation of Performance Rights or Options on the ASX.

Explanatory Memorandum

Share Sale Restrictions: The Board may, in its discretion, determine at any time up until exercise of Performance Rights or Options (as the case may be), that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Performance Rights or Options (as the case may be) (**Restricted Shares**), up to a maximum of seven (7) years from the Grant Date of the Performance Rights (**Restriction Period**). Other than any Restriction Period, there will be no transfer restrictions on Shares issued or transferred under the Director Fees Rights Plan unless the sale, transfer or disposal would require the preparation of a disclosure document. The Company will issue, where required to enable Shares issued or transferred on exercise of Performance Rights to be freely tradeable on the ASX, a cleansing statement at the time the shares are issued. The Board maintains the discretion to determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued on exercise of those Performance Rights or Options (as the case may be), up to a maximum of seven (7) years from the grant date of the Performance Rights.

No Participation Rights: There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

No Change: A Performance Right or Options (as the case may be) does not confer the right to a change the number of underlying Shares over which the Performance Right or Options (as the case may be) can be exercised.

Re-organisation: If, at any time, the issued capital of the Company is re-organised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the re-organisation.

Amendments: Subject to express restrictions set out in the Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may at any time by resolution amend or add to all or any of the provisions of the Plan, or the terms or conditions of any Performance Right granted under the Plan including giving any amendment retrospective effect.

Restrictions on amendments: Without the consent of the Participant, no amendment may be made to the terms of any granted Performance Right which reduced the rights of the Participant in respect of that Performance Right, other than an amendment introduced primarily:

- (a) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to enable a member of the Group to comply with the Corporations Act, the ASX Listing Rules, applicable foreign law, or a requirement, policy or practice of the ASIC or other foreign or Australian regulatory body
- (c) to correct any manifest error or mistake; or
- (d) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a court of competent jurisdiction

Explanatory Memorandum

Schedule 2 – Terms of Incentive Performance Rights Plan

Eligible Participants: A Director, full time, part time or casual employee of any Group Company and certain contractors (current or prospective) who is declared by the Board to be eligible to receive grants of Performance Rights under the Incentive Rights Plan.

Offers: The Board may, from time to time, at its absolute discretion, make an offer to an Eligible Participant under the Incentive Rights Plan to apply for up to a specified number of Performance Rights, upon the terms of the Incentive Rights Plan and on such additional terms and conditions as the Board determines.

Performance Rights: Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one Share or cash payment (as elected by the Board in its absolute discretion).

Not transferrable: Performance Rights are only transferrable in special circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

Vesting Conditions: A Performance Right may be made subject to Vesting Conditions as determined by the Board in its discretion and as specified in the offer for the Performance Right.

Vesting: A Performance Right will vest where Vesting Conditions are satisfied or where, despite Vesting Conditions not being satisfied, the Board (in its absolute discretion) resolves that unvested Performance Rights have vested as a result of:

- (a) a Relevant Person ceasing to be an Eligible Participant due to special circumstances;
- (b) a Relevant Person suffering severe financial hardship;
- (c) a change of control occurring or the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

Exercise of vested Performance Right: A Participant may, subject to the terms of any offer, exercise any vested Performance Right at any time after the Board notifies that the Performance Right has vested and before it lapses.

Cash Payment or Shares: Subject to the Corporations Act, the ASX Listing Rules, the Incentive Rights Plan and the terms of any offer under the Incentive Rights Plan, within 10 days of receipt of a valid notice of exercise for Performance Rights, the Board must, in its absolute discretion, either;

- (a) pay the Participant or his or her personal representative a cash payment for each Performance Right exercised; or
- (b) issue or transfer one (1) Share, free of encumbrances, to the Participant or his or her personal representative for each Performance Right exercised

Lapse of a Performance Right: A Performance Right will lapse upon the earlier to occur of:

- (a) an unauthorised dealing in, or hedging of, the Performance Right;
- (b) a Vesting Condition in relation to the Performance Right is not satisfied by its due date, or becomes incapable of satisfaction, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception (e.g. due to death, total and permanent disability, retirement or redundancy or financial hardship) or change of control event;
- (c) in respect of unvested Performance Rights only, where a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception or change of control event or resolves to allow the unvested

Explanatory Memorandum

Performance Right to remain unvested after the Relevant Person ceases to be an Eligible Participant;

- (d) in respect of a vested Performance Right only, where a Relevant Person ceases to be an Eligible Participant and the Performance Right granted is not exercised within one (1) month of the date the Relevant Person ceases to be an Eligible Participant;
- (e) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
- (f) the Company undergoes a change in control or winding up, and the Board does not exercise its discretion to vest the Performance Right;
- (g) the expiry date of the Performance Right; and
- (h) the 7-year anniversary of the date of grant of the Performance Right.

Shares: All shares issued under the Incentive Rights Plan will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue.

Quotation of Shares: If Shares of the same class as those allotted under the Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any restriction period applying to the disposal of Shares ends.

Share Sale Restrictions: The Board may, in its discretion, determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Performance Rights (**Restricted Shares**), up to a maximum of seven (7) years from the Grant Date of the Performance Rights (**Restriction Period**). Other than any Restriction Period, there will be no transfer restrictions on Shares issued or transferred under the Incentive Rights Plan unless the sale, transfer or disposal would require the preparation of a disclosure document. The Company will issue, where required to enable Shares issued or transferred on exercise of Performance Rights to be freely tradeable on the ASX, a cleansing statement at the time the shares are issued. The Board maintains the discretion to determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued on exercise of those Performance Rights, up to a maximum of seven (7) years from the grant date of the Performance Rights.

No Participation Rights: There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

No Change: A Performance Right does not confer the right to a change in the number of underlying Shares over which the Performance Right can be exercised.

Reorganisation: If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

Amendments: Subject to express restrictions set out in the Incentive Rights Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may at any time by resolution amend or add to all or any of the provisions of the Incentive Rights Plan, or the terms or conditions of any Performance Right granted under the Plan including giving any amendment retrospective effect.

Restrictions on amendments: Without the consent of the Participant, no amendment may be made to the terms of any granted Performance Right which reduced the rights of the Participant in respect of that Performance Right, other than an amendment introduced primarily:

Explanatory Memorandum

- (a) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake; or
- (c) to enable a member of the Group to comply with the Corporations Act, the ASX Listing Rules, applicable foreign law, or a requirement, policy or practice of the ASIC or other foreign or Australian regulatory body
- (d) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a court of competent jurisdiction

Explanatory Memorandum

Schedule 3 – Terms of the Options

The remainder of the terms of the Incentive Options to be issued to Mr Cosentino and the Options to be issued to the Eligible Directors in the conversion of the Performance Rights issued to them under Resolutions 4 to 11 (inclusive) are as follows:

1. The Options will not be transferable in whole or in part and may not be exercised by any other person (except, in the case of the Option holder's death, by his or her legal personal representative);
2. The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date;
3. The number of Options that may be exercised at one time must be not less than a marketable parcel of Shares;
4. Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary Shares ranking pari passu with the then issued ordinary Shares;
5. Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
6. Option holders do not participate in any dividends unless the Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend;
7. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
8. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- | | | |
|-------|---|--|
| O^n | = | the new exercise price of the Option; |
| O | = | the old exercise price of the Option; |
| E | = | the number of underlying securities into which one Option is exercisable; |
| P | = | the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex-right date or the ex-entitlements date; |
| S | = | the subscription price for a security under the pro rata issue; |
| D | = | dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue); |

Explanatory Memorandum

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

9. If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
10. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options;
11. The Company does not intend to apply for listing of the Options on the ASX; and
12. The Company shall apply for listing of the resultant Shares of the Company issued upon exercise of any Option.

Explanatory Memorandum

Schedule 3 – Dilutionary effect table

	Current			To be issued			Post Share Issue on exercise of all of the Incentive Options and Performance Rights and issue of Shares	
	Shares	%	Options	Options	Shares	Perform ance Rights	Securities	%
Ordinary shares - Current Shareholders (excluding Directors)	141,619,494	95.23					141,619,619	85.29
Mr Cosentino	200,000	0.13		10,000,000			10,200,000	6.14
Mr Indermaur	160,417	0.11				750,000	910,417	0.55
Mr Knauer	6,540,541	4.40	3,000,000			500,000	10,040,541	6.05
Dr Prendergast	166,667	0.11			77,778	500,000	744,445	0.45
Mr Carlisle	5,500	0.004				500,000	505,500	0.30
Mr Maxwell	26,000	0.02				500,000	526,000	0.32
Dr Darkins		0.00				500,000	500,000	0.30
Mr Phelps		0.00				500,000	500,000	0.30
Mr Kennedy		0.00				500,000	500,000	0.30
Total ordinary shares	148,718,619	100%					166,046,397	100%



MEB

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX



Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 10:00am (Sydney time) Saturday 9 September 2017**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Medibio Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Medibio Limited to be held at Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 on Monday, 11 September 2017 at 10:00am (Sydney time) and at any adjournment or postponement of that Meeting.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
1	Issue of Partly Paid Shares to Relevant Option holders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10	Approve the grant of Performance Rights to Mr Peter Carlisle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Adoption of Incentive Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11	Approve the grant of Performance Rights to Mr Patrick Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Adoption of the issue of Incentive Options to Mr Jack Cosentino	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12	Approve the issue of Shares to Dr Franklyn Prendergast as part satisfaction of Directors fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Approve the grant of Performance Rights to Mr Chris Indermaur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13	Ratification of previous issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Approve the grant of Performance Rights to Mr Kris Knauer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14	Approve the issue of Shares to various contractors and consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Approve the grant of Performance Rights to Mr Andrew Maxwell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15	Increase the maximum aggregate remuneration of Non-Executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Approve the grant of Performance Rights to Dr Franklyn Prendergast	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
8	Approve the grant of Performance Rights to Dr Adam Darkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
9	Approve the grant of Performance Rights to Mr Michael Phelps	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

_____ / _____ / _____

Date

MEB

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