

Notice of Extraordinary General Meeting and Explanatory Memorandum

Medibio Limited **ACN 008 130 336**

Date of Meeting: Wednesday 6 June 2018

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 is given that an Extraordinary General Meeting of Medibio Limited ACN 008 130 336 (**Company**) will be held at the offices of Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 on Wednesday 6 June 2018 at 10:00am.

Terms used in this Notice of Meeting are defined in Section 5 of the accompanying Explanatory Memorandum.

Agenda

Please refer to the Explanatory Memorandum for details of these Resolutions.

Ordinary business

Resolution 1: Ratification of previous issue of Shares

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 Company approves the previous issue of 1,836,512 Shares to contractors on the terms detailed in the accompanying in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a) a person who participated in the issue; or
- 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.

Resolution 2: Approve the grant of Options 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 10.11, and for all other purposes, the Shareholders approve the grant to Mr Chris Indermaur of 839,333 Options to acquire one Share (at an exercise price of \$0.44 per Option and expiring 4 years after the date of grant), and to allot and issue Options, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a) Chris Indermaur; or
- b) any associate of Chris Indermaur.

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.

Resolution 3: Approve the grant of Options 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 10.11, and for all other purposes, the Shareholders approve the grant to Mr Andrew Maxwell of 559,556 Options to acquire one Share (at an exercise price of \$0.44 per Option and expiring 4 years after the date of grant), and to allot and issue Options, as set out in the Explanatory Memorandum”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a) Andrew Maxwell; or
- b) any associate of Andrew Maxwell.

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.

Resolution 4: Approve the grant of Options 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 10.11, and for all other purposes, the Shareholders approve the grant to Dr Franklyn Prendergast of 559,556 Options to acquire one Share (at an exercise price of \$0.44 per Option and expiring 4 years after the date of grant), and to allot and issue Options, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

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

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.

Resolution 5: Approve the grant of Options 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 10.11, and for all other purposes, the Shareholders approve the grant to Mr Michael Phelps of 559,556 Options to acquire one Share (at an exercise price of \$0.44 per Option and expiring 4 years after the date of grant), and to allot and issue Options, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a) Michael Phelps; or
- b) any associate of Michael Phelps.

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.

Resolution 6: Approve the grant of Options 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 10.11, and for all other purposes, the Shareholders approve the grant to Mr Peter Carlisle of 559,556 Options to acquire one Share (at an exercise price of \$0.44 per Option and expiring 4 years after the date of grant), and to allot and issue Options, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a) Peter Carlisle; or
- b) any associate of Peter Carlisle.

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.

Resolution 7: Approve the grant of Options 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 10.11, and for all other purposes, the Shareholders approve the grant to Mr Patrick Kennedy of 559,556 Options to acquire one Share (at an exercise price of \$0.44 per Option and expiring 4 years after the date of grant), and to allot and issue Options, as set out in the Explanatory Memorandum.”

Voting Exclusion Statement

the Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a) Patrick Kennedy; or
- b) any associate of Patrick Kennedy.

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.

Resolution 8: Ratification of previous issue of Shares to Shareholders of Vital Conversations Pty Ltd

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 7.4 and for all other purposes, Shareholders approve the issue of 384,264 Shares to Peta Slocombe, Mrs Karen Silbert and Mr Vincenzo Cadaci and Mrs Alisa Cadaci as shareholders of Vital Conversations Pty Ltd, as the share-based portion of the acquisition price of Vital Conversations Pty Ltd on the terms set out in the accompanying Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a) Peta Slocombe, Mrs Karen Silbert, and Mr Vincenzo Cardaci and Mrs Alisa Cardaci; or
- b) any associate of Peta Slocombe, Mrs Karen Silbert, and Mr Vincenzo Cardaci and Mrs Alisa Cardaci.

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.

Please refer to the Explanatory Memorandum for details of these resolutions

Dated: 27 April 2018

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 5.

ORDINARY BUSINESS

1. Resolution 1: Ratification of previous issue of Securities

On 2 March 2018, the Company issued 1,836,512 Shares at a deemed issue price of \$0.221 per share to Contractors as part of a settlement for nil consideration. These shares were issued without prior Shareholder approval under the Company's 15% annual placement capacity set out in ASX 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-month 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.

ASX Listing Rule 7.4 provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

1.1 Listing Rule Information

For the purposes of Listing Rule 7.5:

7.5.1	The number of Securities issued	1,125,793 Shares	616,739 Shares	93,980 Shares
7.5.2	The price at which the Securities were deemed to be issued	\$0.221 per Share		
7.5.3	The terms of the Securities	The Shares issued rank parri passu with all other fully paid ordinary shares on issue in the Company.		
7.5.4	The names of the persons to whom the Securities were issued	Yashar Behzadi	Gregory Moon	Nathan Kowahl
7.5.5	The use or intended use of the funds raised	No funds were raised by the issue of these shares; the issue was part of a legal settlement with a contractor.		
7.5.6	A voting exclusion statement.	A voting exclusion statement is included in the Notice of Meeting for Resolution 1.		

1.2 Effect of approval of Resolution 1 for the Company's 15% capacity under Listing Rule 7.1.

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By approving Resolution 1 and ratifying the previous issue of 1,836,512 Shares to those persons noted above, this 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.

1.3 Director's recommendation

The Director's unanimously recommend that you vote in favour of Resolution 1.

2. Resolutions 2, 3, 4, 5, 6, and 7: The grant of Options to Directors

2.1 Background

In Resolutions 2, 3, 4, 5, 6, and 7 (**Related Party Resolutions**), the Company is seeking approval for the grant of Options that will convert on a one-for-one basis to a Share on payment of \$0.44 per Option and expire 4 years after the date of issue to each of the Directors (other than Mr Cosentino) (**Directors Options**) 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.

Shareholders previously approved an issue of Performance Rights to Directors at a meeting held on 11 September 2017. The structure of those Performance Rights was found to be an ineffective tax structure for the Company. As such, the Performance Rights were not issued and will not be issued if the Related Party Resolutions are approved.

Using the Binomial Option Pricing Model, the proposed Director Options have a lower cost to the Company than the previously approved Performance Rights.

Fifty percent (50%) of the Directors Options to be issued will vest on issue and are immediately exercisable. The remaining fifty percent (50%) of the Director Options to be issued will vest on September 11, 2018.

2.2 Listing Rule Information

For the purposes of Listing Rule 10.13:

10.13.1	The name of the person.	<p>The Company proposes to grant the Directors Options to the following Directors:</p> <p>(1) Mr Chris Indermaur; (2) Mr Andrew Thomas Maxwell; (3) Dr Franklyn Prendergast; (4) Mr Michael Phelps; (5) Mr Peter Carlisle; and (6) Mr Patrick Kennedy, (collectively the Eligible Directors).</p> <p>Mr Cosentino, as the CEO and Managing Director of the Company, is not eligible to participate.</p>
10.13.2	The maximum number of securities to be issued.	<p>The maximum number of Directors Options to be issued to each Eligible Director is 559,556 Options, except the Chairman Mr Indermaur who will be issued with 839,333 Options.</p>

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		This is a total of 3,637,113 Options.
10.13.3	The date by which the securities will be issued, which must not be more than 1 month after the date of the meeting.	The Directors Options will be issued to each Eligible Director under the Related Party Resolutions on Shareholder approval being granted for the Related Party Resolutions, and in any event no more than 1 month from the date of the meeting.
10.13.4	If the person is not a director, a statement of the relationship.	All persons to receive securities under the Related Party Resolutions are Directors.
10.13.5	The issue price of the securities and a statement of the terms of the issue.	The Directors Options are exercisable at \$0.44 per Option and expiring 4 years after the date of issue. Please refer to Schedule 1 for the remainder of the terms of the Options
10.13.6	A voting exclusion statement.	A voting exclusion statement is included in each Related Party Resolution.
10.13.6A	The intended use of the funds raised.	No funds will be raised through the issue of the Directors Options.

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

Please refer to Schedule 1 for the remainder of the terms of the Options

2.3 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.

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Listing Rule 10.11

Listing Rule 10.11 provides that an entity must not issue or agree to issue equity securities without the approval of holders of ordinary securities to related parties (or a person whose relationship with the entity or a related party is in ASX's opinion such that approval should be obtained) 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 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 Rules 10.11 or 10.14, approval will not be required under Listing Rule 7.1. Therefore, the issue of the Options to the Eligible Directors under Resolutions 2 to 7 (inclusive), if passed, will not count towards the Company's 15% Capacity under Listing Rule 7.1.

2.4 Shareholder Approval Requirement

The Related Party Resolutions, if passed, will confer financial benefits and involve the issue of Directors Options to the Eligible Directors being 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 10.11.

2.5 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:

(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 Andrew Maxwell, 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) 839,333 Directors Options to be issued to Mr Indermaur;
- (2) 559,556 Directors Options to be issued to Mr Maxwell;
- (3) 559,556 Directors Options to be issued to Dr Prendergast.
- (4) 559,556 Directors Options to be issued to Mr Michael Phelps;
- (5) 559,556 Directors Options to be issued to Mr Peter Carlisle; and
- (6) 559,556 Directors Options to be issued to Mr Patrick Kennedy.

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On vesting, each Directors Options is exercisable at \$0.44 and expiring 4 years after the date of issue.

Please refer to Schedule 1 for the remainder of the terms of the Options.

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

With respect to **Resolution 2**, Messrs Cosentino, Maxwell, Prendergast, Phelps, Carlisle, and Kennedy recommend that Shareholders vote in favour of Resolution 2. The Directors (with the exception of Mr Indermaur) have formed the view that Resolution 2 be put to Shareholders for the following reasons:

- (1) the grant of the Directors Options 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 Directors 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 Indermaur) consider 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 Directors Options.

As Mr Indermaur is interested in the outcome of Resolution 2, he accordingly makes no recommendation to Shareholders in respect of this resolution.

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

- (1) the grant of the Directors Options 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 Directors 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 Maxwell) consider 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 Directors Options.

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

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

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- (1) the grant of the Directors Options 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 Directors 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 Dr Prendergast) consider 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 Directors Options.

As Dr Prendergast 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, Prendergast, Carlisle and Kennedy recommend that Shareholders vote in favour of Resolution 5. The Directors (with the exception of Mr Phelps) have formed the view that Resolution 5 be put to Shareholders for the following reasons:

- (1) the grant of the Directors Options 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 Directors 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 Phelps) consider 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 Directors Options.

As Mr Phelps 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, Maxwell, Prendergast, Phelps, and Kennedy recommend that Shareholders vote in favour of Resolution 6. The Directors (with the exception of Mr Carlisle) have formed the view that Resolution 6 be put to Shareholders for the following reasons:

- (1) the grant of the Directors Options 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;
- (2) the Directors 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 Carlisle) consider 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 Directors Options.

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As Mr Carlisle 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, Maxwell, Prendergast, Phelps and Carlisle recommend that Shareholders vote in favour of Resolution 7. The Directors (with the exception of Mr Kennedy) have formed the view that Resolution 7 be put to Shareholders for the following reasons:

- (1) the grant of the Directors Options 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 Directors 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 Kennedy) consider 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 Directors Options.

As Mr Kennedy is interested in the outcome of Resolution 7 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 2, as it is proposed that Directors Options be issued to him.

Excluding the Directors Options to be issued to Mr Indermaur pursuant to Resolution 2, Mr Indermaur (and entities associated with him) holds 160,417 Shares and nil Options in the Company.

Other than the Directors Options to be issued to Mr Indermaur pursuant to Resolution 2 and any other cash incentives approved by the Remuneration Committee, Mr Indermaur shall receive remuneration of \$75,000 per annum (excluding superannuation) (total cost to the Company) from the Company for his services as the Chairman.

(2) **Mr Maxwell;**

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

Excluding the Directors Options to be issued to Mr Maxwell pursuant to Resolution 3, Mr Maxwell (and entities associated with him) holds 26,000 Shares and nil Options in the Company.

Other than the Directors Options to be issued to Mr Maxwell pursuant to Resolution 3 and any other cash incentives approved by the Remuneration Committee, Mr Maxwell shall receive remuneration of \$52,500 per annum (excluding superannuation) (total cost to the Company) from the Company for his services as Director.

(3) **Dr Prendergast;**

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Dr Prendergast has a material personal interest in the outcome of Resolution 4, as it is proposed that Directors Options be issued to him.

Excluding the Directors Options to be issued to Dr Prendergast pursuant to Resolution 4, Dr Prendergast (and entities associated with him) holds 166,667 Shares and nil Options in the Company.

Other than the Directors Options to be issued to Dr Prendergast pursuant to Resolution 4 and any other cash incentives approved by the Remuneration Committee, Dr Prendergast shall receive remuneration of U.S.\$70,000 per annum (excluding superannuation) (total cost to the Company) from the Company for his services as Director.

(4) **Mr Phelps;**

Mr Phelps has a material personal interest in the outcome of Resolution 5, as it is proposed that Directors Options be issued to him.

Excluding the Directors Options to be issued to Mr Phelps pursuant to Resolution 5, Mr Phelps (and entities associated with him) holds nil Shares and nil Options in the Company.

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

(5) **Mr Carlisle;**

Mr Carlisle has a material personal interest in the outcome of Resolution 6, as it is proposed that Directors Options be issued to him.

Excluding the Directors Options to be issued to Mr Carlisle pursuant to Resolution 6, Mr Carlisle (and entities associated with him) holds 5,500 Shares and nil Options in the Company.

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

(6) **Mr Kennedy**

Mr Kennedy has a material personal interest in the outcome of Resolution 7, as it is proposed that Directors options be issued to him.

Excluding the Directors Options to be issued to Mr Kennedy pursuant to Resolution 7, Mr Kennedy (and entities associated with him) holds nil Shares and nil Options in the Company.

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

(e) **Valuation**

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

Various factors impact upon the value of Directors Options including:

- (1) the period outstanding before the expiry date of the Directors Options;
- (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 Directors Options and the issue of the resultant Shares (i.e. whether or not the Shares that might be acquired upon conversion of the Directors Options represent a controlling or other significant interest); and
- (4) the value of the resultant shares on the conversion of the Directors 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 Directors 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 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 Option being \$0.44;
- (2) a market price of Shares of \$0.30;
- (3) the Options vesting on the following dates:
 - (a) fifty percent (50%) of the Options vesting immediately; and
 - (b) the remaining fifty percent (50%) of the Options vesting on 11 September 2018;
- (4) an expiry date of 4 years from the date of issue;
- (5) a volatility measure of 76.34%;
- (6) a risk-free interest rate of 2.367%; and
- (7) a dividend yield of 0.00%.

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

- (1) Mr Indermaur: \$123,314.40;
 - (2) Mr Maxwell: \$82,209.70;
 - (3) Dr Prendergast: \$82,209.70;
 - (4) Mr Phelps \$82,209.70;
 - (5) Mr Carlisle \$82,209.70; and
 - (6) Mr Kennedy \$82,209.70.
- (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:

Market Price movements

The Option valuation noted above is based on a market price per Share of \$0.30 which was the volume weighted average price (VWAP) for the one week period up to and including January 26, 2018, which is the 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 4 April 2018, the Company's trading history is as follows:

- the highest trading price was \$0.4350 on 11 October 2017;
- the lowest trading price was \$0.190 on 3 April 2018; and
- The VWAP per Share over the 12 month period prior to 4 April 2018 was \$0.3398.

The trading price of the Shares on the close of trading on 3 April 2018 (being the last trading day before this Notice of Meeting was printed) was \$0.19.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Directors 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 Directors 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 Directors on appropriate incentive terms.

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Taxation Consequences

No stamp duty will be payable in respect of the grant of the Directors Options. No GST will be payable by the Company in respect of the grant of the Directors 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 Directors 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 Directors Options is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the Directors Options to be issued needs to be used as the reliable measurement of the services provided.

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

Dilutionary Effect

The effect that the issue of the Shares on the exercise of the Directors Options (assuming that the options are exercised) issued to the Eligible Directors under Resolutions 2 to 7 is as set out in the table in Schedule 2.

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.

3. Resolution 8: Ratification of previous issue of Shares to Vital Conversations Pty Ltd

On 17 April 2018, the Company issued 384,264 Shares at a deemed issue price of \$0.2402 per Share for nil consideration as the share-based portion of the acquisition price of Vital Conversations Pty Ltd. These shares were issued without prior Shareholder approval under the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1.

3.1 ASX Listing Rule 7.1 and 7.4

A summary of ASX Listing Rule 7.1 and 7.4 is set out above in Resolution 1 above.

3.2 Listing Rule Information

For the purposes of Listing Rule 7.5:

7.5.1	The number of Securities issued	236,706 Shares	73,779 Shares	73,779 Shares
7.5.2	The price at which the Securities were deemed to be issued	\$0.2402 per Share		
7.5.3	The terms of the Securities	The Shares issued rank parri passu with all other fully paid ordinary shares on issue in the Company.		

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7.5.4	The names of the persons to whom the Securities were issued	Peta Jane Slocombe	Mrs Karen Silbert	Mr Vincenzo Robert Cadaci & Mrs Alisa May Cardaci
7.5.5	The use or intended use of the funds raised	No funds were raised by the issue of these shares; the issue was part of a legal settlement with a contractor.		
7.5.6	A voting exclusion statement.	A voting exclusion statement is included in the Notice of Meeting for Resolution 8.		

2.1 Director's Recommendation

The Directors unanimously recommend that you vote in favour of Resolution 8.

Explanatory Memorandum

4. 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 5 June 2018. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

5. Interpretation

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

ASX means the ASX Limited.

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

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

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

Directors Options means those Options which are the subject of Resolution 2, 3, 4, 5, 6 and 7.

Eligible Directors means those Directors referred to in section 2.2.

Exercise Price means \$0.44 for each Directors Option.

Expiry Date means four years from the date of issue of the Directors Options.

Explanatory Memorandum means the explanatory statement accompanying this Notice.

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.

Performance Rights means the performance rights as approved under the incentive performance rights plan at the Company meeting on 11 September 2017.

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

Related Party Resolutions means Resolutions 2, 3, 4, 5, 6 and 7.

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

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

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

Shareholder means a shareholder of the Company.

Explanatory Memorandum

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 the Directors Options

The terms of the Incentive Options to be issued to the Eligible Directors under Resolutions 2 to 7 (inclusive) are as follows:

1. The Directors 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 Directors Option holder's death, by his or her legal personal representative);
2. The Directors Options will issue immediately following approval of the Related Party Resolutions, with:
 - a) fifty percent (50%) of the Directors Options vesting immediately; and
 - b) the remaining fifty percent (50%) of the Directors Options vesting on 11 September 2018.
3. Upon vesting, the Directors 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 Directors Option to the Company at any time on or after the date of issue of the Directors Options and on or before the Expiry Date;
4. The number of Directors Options that may be exercised at one time must be not less than a marketable parcel of Shares;
5. Upon the valid exercise of the Directors Options and payment of the Exercise Price, the Company will issue fully paid ordinary Shares ranking pari passu with the then issued ordinary Shares;
6. Directors 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 Directors 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 Directors Options, in accordance with the requirements of the Listing Rules.
7. Directors Option holders do not participate in any dividends unless the Directors Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend;
8. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - a) the number of Directors 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 Directors 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 Directors Options will remain unchanged;
9. If there is a pro rata issue (except a bonus issue), the Exercise Price of a Directors Option may be reduced according to the following formula:

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

Where:

Explanatory Memorandum

- O^n = the new exercise price of the Directors Option;
- O = the old exercise price of the Directors Option;
- E = the number of underlying securities into which one Directors 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);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
10. If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Directors Option is exercisable may be increased by the number of Shares which the Directors Option holder would have received if the Directors Option had been exercised before the record date for the bonus issue;
11. The terms of the Directors 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 Directors Options shall not be changed to reduce the Exercise Price, increase the number of Directors Options or change any period for exercise of the Options;
12. The Company does not intend to apply for quotation of the Directors Options on the ASX; and
13. The Company shall apply for quotation of the resultant Shares of the Company issued upon exercise of any Directors Option.

Explanatory Memorandum

Schedule 2 – Dilutionary effect table

	Current			To be issued		Post Share Issue on exercise of all of the Directors Options and issue of Shares	
	Shares	%	Options	Options	Shares	Securities	%
Ordinary shares - Current Shareholders (excluding Directors)	201,607,645	99.685				201,607,645	93.388
Mr Cosentino	200,000	0.099	10,000,000			10,200,000	4.735
Mr Indermaur	160,417	0.079		839,333		999,750	0.463
Mr Maxwell	26,000	0.013		559,556		585,556	0.271
Dr Prendergast	244,445	0.121		559,556		804,001	0.372
Mr Carlisle	5,500	0.003		559,556		565,056	0.262
Mr Phelps		0.000		559,556		559,556	0.259
Mr Kennedy		0.000		559,556		559,556	0.259
Total ordinary shares	202,244,007	100%				215,881,120	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

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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) on Monday, 4 June 2018**

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 Extraordinary General Meeting of Medibio Limited to be held at Computershare Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 on Wednesday, 6 June 2018 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
1 Ratification of previous issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approve the grant of Options to Mr Chris Indermaur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approve the grant of Options to Mr Andrew Maxwell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approve the grant of Options to Dr Franklyn Prendergast	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approve the grant of Options to Mr Michael Phelps	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approve the grant of Options to Mr Peter Carlisle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approve the grant of Options to Mr Patrick Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Ratification of previous issue of Shares to Shareholders of Vital Conversations Pty Ltd	<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 ____/____/____