

PRO-FORMA STATEMENT OF FINANCIAL POSTION, USE OF FUNDS AND CAPITAL TABLE

PRO FORMA HISTORICAL STATEMENTS OF FINANCIAL POSITION

	Note	Statutory Historical 30 June 17 \$	Pro forma Adjustments \$7.1 million raising \$	Pro Forma Historical \$7.1 million raising \$
Current assets				
Cash and cash equivalents	1, 2, 4	2,860,324	6,024,955	8,885,279
Trade and other receivables		160,562	-	160,562
Total current assets		3,020,886	6,024,955	9,045,841
Non-current assets				
Property, plant and equipment		30,203	-	30,203
Intangible assets		461,784	-	461,784
Total non-current assets		491,987	-	491,987
Total assets		3,512,873	6,024,955	9,537,828
Current liabilities				
Trade and other payables		223,935	-	223,935
Financial liabilities	5	226,000	(226,000)	-
Total current liabilities		449,935	(226,000)	223,935
Non-current liabilities				
Financial liabilities		150,000	-	150,000
Total non-current liabilities		150,000	-	150,000
Total liabilities		599,935	(226,000)	373,935
Net assets		2,912,938	6,250,955	9,163,893
Equity				
Issued capital	1, 2, 3, 4	5,208,852	6,839,306	12,048,158
Reserves	1, 3	366,053	(290,646)	75,407
Accumulated losses	4	(2,661,967)	(297,705)	(2,959,672)
Total equity		2,912,938	6,250,955	9,163,893

The pro forma historical statements of financial position reflect the balance at 30 June 2017 adjusted for the impact of the Listing and the exercise and conversion of the options at the \$7.1 million raising.

- 1 In order to undertake the Listing the Company was required to ensure that all then existing options had been exercised, converted into Shares or lapsed. Options with a 14 cent exercise price (on a post consolidation basis) which had been proposed to be issued in connection with an issue of Shares at 14 cents (on a post consolidation basis) which closed in June 2017 were not issued.

Refer to Note 11(b) of the Company's 2017 Annual Report for further details of the options. These adjustments reflect the exercise and conversion of the then existing options:

- A. Net cash proceeds \$63,800
- B. Reduction in reserves \$404,646

- 2 Financial effects of the issue of 35,500,000 New Shares of Bio-Gene Technology Limited at A\$0.20 per share pursuant to the Prospectus to raise \$7.1 million. Net cash proceeds of \$6,187,155 after deducting the placement fees paid to the broker and the other capital raising costs associated with the preparation of this Prospectus and ASX Listing Fees.
- 3 Financial effects of the issue of 2,000,000 Broker Options pursuant to this Prospectus. In accordance with Accounting Standards the Company has valued these Broker Options (at the date of this Prospectus) at \$114,000. The valuation of the Broker Options issued is determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued.
- 4 In accordance with Accounting Standards the Company has expensed the proportion of the capital raising costs incurred in relation to Prospectus preparation on the basis of the shares on issue before and after the Listing. ASX Listing Fees have been expensed. Of the total of these expenses of \$912,845, \$297,705 will be expensed from the proceeds of the Listing.
- 5 As outlined in Note 10 of the Company's 2017 Annual Report the Company is required to pay \$226,000 to a previous owner of intellectual property now held by the Company which will become due as a consequence of Listing.

COST OF THE OFFER

The estimated costs of the Offers (excluding GST) are set out below:

	\$7.1 Million Raising
ASX and ASIC Filing Fees	88,345
Legal Fees	144,000
Independent Experts Reports	21,000
Share Registry Costs	2,000
Broker Placement Fees	532,500
Other costs including Prospectus drafting, production and insurance	125,000
Total	912,845

CAPITAL STRUCTURE

The expected capital structure of the Company following completion of the Offers is summarised below.

	Shares
Current Bio-Gene shares	91,224,471 (72%)
New Shares under the Equity Offer	35,500,000 (28%)
Total Shares	126,724,471
Options to be issued under the Broker Option Offer	2,000,000

USE OF FUNDS RAISED BY THE OFFER

Funds raised by the Offer together with other funds shown below are intended to be applied as follows:

	\$7.1 Million Raising (\$'000)		
	Year 1	Year 2	Total
Source of Funds			
Cash at Bank ¹	1,850	3,841	1,850
Capital Raising	7,100	-	7,100
R&D Tax Incentive ²	100	400	500
Interest Income ³	120	60	180
	<u>9,170</u>	<u>4,301</u>	<u>9,630</u>
Use of Funds			
Costs of Capital Raising ⁴	913	-	913
Flavocide ^{TM5}	2,450	1,930	4,380
Qcide ^{TM6}	240	190	430
Intellectual Property ⁷	100	100	200
Intellectual Property – Medibio ⁸	226	-	226
Management & Administration	1,400	1,450	2,850
	<u>5,329</u>	<u>3,670</u>	<u>8,999</u>
Working Capital at End	3,841	631	631

The table above reflects how cash would be allocated with no revenues other than the R&D Tax Incentive and Interest Income. As outlined in Sections 3.5 and 3.6 of the Prospectus, revenues may be generated over the coming two years through fees received from partners in respect of their purchase of active materials, licence fees, payments made upon successful milestones in product development activity and royalties on sales. However, the quantum and timing of the revenue is uncertain and is not factored in the table.

1. Cash at Bank at 30 June 2017 was \$2.86 million. Assumed Cash at Bank at date of listing due to normal business activity \$1.85 million.
2. The Company undertakes a number of its research activities overseas as the necessary experience and facilities are not available in Australia. As a result the Company has lodged an Advanced Overseas Finding with AusIndustry to seek approval to claim these costs as part of its R&D Incentive. As this approval had not been received at the time of completion of the Offer the Directors have elected to only include an estimate of the anticipated revenue from the AusIndustry incentive claim in respect of its Australian based expenditure in the use of funds table. The Company has a history of receiving the R&D Tax Incentive in respect of its Australian activities. If the Company is successful in its request to

claim the overseas activities as well it will result in additional revenue which will be applied to accelerate the development of Flavocide™ as described in Note 5 below.

3. The Company's policy is to hold its cash and cash equivalent deposits in "A" rated or better deposits. The Company generates interest from these deposits. Interest included in the Use of Funds is based on the budgeted cash position over the period at current interest rates.
4. In accordance with Accounting Standards the Company has expensed the proportion of the costs incurred in relation to Prospectus preparation and the ASX listing fees on the basis of the shares on issue before and after the Listing. Details of the costs of the Offers are set out above.
5. The Company's key focus is the development of its synthetic compound Flavocide™. During the next two years the Company intends to advance this product focusing on the following key areas:

\$7.1 Million Raising (\$'000)

	Year 1	Year 2
Registration Enabling Studies - Active Ingredient ⁱ	500	660
Efficacy Studies ⁱⁱ	940	840
Manufacturing & Manufacturing Development ⁱⁱⁱ	460	260
Mode of Action Definition ^{iv}	150	-
Formulation & Stability Studies ^v	400	170
	2,450	1,930

i. *Registration Enabling Studies - Active Ingredient*

The Company is following an accepted industry program of safety studies to evaluate the safety of Flavocide™ from the point of view of mammalian toxicity and environmental toxicity. These studies are an essential part of the process to allow the Company to obtain registration of Flavocide™.

ii. *Efficacy Studies*

The Company is planning to continue its current program of testing the efficacy of Flavocide™ in its key focus areas of mosquito control, grain storage pest control and crop protection. These studies include laboratory studies, greenhouse studies and field testing.

iii. *Manufacturing & Manufacturing Development*

In order to continue to conduct safety and efficacy studies the Company is manufacturing Flavocide™. In addition the Company is also undertaking a project to improve the manufacturing process for the synthetic compound - Flavocide™.

iv. *Mode of Action*

Work done to date has identified that Flavocide™ works by way of a novel mode of action. The Company is undertaking further investigation in respect of the mode of action of Flavocide™.

v. *Formulation & Stability Studies*

In order to have a commercial product which can be tailored for various market segments it is necessary to develop a range of specific and optimised formulations for Flavocide™. By way of example a pour-on liquid formulation that is appropriate for ectoparasite control in ruminants may be different to a spray formulation that is used for mosquito control.

6. The Company will also continue to work on the advancement of its natural compound Qcide™. The Company will continue to subcontract the growing of the Eucalyptus trees from which it sources the Qcide™ oil and identify potential opportunities to sell the oil as well as undertake a program of efficacy and formulation studies.
7. Intellectual property costs include anticipated ongoing expenses associated with maintaining and expanding its patent portfolio
8. The Company is required to pay \$226,000 to MediBio Limited [ACN 008 130 336], a previous owner of intellectual property now held by the Company, following completion of the Listing. Refer to Section 12.1(n) of the Prospectus for further details.

The Directors believe that following completion of the Equity Offer the Company will have sufficient funds available from the cash proceeds of the Equity Offer to fulfil the purposes of the Equity Offer and meet the Company's stated business objectives.

Further information

Further information can be obtained by contacting the Company's secretary, Roger McPherson, at bgt.info@bio-gene.com.au.



Roger McPherson
Company Secretary

About Bio-Gene Technology Ltd

Bio-Gene is an Australian AgTech development company enabling the next generation of novel insecticides to address the global problems of insecticide resistance and toxicity. Its novel platform technology is based on a naturally occurring class of chemicals known as beta-triketones.

Beta-triketone compounds have demonstrated insecticidal activity (e.g. kill or knock down insects) via a novel mode of action in testing performed to date. This platform may provide multiple potential new solutions for insecticide manufacturers in applications across animal health and crop protection, as well as in public health, and in consumer applications.

The Company's aim is to develop and commercialise a broad portfolio of targeted insect control and management solutions.