

Medibio Limited (formerly Bioprospect Limited)

ABN 58 008 130 336

Notice of General Meeting, Explanatory Memorandum and Independent Expert's Report

Date: Friday 6 March 2015

Time: 10.30am

Place: C/- PKF Lawler Level 8, No.1 O'Connell Street Sydney NSW 2000

Your Directors recommend that you vote in favour of the Proposed Transaction, noting that the Independent Expert has concluded that the proposed offer of Shares to the Invatec Shareholders is fair and reasonable to MEB Shareholders.

This Notice of Meeting is dated 2 February 2015.

This document is important and requires your immediate attention. Carefully read this document in its entirety and consult your stockbroker, solicitor, accountant, licensed financial adviser or other professional adviser if you are in any doubt as to what to do.

Table of Contents

NOTE: Capitalised terms used in this document are defined in the Glossary (Section 14).

Key Dates (Sydney time)

Due date for lodgement of proxy forms	10:30am, 4 March 2015
Record Date	10:30am, 4 March 2015
General Meeting	10:30am, 6 March 2015

NOTE: The above timetable is indicative only. The Company reserves the right to vary any of the above dates without notice, subject to the Corporations Act, the ASX Listing Rules and any other applicable laws.

Important Information

This Notice of Meeting does not constitute an offer of securities in any in place which, or to any person whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Shares or otherwise to permit a sale of Shares in any jurisdictions other than Australia.

Neither ASIC nor the ASX takes any responsibility for the contents of this Notice of Meeting.

This Notice of Meeting does not take into account the individual investment objectives, financial situation or particular needs of any person. MEB Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to approve the Resolutions.

Financial amounts in this Notice of Meeting are expressed in Australian dollars unless otherwise stated.

This Notice of Meeting is governed by the law in force in New South Wales, Australia.

Corporate Directory

Current Directors

Vincent John Fayad
Kris Knauer
James Campbell

Current Company Secretary

Robert Lees

Registered Office

c/- CoySec Services, Suite 605, Level 6
50 Clarence Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 117 Victoria Street
West End QLD 4101
Tel: 1300 787 272

Auditors

William Buck (Qld)
Level 21, 307 Queen Street
Brisbane QLD 4000

Australian Legal Advisors

Thomson Geer
Level 25, 1 O'Connell Street
SYDNEY NSW 2000

Independent Expert

Grant Thornton Corporate Finance Pty Limited
AFSL: 247140
Level 17,
383 Kent Street
Sydney NSW 2000

Chairman's Letter to Shareholders

2 February 2014

Dear Medibio Shareholder

On 8 September 2014, the Company announced that it had agreed terms (**Terms**), subject to shareholder approval, to acquire 100% of the issued capital of Invatec Health Pty Ltd (**Invatec**) (**Invatec Acquisition**). These Terms, amongst others, were incorporated in Share Sale and Purchase Agreements executed by the Company on 28 January 2015 (**Invatec SPAs**).

Invatec is a private Australian company that is developing a new paradigm in psychiatric diagnosis. The Company's Circadian Heart Rate technology (**CHR Technology**) is based on the scientific finding that there are distinct 'markers' in heart rate data for depression and certain other mental illnesses. The CHR Technology consists of a heart monitor that sends recordings wirelessly to the internet where a proprietary algorithm analyses and delivers a report back to the clinician. The CHR Technology is believed to be one of the first objective, evidence-based approaches to the diagnosis of depression and other affective disorders. The technology has already benefited from 10 years of research and the company intends to undertake a number of pivotal trials to further validate its clinical utility.

The proposed Invatec Acquisition will result in a significant change in the scale of the Company's activities. Accordingly, the Company requires Shareholder approval under ASX Listing Rule 11.1.2. The ASX has advised that it will not exercise its discretion under ASX Listing Rule 11.1.3 to require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rule.

In conjunction with and as a condition to the Invatec Acquisition, the Company will undertake a restructure to provide a more suitable and simplified capital structure moving forward (**Restructure**). Under the Restructure, the Company proposes to:

- 1 complete the Invatec Acquisition by acquiring all of the issued capital of Invatec and, as consideration, issue Shares to the security holders of Invatec (**Invatec Shareholders**);
- 2 convert all the remaining convertible notes on issue in the Company into Shares;
- 3 appoint new Board members and management team;
- 4 ratify the recent issue of Shares to reset the 15% capital raising threshold;
- 5 consolidate the issued capital of the Company on a 1 for 100 basis after the Invatec Acquisition is completed (**MEB Share Consolidation**); and
- 6 raise up to \$4,000,000 of which \$1,000,000 was placed on 6 October 2014 (**Initial Placement Shares**), the balance of which will be raised by a placement to sophisticated investors (**Placement**), where the cash raised will be used to fund the:
 - clinical trials in relation to the CHR Technology;
 - ongoing research and development of Invatec's bio-technologies and products, including the "app" product(s) suitable for the consumer sector;
 - costs of the Placement; and
 - working capital of the business of the Company going forward.

In order to comply with the Corporations Act, the ASX Listing Rules and the Company's constitution, the proposals outlined above require the approval of MEB Shareholders. These approvals are being sought in accordance with this Notice of Meeting with full details contained in the Explanatory Memorandum. In accordance with the applicable law, this Notice of Meeting also includes an Independent Expert's Report.

The Independent Expert has concluded that the Invatec Acquisition is fair and reasonable to the non-associated MEB Shareholders.

The Completion of the Invatec Acquisition is conditional upon various conditions precedent, including the Restructure as set out in detail in the Explanatory Memorandum. The Invatec Acquisition and the Restructure are together referred to as the **Proposed Transaction**.

If the Proposed Transaction is successfully completed:

- the Company will acquire 100% of the shares in Invatec;
- the capital structure of the Company will be streamlined and provide greater opportunity for future capital raising; and
- the proceeds from the Placement and other recent capital raisings will be used to fund the activities set out in point 6 above which will ultimately allow the Company to develop the CHR Technology and expand its presence in Australia.

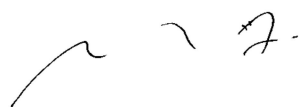
The Directors of the Company recommend that Shareholders approve all of the Resolutions contained in this Notice of Meeting. The Directors consider that their recommendation is supported by the findings in the Independent Expert's Report. A copy of the Independent Expert's Report is annexed to this Notice of Meeting. I encourage you to read the full contents of the accompanying documents carefully, and to participate in the voting process.

As previously stated in various announcements, the above series of transactions are considered to be vital to laying the platform for the future success of the Company. This is considered to be particularly relevant having regard to the recent announcements associated with the Black Dog Institute and John Hopkins University validation trials.

On the basis that all resolutions relating to the Restructure are approved, I intend to resign post the completion of all of the conditions precedent. In anticipation of receiving the necessary support for these approvals, I take this opportunity to thank everyone who has assisted me and wish Shareholders and the Board every success in the future.

If you have any questions about the Proposed Transaction or this Notice of Meeting, please contact the Company, or consult your licensed financial adviser, stockbroker or other professional adviser. If you have any questions about your holding of Shares or other Share Registry matters, please contact Computershare Investor Services Pty Limited on 1300 552 270 (for callers within Australia) and +61 (0)7 3237 2152 (for callers outside Australia).

Yours sincerely



Vincent J Fayad
Chairman

1 Notice of Meeting

Notice is hereby given that a General Meeting of Medibio Limited (MEB or Company) will be held C/- PKF Lawler Level 8, No.1 O'Connell Street Sydney NSW 2000 on Friday 6 March 2015 at 10.30am.

1.1 Agenda – Special Business:

Resolution 1 – Acquisition of Invatec Health Pty Ltd

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, and for the purposes of ASX Listing Rule 11.1.2, and all other purposes, approval is given for the Company to acquire all of the issued capital of Invatec and for a change in the scale of the Company’s activities.”

Resolution 2 – Issue of Consideration Shares and Milestone Shares to shareholders of Invatec Health Pty Ltd other than the Associated Shareholders

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rules 7.1 and all other purposes, shareholders approve the allotment and issue of 1,436,931,006 Milestone Shares (on a Pre-consolidation Basis) or 14,369,310 (on a Post-consolidation Basis) and 160,752,104 Consideration Shares (on a Pre-consolidation Basis) or 1,607,521 (on a Post-consolidation Basis) to the security holders of Invatec (excluding those to be issued to Claude Solitario and Stephen Addis), in consideration for the acquisition by the Company of the Invatec Shares (on the terms and conditions described in the Explanatory Memorandum).”

Resolution 3 – Issue of Consideration Shares and Milestone Shares to the Associated Shareholders and increase in relevant interest in MEB

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of section 611 (item 7) of the Corporations Act, ASX Listing Rule 10.11 and all other purposes, shareholders approve the allotment and issue of 363,068,994 (on a Pre-consolidation Basis), or 3,630,690 (on a Post-consolidation Basis) Milestone Shares and 2,392,997,896 (on a Pre-consolidation Basis), or 23,929,979 (on a Post-consolidation Basis) Consideration Shares to Claude Solitario and Stephen Addis (**Associated Shareholders**), in consideration for the acquisition by the Company of the Invatec Shares held by the Associated Shareholders (on the terms and conditions described in the Explanatory Memorandum), which will increase the Associated Shareholders voting power in the Company in excess of 20%.”*

Independent Experts Report: Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Limited. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transaction, including the impact of the issue of the Milestone Shares and the Consideration Shares to the Associated Shareholders.

The Independent Expert has determined that the Proposed Transaction (including the issue of Milestone Shares and the Consideration Shares to the Major Shareholders as set out in this Resolution is fair and reasonable to non-associated Shareholders.

Resolution 4 –Acquisition of a substantial asset from a related party

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional upon the passing of all Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 10.1, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to acquire a substantial asset, being 20,862 Invatec Shares from Claude Solitario, a related party of the Company, in accordance with the terms of the Invatec SPAs, on the terms and conditions described in the Explanatory Statement."

Independent Experts Report: Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Limited. The Independent Expert's Report comments on the fairness and reasonableness of the purchase by the Company of a substantial asset from Claude Solitario.

The Independent Expert has determined that the purchase by the Company of a substantial asset from Claude Solitario as set out in this Resolution is fair and reasonable to non-associated Shareholders.

Resolution 5 – Issue of securities to the Unrelated Series A Noteholder

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue a total of 200,000,000 Shares (on a Pre-consolidation Basis) or 2,000,000 Shares (on a Post-consolidation Basis) and attaching CN Options on a one-for-one basis to an unrelated party of the Company (**Unrelated Series A Noteholder**) pursuant to the conversion of outstanding amounts on Series A Notes equal to \$200,000, on the terms and conditions as detailed in the Explanatory Memorandum."*

Resolution 6 – Issue of securities to Pitt Street Absolute Return Fund (a related party)

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company issue a total of 100,000,000 Shares (on a Pre-consolidation Basis) or 1,000,000 Shares (on a Post-consolidation Basis) and attaching CN Options on a one-for-one basis to Pitt Street Absolute Return Fund pursuant to the conversion of outstanding amounts on Series A Notes equal to \$100,000, on the terms and conditions as detailed in the Explanatory Memorandum."

Resolution 7 – Issue of securities to Unrelated Series B Noteholders

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 285,000,000 Shares (on a Pre-consolidation Basis) or 2,666,667 Shares (on a Post-consolidation Basis) pursuant to the conversion of outstanding amounts on Series B Notes equal to \$855,000, on the terms and conditions as detailed in the Explanatory Memorandum."

Resolution 8 – Issue of securities to Pitt Street Absolute Return Fund (a related party)

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to issue 25,000,000 Shares (on a Pre-consolidation Basis) or 250,000 Shares (on a Post-consolidation Basis) to Pitt Street Absolute Return Fund, a related party of Kris Knauer, pursuant to the

conversion of outstanding amounts on Series B Notes equal to \$75,000, on the terms and conditions as detailed in the Explanatory Memorandum.”

Resolution 9 – Issue of securities to Kafta Enterprises (a related party)

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to issue 41,666,667 Shares (on a Pre-consolidation Basis) or 416,667 Shares (on a Post-consolidation Basis) to Kafta Enterprises, a related party of Vincent John Fayad, pursuant to the conversion of outstanding amounts on Series B Notes equal to \$125,000, on the terms and conditions as detailed in the Explanatory Memorandum.”

Resolution 10 – Consolidation of Shares

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of section 254H of the Corporations Act and for all other purposes, approval be given for the consolidation of every 100 Shares on issue by the Company into 1 Share, and that any fractions of a Share be rounded up to the next whole number of ordinary Shares.”

Resolution 11 – Issue of Options

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the allotment and issue of up to 4,000,000 options (on a Post-consolidation Basis) to subscribe for Shares in the Company (on a Post-consolidation Basis) to unrelated parties at an exercise price of \$0.30 on the terms and conditions as detailed in the Explanatory Memorandum.”

Resolution 12 – Issue of Placement Shares

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 7.1 and all other purposes, approval is given for the Company to issue up to 10,000,000 Shares (on a Post-consolidation Basis) to unrelated parties at an issue price of \$0.30 to raise \$3,000,000 under the Placement (Placement Shares) on the terms and conditions set out in the Explanatory Memorandum.”

Resolution 13 - Appointment of Christopher Charles Indermaur as a Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, in accordance with the Constitution and for all other purposes, Christopher Charles Indermaur, being eligible to act as a Director, is appointed as a director of the Company with effect from Completion.”

Resolution 14 – Issue of Options to James Campbell (or nominee)

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to issue James Campbell (or nominee) 25,000,000 Options (on a Pre-consolidation Basis) or 250,000 (on

a Post-consolidation Basis) to subscribe for Shares in the Company at an exercise price of \$0.003 (on a Pre-consolidation Basis) or \$0.30 (on a Post-consolidation Basis) on the terms and conditions as detailed in the Explanatory Memorandum."

Resolution 15 – Approval of Performance Rights Plan (PRP) and issue of securities under the PRP

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Resolutions apart from Resolution 16 and Completion, for the purposes of ASX Listing Rule 7.2 (exception 9(b)) and for all other purposes, approval is given for the Company to adopt a Performance Rights Plan (PRP) and for the issue of securities under the PRP, on the terms and conditions described in the Explanatory Memorandum."

Resolution 16 – Issue of Shares to Mr Christopher Charles Indermaur

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all Resolutions apart from Resolution 13 and Completion, for the purposes of ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to issue 150,000 Shares (on a Post-consolidation basis) in the Company at an issue price of \$0.30 to Mr Christopher Charles Indermaur on the terms and conditions described in the Explanatory Memorandum."

Further information specific to Resolutions 1 to 16 (inclusive) is set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.

By Order of the Board

Robert Lees
Company Secretary
Date: 2 February 2015

1.2 Voting Exclusions

(a) Resolution 1

The Company will disregard any votes cast in relation to Resolution 1 by:

- (i) the Invatec Shareholders; and
- (ii) an associate of any of those persons.

However, the Company need not disregard a vote if:

- (i) 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
- (ii) 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.

(b) Resolution 2

The Company will disregard any votes cast in relation to Resolution 2 by:

- (i) the Invatec Shareholders (other than the Associated Shareholders); and
- (ii) an associate of any of those persons; and
- (iii) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the relevant Resolution is passed.

However, the Company need not disregard a vote if:

- (iv) 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
- (v) 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.

(c) Resolution 3

The Company will disregard any votes cast in relation to Resolution 3 by:

- (i) the Associated Shareholders; and
- (ii) an associate of any of those persons.

However, the Company need not disregard a vote if:

- (i) 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
- (ii) 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.

(d) Resolution 4

The Company will disregard any votes cast in relation to Resolution 3 by:

- (i) the Claude Solitario; and
- (ii) any associate of his.

However, the Company need not disregard a vote if:

- (iii) 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
- (iv) 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.

(e) Resolution 5

The Company will disregard any votes cast in relation to Resolution 5 by:

- (i) the unrelated noteholder;
- (ii) an associate of any of those persons; and
- (iii) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the relevant Resolution is passed.

However, the Company need not disregard a vote if:

- (i) 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
- (ii) 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.

(f) Resolution 6

- (i) The Company will disregard any votes cast in relation to Resolution 6 by: Pitt Street Absolute Return Fund, Kris Knauer; and
- (ii) an associate of any of those persons.

However, the Company need not disregard a vote if:

- (iii) 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
- (iv) 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.

(g) Resolution 7

- (i) The Company will disregard any votes cast in relation to Resolution 7 by: All Unrelated Series B Noteholders;
- (ii) an associate of any of those persons; and
- (iii) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the relevant Resolution is passed.

However, the Company need not disregard a vote if:

- (iv) 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
- (v) 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.

(h) Resolution 8

- (i) The Company will disregard any votes cast in relation to Resolution 8 by:
Pitt Street Absolute Return Fund, Kris Knauer; and
- (ii) any of their associates.

However, the Company need not disregard a vote if:

- (iii) 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
- (iv) 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.

(i) Resolution 9

- (i) The Company will disregard any votes cast in relation to Resolution 9 by:
Kafta Enterprises, Vincent John Fayad; and
- (ii) any of their associates.

However, the Company need not disregard a vote if:

- (iii) 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
- (iv) 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.

(j) Resolution 11

The Company will disregard any votes cast in relation to Resolution 11 by:

- (i) any person who will receive Options under this issue;
- (ii) an associate of any of those persons; and
- (iii) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the relevant Resolution is passed.

However, the Company need not disregard a vote if:

- (iv) 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
- (v) 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.

(k) Resolution 12

The Company will disregard any votes cast in relation to Resolution 12 by:

- (i) a person who will be acquiring Shares, or who might obtain a benefit, pursuant to the Placement (except a benefit solely in the capacity of a holder of Shares, if Resolution 9 is passed);
- (ii) an associate of any of those persons; and
- (iii) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the relevant Resolution is passed.

However, the Company need not disregard a vote if:

- (iv) 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
- (v) 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.

(l) Resolution 14

The Company will disregard any votes cast in relation to Resolution 14 by:

- (i) James Campbell;
- (ii) any entity nominated by James Campbell to receive the Options; and
- (iii) any of their associates.

However, the Company need not disregard a vote if:

- (iv) 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
- (v) 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.

(m) Resolution 15

The Company will disregard any votes cast in relation to Resolution 15 by:

- (i) any directors of the Company; and
- (ii) an associate of any of those persons.

However, the Company need not disregard a vote if:

- (iii) 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
- (iv) 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.

(n) Resolution 16

- (i) The Company will disregard any votes cast in relation to Resolution 16 by: Christopher Charles Indermaur; and

- (ii) any of his associates.

However, the Company need not disregard a vote if:

- (iii) 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
- (iv) 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.

1.3 **Chairman as Proxy**

If the chair of the General Meeting is your proxy, then please note the following:

- (a) You may direct the chair to vote for or against or abstain from voting on any particular Resolution by marking the appropriate box on the enclosed proxy form.
- (b) The chair of the General Meeting intends to vote undirected proxies in favour of each Resolution.

1.4 **Entitlement to Vote**

Under Corporations Regulation 7.11.37 the Directors have determined that the members eligible to attend and vote at the General Meeting are those persons who are registered MEB Shareholders of the Company at 10:30am on 4 March 2015. Accordingly, transfers of any MEB Share registered after that time will be disregarded for determining entitlements to attend and vote at the General Meeting.

1.5 **How to Vote**

You may vote in person by attending the General Meeting, or by proxy.

To vote in person, you must attend the General Meeting at PKF Lawler Level 8, No.1 O'Connell Street Sydney NSW 2000 on 6 March 2015 at 10:30am.

To vote by proxy, a completed Proxy Form must be delivered to and received by the Share Registry by 10:30am on 4 March 2015.

The Proxy Form sets out the instructions for the return of that Proxy Form.

Please return Proxy Forms by either:

- (a) posting or delivering them to the Share Registry at Computershare Investor Services Pty Ltd at Level 17, Victoria Street, West End QLD 4101; or
- (b) faxing them to the Share Registry on +61 (0)7 3237 2152.

1.6 **Proxies**

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

- (a) each MEB Shareholder entitled to vote at the General Meeting has a right to appoint a proxy;
- (b) the proxy need not be a MEB Shareholder;
- (c) an MEB 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 no proportional number is specified, each proxy may exercise half of the member's votes; and
- (d) an MEB Shareholder may specify the way in which the proxy is to vote on the Resolutions or may allow the proxy to vote at his discretion. If the way in which a proxy is to vote on a Resolution is specified by a MEB Shareholder, the proxy may not vote on that Resolution except as specified by the MEB Shareholder.

1.7 **Corporate Representatives**

A body corporate, which is a MEB Shareholder, may appoint an individual (by certificate executed in accordance with section 127 of the Corporations Act or in any other manner satisfactory to the Chairman of the General Meeting) as a representative of that body corporate to exercise all or any of the powers the body corporate may exercise at the General Meeting. The appointment may be standing.

2 Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of MEB Shareholders in connection with the business to be conducted at the General Meeting to be held at C/- PKF Lawler Level 8, No.1 O'Connell Street Sydney NSW 2000 on Friday, 6 March 2015 at 10.30am.

2.1 Proposed Transaction

Share Sale and Purchase Agreements were executed with the relevant Invatec Shareholders on 28 January 2015 (**Invatec SPAs**). Under the Invatec SPAs, the Company has agreed to acquire all of the share capital of Invatec. In consideration for the acquisition, the Company will issue the Consideration Shares and the Milestone Shares (if any) to the Invatec Shareholders.

Completion of the Invatec Acquisition (**Completion**) is conditional upon, amongst other things, the passing of Resolutions 1-15 in this Notice of Meeting by MEB Shareholders at the General Meeting, and completion of the steps referred to in those Resolutions, which are:

- (a) the transfer to MEB of all of the issued capital of Invatec in consideration for the issue of 2,553,750,000 Consideration Shares (on a Pre-consolidation Basis) or 25,537,499 Consideration Shares (on a Post-consolidation Basis) and 1,800,000,000 Milestone Shares (on a Pre-consolidation Basis) or 18,000,000 Shares (on a Post-consolidation Basis) to the Invatec Shareholders including the Associated Shareholders (or at their direction);
- (b) the conversion of Series A Notes and Series B Notes on issue into shares (on a pre-consolidation basis) and CN Options (in the case of the Series A Notes) including those held by Kafta Enterprises (a related party of Vincent John Fayad) and Pitt Street Absolute Return Fund (a related party of Kris Knauer);
- (c) effecting the MEB Share Consolidation;
- (d) issue of 4,000,000 options (on a Post-consolidation Basis) to acquire fully paid ordinary shares in MEB (on a Post-Consolidation Basis)
- (e) issue of 25,000,000 options (on a Pre-consolidation Basis) or 2,500,000 options (on a Post-consolidation Basis) to acquire fully paid ordinary shares in MEB (on a Pre-Consolidation Basis) to Mr James Campbell;
- (f) the adoption of the PRP; and
- (g) MEB raising a minimum of \$1,000,000 (being the total minimum amount to be raised) and a maximum of \$3,000,000 under the Placement and this amount is additional to the Initial Placement Shares,

as more fully explained in this Notice of Meeting (together, **Proposed Transaction**).

The implementation of each element referred to in Resolutions 1 to 15 of the Proposed Transaction is subject to the implementation of *all* elements of the Proposed Transaction (other than the ratification of the prior issue of shares to Christopher Charles Indermaur under Resolution 16).

In conjunction with the appointment of Christopher Charles Indermaur to the Board of the Company (under Resolution 13) and to his proposed appointment as chairman of the Company, Mr Vincent John Fayad will step down from the chairman position upon Completion.

The Invatec Acquisition represents a significant change in the scale of the Company's activities, and therefore requires the approval of MEB Shareholders.

The Placement Shares will be offered by way of placement to various sophisticated and professional investors. The funds raised by the Placement will assist with the expenses of the Proposed Transaction and provide working capital to fund ongoing operations and future growth of the Company.

As the Proposed Transaction will not proceed without the minimum Placement and other associated restructuring steps (including the conversion of the Series A Notes and Series B Notes) all references to the capital structure of the Company throughout this Explanatory Memorandum assume all elements in the Proposed Transaction have occurred and provide an analysis based on the minimum Placement and the maximum Placement.

2.2 Indicative Timetable

Event	Date
Execution of Invatec SPA's	28 January 2015
Dispatch of Notice of Meeting	2 February 2015
General Meeting	6 March 2015
First date for Company to send notices to security holders of change of holdings as a result of the MEB Share Consolidation	14 March 2015
Settlement of Proposed Transaction – issue of Consideration Shares and Placement Shares	21 March 2015
Last day for Securities to be entered into holders' security holdings and for Company to send holding statements out to each security holder – Post-consolidation Basis	21 March 2015
Holding Statements sent out – Placement	27 March 2015

*These dates are indicative only and may be changed by the Directors in their discretion.

2.3 Overview of the Company

The Company's principal activity is conducting research and development and early stage commercialisation of the following:

- a diagnostic technology for mental health which is based on circadian heart rate data or more generally known as heart rate monitor technology; and
- products associated with human health and skincare.

Currently, the Company has a right (i.e. upon capitalisation of loan advances pursuant to a Shareholders and Subscription agreement to own a non-controlling interest in Invatec and has entered into the Invatec SPAs with the Invatec Shareholders to acquire the remaining issued capital in Invatec.

2.4 Overview of Invatec

(a) Background and structure

Invatec is a special purpose company that owns 100% of the CHR Technology.

The CHR Technology is the result of more than 10 years extensive research that was initiated at the University of Western Australia and involved the comparison of 24 hour heart rate data recordings to the clinical diagnoses for thousands of patients representing all major psychiatric disorders. This clinical research established that there is a fundamental diagnostic link between psychiatric status and heart rate activity and has led to the development of what the board and management believes to be the first truly evidence-based and quantitative test to diagnose and monitor the mental illnesses such as depression.

The technology is considered to be ground breaking in the area of mental health. It has the following key attributes:

- it is simple and safe;
- it is non-invasive;

- (iii) relies on biological data only;
- (iv) no input from the patient is required;
- (v) measures clinical change;
- (vi) can provide early diagnoses; and
- (vii) can be used as a monitoring tool to evaluate the effectiveness of treatment.

Importantly, earlier diagnosis leads to earlier intervention and improved patient outcomes. Improved monitoring leads to more effective treatments and improved patient outcomes. This can make all the difference in the quality of life of affected individuals and their families as well as significantly reducing the burden on the healthcare system by reducing costs to payers.

(b) Invatec's tangible assets

Invatec's CHR Technology is based on (know how and trade secrets) which includes a series of proprietary algorithms which are able to collate movements in the heart rate and the mental state of health of a patient.

Invatec has also been developing an ehealth consumer business, which is an application which is to be put onto a smart phone and the purpose of that application is to provide an assessment of chronic stress.

(c) Target market and industries

There are a number of markets in which the technology can be used and these include:



(d) Intellectual property rights

Invatec has developed a number of intellectual property rights associated with its CRH Technology, including:

- (i) patent and data files;
- (ii) test results;
- (iii) formulation of algorithms;
- (iv) analysis; and

- (v) documentation of conclusions and findings.

The above provides the basis of commercialising its product.

(e) Patents

There are no specific patents over Invatec's intellectual property. However, simultaneous with the initial acquisition of the initial interest in Invatec, the Company acquired an option over the HeartLink IP. This option gives Invatec the right to the patents in Australia, New Zealand and Israel as well as algorithms associated with the CHR Technology.

(f) Research and development

At present, Invatec is reviewing and considering its edibility for research and development grants. Invatec has in the past successfully made application for such grants. Invatec has employed a consulting firm to review its eligibility for such entitlement.

(g) Revenue generation

To date, Invatec has not generated any revenue.

2.5 Invatec business investment highlights

The investment highlights of the Invatec Acquisition are as follows:

- (a) strong management and technical team that will support the development of the CHR Technology;
- (b) facilitates a clear transparent ownership structure;
- (c) results in capital to allow the development and validation of the technology
- (d) access the global mental health market, with over 350 million people experiencing some form of depression worldwide;
- (e) access to the large e-health market with over 1.7 Billion by 2018 with 52% interested in buying wearable devices that measure their health ((Source – Technology News.com.au and Accenture Digital Consumer Tech Survey 2014);
- (f) the technology has been approved for validation by a major Australian institution (Black Dog Institute and a major USA hospital, John Hopkins;
- (g) relatively low capital expenditure required to achieve commercialisation; and
- (h) a technology that is potentially scalable.

2.6 Conditions of the Proposed Transaction and live status

The following are the key conditions precedent to the Proposed Transaction under the Invatec SPAs:

- (a) completion of the IP Sale and Purchase Agreement and consulting agreement with Dr Hans Stampfer dated 28 January 2015;
- (b) completion of the Loan Agreements with the Invatec Shareholders dated 28 January 2015;
- (c) completion of the consulting agreements with Stephen Addis and Stephen Pearce dated 28 January 2015;
- (d) raising of at least \$4,000,000 – of which \$1,000,000 was raised in the Initial Placement on 6 October 2014, the remainder of which will be satisfied by completion of the Placement referred to in paragraph 2.6(e) below; and

- (e) completion of Placement of at least \$1,000,000 – the Company expects the Placement will be completed by 21 March 2015.

2.7 Consideration under Invatec Acquisition

Under the Invatec SPAs, the Invatec Shareholders are entitled to receive consideration for their Invatec Shares through an upfront payment, the “Consideration Shares”, and through an entitlement to receive further Shares in the Company upon the satisfaction of certain milestones (**Milestone Objectives**). The table below summarises these entitlements.

Invatec Shareholder	Invatec Shares	Consideration Shares (Pre-consolidation)	Consideration Milestone Shares (Pre-consolidation)		
			Tranche 1	Tranche 2	Tranche 3
Stephen Addis	20,863	1,196,527,623	60,512,949	60,512,949	60,512,949
Claude Solitario	20,862	1,196,470,273	60,510,049	60,510,049	60,510,049
Diane Sherwood	1,800	103,232,982	5,220,884	5,220,884	5,220,884
Vagabond Holdings Pty Ltd	475	27,181,362	1,397,959	1,397,959	1,397,959
Dr Hans Stampfer	500	30,337,760	1,511,001	1,511,001	1,511,001

In addition to the entitlement to the Consideration Milestone Shares (as direct consideration for his Invatec Shares) as described above, Dr Hans Stampfer is also entitled to further Shares pursuant to a consultancy agreement he has entered into with Invatec (**Consultancy Agreement**) upon satisfaction of the same Milestone Objectives as for the Consideration Milestone Shares.

Under the Consultancy Agreement, upon satisfaction of the same milestones as apply to the Milestone Shares (i.e. the Milestone Objectives), Invatec agrees to issue Dr Hans Stampfer further shares in Invatec, or if the Proposed Transaction has completed, an equivalent number of Shares in the Company (**Consultancy Milestone Shares**). We have set out below a table indicating the obligations to issue either Invatec Shares or equivalent Consultancy Milestone Shares in the Company to Dr Hans Stampfer under the Consultancy Agreement.

Under the Invatec SPAs, the Company agrees on and from Completion to assume the obligation under the Consultancy Agreement to issue the Consultancy Milestone Shares to Dr Hans Stampfer. As noted above if the Invatec SPAs complete prior to the achievement of the Milestone Objectives then the obligation to issue Invatec Shares is converted to an obligation to issue the Consultancy Milestone Shares.

Tranche	Invatec Shares	Equivalent Shares in the Company (on a Pre-consolidation Basis)
Tranche 1	6,765	470,847,158
Tranche 2	6,765	470,847,158
Tranche 3	6,765	470,847,158

The table below sets out the total number of Consideration Shares and Milestone Shares that the Invatec Shareholders will receive under the Invatec SPAs which includes those received as direct consideration or under the Consultancy Agreement. In the case of Dr Hans Stampfer, the figures for the Milestone Shares include both the Consideration Milestone Shares and the Consultancy Milestone Shares. Further references in this NOM to “Milestone Shares” in the context of Dr Hans Stampfer (particularly in relation to Explanatory Memorandum under Resolution 2) refer to the

total of the Consideration Milestone Shares and Consultancy Milestone Shares to be issued in each tranche (given the same Milestone Objectives apply to both the Consideration Milestone Shares and Consultancy Milestone Shares).

Invatec Shareholder	Consideration Shares (Pre-consolidation)	Milestone Shares (Pre-consolidation)		
		Tranche 1	Tranche 2	Tranche 3
Stephen Addis	1,196,527,623	60,512,949	60,512,949	60,512,949
Claude Solitario	1,196,470,273	60,510,049	60,510,049	60,510,049
Diane Sherwood	103,232,982	5,220,884	5,220,884	5,220,884
Vagabond Holdings Pty Ltd	27,181,362	1,397,959	1,397,959	1,397,959
Dr Hans Stampfer	30,337,760	472,358,159	472,358,159	472,358,159
Total	2,553,750,000	600,000,000	600,000,000	600,000,000

3 Heartlink IP Option

On 3 December 2013, the Company entered into a licence and option deed with Heartlink Limited (ACN 101 733 920) (**Heartlink**). Under this deed, Heartlink granted the Company an exclusive option to have granted to it an exclusive licence to use intellectual property rights and exploit the technology in the Heartlink IP in Australia, Israel, and New Zealand for a period of 2 years (**Stage 1 Option**) ending on 9th April 2016. Under the deed, upon exercise of the Stage 1 Option, the Company had to issue 125,000,000 Shares in the Company (on a Pre-consolidation Basis) to Heartlink. This option was exercised on 9 April 2014 and the Company issued 125,000,000 Shares to Heartlink on 16 May 2014.

At the end of the Stage 1 period, the Company has the option to extend the licence for a period of up to 25 years (**Stage 2 Option**) by issuing to Heartlink such number of Shares (including the 125,000,000 Shares that have already been issued) that will result in Heartlink holding a 10% interest in the total issued capital of the Company at the time the Company makes the election to extend (**Heartlink IP Consideration**).

Alternatively, the Company also has the option to wholly acquire the intellectual property rights in Heartlink IP (**Heartlink IP Option**) in Stage 1 itself on payment of the Heartlink IP Consideration, except Heartlink's interest will be calculated with reference to the time the Heartlink IP Option is exercised.

The Stage 1 Option has been exercised. The Board will consider exercising the Stage 2 Option or the Heartlink IP Option prior to the completion of Stage 1 and after taking into account all relevant factors at the time.

4 Effect of the Proposed Transaction on MEB Shareholders

Set out below is the capital of MEB on a Post-Consolidation Basis, following the Restructure and assuming that:

- all conditions for the Milestone Shares are satisfied;
- the minimum and maximum number of Placement Shares are issued;
- the Options remain unexercised;
- the CN Options remain unexercised;
- the Heartlink Shares are not issued;
- including Shares to be issued under Resolution 15;

- excluding the impact of securities issued under the PRP; and
- the CN Notes are converted.

	Minimum		Maximum	
	Shares	Options and convertible securities	Shares	Options and convertible securities
Prior to the Proposed Transaction	35,148,560	Nil	35,148,560	Nil
Consideration Shares	25,537,500	Nil	25,537,500	Nil
Milestone Shares	18,000,000	Nil	18,000,000	Nil
Converting CNs ¹	18,516,667	Nil	18,516,667	Nil
CN Options	-	15,000,000	-	15,000,000
Options	-	4,000,000	-	4,000,000
Shares to be issued to Chris Indermaur	150,000	Nil	150,000	Nil
Options to James Campbell	-	250,000	-	250,000
Performance Rights	-	Nil	-	Nil
Placement Shares	3,333,333	Nil	10,000,000	Nil
Total	100,686,060	19,250,000	107,352,727	19,250,000

¹This relates to the total shares issued on conversion of all of the Series A Notes and the Series B Notes currently on issue. The table below provides a breakdown of these notes:

Convertible note class	\$ Total face value (including accrued interest)	No of Shares (Post-conversion Basis)
Series A Note	1,500,000	15,000,000
Series B Note	1,055,000	3,516,667
Total	\$2,555,000	18,516,667

Note: In relation to the Series A Notes, the face value set out above consists of a principal sum of \$1,200,000 and an interest component of \$300,000. It is noted that on 16 November 2013, shareholders approved the conversion of the Series A Notes that related to the value of the principal sum, being \$1.2 million. However, shareholder approval for the conversion of the Series A Notes which related to the value of the interest component has not to date been obtained. Accordingly, at this General Meeting, shareholder approval is only being sought in relation to those Series A Notes that relate to the interest component such that on completion of the Proposed Transaction all convertible notes on issue may be converted..

Set out below is the capital of MEB on a Post-Consolidation Basis, following Restructure on the basis of the assumptions listed above but with the Heartlink Shares issued:

Capital Structure after the Proposed Transaction including the effects of the Heartlink Shares				
	Minimum		Maximum	
	Shares	Options and convertible securities	Shares	Options and convertible securities
Prior to the Proposed Transaction	35,148,560	Nil	35,148,560	Nil
Consideration Shares	25,537,500	Nil	25,537,500	Nil
Milestone Shares	18,000,000	Nil	18,000,000	Nil
Converting CNs	18,516,667	Nil	18,516,667	Nil
CN Options	-	15,000,000	-	15,000,000
Options	-	4,000,000	-	4,000,000
Shares to be issued to Chris Indermaur	150,000	Nil	150,000	Nil
Options to James Campbell	-	250,000	-	250,000
Performance Rights	-	Nil	-	Nil
Placement Shares	3,333,333	Nil	10,000,000	Nil
Sub total	100,686,060	19,250,000	107,352,727	19,250,000
Heartlink Shares	11,187,340	Nil	11,928,081	Nil
Total	111,873,400	19,250,000	119,280,807	19,250,000

5 Advantages of the Proposed Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a MEB Shareholders' decision on how to vote on the Resolutions:

- (a) *Gain full control over Invatec* – the CHR Technology owned by Invatec is considered to be the flagship project of the Company. However, under the current terms of the transaction with the security holders of Invatec, the Company has does not have a controlling interest in Invatec. The effect of the proposed terms of Restructure is that the Company will gain full access over the direction and strategy of Invatec and as a result the benefits of any success from the development of the CHR Technology will be able to be more readily transferred to all shareholders of the Company;
- (b) *Simplification* – the Directors consider that the current ownership and capital structure of the Company is far too complex and difficult to be understood by shareholders and the market. The Restructure simplifies this position significantly and it is anticipated that this will make the Company more attractive for future investment, particularly as the company makes its way forward through the development of its CHR Technology, which is likely to require additional capital in the future;
- (c) *Secure immediate funding* – the Company has been dependent upon a few key shareholders for funding either directly or indirectly via the issue of Convertible Notes. Under the terms of the Restructure, the Company will secure a minimum of additional \$1,000,000, from various investors, which will enable it to pursue its short to medium term objectives. This excludes the \$1,000,000 which formed part of the Initial Placement. Additionally, it is envisaged that as the Company works through the various validation trials that by having a larger investor base, that it will be able to expand its fund raising through this network; and

- (d) *Strong board and management team* – the consequence of the Restructure is that it will bring with it a strong board, advisory and management team. In particular, the Restructure has attracted Dr Hans Stampfer, one of the original founders of the CHR Technology. Dr Stampfer's (MB BS W.Aust., FRANZCP), is a Professor of Psychiatry at the University of Western Australia and Consultant Psychiatrist at Joondalup teaching Hospital. As the discoverer of the relationship between circadian heart rate and mental illness, Prof Stampfer is an invaluable addition to Medical and Scientific Advisory Board. He is highly regarded in the field of Psychiatric Research and has international publications on the relationship between circadian heart rate and mental illness.

6 Disadvantages of the Proposed Transaction

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholders' decision on how to vote on the Resolutions:

- (a) *Dilution* – it will result in immediate dilution for the Non Associated Shareholders. This is in comparison to the current arrangements in place with the Invatec security holders whereby the Company is permitted to gradually increase its interest in Invatec. Potentially, the effect of any dilution in the future could be mitigated by the Company raising funds at a higher price than that outlined in this notice of meeting;
- (b) *Risks of CHR* – the CHR Technology is subject to validation and commercialisation risks. Should these risks eventuate, this will result in loss of value to the Non Associated Shareholders.
- (c) *Lost opportunity* – the Proposed Transaction will result in the Company not being able to pursue other potential opportunities.
- (d) *Loss on tax losses* – the Proposed Transaction may affect the availability of the carried forward tax losses due to the change in ownership.

7 Other Considerations

MEB Shareholders are referred to the summary of the Independent Expert's Report for further possible advantages and disadvantages of the Proposed Transaction. MEB Shareholders are encouraged to read the whole of the Independent Expert's Report.

8 Business Overview

8.1 Board and Senior Management

- (a) Directors

Immediately following Completion and assuming that all resolutions are approved, the Board of Directors of the Company will comprise the following Directors:

- (i) Christopher Charles Indermaur – Chair

Christopher Charles Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles, he was Engineering and Commercial Manager for the QNI Nickel Refinery, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd.

Directorships and other offices recently held:

- (A) Director of
- (I) Poseidon Limited
 - (II) Guwara Pty Ltd
 - (III) Wildchild Australia Pty Ltd

(B) Chairman of:

- (I) the Governance Committee for Poseidon Nickel Ltd
- (II) the Remuneration Committee for Poseidon Nickel Ltd
- (III) the Advisory Panel for Topdrive Drillers Australia

(ii) Kris Knauer – Executive Director

Kris Knauer will continue as an Executive Director of the Company following Completion.

(iii) James Campbell – Non-Executive Director

James Campbell will continue as a Non-Executive Director of the Company following Completion.

Mr Vincent John Fayad will retire at the completion of the meeting.

(b) Company secretary

Robert Lees will continue as a secretary of the Company following Completion.

(c) Chief Financial Officer – Robert Lees

Robert Lees will continue as the Chief Financial Officer of the Company.

9 Transaction Risks

9.1 Risks relating to the change in scale of activities

- (a) dependency on the success of the CHR Technology;
- (b) exclusion of taking on new technologies

9.2 General risk factors

- (a) adverse change in stock market conditions;
- (b) adverse change in the Australian and worldwide markets and economies;
- (c) development of new competing technologies; and
- (d) change in investment sentiment to emerging biotech companies.

9.3 Invatec specific risk factors

- (a) regulatory approvals – there are a number of potential regulatory approvals that may be necessary to be obtained for Medibio's projects;
- (b) inability to obtain independent validation as a result of the assessing body determining that the technology is not adequate;
- (c) delays in achieving appropriate approvals for validation of the technology;
- (d) loss of key personnel;
- (e) new technology which is superior to the Company's technology;
- (f) financial markets no longer providing support to the development of the technologies; and
- (g) lack of acceptance by the users.

10 Directors' Recommendations and Voting

The Directors unanimously approved the proposal to put the Resolutions to MEB Shareholders.

Each Director considers that the proposals more fully described in this Explanatory Memorandum are in the best interests of the Company and recommends to MEB Shareholders to vote in favour of each of the Resolutions.

Other than as stated in this Explanatory Memorandum, the Directors have no interest in the Resolutions.

In making their recommendations, the Directors advise MEB Shareholders to read this Notice of Meeting in its entirety (including the Independent Expert's Report assessing the relative merits of the Proposed Transaction), and to seek their own independent financial advice in relation to it.

The Directors each intend to vote in favour of all Resolutions, subject to the application of voting exclusions under the ASX Listing Rules and the Corporations Act.

Details of the Directors' and the Proposed Directors' interests in the Company's securities are set out in Section 13.1.

11 Provision of information and Independent Expert's Report

Section 611 of the Corporations Act assumes that the directors of a company will provide shareholders of that company with proper and full disclosure to enable them to assess the merits of a proposal and to decide whether to agree by resolution to an acquisition of shares.

ASIC Regulatory Guide 74 recommends that directors should ensure that all matters are disclosed that are material and necessary for shareholders to make an informed decision on the necessary resolutions required to be passed to put the proposal into effect, and that shareholders should be provided with an analysis of whether the proposals which they are being asked to approve under section 611 (item 7) of the Corporations Act are **fair and reasonable** when considered in the context of the interests of shareholders other than those involved in the proposed allotment or purchase or associated with such persons (**non-associated shareholders**).

In compliance with ASIC Regulatory Guide 74, the Directors appointed Grant Thornton Corporate Finance Pty Limited, as an independent expert, to examine the proposals and to provide an opinion as to whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of the Company.

A copy of the Independent Expert's Report is attached as Appendix A to this Notice of Meeting. Grant Thornton Corporate Finance Pty Limited has consented to the use of that report and opinion in the form and context they are used in this Notice of Meeting.

To the best of the Directors' knowledge, all matters that are material and reasonably required for MEB Shareholders to make an informed decision on the Resolutions have been provided to MEB Shareholders in this Notice of Meeting and Explanatory Memorandum.

12 Resolutions

12.1 Resolution 1: Acquisition of Invatec Health Pty Ltd

(a) Introduction

Resolution 1 refers to the proposed acquisition by MEB of all of the issued capital of Invatec and a change to the scale of the Company's activities. ASX Listing Rule 11.1 provides that if a company proposes to make a significant change to the nature or scale of its activities it must, if required by the ASX, obtain the approval of shareholders for those changes.

The ASX has advised the Company that, in view of the significance of the proposed changes, under the terms of ASX Listing Rule 11.1.2, the Company is required to obtain Shareholder approval. The ASX has advised the Company that it will not in respect of the

Proposed Transaction exercise its discretion under ASX Listing Rule 11.1.3 to require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

This Resolution is conditional on the passing of all Resolutions other than Resolution 15.

(b) Other Information

MEB has sought, for some time, to make an appropriate investment to maximise returns to MEB Shareholders and allow MEB to transform into a major biotech company. Having carefully considered a number of options, MEB entered into arrangements whereby MEB was to acquire 80% of Invatec in two stages. These arrangements were revised in order to enable MEB to acquire a 100% interest in Invatec and its CHR Technology by way of the Proposed Transaction.

On 19 February, 2014, MEB obtained shareholder approval to the initial Invatec transaction which included approval under ASX Listing Rule 11.1.2 prior to exercising the Invatec option and the Heartlink option. Under the terms of the Invatec SPAs, MEB is required to obtain various shareholder approvals to the revised terms including a further approval under ASX Listing Rule 11.1.2. The Board believes that, subject to MEB Shareholder approval, the Invatec Acquisition and the other elements of the Proposed Transaction (including the restructure of MEB's capital) represent an attractive opportunity for MEB Shareholders.

After completion of the Proposed Transaction, MEB will have sufficient cash available to fund the clinical trials relating to Invatec's CHR Technology and the growth of the business.

12.2 **Resolution 2: Issue of Consideration Shares and Milestone Shares to Invatec Shareholders other than the Associated Shareholders**

(a) Introduction

Resolution 2 proposes the allotment and issue of 160,752,104 Consideration Shares (on a Pre-consolidation Basis) at a deemed issue price of \$0.003 per Consideration Share or 1,607,521 Consideration Shares (on a Post-consolidation Basis) at a deemed issue price of \$0.30 per Consideration Share, and 1,436,931,006 Milestone Shares (on a Pre-consolidation Basis) at a deemed issue price of \$0.003 per Milestone Share or 14,369,310 Milestone Shares (on a Post-consolidation Basis) at a deemed issue price of \$0.30 per Milestone Share to the Invatec Shareholders (other than the Associated Shareholders), as consideration for the acquisition by the Company of all of the issued capital of Invatec held by such Invatec Shareholders.

ASX Listing Rule 7.1 prohibits a company from issuing shares or options representing more than 15% of its issued capital in any 12 month period without shareholder approval. The proposed issue of Consideration Shares and Milestone Shares contemplated under Resolution 2 will exceed this limit. The effect of MEB Shareholder approval will be that the Consideration Shares and any Milestone Shares issued will not be counted in calculating the number of securities which the Company can issue in the future under the 15% limit imposed by ASX Listing Rule 7.1.

In accordance with Listing Rule 7.1, Shareholder approval is sought for the issue of 160,752,104 Consideration Shares (on a Pre-consolidation Basis) and up to 1,436,931,006 Milestone Shares (on a Pre-consolidation Basis).

This Resolution is conditional on the passing of all Resolutions other than Resolution 15.

(b) Effect of issue on the Company's share capital

The issued capital of the Company as at the date of this Notice of Meeting is set out in the table in Section 4.

The MEB Share Consolidation (being a consolidation of every 100 Shares into 1 Share) will be implemented after the General Meeting if all Resolutions are passed will result in the Company having on issue a total of 35,148,560 Shares, subject to rounding of

fractional entitlements and prior to the issue of any further securities upon Completion of the Proposed Transaction.

If approved, the issue of the Consideration Shares and the maximum number of Milestone Shares would result in Invatec Shareholders (other than the Associated Shareholders) obtaining a cumulative voting power in the Company of approximately 14.19% of the enlarged share capital of the Company after taking into account all new Shares to be issued and the Placement and Options. A breakdown is set out in the table set out in Section 4.

The full names of each Invatec Shareholder (other than the Associated Shareholders), together with details of their current and post-Completion and post Milestone Shareholdings are set out in the table below:

	Invatec Shareholder			TOTAL
	Diane Sherwood	Vagabond Holdings	Dr Hans Stampfer	
Current Shares (Pre-Consolidation)	6,282,955	1,578,835	-	7,861,790
% of Current Shares¹	0.18%	0.04%	-	0.22%
Consideration Shares (Pre-Consolidation)	103,232,982	181,530,147	30,337,760	315,100,889
Milestone Shares*	15,662,652	4,193,877	1,417,074,477	1,436,931,006
% of Max. Issued MEB Capital (without Heartlink Shares) under minimum Placement	1.24%	1.86%	14.38%	17.48%
% of Max. Issued MEB Capital (with Heartlink Shares) under minimum Placement	1.12%	1.67%	12.94%	15.73%
% of Max. Issued MEB Capital (without Heartlink Shares) under minimum Placement	1.12%	1.67%	12.94%	15.73%
% of Max. Issued MEB Capital (with Heartlink Shares) under maximum Placement	1.05%	1.57%	12.13%	14.75%

*This assumes the maximum number of Milestone Shares are issued.

**This figure includes the Consultancy Milestone Shares. See above explanation in paragraph 2.7.

¹ This assumes the Heartlink Shares have not been issued.

The above is subject to the satisfaction of the conditions referred to in paragraph 2.6.

(c) Application for listing of Consideration Shares

As a condition of the Proposed Transaction, the Company will apply for quotation of all the Consideration Shares and the Milestone Shares on the ASX as soon as possible after their allotment and issue. The Consideration Shares are expected to be subject to a 24 month escrow period.

(d) Milestone Shares

The issue of the Milestone Shares to each of the Invatec Shareholders is subject to certain Milestone Objectives being achieved by 31 December 2019. These are as follows:

- (i) the Tranche 1 Milestone Shares will be issued on the completion of a clinical trial conducted by a reputable research organisation either in Australia or in the United States of America or, a body which is not related to either Invatec or the Company which is designed to verify the CHR Technology;
- (ii) the Tranche 2 Milestone Shares will be issued on the completion of the development of a series of algorithms that are capable of being documented and patented as proprietary intellectual property of sufficient quality, as determined by a reputable research organisation either in Australia or in the United States of America or a body which is not related to either Invatec or the Company to allow automated diagnosis as necessary for the commercialisation of the CHR Technology; and
- (iii) the Tranche 3 Milestone Shares will be issued on the CHR Technology being granted approval to commercially exploit the CHR Technology so as to commence operations in either Australia and New Zealand and/or either of the:
 - (A) US Food and Drug Administration;
 - (B) Australian Therapeutic Goods Association; or
 - (C) Conformitee European or generally known as "CE Mark" or if necessary, European Medicines Agency.

(e) Waiver

As the Milestone Shares could be issued as late as 31 December 2019, the issue of the Milestone Shares will not occur within three months of the General Meeting, the Company has, in respect of the Milestone Shares sought and obtained a waiver from the ASX of the requirement under Listing Rule 7.3.2 to issue any securities for which shareholder approval has been obtained under Listing Rule 7.1 at any time prior to 31 December 2019.

(f) Approval

In accordance with Listing Rule 7.1, Shareholder approval is sought for the issue of the Consideration Shares and the maximum number of Milestone Shares. The effect of Resolution 2 will be to allow the Company to:

- (i) issue the Consideration Shares during the 3 month period after the General Meeting, without using the Company's 15% annual placement capacity; and
- (ii) issue the Milestone Shares upon satisfaction of the relevant Milestone Objectives on or before 31 December 2019 without using the Company's 15% annual placement capacity.

(g) Additional information

In accordance with the Corporations Act and the ASX Listing Rules, the Company provides the following additional information to MEB Shareholders:

Names of the allottees or the basis upon which allottees will be identified or selected:	Diane Sherwood, Vagabond Holdings Pty Limited and Dr Hans Stampfer
Maximum number of securities to be issued or the formula for calculating the number of securities to	Please refer to the table in Section 12.2(b) above for the number of Consideration Shares and Milestone Shares proposed to be allotted to each Invatec Shareholder.

be issued:	The maximum number of securities to be issued to all Invatec Shareholders (other than the Associated Shareholders) is 160,752,104 Consideration Shares (on a Pre-consolidation Basis) and up to 1,436,931,006 Milestone Shares (on a Pre-consolidation Basis).
The date by which the entity will issue the securities:	The Consideration Shares will be issued on Completion (which is expected to occur on or about 15 March 2015) and in any event no later than 3 months after the date of the General Meeting or such later date as permitted by the ASX. The Milestone Shares will be issued on or before 31 December 2019 in accordance with section 12.2(d) above.
Price at which the securities will be issued:	The deemed issue price is \$0.003 per Consideration Share (on a Pre-consolidation Basis) and \$0.003 per Milestone Share (on a Pre-consolidation Basis).
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:	As the Consideration Shares and the Milestone Shares are being issued as consideration for the Invatec Acquisition, no cash will be raised from the issue of Consideration Shares.

12.3 Resolution 3: Issue of Consideration Shares and Milestone Shares to the Associated Shareholders and increase in relevant interest

(a) Introduction

Resolution 3 proposes the allotment and issue to the Associated Shareholders of in total 2,392,997,896 Consideration Shares (on a Pre-consolidation Basis) at a deemed issue price of \$0.003 per Consideration Share or 23,929,979 Consideration Shares (on a Post-consolidation Basis) at a deemed issue price of \$0.30 per Consideration Share, and 363,068,994 Milestone Shares (on a Pre-consolidation Basis) at a deemed issue price of \$0.003 per Milestone Share or 3,630,690 Milestone Shares (on a Post-consolidation Basis) at a deemed issue price of \$0.30 per Milestone Share, as consideration for the acquisition by the Company of all of the issued capital held by the Associated Shareholders in the capital of Invatec.

This Resolution is conditional on the passing of all Resolutions other than Resolution 15.

(b) Milestone Shares

The same Milestone Objectives set out above in section 12.2(d) also apply to the issue of the Milestone Shares to the Associated Shareholders.

(c) Section 611 (Item 7) of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person has a relevant interest in securities if they:

- (i) are the holder of the securities; or
- (ii) have power to exercise, or control the exercise of, a right to vote attached to securities; or
- (iii) have power to dispose of, or control the exercise of power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

A person in an 'associate' of another person if, amongst other things, they have entered into an agreement, arrangement or understanding for the purpose of controlling or influencing the composition of a company's board of directors or the conduct of the company's affairs. The Company considers Claude Solitario and Stephen Addis to be 'associates'.

There are various exceptions to the prohibition in s 606, including under section 611 (item 7) of the Corporations Act. Section 611 (item 7) provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares by virtue of an allotment or acquisition at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their associates.

If Resolution 3 is passed and Completion occurs, 2,392,997,896 Consideration Shares (on a Pre-consolidation Basis) and 3,630,690 Milestone Shares (on a Pre-consolidation Basis) will be issued to the Associated Shareholders and their relevant interest in voting power in the Company will be as set out in the table below. The full names of each Associated Shareholders, together with details of their current shareholdings are set out in the table below:

	Pre-consolidation Basis		Post-consolidation Basis		% of voting power
	Shares	Options and convertible securities	Shares	Options and convertible securities	
Interest of Associated Shareholders prior to the Proposed Transaction					
Existing securityholders	3,373,047,614	1,900,000,000	33,730,476	19,000,000	95.97%
Stephen Addis ¹	82,379,285	Nil	823,793	Nil	2.34%
Claude Solitario ¹	59,429,101	Nil	594,291	Nil	1.69%
Total	3,514,856,000	1,900,000,000	35,148,560	19,000,000	100.00%

¹ Includes entities and associates, including the children of the Associates.

Set out below is the following matrix of scenarios of the Associated Shareholders potential relevant interests calculated on a Post-consolidation Basis and taking into account the assumptions made in the tables set out above and calculated using a minimum and maximum Placement:

Scenario A

Interest of Associated Shareholders after Completion of the Proposed Transaction without Heartlink Shares and with no issue of Milestone Shares for anyone				
	Minimum	% of voting power	Maximum	% of voting power
Securityholders (including the Non-Associated Shareholders)	57,337,997	69.34%	64,004,664	71.63%
Stephen Addis	12,789,069	15.47%	12,789,069	14.31%

Claude Solitario	12,558,994	15.19%	12,558,994	14.06%
Total	82,686,060	100.00%	89,352,727	100.00%

Scenario B

Interest of Associated Shareholders after Completion of the Proposed Transaction and issue of all Milestone Shares but without Heartlink Shares				
	Minimum	% of voting power	Maximum	% of voting power
Securityholders (including the Non-Associated Shareholders)	71,707,307	71.22%	78,373,974	73.01%
Stephen Addis	14,604,458	14.50%	14,604,458	13.60%
Claude Solitario	14,374,295	14.28%	14,374,295	13.39%
Total	100,686,060	100.00%	107,352,727	100.00%

Scenario C

Interest of Associated Shareholders after Completion of the Proposed Transaction with Heartlink Shares but no issue of Milestone Shares to anyone				
	Minimum	% of voting power	Maximum	% of voting power
Securityholders (including the Non-Associated Shareholders)	57,337,997	62.41%	64,004,664	64.47%
Stephen Addis	12,789,069	13.92%	12,789,069	12.88%
Claude Solitario	12,558,994	13.67%	12,558,994	12.65%
Heartlink Shares	9,187,340	10.00%	9,928,081	10.00%
Total	91,873,400	100.00%	99,280,807	100.00%

Scenario D

Interest of Associated Shareholders after Completion of the Proposed Transaction and issue of all Milestone Shares and with Heartlink Shares				
	Minimum	% of voting power	Maximum	% of voting power
Securityholders (including the Non-Associated Shareholders)	74,773,974	64.86%	81,440,553	66.38%
Stephen Addis	14,604,458	12.67%	14,604,458	11.90%
Claude Solitario	14,374,295	12.47%	14,374,382	11.72%
Heartlink Shares	11,528,081	10.00%	12,268,821	10.00%
Total	115,280,807	100%	122,688,215	100.00%

(d) Information required under Corporations Act

In accordance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74, the following information is provided in relation to the issue of the Consideration Shares and the Milestone Shares to the Associated Shareholders:

- (i) **The identity of the acquirer and its associates and any person who will have a relevant interest in the securities to be acquired by the acquirer**

The Associated Shareholders will acquire both the Consideration Shares and the Milestone Shares.

- (ii) **Full particulars (including the number and percentage) of securities to which the Associated Shareholders are or will be entitled immediately before and after the Proposed Transaction and the maximum extent of the increase in the Associated Shareholders and its associates voting power in the Company as a result of the Invatec Acquisition**

This is set out in the table in section 12.3(c) above.

- (iii) **The identity, associations and qualifications of any person who it is intended will become a Director if Shareholders approve the Transaction**

Christopher Charles Indermaur. Please refer to section 8.1(a)(i) for details of Mr Indermaur's qualifications and experience.

- (iv) **A statement of the Associated Shareholders' intentions regarding the future of the Company if Shareholders agree to the Invatec Acquisition**

The Associated Shareholders have advised that they do not intend to influence or change the affairs of the Company and they will not seek representation on the Board. Mr Addis will be appointed to the advisory board of the Company and Mr Solitario will remain an employee of the Company working in the e-health division as well as, assisting on other corporate related matters as and when required by the Board.

- (v) **particulars of the terms of the proposed issue and allotment of Shares and details of the terms and any other relevant agreement between the Company and the Associated Shareholders or any of its associates which is conditional upon, or directly or indirectly dependent upon, Shareholder approval to the allotment of Shares to the Associated Shareholders**

Other than the Invatec SPAs, there are no other contracts or proposed contracts between the Company and the Associated Shareholders or any of its associates which are conditional upon, or directly or indirectly dependent on, the Shareholders approval to the proposed allotment of the Consideration Shares and Placement Shares to the Associated Shareholders.

- (vi) **When will the allotment be made?**

The Consideration Shares will be allotted to the Associated Shareholders on Completion and the Milestone Shares will be allotted upon satisfaction of the conditions of the Milestone Shares. Subject to the Shareholders approving each of Resolutions and completion of the Placement Shares, the Company anticipates that Completion will occur no later than five business days following the satisfaction of all Conditions Precedent.

- (vii) **An explanation of the reasons for the proposed issue and allotment of Consideration Shares and Milestone Shares**

The Consideration Shares and Milestone Shares are to be issued and allotted as consideration for the Invatec Shares held by the Associated Shareholders.

- (viii) **The interest of the Directors in this Resolution**

None of the Directors have an interest in Resolution 3. However, it is noted that:

- (A) Mr Fayad has an interest in Resolution 7;

(B) Mr Knauer has an interest in Resolutions 4 and 6; and

(C) Mr Campbell has an interest in Resolution 12,

which are each inter-conditional with all Resolutions, except Resolution 14.

(ix) **Identity of the Directors who approved or voted against the proposal to put these Resolutions to the Shareholders**

Each of the Directors approved the proposal to put these Resolutions to the Shareholders.

(x) **Any intention of the Associated Shareholders to change significantly the financial or dividend policies of the Company**

The Company does not have a dividend policy. There is no immediate intention to change the financial or dividend distribution policies of the Company. Any future decision to pay dividends is a matter for the discretion of the Directors.

(xi) **Recommendation of each Director as to whether Shareholders should approve these Resolutions**

Each of the Directors recommends the MEB Shareholders approve Resolution 3 and all other Resolutions.

(xii) **An analysis of whether the proposed allotment of the Consideration Shares and Milestone Shares to the Associated Shareholders, the subject of this Resolution, is fair and reasonable to the non associated MEB Shareholders**

Yes, refer to Independent Experts Report.

(e) Shareholder approval under ASX Listing Rule 7.1 not sought

ASX Listing Rule 7.2 (exception 16) provides that where the shareholders of the entity have approved the issuance of the securities for the purposes of item 7 of section 611 Corporations Act, the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1, so that the entity's 15% capacity is not reduced.

Accordingly, if this Resolution is passed by Shareholders, the issue and allotment of Consideration Shares and the Milestone Shares to the Associated Shareholders will not reduce the Company's ability to issue new Shares for other purposes (without Shareholder approval) during the next 12 months.

(f) ASX Listing Rule 10.11

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

(i) **Name and relationship of the persons who Shares are being issued to**

Claude Solitario, who is a related party of the Company (see section 12.4(b) (below) for further details).

The ASX has advised the Company that Stephen Addis is a person whose relationship to Claude Solitario (as Associated Shareholders) is such that the ASX determined that the transaction the subject of Resolution 3 should be approved by the Shareholders under ASX Listing Rule 10.11.2.

(ii) **Maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued**

This is set out in the table in section 12.3(c) above.

(iii) **Date by which the securities will be issued**

The Consideration Shares will be allotted to the Associated Shareholders on Completion and the Milestone Shares will be allotted upon satisfaction of the conditions of the Milestone Shares. Subject to the Shareholders approving each of Resolutions and completion of the Placement Shares, the Company anticipates that Completion will occur no later than five business days following the satisfaction of all Conditions Precedent. In any event the Consideration Shares will be issued within 1 month of the date of this Meeting.

As the Milestone Shares could be issued as late as 31 December 2019, the issue of the Milestone Shares will not occur within three months of the General Meeting, the Company will in respect of the Milestone Shares seek a waiver from the ASX of the requirement under Listing Rule 10.13.3 to issue any securities for which shareholder approval has been obtained under Listing Rule 10.11 at any time prior to 31 December 2019.

(iv) **Issue price and terms of the securities**

Consideration Shares will have a deemed issue price of \$0.003 per Consideration Share on a Pre-consolidation Basis or \$0.30 per Consideration Shares on a Post-consolidation Basis. Milestone Shares will have a deemed issue price of \$0.003 per Milestone Share on a Pre-consolidation Basis or \$0.30 per Milestone Share on a Post-consolidation Basis,

Please refer to section 12.3(d)(v) above for information on terms of issue.

(v) **Intended use of funds raised**

No funds are being raised by the issued of the Consideration Shares and Milestone Shares, The Consideration Shares and Milestone Shares are to be issued and allotted as consideration for the Invatec Shares held by the Associated Shareholders.

(vi) **Voting exclusion statement**

A voting exclusion statement is set out in section 1.2(c) above.

12.4 **Resolution 4 – Acquisition of a substantial asset from a related party**

(a) **ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that an entity must not without the approval of the shareholders of that entity, acquire a 'substantial asset' from a related party.

An asset is a 'substantial asset' if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests on the company as set out in the latest accounts given to the ASX under the ASX Listing Rules.

The value of the consideration that Claude Solitario is to receive from the Company for his Invatec Shares under the Invatec SPAs is of a value greater than 5% of the equity interests of the Company, based on the latest financial accounts given to ASX.

(b) **Claude Solitario is a related party of the Company**

Claude Solitario is a related party of the Company by virtue of section 228(5) of the Corporations Act, given that he was a director of the Company in the previous 6 months. The acquisition by the Company of the Invatec Shares held by Claude Solitario will, therefore, constitute an acquisition of a substantial asset from a related party of the Company which requires shareholder approval under ASX Listing Rule 10.1.

(c) **Independent Expert's Report**

ASX Listing Rule 10.10.2 requires shareholder approval sought for the purposes of ASX Listing Rule 10.1 must include a report on the proposed transaction from an independent expert.

The independent experts report must provide an assessment as to whether or not, in the opinion of the independent expert the purchase by the Company, under the Invatec SPAs, of the Invatec Shares owned by Claude Solitario is fair and reasonable to the existing non-associated Shareholders.

The Company engaged the Independent Expert to prepare the Independent Expert's Report, a copy of which is contained in Annexure B. The Independent Expert's Report sets out a detailed examination of the acquisition of the substantial asset to enable shareholders to assess its merits. The Independent Expert's Report concludes that the acquisition of a substantial asset from the related parties and the substantial holders is fair and reasonable to the non-associated Shareholders of the Company.

It is recommended that all Shareholders read the Independent Expert's Report in full. Shareholders are urged to carefully read the Independent Experts Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

(d) Shareholder approval under Chapter 2E of the Corporations Act not sought

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:

- (i) obtain the approval of the public company's members in the manner set out in sections 221 to 227 of the Corporations Act; and
- (ii) 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.

Buying an asset from a related party constitutes providing a 'financial benefit' for the purposes of the Corporations Act.

The purchase by the Company of the Invatec Shares held by Claude Solitario will constitute, for the purposes of Chapter 2E of the Corporations Act, giving a financial benefit to related parties of the Company.

It is the view of the Directors that the giving of the financial benefit to Claude does not fall within the exceptions set out in sections 210 to 216 of the Corporations Act. Accordingly, shareholder approval for the purposes of Chapter 2E of the Corporations Act is being sought.

(e) Information required under Chapter 2E of the Corporations Act

(i) **Details and terms and context of the issue of securities**

This is set out in the table in section 12.3(d) above.

(ii) **Number of securities to be issued**

Maximum of 14,374,382 Shares.

(iii) **The date on which the securities will be issued**

On Completion but in any event, no later than 1 month after the Meeting.

(iv) **The relationship between each of the Claude Solitario and the Company**

Claude Solitario is a related party of the Company as he was, during the 6 month period prior to the date of this Notice, a Director.

(v) **The issue price and terms of the securities**

Deemed issue price of \$0.30 per Milestone Share (on a post- Consolidation Basis) and a deemed issue price of \$0.30 per Consideration Share (on a post- Consolidation basis).

(vi) **Nature of the financial benefit and why the number of securities was chosen**

The financial benefit is the issue of securities and the number of securities issued corresponds to negotiated position in the Invatec SPAs.

(vii) **Directors' recommendation and reasons**

All of the Directors recommend that MEB Shareholders vote in favour of this resolution.

(viii) **Directors' interest in the outcome**

None.

It is noted that:

(A) Mr Fayad has an interest in Resolution 8; and

(B) Mr Campbell has an interest in Resolution 13,

which are each inter-conditional with all Resolutions, except Resolution 16.

(ix) **Value of the financial benefit**

Based on the deemed issue price of 0.30 per Milestone Share (on a post- Consolidation Basis) and a deemed issue price of \$0.30 per Consideration Share (on a post-Consolidation basis), the value of the financial benefit is \$4,312,314.

(x) **Claude Solitario's existing interest in the Company**

Claude Solitario's current voting power in the Company is 1.69%. He is the registered holder of 59,429,101 Shares (on a pre-Consolidation basis) or 594,291 (on a post-Consolidation Basis).

(xi) **Dilution effect of the issue of securities on the existing shareholders' interests**

Using the lowest denominator under the various scenarios outlined in section 12.3(c) above of 85,752,726 Shares, following the completion of the Proposed Transaction (Scenario A), a total of Shares fully diluted would cause a 16.76% dilution of existing shareholdings.

12.5 **Resolution 5: Issue of securities to the Unrelated Noteholder**

(a) **Introduction**

As of the date of this Notice of Meeting, there are 4 Series A Notes on issue held by an unrelated party of the Company (**Unrelated Series A Noteholder**). These were issued pursuant to an election to capitalise interest payable on Series A Notes in an amount equal to \$200,000.

Pursuant to the Invatec SPAs, the Company is required to convert all convertible securities on issue, including those Series A Notes held by the Unrelated Series A Noteholder.

Pursuant to the terms of the Series A Notes, shareholder approval is required for the conversion of the Series A Notes into Shares (at a conversion price of \$0.001 on a Pre-consolidation Basis). For each Share issued, one free attaching CN Option will be issued to the Unrelated Series A Noteholder.

Each CN Option is exercisable at \$0.001 (on a Pre-consolidation Basis) and expires on the 3rd anniversary of the issue date of the CN Option.

Resolution 4 seeks Shareholder approval for the issue of up to 200,000,000 Shares (on a Pre-consolidation Basis) or 2,000,000 Shares (on a Post-consolidation Basis) and 200,000,000 CN Options (on a Pre-consolidation Basis) pursuant to the conversion of the outstanding amounts on Series A Notes equal to \$200,000 held by Unrelated Series A Noteholder.

ASX Listing Rule 7.1 is set out above (in relation to Resolution 2). The effect of this Resolution will be to allow the Company to issue the Shares pursuant to this Resolution without using the Company's 15% annual placement capacity.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) Information required under ASX Listing Rules

In accordance with ASX Listing Rules 7.3, the following information is provided in relation to the issue of the Shares and CN Options:

Allottees	Unrelated Series B Noteholder
Maximum number of securities to be issued or the formula for calculating the number of securities to be issued:	200,000,000 Shares (on a Pre-consolidation Basis) and 200,000,000 CN Options (on a Pre-consolidation Basis) will be issued.
The date by which the entity will issue the securities:	The Shares will be issued on Completion and in any event no later than 3 months after the date of the General Meeting or such later date as permitted by the ASX.
Price at which the securities will be issued:	The deemed issue price of the Shares is \$0.001 (on a Pre-consolidation Basis). The CN Options will be issued for nil consideration.
Terms of the securities:	The Shares will be fully paid ordinary shares of the Company ranking equally with all other ordinary shares of the Company. The terms of the CN Options are set out in paragraph 12.5(a) above.
Use (or intended use) of the funds raised:	As the Shares and CN Options are to be issued upon conversion of the Series A Notes there is no cash generated from this issue.

12.6 Resolution 6: Issue of securities to Pitt Street Absolute Return Fund pursuant to the conversion of Series A Notes

(a) Introduction

As of the date of this Notice of Meeting, there are 2 Series A Notes on issue held by Pitt Street Absolute Return Fund. These were issued pursuant to an election to capitalise interest payable on Series A Notes in an amount equal to \$100,000.

Pursuant to the Invatec SPAs, the Company is required to convert all convertible securities on issue, including those Series A Notes held by Pitt Street Absolute Return Fund.

As at the date of this Notice of Meeting, there is \$100,000 outstanding in relation to the Series A Notes held by Pitt Street Absolute Return Fund. Pursuant to the terms of the

Series A Notes, shareholder approval is required for the conversion of the Series A Notes into Shares (at a conversion price of \$0.001 on a Pre-consolidation Basis). For each Share issued, one free attaching CN Option will be issued to Pitt Street Absolute Return Fund.

Each CN Option is exercisable at \$0.001 (on a Pre-consolidation Basis) and expires on the 3rd anniversary of the issue date of the CN Option.

(b) Corporations Act and ASX Listing Rule 10.11

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (ii) 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 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also 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 entity or a related party is in ASX's opinion such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. The issue of the Shares and CN Options to Pitt Street Absolute Return Fund under this Resolution requires MEB Shareholder approval.

Accordingly, Resolution 6 seeks Shareholder approval for the issue of up to 100,000,000 Shares (on a Pre-consolidation Basis) and 100,000,000 CN Options (on a Pre-consolidation Basis) pursuant to the conversion of the outstanding amounts on Series A Notes equal to \$100,000 held by Pitt Street Absolute Return Fund.

This Resolution is conditional on the passing of all Resolutions other than Resolution 15.

(c) 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 and CN Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rules 7.1.

(d) Information required under ASX Listing Rules and the Corporations Act

(i) **Details and terms and context of the issue of securities**

Described above in Section 11.6(a).

(ii) **Number of securities to be issued**

100,000,000 Shares and 100,000,000 CN Options will be issued (on a Pre-consolidation Basis).

(iii) **The date on which the securities will be issued**

On Completion but in any event, no later than 1 month after the meeting.

- (iv) **The relationship between each of the Pitt Street Absolute Return Fund and the Company**
- Pitt Street Absolute Return Fund is a related party of Kris Knauer, a director of the Company.
- (v) **The issue price and terms of the securities**
- The deemed issue price of the Shares is \$0.001 (on a Pre-consolidation Basis).
- (vi) **The identity of Pitt Street Absolute Return Fund**
- Pitt Street Absolute Return Fund is a related party of Kris Knauer and is therefore a related party of the Company.
- (vii) **Nature of the financial benefit and why the number of securities was chosen**
- The financial benefit is the issue of securities and the number of securities issued corresponds to capitalised amounts of interest otherwise payable on the Series A Notes and the terms of the Series A Notes.
- (viii) **Directors' recommendation and reasons**
- James Campbell and Vincent John Fayad, being the directors that do not have a direct interest in this resolution, recommend that MEB Shareholders vote in favour of this resolution.
- (ix) **Directors' interest in the outcome**
- Entities associated with Kris Knauer will be issued the securities pursuant to the conversion of the Series A Notes.
- It is noted that:
- (A) Mr Fayad has an interest in Resolution 9; and
- (B) Mr Campbell has an interest in Resolution 14,
- which are each inter-conditional with all Resolutions, except Resolution 16.
- (x) **Value of the financial benefit**
- Based on a closing share price of \$0.002 on 19 December 2014, there is a prima facie benefit of \$0.001 per share to Pitt Street Absolute Return Fund. Ignoring the time value of money and assuming based on the 1 million Shares and assuming that the fee attaching CN Option is converted into Shares, this would result in a financial benefit of \$200,000 (being 100 million Shares and 100 million CN Options at a value of \$.001).
- (xi) **Pitt Street Absolute Return Fund's existing interest in the Company**
- Set out in section 13 below.
- (xii) **Dilution effect of the issue of securities on the existing shareholders' interests**
- Using the lowest denominator under the various scenarios outlined in section 12.3(c) above of 85,752,726 Shares, following the completion of the Proposed Transaction (Scenario A), a total of 1,000,000 Shares and 1,000,000 CN Options (both on a Post-consolidation Basis) fully diluted would cause a 2.33% dilution of existing shareholdings.

12.7 Resolution 7: Issue of Shares to Unrelated Series B Noteholders pursuant to the conversion of Series B Notes

(a) Introduction

As of the date of this Notice of Meeting, there are 42.2 Series B Notes on issue totalling \$1.055 million. Of these 42 Series B Notes, 34.2 are held by the Unrelated Series B Noteholders and the balance is held by related parties of the company (details of these parties are set out in relation to Resolutions 8 and 9). The Series B Notes were issued as consideration for loans equal to \$855,000 advanced to the Company by the Unrelated Series B Noteholders and \$200,000 advanced to the Company by the related parties referred to above.

Pursuant to the Invatec SPAs, the Company is required to convert all convertible securities on issue, including those Series B Notes held by the Unrelated Noteholders.

As at the date of this Notice of Meeting, there is \$855,000 outstanding in relation to the Series B Notes held by Unrelated Series B Noteholders. Pursuant to the terms of the Series B Notes, shareholder approval is required for the conversion of the Series B Notes into Shares (at a conversion price of \$0.003). There are no CN Options attaching to the Shares issued on conversion of the Series B Notes.

Resolution 7 seeks Shareholder approval for the issue of up to 285,000,000 (on a Pre-consolidation Basis) Shares or 2,850,000 (on a Post-consolidation Basis) Shares pursuant to the conversion of the outstanding amounts on Series B Notes equal to \$855,000 held by Unrelated Series B Noteholders.

ASX Listing Rule 7.1 is set out above (in relation to Resolution 2). The effect of this Resolution will be to allow the Company to issue the Shares pursuant to this Resolution without using the Company's 15% annual placement capacity.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) Information required under ASX Listing Rules

In accordance with ASX Listing Rules 7.3, the following information is provided in relation to the issue of the Shares and CN Options:

Allottees	Unrelated Series B Noteholders
Maximum number of securities to be issued or the formula for calculating the number of securities to be issued:	2,850,000 (on a Post-consolidation Basis) Shares will be issued.
The date by which the entity will issue the securities:	The Shares will be issued on Completion and in any event no later than 3 months after the date of the General Meeting or such later date as permitted by the ASX.
Price at which the securities will be issued:	The deemed issue price of the Shares is \$0.30 (on a Post-consolidation Basis).
Terms of the securities:	The Shares will be 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:	As the Shares are to be issued upon conversion of the Series B Notes there is no cash generated from this issue.

12.8 Resolution 8: Issue of securities to Pitt Street Absolute Return Fund

(a) Introduction

As of the date of this Notice of Meeting, there are 3 Series B Notes on issue held by Pitt Street Absolute Return Fund, an associate of Kris Knauer. These were issued as consideration for loans equal to \$75,000 advanced to the Company by Pitt Street Absolute Return Fund.

Pursuant to the Invatec SPAs, the Company is required to convert all convertible securities on issue, including those Series B Notes held by Pitt Street Absolute Return Fund.

Pursuant to the terms of the Series B Notes, shareholder approval is required for the conversion of the Series B Notes into Shares (at a conversion price of \$0.003). There are no CN Options attaching to the Shares issued on conversion of the Series B Notes.

Accordingly, Resolution 8 seeks Shareholder approval for the issue of up to 25,000,000 Shares (on a Pre-consolidation Basis) or 250,000 Shares (on a Post-consolidation Basis) pursuant to the conversion of the outstanding amounts on Series B Notes equal to \$75,000 held by Pitt Street Absolute Return Fund.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) Corporations Act and ASX Listing Rule 10.11

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (ii) 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 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also 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 entity or a related party is in ASX's opinion such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, the issue of the Shares to Pitt Street Absolute Return Fund under this Resolution requires MEB Shareholder approval.

(c) 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.

(d) Information required under ASX Listing Rules and the Corporations Act

(i) Details and terms and context of the issue of securities

Described above in Section 12.8(a).

(ii) Number of securities to be issued

25,000,000 Shares on a Pre-consolidation Basis or 250,000 Shares on a Post-consolidation Basis.

(iii) The date on which the securities will be issued

On Completion but in any event, no later than 1 month after the meeting.

(iv) The relationship between the related party and the Company

Pitt Street Absolute Return Fund is related party of Kris Knauer, who is a director of the Company.

(v) The issue price and terms of the securities

The deemed issue price of the Shares is \$0.30 (on a Post-consolidation Basis).

(vi) The identity of the related party

Pitt Street Absolute Return Fund who is a related party of Kris Knauer and is therefore a related party of the Company.

(vii) Nature of the financial benefit and why the number of securities was chosen

The financial benefit is the issue of Shares and the number of securities issued corresponds to the outstanding amounts on the Series B Notes and the terms of the Series B Notes.

(viii) Directors' recommendation and reasons

James Campbell and Vincent John Fayad being the only directors that do not have a direct interest in this Resolution, recommend that MEB Shareholders vote in favour of this Resolution.

(ix) Directors' interest in the outcome

Associates of Kris Knauer will be issued the Shares pursuant to the conversion of the Series B Notes.

It is noted that:

(A) Mr Fayad has an interest in Resolution 9; and

(B) Mr Campbell has an interest in Resolution 14,

which are each inter-conditional with Resolution 8.

(x) Value of the financial benefit

The value of the financial benefit is considered to be the difference between the share price at the date of conversion and the deemed share price applied to the conversion. Based on the share price of \$0.002 as at 19 December 2014 and the deemed exercise price of \$0.003, there is no financial benefit believed to be conferred upon Kris Knauer.

(xi) Related Party's existing interest in the Company

Set out in section 13 below.

(xii) Dilution effect of the issue of securities on the existing shareholders' interests

Using the lowest denominator under the various scenarios outlined in section 12.3(c) above of 82,686,060 Shares, following the completion of the Proposed

Transaction (Scenario A), a total of 250,000 Shares diluted would cause a 0.30% dilution of existing shareholdings.

12.9 Resolution 9: Issue of securities to Kafta Enterprises (a related party)

(a) Introduction

As of the date of this Notice of Meeting, there are 5 Series B Notes on issue held by Kafta Enterprises (a related party of Vincent John Fayad) on Pre-consolidation Basis. These were issued as consideration for loans equal to \$125,000 advanced to the Company by Kafta Enterprises.

Pursuant to the Invatec SPAs, the Company is required to convert all convertible securities on issue, including those Series B Notes held by Kafta Enterprises.

Pursuant to the terms of the Series B Notes, shareholder approval is required for the conversion of the Series B Notes into Shares (at a conversion price of \$0.003). There are no CN Options attaching to the Shares issued on conversion of the Series B Notes.

The total number of Shares to be issued to Kafta Enterprises is on a Pre-consolidation Basis or on a Post-consolidation Basis.

Accordingly, Resolution 9 seeks Shareholder approval for the issue of up to 41,666,667 Shares (on a Pre-consolidation Basis) or 416,667 Shares (on a Post-consolidation Basis) pursuant to the conversion of the outstanding amounts on Series B Notes equal to \$125,000 held by Kafta Enterprises.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) Corporations Act and ASX Listing Rule 10.11

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (ii) 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 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also 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 entity or a related party is in ASX's opinion such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, the issue of the Shares to Kafta Enterprises under this Resolution requires MEB Shareholder approval.

(c) 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.

(d) Information required under ASX Listing Rules and the Corporations Act

(i) Details and terms and context of the issue of securities

Described above in Section 12.8(a).

(ii) **Number of securities to be issued**

41,666,667 (on a Pre-consolidation Basis) or 416,667 Shares (on a Post-consolidation Basis) will be issued.

(iii) **The date on which the securities will be issued**

On Completion but in any event, no later than 1 month after the meeting.

(iv) **The relationship between the related party and the Company**

Kafta Enterprises is related party of Vincent John Fayad, who is a director of the Company.

(v) **The issue price and terms of the securities**

The deemed issue price of the Shares is \$0.30 (on a Post-consolidation Basis).

(vi) **The identity of the related party**

Kafta Enterprises is a related party of Vincent John Fayad, and is therefore a related party of the Company.

(vii) **Nature of the financial benefit and why the number of securities was chosen**

The financial benefit is the issue of Shares and the number of securities issued corresponds to the outstanding amounts on the Series B Notes and the terms of the Series B Notes.

(viii) **Directors' recommendation and reasons**

James Campbell and Kris Knauer being the only directors that do not have a direct interest in this Resolution, recommend that MEB Shareholders vote in favour of this Resolution.

(ix) **Directors' interest in the outcome**

Vincent John Fayad (or his nominees) will be issued the Shares pursuant to the conversion of the Series B Notes.

It is noted that:

(A) Mr Knauer has an interest in Resolutions 6 and 8; and

(B) Mr Campbell has an interest in Resolution 14,

which are each inter-conditional with Resolution 9.

(x) **Value of the financial benefit**

The value of the financial benefit is considered to be the difference between the share price at the date of conversion and the deemed share price applied to the conversion. Based on the share price of \$0.002 and as at 19 December 2014 and the deemed exercise price of \$0.003, there is no financial benefit believed to be conferred upon Vincent John Fayad.

(xi) **Related party's existing interest in the Company**

Set out in section 13 below.

(xii) **Dilution effect of the issue of securities on the existing shareholders' interests**

Using the lowest denominator under the various scenarios outlined in section 12.3(c) above of 82,686,060 Shares, following the completion of the Proposed Transaction (Scenario A), a total of 416,667 Shares fully diluted would cause a 0.50% dilution of existing shareholdings.

12.10 Resolution 10: Consolidation of Shares

(a) Introduction

The Company proposes to consolidate its ordinary share capital through the conversion of every 100 Shares into 1 MEB Share, with any fractional entitlements as a result of holdings not being evenly divisible by 100 being rounded up to the nearest whole number.

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting. ASX Listing Rule 7.20 provides that if an entity proposes to reorganise its capital, it must advise shareholders of certain matters, which are set out in this section.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) Reason for the MEB Share Consolidation

The reasons for the Share Consolidation are:

Simplification

Given the size and market capitalisation of the Company, the current number of shares on issue is far too large. The consolidation would assist in simplifying the capital structure going forward.

Improve in share liquidity

The closing price of the Shares on ASX on 19 December 2014 was \$0.002. This price is nearing the minimum share price available on the ASX. Given the large number of shares on issue makes it difficult for Shareholders to trade at small price increments relative to the Share price. The Capital Consolidation would assist in improving the Company's Share liquidity by increasing the Share Price and enabling the Shares to trade at smaller price increments relative to the prevailing Share price.

Assist in future funding

The Company requires the ability to price any future pro-rata entitlement offer to Shareholders at a price that is a discount to the price that the Shares that are traded on the ASX, should that be the best funding alternative available for the Shareholders.

Given the low prevailing share price, to raise funds, the Company will need to issue a large number of Shares, which may potentially have a significant dilutionary impact on non-participating shareholders.

The Consolidation would enable the Company to raise funds (if required) while protecting the investment of existing Shareholders.

Assist in completing potential transactions

The Company is looking at for future funding of its expanded operations. The Board considers that the capital structure may be prohibitive to facilitating such transactions, particularly in view of the large number of shares currently on issue

(c) Effect of the MEB Share Consolidation

As at the date of this Notice of Meeting, the Company has 3,514,856,000 fully paid ordinary shares on issue. Following implementation of the MEB Share Consolidation and on the basis that the Proposed Transaction is completed, the Company will have

35,148,560 Shares on issue, subject to rounding of fractional entitlements. The Shares to be issued under the Placement will be issued on a Post-consolidation Basis.

Subject to the passing of Resolutions 5, 6, 7, 8 and 9, there will be no convertible notes on issue. The Options to be issued under Resolution 11 will be issued on a post-consolidation Basis.

(d) Holding Statements

From the date of MEB Share Consolidation, all existing holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-MEB Share Consolidation basis. After the MEB Share Consolidation becomes effective, the Company will arrange for new holding statements to be issued to MEB Shareholders. It is the responsibility of each MEB Shareholder to check the number of Shares held prior to and following the MEB Share Consolidation.

The MEB Share Consolidation will not result in any change to the substantive rights and obligations of MEB Shareholders. The Company's balance sheet and tax position will also remain unaltered as a result of the MEB Share Consolidation.

MEB Shareholders are advised to seek their own tax advice on the effect of the MEB Share Consolidation and neither the Company, the Directors nor the Company's advisers accept any responsibility for the individual taxation implications arising from the MEB Share Consolidation.

(e) Timetable

The indicative timetable for the MEB Share Consolidation, in accordance with Appendix 7A of the ASX Listing Rules is as follows:

Event	Date
General Meeting to approve MEB Share Consolidation	6 March 2015
Company advises the ASX that MEB Shareholders have approved MEB Share Consolidation	6 March 2015
Last day for pre-consolidation trading	7 March 2015
Trading on a deferred settlement basis starts*	8 March 2015
Last day to register transfers on a pre-consolidation basis	12 March 2015
First day for Company to send notice to the Shareholders of change of holdings as a result of reorganisation First day for Company to register securities on a post-consolidation Basis and for issue of holding statements	13 March 2015
Issue date Deferred settlement market ends Last day for securities to be entered into the holders' security holdings and for Company to send notice to each security holder	19 March 2015

12.11 Resolution 11: Issue of Options

(a) Introduction

Resolution 11 seeks Shareholder approval for the issue of up to 4,000,000 Options (on a Post-consolidation Basis) to unrelated sophisticated and professional investors to acquire fully paid ordinary Shares in the Company at an exercise price of \$0.30 which will expire on the second anniversary of their issue date (**Options**). The Options will be issued to various professional and sophisticated selected by the Board at its discretion. The Options will not be issued to any related parties of the Company.

ASX Listing Rule 7.1 is set out above in relation to Resolution 2. The effect of MEB Shareholder approval will be that the Options 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.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) Information required under ASX Listing Rules

In accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Options:

Allottees	Various professional and sophisticated investors who will be selected by the Board at its discretion.
Maximum number of securities to be issued or the formula for calculating the number of securities to be issued:	4,000,000 Options are to be issued each of which entitles the holder to acquire one MEB Share at an exercise price of \$0.30 (on a Post-consolidation Basis).
The date by which the entity will issue the securities:	The Options will be issued on Completion and in any event no later than 3 months after the date of the General Meeting or such later date as permitted by the ASX.
Price at which the securities	The exercise price of the options will be \$0.30

will be issued:	
Terms of the securities:	The terms of the Options are set out in Schedule 1
Use (or intended use) of the funds raised:	It is currently intended that the funds raised upon exercise of the Options will be used to fund the: <ul style="list-style-type: none"> • clinical trials in relation to the CHR Technology; • ongoing research and development of Invatec's bio-technologies and products, including the "app" product(s) suitable for the consumer sector; and • working capital of the business of the Company going forward.

12.12 Resolution 12: Issue of Placement Shares

(a) Introduction

Resolution 12 proposes the allotment and issue of up to 10,000,000 Shares (on a Post-consolidation Basis) (**Placement Shares**) to various unrelated sophisticated and professional investors, at an issue price of \$0.30 per Placement Share, to raise \$3,000,000 (**Placement**). The money raised from the Placement will be used to assist with the expenses of the Proposed Transaction and provide working capital to fund clinical trials and ongoing operations and future growth of the Company. The Shares will not be issued to any related parties of the Company.

Completion of the Placement is also a condition of the Invatec SPAs.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) ASX Listing Rule 7.1

ASX Listing Rule 7.1 is set out in relation to Resolution 2. The proposed issue of Placement Shares contemplated under Resolution 12 will exceed the limit set out under ASX Listing Rule 7.1. The effect of MEB Shareholder approval will be that the Placement 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.

(c) Information required under ASX Listing Rules

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

Maximum number of securities to be issued or the formula for calculating the number of securities to be issued:	10,000,000 fully paid ordinary Shares in the Company
The date by which the entity will issue the securities:	The Placement Shares will be issued on Completion and after the MEB Share Consolidation and in any event no later than 3 months after the date of the General Meeting or such later date as permitted by the ASX.
Price at which the securities will be issued:	The minimum issue price will be \$0.30 per Placement Share.
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:	<p>The funds raised will be used to fund the:</p> <ul style="list-style-type: none"> • clinical trials in relation to the CHR Technology; • ongoing research and development of Invatec's bio-technologies and products, including the "app" product(s) suitable for the consumer sector; • costs of the Proposed Transaction; and • working capital of the business of the Company going forward.
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12.13 **Resolution 13: Appointment of Christopher Charles Indermaur as a director**

Resolution 13 seeks MEB Shareholder approval, for the appointment of Christopher Charles Indermaur as a Director of the Company with effect on and from Completion. Details of Mr Indermaur's qualifications and relevant experience are set out in Section 8.1(a)(i).

For the avoidance of doubt, if Completion does not occur, Christopher Charles Indermaur will not be appointed as a Director of the Company

Following Mr Indermaur's appointment as a Director, it is intended that he will also be appointed as the chairman of the Company.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

Directors' Recommendation: The Board recommends that MEB Shareholders vote in favour of this Resolution. The reasons the Board makes this recommendation are that:

- (a) Mr Indermaur's expertise as set out in section 8.1(a)(i) above will assist the Company;
- (b) Completion is conditional on the appointment of Mr Indermaur as a Director of the Company; and
- (c) the Board considers that the Invatec Acquisition is in the best interests of the Company.

Other than as MEB Shareholders, none of the Directors has a direct interest in the outcome of this Resolution. However, it is noted that:

- (a) Mr Fayad has an interest in Resolution 9;
- (b) Mr Knauer has an interest in Resolutions 6 and 8; and
- (c) Mr Campbell has an interest in Resolution 14,

which are each inter-conditional with Resolution 13.

12.14 **Resolution 14: Issue of Options to James Campbell**

- (a) Introduction

Resolution 14 seeks approval for the issue of 25,000,000 options (on a Pre-consolidation Basis) to Mr James Campbell, a director and related party, of the Company or an associate nominated by Mr James Campbell. The Options are being issued as payment for services over and beyond that as a Non-Executive Director and in particular, the extra work load that has been placed on Mr Campbell in the Proposed Transaction.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

If approved, the value of the Options will be disclosed as part of Mr Campbell's remuneration.

(b) Corporations Act and ASX Listing Rule 10.11

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (ii) 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 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also 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 entity or a related party is in ASX's opinion such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, the issue of the Options to James Campbell under this Resolution requires MEB Shareholder approval.

(c) 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 Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rules 7.1.

(d) Information required under ASX Listing Rules and the Corporations Act

(i) **Details and terms and context of the issue of securities**

The Options are to be issued on a Pre-consolidation Basis with each Option entitling James Campbell to acquire one MEB Share at an exercise price of \$0.003.

(ii) **Number of securities to be issued**

25,000,000 Options (on a Pre-consolidation Basis) are to be issued.

(iii) **The date on which the securities will be issued**

On Completion, but in any event, no later than 1 month after the meeting.

(iv) **The relationship between the related party and the Company**

James Campbell is a director of the Company.

(v) **The issue price and terms of the securities**

The exercise price of each Option is \$0.003 and is payable two years from the date of approval.

(vi) **The identity of the related party**

James Campbell.

(vii) **Nature of the financial benefit and why the number of securities was chosen**

The financial benefit of the issue of Options is best determined using the Black & Scholes option method of valuation. The value of each Option has been determined to be \$0.001744 per Option or \$43,600. The value of the Option has been calculated using the following assumptions:

- Term – two years
- Share price - \$.003 (note that this is higher than the share price on 19 December 2014 and the higher price has been adopted to illustrate the impact of the Options proposed to be issued to Mr Campbell);
- Volatility (based on the Company's historic trading volatility)) – 200%;
- Risk free rate – 2.634%; and
- Dividend – Nil.

(i) **Directors' recommendation and reasons**

Vince Fayed and Kris Knauer, being directors who do not have a direct interest in this Resolution, recommend that MEB Shareholders vote in favour of this Resolution.

(viii) **Directors' interest in the outcome**

James Campbell will be issued the Options.

It is noted that:

- (A) Mr Fayad has an interest in Resolution 9; and
- (B) Mr Knauer has an interest in Resolutions 6 and 8;

which are each inter-conditional with Resolution 14.

(ix) **Value of the financial benefit**

As noted above, the value of the financial benefit for each Option is \$0.001744 per Option. Accordingly, based on the issue of 25,000,000 Options, this will result in a total financial benefit of \$43,600.

(x) **James Campbell's existing interest in the Company**

Set out in section 13 below.

(xi) **Dilution effect of the issue of securities on the existing shareholders' interests**

Using the lowest denominator under the various scenarios outlined in section 12.3(d) above of 82,686,060 Shares, following the completion of the Proposed Transaction (Scenario A), a total of 25,000,000 Options upon exercise would cause less than a 0.30% dilution of existing shareholdings.

12.15 Resolution 15: Approval of Performance Rights Plan

(a) Introduction

The Company proposes to adopt an employee and officer incentive plan which will be known as the Company's "Performance Rights Plan" (**PRP**).

It is contemplated that the PRP will involve the issue of performance rights (**Rights**) which are exercisable subject to certain vesting conditions (**Vesting Conditions**) being met, and upon such exercise will result in the issue or transfer of Shares to the relevant participant.

This Resolution is conditional on the passing of all Resolutions other than Resolution 16.

(b) Summary of PRP Terms

The Board may determine, from time to time, which directors, senior management and consultants of the Company and their related bodies corporate are eligible to participate in the PRP, and the exercise price and other terms of the issue of Rights. Participation in the PRP is voluntary. The Rights granted are non-transferrable, except with the prior approval of the Board.

All Rights are granted at a nil issue price unless otherwise determined by the Board and each Right enables the holder to be issued one Share upon exercise, subject to the rules governing the PRP (**Plan Rules**).

The Rights may be exercised, subject to the satisfaction of any exercise conditions imposed by the Board in such timeframes also determined by the Board. The Board may determine that the Rights are exercisable, regardless of whether the applicable exercise conditions have been satisfied, if an event occurs whereby a person who previously did not have control of the Company acquires control of the Company. A person may acquire control of the Company if that person acquires 50% or more of the issued Shares in the Company.

Rights holders are not permitted to participate in new issues of securities by the Company, as related to those Rights held, but adjustments are to be made to the number of Shares over which the Rights are granted or the exercise price to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues.

A participant may retain their existing Rights, subject always to the terms and conditions of the PRP, if the participant ceases employment or office with the Company (or a member of the Company's corporate group) in circumstances where the participant is a "Good Leaver". A participant will be a Good Leaver if they cease employment or office due to redundancy, retirement, death, permanent incapacity or any other circumstances determined by the Board.

If a participant becomes a "Bad Leaver", then all Rights held by that participant will automatically lapse, unless the Board determines otherwise. A participant will be a Bad Leaver if the participant commits a fraudulent or other dishonest act, or the participant ceases to be employed by or hold office with the Company (or a member of the Company's corporate group) in circumstances where they are not a Good Leaver (including where they have engaged in serious misconduct or a material breach of their employment contract).

As at the date of this Notice, no Rights have been issued by the Company.

Subject to the satisfaction of the relevant performance criteria, 50% of the Rights issued to a participant will vest on 31 December 2016 with the remaining 50% of the Rights vesting on 30 November 2017.

(c) Reason for the PRP

The issuing of performance rights is a recognised practice in Australia as part of the remuneration of employees (including senior executives) and consultants to the Company. Issuing performance-based rights is considered a preferable alternative to cash payments as the recipient benefits if the value of the Company increases – in which case all Shareholders also benefit.

12.16 Resolution 16: Issue of Securities to Mr Christopher Charles Indermaur

(a) Introduction

The proposed issue of Shares to Mr Christopher Charles Indermaur (**Indermaur**) will be considered an issue of securities to a related party under ASX Listing Rule 10.11 if Indermaur is elected as a director under Resolution 13. The issue of Shares arises as a

result of Indermaur agreeing to forego remuneration payable to him for services provided to the Company in preparation for the Proposed Transaction.

(b) 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, Indermaur will be a director and a related party of the Company (subject to Shareholders approving Resolution 13) 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.

(c) 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.

(d) Shareholder approval 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:

- (i) obtain the approval of the public company's members in the manner set out in sections 221 to 227 of the Corporations Act; and
- (ii) 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.

On the basis that Indermaur is appointed a director, the issue of Shares to him will fall within the definition of a "financial benefit" for the purposes of the Corporations Act, as he will be considered a related party of the Company.

Consequently, the issue of the Shares to Indermaur, 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 Indermaur as a related party of the Company will be given in lieu of remuneration to Indermaur and the Company is of the opinion it is reasonable in the Company's circumstances. Therefore, it falls within the exception set out in section 211 of the Corporations Act.

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

(e) 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:

- (i) **The name of the related party**
Christopher Charles Indermaur.
- (ii) **The number of Shares to be issued to and equivalent remuneration**

150,000 Shares (on a Post-consolidation Basis) will be issued to Indermaur in lieu of remuneration equal to \$45,000.

(iii) **The date on which the Shares will be issued to Indermaur**

The Shares will be issued to Indermaur within 1 month of the date of the Meeting (or such later date as approved by ASX).

(iv) **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.

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

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

13 Other information

13.1 Directors' interest in securities

The direct and indirect interests of each Director and each proposed Director in the securities of the Company are as follows (on a Pre-consolidation Basis and Post-consolidation Basis):

(a) Pre-consolidation Basis:

Registered Holder	Ordinary Shares	Options over Ordinary Shares	Total Face Value of Convertible Notes Held
Vincent John Fayad			
Vincent John Fayad (personally)	Nil	Nil	Nil
Kafta Enterprises	Nil	¹ 50,000,000	\$125,000
Kris Knauer			
Kris Knauer (personally)	Nil	Nil	
Pitt Street Absolute Return Fund	279,050,000	¹ 400,000,000	\$175,000
Novus Capital Limited – held in trust for Greenfield Securities Pty Ltd	27,004,800	Nil	Nil
Greenfields Securities Pty Ltd	7,000,000	Nil	Nil
Moneybung Pty Ltd ATF Moneybung Family A/C	6,000,000	Nil	Nil
James Campbell			
J. Campbell (personally)	Nil	Nil	Nil
Christopher Charles Indermaur			
Christopher	Nil	Nil	Nil

Charles Indermaur			
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¹ These options are held via the Series A Convertible Notes.

(b) Post-consolidation Basis:

Registered Holder	Ordinary Shares	Options over Ordinary Shares	Total Face Value of Convertible Notes Held
Vincent John Fayad			
Vincent John Fayad	Nil	Nil	Nil
Kafta Enterprises	Nil	500,000	\$125,000
Kris Knauer			
Kris Knauer	Nil	Nil	Nil
Pitt Street Absolute Return Fund	279,050,000	4,000,000	\$175,000
Novus Capital Limited – held in trust for Greenfield Securities Pty Ltd	27,004,800	Nil	Nil
Greenfields Securities Pty Ltd	7,000,000	Nil	Nil
Moneybung Pty Ltd ATF Moneybung Family A/C	6,000,000	Nil	Nil
James Campbell			
J. Campbell	Nil	Nil	Nil
Christopher Charles Indermaur			
Christopher Charles Indermaur	Nil	Nil	Nil

14 Glossary

In this Notice of Meeting, unless the context or subject matter otherwise requires:

ASIC	Australian Securities and Investments Commission.
Associated Shareholders	Claude Solitario and Stephen Addis
ASX	ASX Limited (ACN 008 624 691) or the stock exchange which it operates, as the context requires.
ASX Listing Rules	The official Listing Rules of the ASX.
Board	The board of Directors.
CHR Technology	The diagnostic technology for mental health which is based on circadian heart rate data as originally developed by Professor Dr Hans Stampfer.
CN Option	An option to acquire one Share at an exercise price of \$0.001 (on a Pre-consolidation Basis) relating to the Series A Note which must be exercised on or before the third anniversary of the issue of the option.
Company or MEB	Medibio Limited (formerly known as Biopropect Limited) ACN 008 130 338.
Completion	completion of the Proposed Transaction, expected to occur on 15 March 2015.
Consideration Milestone Shares	Shares in the Company to be issued to the Invatec Shareholders as consideration under the Invatec SPAs on the satisfaction of the Milestone Objectives.
Consideration Shares	2,553,750,000 Shares to be issued to the Invatec Shareholders (or at their direction), as the purchase consideration for all of the issued capital in the capital of Invatec.
Consultancy Agreement	The consultancy agreement between Dr Hans Stampfer and Invatec.
Consultancy Milestone Shares	Shares in the Company to be issued to Dr Hans Stampfer under the Consultancy Agreement on satisfaction of the Milestone Objectives.
Converting CNs	The sum of the Shares (on a Post-consolidation Basis) to be issued pursuant to the conversion of the Series A Notes and the Series B Notes on issue.
Corporations Act	<i>Corporations Act 2001</i> (Cth) as amended from time to time.
Current Shares	The number of Shares set out under item 1 (under "Shares (Pre-consolidation) of the table set out in section 12.3(c).
Directors	The directors of the Company.
Explanatory Memorandum	The Explanatory Memorandum accompanying the Notice of Meeting.
General Meeting	The extraordinary general meeting of the Company to be held at the time and place specified in the Notice of Meeting.
HeartLink IP	Refers to the patents owned by HeartLink Limited ACN 101 723 920 in connection with the heart variability technology in Australia, New Zealand and Israel in relation to the CHR Technology.
Heartlink IP Option	Means the option of the Company to acquire the Heartlink IP on the terms set out in section 3.
Heartlink Shares	Shares to be issued to Heartlink on the exercise of either the Heartlink IP Option or the Stage 2 Option.
Independent Expert	Grant Thornton Corporate Finance Pty Limited AFSL: 247140 of Level 17, 383 Kent Street, Sydney NSW 2000

Initial Placement	The \$1,000,000 placement that occurred on 6 October 2014.
Initial Placement Shares	means the \$1,000,000 worth of Shares that was placed on 6 October 2014 as ratified at the Annual General Meeting of the Company held on 24 November 2014.
Invatec	Invatec Health Pty Limited ACN 112 763 747.
Invatec Acquisition	The Company's proposed acquisition of all of the issued capital in the capital of Invatec.
Invatec Shareholders	The holders of issued capital in Invatec.
Invatec Shares	The fully paid ordinary shares in Invatec held by the Invatec Shareholders which together consists of all of the issued capital in Invatec.
Invatec SPAs	As defined in section 2.1.
Kafta Enterprises	Kafta Enterprises Pty Limited (ACN 092 115 789), a related party of Vincent John Fayad.
Maximum Issued MEB Capital	The number of Shares set out under item 1 (under "Shares following completion of the Proposed Transaction (Post-consolidation Basis)") of the table set out in section 12.3(c).
MEB Share Consolidation	A 1:100 consolidation of Shares as referred to in Resolution 10, which will be implemented subject to the passing of all Resolutions.
MEB Shareholder	A holder of Shares.
Milestone Objectives	The milestone objectives set out in section 12.2(d) of this Notice of Meeting.
Milestone Shares	18,000,000,000 Shares (pre-consolidation) to be issued to the Invatec Shareholders (inclusive of the Consultancy Milestone Shares) in three equal tranches on the satisfaction of the relevant Milestone Objectives.
Moneybung	Moneybung Pty Ltd (ACN 130 527 374), a related party of Kris Knauer.
Non Associated Shareholders	Means those Shareholders who are associated with the Associated Shareholders
Notice of Meeting	This document, comprising the chairman's letter, notice of meeting, Explanatory Memorandum and all appendices.
Options	This has the same meaning as that in Resolution 11.
Performance Rights Plan or PRP	The performance rights plan adopted by the Company, the terms of which are set out in section 12.15(a).
Pitt Street Absolute Return Fund	Pitt Street Absolute Return Fund Pty Ltd (ACN 141 150 254), a related party of Kris Knauer.
Placement	The placement of 10,000,000 fully paid ordinary shares (on a Post-consolidation Basis) to various professional and sophisticated investors at an issue price of \$0.30 per Placement Shares to raise \$3,000,000.
Placement Shares	The Shares offered under the Placement.
Plan Rules	Means the rules governing the PRP.
Post-consolidation Basis	the issued capital of MEB immediately following the MEB Share Consolidation if approved under Resolution 10.
Pre-consolidation Basis	the issued capital of MEB immediately prior to the MEB Share Consolidation if approved under Resolution 10.
Proposed Transaction	The Invatec Acquisition and the Restructure, the steps of which are set out in section 2.1.
Resolutions	The resolutions to be considered by MEB Shareholders at the General Meeting, as set out in this Notice of Meeting.

Restructure	Is the effect of Resolutions 1 and 5 to 16 being implemented.
Rights	Has the meaning set out in section 12.15(a).
Series A Notes	Convertible Notes with a conversion price of \$0.001, convertible into Shares and CN Options.
Series B Notes	Convertible Notes with a conversion price of \$0.003.
Share Registry	Computershare Investor Services Pty Limited.
Shares	Ordinary fully paid shares in the capital of the Company.
Stage 1 Option	Has the meaning set out in section 3.
Stage 2 Option	Has the meaning set out in section 3.
Unrelated Series A Noteholder	Has the meaning set out in section 12.5(a).
Unrelated Series B Noteholder	A person who holds Series B Notes who are not related parties of the Company.
Vesting Condition	Has the meaning set out in section 12.15(a).

1 Schedule 1 – Option Terms

(a) Exercise Price

The exercise price of each Option is \$0.30 (on a Post-consolidation basis).

(b) Entitlement

Each Option shall entitle the holder the right to subscribe (in cash) for one Share in the capital of the Company.

(c) Option Period

The Options will expire at 5.00pm Sydney time on the second (2nd) anniversary of their issue date. Subject to clause (g), Options may be exercised at any time prior to the expiry date and Options not so exercised shall automatically expire on the expiry date.

(d) Ranking of Share Allotted on Exercise of Option

Each Share allotted as a result of the exercise of any Option will, subject to the Constitution of the Company, rank in all respects equally with the existing Shares.

(e) Voting

A registered owner of an Option (**Option Holder**) will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a MEB Shareholder.

(f) Transfer of an Option

Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of Options that may be imposed by the ASX in circumstances where the Company is listed on the ASX.

(g) Method of Exercise of an Option

(i) The Company will provide to each Option Holder a notice that is to be completed when exercising the Options (**Notice of Exercise of Options**). Options may be exercised by the Option Holder by completing the Notice of Exercise of Options and forwarding the same to the Company Secretary to be received prior to the expiry date. The Notice of Exercise of Options must state the number of Options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of Options must be a multiple of 2,500 if only part of the Option Holder's total Options are exercised, or if the total number of Options held by an Option Holder is less than 2,500, then the total of all Options held by that Option Holder must be exercised.

(ii) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of \$0.30 per Share.

(iii) Subject to paragraph (g)(i) above, the exercise of less than all of an Option Holder's Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining Options.

(iv) Within 14 days from the date the Option Holder properly exercises Options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.

- (v) The Company will within 3 business days from the date of issue and allotment of Shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules of the ASX.
 - (vi) The Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted Options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the Options and the timetable outlined in the Listing Rules, the timetable outlined in the Listing Rules shall apply.
- (h) Quotation
- The Company will not apply for quotation of the Options on the ASX.
- (i) Reconstruction
- In the event of a reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
- (j) Participation in new Share Issues
- There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the expiry date unless and until the Options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least nine (9) business days after such new issues are announced (or such other date if required under the Listing Rules) in order to afford the Option Holder an opportunity to exercise the Options held by the Option Holder.
- (k) No Change of Options Exercise Price or Number of Underlying Shares
- There are no rights to change the exercise price of the Options or the number of underlying Shares.

Appendix A: Independent Expert's Report

See over page.



Grant Thornton

An instinct for growth™

Medibio Limited (formerly known as BioProspect Limited)

Independent Expert's Report and Financial Services Guide

22 January 2015



Grant Thornton

An instinct for growth™

The Directors
Medibio Limited
Level 6, Suite 605
50 Clarence Street
Sydney NSW 2000

Attn: Mr Vince Fayad

22 January 2015

Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

Medibio Limited, formerly known as BioProspect Limited ("MEB" or "the Company") is an Australian company engaged in developing and commercialising products and technology in the human health sector. MEB is listed on the Australian Securities Exchange ("ASX") and had a market capitalisation of approximately \$10.5 million as at 15 December 2014.

Invatec Health Pty Limited ("Invatec") is a developer of a quantitative approach to testing for mental health including depression using heart rate variability ("HRV") technology.

On 8 September 2014, MEB announced its intention to acquire 100% of Invatec (the "Proposed Transaction") via the issue of MEB shares ("MEB Shares"). Set out below is a summary of the key terms of the Proposed Transaction:

- Issuing Invatec shareholders approximately 25.53 million shares (on a post-consolidation basis – see below) ("Consideration Shares") of which Invatec's major shareholders Dr Stephen Addis ("Dr Addis") and Mr Claude Solitario ("Mr Solitario") (collectively referred to as the "Major Shareholders") will receive approximately 23.9 million shares representing an approximate 28%¹ interest in the issued capital of MEB. We have been instructed that the Major Shareholders are considered associates and acting in concert for the purpose of the Proposed Transaction. We also note that Mr Solitario is a related party of the Company by virtue of section 228(5) of the Corporations Act, as he was a director of the Company in the previous six months.

¹ Calculated after the other capital adjustments including a further capital raising but before the issue of Milestone Shares, Consultancy Milestone Shares and Stage Two Option.

- Making three further additional milestone payments in the form of MEB shares (“Milestone Shares”) of approximately 1.29 million shares (post consolidation) each where the milestone² is achieved within five years of completion. The Major Shareholders will receive approximately 1.21 million MED Shares (post consolidation) for each milestone.
- Pursuant to a consultancy agreement entered into with Dr Hans Stampfer (“Dr Stampfer”, the original creator of the HRV technology), MEB has agreed to make additional milestone payments of approximately 470.8 million shares (post consolidation) in MEB for each milestone (“Consultancy Milestone Shares”) to Dr Stampfer upon satisfaction of the same milestones referred to above. Dr Stampfer currently holds 1.2% of the issued capital of Invatec.

As at the date of this report, MEB holds an interest in Invatec of approximately 7%.

In conjunction with and as a condition of the Proposed Transaction, MEB would also undertake the following (“Ancillary Transactions”):

- A conversion of its existing convertible notes with a face value of approximately A\$2.55 million into MEB ordinary shares at a conversion of between 0.1 cent and 0.3 cent. We note that upon conversion of the Series A of the convertible notes, the notes holders will receive one free option for every shares issued. The free options have an exercise price of 0.1 cents and maturity of 3 years
- Appoint new board members and management team³
- A consolidation of its share capital on a 100 for 1 basis after the Proposed Transaction
- A capital raising of up to \$4 million at a price of 0.3 cent for MEB Shares (of which \$1 million was placed on 6 October 2014 at a an issue price of 0.3 cent per share (“Initial Placement”))
- Issue of up to 4 million options (post consolidation) to various professional and sophisticated investors
- Issue of 25 million options (pre-consolidation or 250,000 on a post consolidation basis) to Mr James Campbell, an Executive Director of MEB
- Issue of 150,000 shares (post-consolidation) in MEB to Mr Chris Indermaur⁴ (“Mr Indermaur”)
- Adoption of a performance rights plan that allows the issue of securities

² The milestones relate to stages of development of the HRV technology and are discussed in further detail in Section 1.2 of this report

³ To be appointed is Mr Indermaur as a Director and Chairman of MEB and Dr Stampfer and Dr Addis to be added to the management team

⁴ Mr Indermaur is to be appointed as a Director and Chairman of MEB

In a separate agreement with Heartlink Limited (“Heartlink”) entered into on 5 December 2013, MEB was granted an option to acquire an exclusive licence to use and exploit patents and other intellectual property (“IP”) for two years (“Stage One Option”) with a further option to later extend the term to 25 years in consideration of shares in MEB of approximately 10% (“Stage Two Option”). The patents and related IP owned by Heartlink are in Australia, Israel and New Zealand and are complimentary to the processes being developed by Invatec.

Upon completion of all of the above, the Major Shareholders (or “Associated Shareholders”) could potentially hold up to approximately 29%⁵ in total of MEB from the issue of Consideration Shares and Milestone Shares as shown in the table below:

MEB Shareholding			Capital adjustments (CNs, share issue incl \$3m capital raising)		Consultancy Milestone Shares
Full capital raising	Existing shareholding	Consideration Shares		Milestone Shares	
MEB Non-Associated shareholders	3,373,047,650	160,752,104 ⁵	2,865,000,000	24,389,532	1,412,541,474
Mr Addis	82,379,285	1,196,527,623	-	181,538,847	-
Mr Solitario	59,429,101	1,196,470,272	-	181,530,147	-
Total	3,514,856,036	2,553,749,999	2,865,000,000⁵	387,458,526	1,412,541,474
Resulting Interest in MEB (%)					
MEB Non-Associated shareholders	96.0%		71.6%	68.9%	73.0%
Mr Addis	2.3%		14.3%	15.7%	13.6%
Mr Solitario	1.7%		14.1%	15.4%	13.4%
Total	100.0%		100.0%	100.0%	100.0%

MEB Shareholding			Capital adjustments (Options, CNs and share issue)		Consultancy Milestone Shares
No further capital raising	Existing shareholding	Consideration Shares		Milestone Shares	
MEB Non-Associated shareholders	3,373,047,650	160,752,104 ⁵	1,865,000,000	24,389,532	1,412,541,474
Mr Addis	82,379,285	1,196,527,623	-	181,538,847	-
Mr Solitario	59,429,101	1,196,470,272	-	181,530,147	-
Total	3,514,856,036	2,553,749,999	1,865,000,000	387,458,526	1,412,541,474
Resulting Interest in MEB (%)					
MEB Non-Associated shareholders	96.0%		68.0%	65.2%	70.2%
Mr Addis	2.3%		16.1%	17.6%	15.0%
Mr Solitario	1.7%		15.8%	17.3%	14.8%
Total	100.0%		100.0%	100.0%	100.0%

Further details concerning the Proposed Transaction including conditions precedent are set out in section 1.1 of this report.

Subject to their directors’ fiduciary duties, the directors of MEB unanimously recommend that in the absence of a superior proposal, the Non-Associated Shareholders vote in favour of the Proposed Transaction. Each director, subject to voting exclusions intends to vote all shares they own or control in favour of the resolution to approve the Proposed Transaction.

⁵ This is calculated after the issuance of Milestone Shares and Consultancy Milestone Shares, but before the Stage 2 Option being exercised and excluding a further capital raising

Purpose of the report

The directors of MEB have engaged Grant Thornton Corporate Finance to prepare an independent expert's report for the purposes of Chapter 2E and Item 7 of Section 611 of the Corporations Act as well as ASX Listing Rule 10.1 stating whether in its opinion the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of MEB. The independent expert's report is to accompany a notice of meeting and explanatory memorandum to be sent to the shareholders.

In preparing the independent expert's report, Grant Thornton Corporate Finance has had regard to ASIC Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112").

Basis of assessment

In forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders, we have analysed the Proposed Transaction as a whole. In accordance with the requirements of ASIC Regulatory Guide 111 *Contents of expert reports* ("RG 111"), we have estimated whether or not the Proposed Transaction is fair for the Non-Associated Shareholders by comparing the fair market value of a MEB share before the Proposed Transaction on a control basis with the fair market value of a MEB share post the Proposed Transaction on a minority basis. We have also analysed the likely advantages, disadvantages and other factors to be considered by the Non-Associated Shareholders in relation to the Proposed Transaction.

We note that paragraph 63 of RG 111 states that "an expert need only conduct one analysis of whether the transaction is 'fair and reasonable' even if the report has been prepared for a reason other than the transaction being a related party transaction (eg if item 7 of s611 approval is also required)." Accordingly, for the purpose of our assessment, we have had regard to the Proposed Transaction as whole in order to satisfy the requirements of item 7 of s611 of the Corporations Act and ASX Listing Rule 10.1.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

Fairness and reasonable assessment

We have assessed the fairness of the Proposed Transaction by comparing the fair market value of a MEB share before the Proposed Transaction on a control basis with the fair market value of a MEB share post the Proposed Transaction on a minority basis. However, given the difficulty of assessing the value of Invatec as it is an early stage technology entity, we are mindful that fairness assessment in isolation is inherently subjective and uncertain. Accordingly, in forming our opinion on the Proposed Transaction, we have combined our assessment of fairness with the assessment of reasonableness which considers factors other than value.

RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the transaction. In assessing the reasonableness of the Proposed Transaction, we have considered the likely advantages,

disadvantages to the Non-Associated Shareholders and other factors associated with the Proposed Transaction.

In relation to our fairness assessment, we note the following:

- We have had regard to two scenarios assuming a full capital raising of up to A\$4 million is completed and assuming no further capital raising is undertaken.
- In our assessment of the value of a MEB share after the Proposed Transaction we have only considered the Milestone Shares and the Consultancy Milestone Shares at the high end of our valuation range. The low-end of our valuation assessment is based on the replacement cost of the existing IP and accordingly, the Milestone Shares and the Consultancy Milestone Shares would not vest.

Assessment of Fairness (to non-associated shareholder pre-consolidation)	Section	Low	High
Valuation summary	Reference	(cents)	(cents)
Assuming no further capital raising:			
Fair market value per BPO share before the transaction (control basis)	7.1	0.36	0.48
Fair market value per BPO share after the transaction (minority basis)	8.0	0.26	0.57
Assuming a capital raising of \$4 million:			
Fair market value per BPO share before the transaction (control basis)	7.1	0.36	0.48
Fair market value per BPO share after the transaction (minority basis)	8.0	0.26	0.55

Source: GTCF calculations

Our assessment of the fair market value of a MEB share before the Proposed Transaction is higher than our assessment of the fair market value of a MEB share after the Proposed Transaction at the high end of the range but not the low end. The material difference between the low end of the range and the high end of the range is the value attributed to Invatec (assessed in a range of approximately \$2 million and \$45 million). As mentioned above, given the early stage of this technology, it is difficult to assess a value with much certainty. Therefore in forming a view of whether the Proposed Transaction is fair and reasonable we have also considered the likely advantages and disadvantages.

Grant Thornton Corporate Finance has selected the quoted price of listed securities as the primary approach to assess the fair market value of a MEB share before the Proposed Transaction. Whilst the liquidity of MEB Shares is limited, we have considered alternative valuation methodologies based on the DCF approach, market approach and asset based approach. However, based on the specific circumstances of MEB, the uncertainty in relation to the future development of its biotechnology assets, the current growth opportunities being pursued and the information available, it is difficult to ascertain an appropriate alternative approach.

Grant Thornton Corporate Finance has assessed the fair market value of a MEB share after the Proposed Transaction by adjusting the value of a MEB pre Proposed Transaction share for the following:

- Loss of control
- The market value of the amount of Invatec that MEB does not presently own

- The Ancillary Transactions.

MEB shareholders should be aware that our assessment of the value per MEB share does not necessarily reflect the price at which MEB shares will trade if the Proposed Transaction is approved. The price at which MEB shares will ultimately trade depends on a range of factors including the liquidity of MEB shares, macro-economic conditions, the underlying performance of the MEB business and the supply and demand for MEB shares.

Advantages

The Proposed Transaction provides MEB shareholders with an opportunity to invest in a new biotech project

If the Proposed Transaction is approved, it provides the Non Associated Shareholders of MEB with an opportunity to invest in a biotech project and potentially benefit from the upside that potential commercialisation of Invatec's product may bring. We note that following the Proposed Transaction, MEB's cash resources will provide sufficient funding to allow Invatec to move to the next stage including completing the independent validation trials and obtaining regulatory approvals in order to commercialise the HRV technology.

We also note that the addition of Invatec's major shareholders (Mr Solitario and Dr Addis) as well as Dr Stampfer (the original creator of the HRV technology) to MEB's management team will bring the expertise that is necessary to ensure the best possible potential success of the commercialisation of the HRV technology.

The Proposed Transaction provides MEB with funding

Historically, MEB has been dependent on funding from a few key shareholders either directly or via the issuance of convertible notes. If the capital raising of up to A\$4 million is completed, the Proposed Transaction provides for a capital raising that will not only increase MEB's investor base but will allow MEB to secure funding for its short to medium term pursuits being the interest in Invatec's project as well as potentially better position itself to look for subsequent projects in order to fulfil longer term objectives.

Simplification of the capital structure

Whilst MEB has the ability to redeem its convertible notes early, it does not presently have the cash to do so. The Proposed Transaction allows for the early conversion of the convertible notes and therefore limits their potential value in circumstances where the share price continues to increase. This cap on value is beneficial from the Company's perspective.

Disadvantages

Dilution for existing shareholders of MEB Shareholders

The Proposed Transaction will result in a dilution for the Non-Associated Shareholders' interest in MEB as a result of the Major Shareholders increasing their interest initially to approximately 25.8%. However, whilst the interest of the Non-Associated Shareholders in the current assets of MEB will

be diluted following the Proposed Transaction, they will also receive an interest in Invatec's business assets.

If the Proposed Transaction is approved, the Major Shareholders will initially own approximately 28%⁶ and could ultimately own approximately 29% if Milestone Shares and Consultancy Milestone Shares are issued.

Risk of the success of Invatec's technology

As with any biotechnology project, there are inherent risks that the project will not succeed. The HRV technology is at the stage where it still requires independent validation and regulatory approval in order to be commercial and ultimately revenue generating. Whilst the time frame being anticipated to commercialisation is between 8 months and 18 months and costs are expected to be approximately \$2.25 million, this assumes that there will be no unforeseen delays. In addition, there is nothing to prevent a competing technology from being introduced into the market. To date, Invatec has incurred losses of approximately \$1 million and further losses are expected to be incurred in the next two years before ultimately profits may be generated (if commercialisation is successful). Should there be delays in expected commercialisation, losses will continue to be incurred.

Related to the risk of success of Invatec's technology is the dependence on key personnel. Whilst Dr Stampfer, Dr Addis and Mr Solitario have all agreed to join MEB's management team and have incentives placed to ensure the successful commercialisation of the HRV technology, there still remains key personnel risks for the business going forward.

Related to the success of the technology is that even if commercialisation occurs, there remains a risk that the technology will not be accepted by clinicians to the full extent expected by the Company or at all.

Further to the above, by pursuing this investment, MEB will be precluded, at least in the short to medium term from identifying and pursuing other potential opportunities.

Tax losses

There is likelihood that the Proposed Transaction will affect the carried forward losses of MEB as the Company may not be able to meet the continuing of business or the same business test required by the Australian Taxation Office. As at the date of this report, MEB had carried forward losses of approximately \$6.8 million.

Other factors

Final agreements

We note that a number of the agreements underlying the Proposed Transaction are yet to be executed. In the event that the final terms of these documents differ from those detailed in this

⁶ Calculated assuming a further capital raising and before Milestone Shares, Consultancy Milestone Shares and Stage Two Option

report and relied on by us, this may have a material impact on our opinion. In the event that there is a material change we will notify shareholders and consider the implications, if any, for our report.

Implications if the Proposed Transaction is not approved

If the Proposed Transaction is not approved, all other things being equal, MEB Shares may fall from their current trading levels. Furthermore, MEB Directors and Management will be faced with a decision to either continue with their investment in Invatec or completely abandon its investment. We note that MEB shareholders approved the acquisition of up to a 35% interest in Invatec in February 2014.

We also note that if the Proposed Transaction does not proceed, MEB shareholders could be left with shares in a company with increased risk given that MEB's other biotechnology assets have been written off with little remaining other assets or active business. This situation could result in MEB not meeting the ASX Listing Rule requirements in relation to preserving a minimum spread of its shares to ensure that there is an orderly and liquid market in its securities.

Overall Conclusion

Based on the above, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act, Chapter 2E and ASX Listing Rules 10.1.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Transaction is a matter for each MEB Shareholder based on their own views of value of MEB and expectations about future market conditions, MEB performance, risk profile and investment strategy. If MEB Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Partner



PHILLIP RUNDLE
Partner

Financial Services Guide

22 January 2015

1. Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“**Grant Thornton Corporate Finance**”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by BioProspect Limited (“**MEB**”) to provide general financial product advice in the form of an independent expert’s report in relation to the proposed acquisition of Invatec Health Pty Limited (“**Invatec**”) by the issue of shares in MEB to the shareholders of Invatec. This report is included in the Notice of Meeting and Explanatory Memorandum in relation to the Proposed Transaction.

2. Financial Services Guide

This Financial Services Guide (“**FSG**”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3. General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4. Remuneration

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from MEB a fee in the range around \$55,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses in relation to the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5. Independence

Grant Thornton Corporate Finance is required to be independent of MEB and Invatec in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with MEB and Invatec (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction."

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC.

6. Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Services Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and this FSG. Complaints or questions about the Notice of Meeting or Explanatory Memorandum should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Background and history to the Proposed Transaction

Prior to the Proposed Transaction being announced on 8 September 2014, the following had occurred:

- In December 2013 MEB entered into an agreement with Invatec, which provided MEB with an option to acquire 80% of Invatec in two stages. MEB paid \$50,000 for the option.
- Also in December 2013, MEB entered into a separate agreement with Heartlink⁷ whereby MEB was granted an option to acquire an exclusive licence to use and exploit the patents covering the technology for a period of two years ending on 9 April 2016 (“Stage One Option”) with a further option to later extend the term to 25 years (“Stage Two Option”). MEB paid a non-refundable fee of \$50,000 to Heartlink.
- In February 2014, MEB’s shareholders approved for the Company to change the scale of its activities and acquire up to 35% of Invatec as well as exercise the Stage One Option.
- In April 2014, MEB exercised its option and commenced a process to acquire an initial interest of 35% interest in Invatec. Based on the terms of the Agreement, MEB will be entitled to a 0.5% interest in Invatec for every A\$50,000 funding provided. MEB also exercised the Stage One Option in relation to Heartlink’s IP. Upon exercise of the option, MEB issued 150 million shares to Invatec shareholders and 25 million shares in MEB to Heartlink shareholders.

Resulting from the above, prior to the Proposed Transaction MEB held an interest in Invatec of approximately 7% and the Major Shareholders of Invatec held approximately 4% of MEB.

1.2 Proposed Transaction

As set out in the executive summary, on 8 September 2014, MEB announced its intention to acquire 100% of Invatec and entered into a Heads of Agreement⁸ (“HOA”) with the Major Shareholders. The key terms of the HOA and others were incorporated in a Share Sale and Purchase Agreement (“SPA”) to be executed by MEB and provides MEB would acquire 100% of Invatec by:

- Issuing Invatec shareholders approximately 25.53 million shares (on a post-consolidation basis) of which the Major Shareholders would receive 23.9 million shares representing an approximate 24.8% interest in the issued capital of MEB⁹

⁷ Heartlink Limited is an Australian public unlisted company which is the registered holder of patents in Australia, Canada, Israel, Singapore, United States and New Zealand.

⁸ The transaction has been subsequently documented in a draft Share Sale and Purchase Agreement which covers all Invatec shareholders

⁹ The shares would be subject to a 12 month escrow pursuant to either ASX requirements or a voluntary escrow

- Making three additional milestone payments to Invatec shareholders as part of their ongoing consulting arrangements in the form of MEB shares (on a post consolidation basis) (“Milestone Shares”) where the milestone is achieved within five years of completion:
 - a) The first being approx. 1.3 million on a post consolidation basis (or circa 130 million on a pre-consolidation basis) upon completion of an independent validation trial of the HRV technology;
 - b) The second being approximately 1.3 million on a post consolidation basis (or circa 130 million on a pre-consolidation basis) upon completion of the development of a series of algorithms of sufficient quality to allow automated diagnosis as necessary for the commercialization of the HRV technology; and
 - c) The third being approximately 1.3 million on a post consolidation basis (or circa 130 million on a pre-consolidation basis) upon achievement of FDA¹⁰, TGA or European regulatory approval as necessary for the commercialisation of the HR technology.

The Major Shareholders would receive approximately 3.6 million Milestone Shares.

- Pursuant to a consultancy agreement entered into with Dr Stampfer making additional milestone payments of approximately 470.8 million shares in MEB on a pre-consolidation basis (or circa 4.7 million shares on a post consolidation basis) for each milestone (“Consultancy Milestone Shares”) to Dr Stampfer upon satisfaction of the same milestones referred to above.

1.2.1 Ancillary Transactions

The Ancillary Transaction that are also being undertaken by MEB as a condition of the Proposed Transaction, include:

A conversion of its existing convertible notes into MEB ordinary shares

MEB currently has 30 Series A convertible notes and 42 Series B convertible notes with a face value of \$50,000 and \$25,000 for each note respectively (i.e. total face value of A\$1.5 million and A\$1.05¹¹ million respectively). It is proposed that the interest that has accrued on these notes will be paid out in cash and the total face value of the convertible notes will be converted into MEB ordinary shares at a conversion price of A\$0.001 per share (pre-consolidation). For each shares issued, one free attaching option will be issued with an exercise price of A\$0.001 and a 3 year maturity.

Further details concerning the convertible notes are set out in Section 5.3 of our report.

A capital raising of up to \$4 million

¹⁰ FDA is the United States Food and Drug Administration authority, TGA is Australia’s Therapeutic Goods Administration

¹¹ We note that a total of \$1.055 million has been received in respect of Series B convertible notes

MEB intend to raise capital of up to \$4 million. We note that \$1 million (at an issue price of \$0.003 per share) was placed on 6 October 2014 (“Initial Placement”). The balance is to be placed via a placement to sophisticated investors (“Placement”) at an issue price of \$0.30 (post consolidation). The cash raised will be used to fund clinical trials, on-going research and development costs and working capital.

Issue of up to 4 million options (post consolidation)

MEB intend to issue up to \$4 million options to professional and sophisticated investors to acquire fully paid ordinary shares in the Company at an exercise price of \$0.30 which will expire on the second anniversary of their issue date.

Issue of 25 million options (pre-consolidation) to Mr James Campbell,

Mr Campbell is a director of MEB. It is proposed that 25 million options (pre consolidation) be granted to Mr Campbell for ordinary shares in the Company at an exercise price of \$0.003. The options are exercisable up to two years up to the date of approval. The options are being provided as payment for services that Mr Campbell has provided to the Company.

Issue of 150,000 shares (post-consolidation) to Mr Indermaur

Subject to shareholders’ approval, Mr Indermaur will be appointed Director and Chairman of MEB. The proposed issue of shares to Mr Indermaur is for nil consideration in lieu of remuneration equal to \$45,000.

Other Ancillary Transactions

- A consolidation of MEB’s share capital on a 100 for 1 basis
- Appoint new board members and management team that includes Mr Indermaur to be appointed Director and Chairman of MEB and Dr Stampfer and Dr Addis to be added to MEB’s management team
- Adoption of a performance rights plan that allows the issue of securities

We have not formed a view on the share capital consolidation or the adoption of the performance rights plan as they are ancillary matters in our consideration of the Proposed Transaction.

Other key conditions precedent to the Proposed Transaction includes that Invatec will undertake the following:

- Loans from related parties to Invatec will be reduced as follows:
 - Dr Addis’ Vendor Loan (terms: unsecured and interest free) will be reduced to \$250,000. The \$250,000 will be repaid in two tranches at 13 months and 26 months from the completion of the Proposed Transaction

- Mr Solitario's Vendor Loan (terms: unsecured and interest free) will be reduced to \$120,000. The \$120,000 will be repaid in two tranches at 13 months and 26 months from the completion of the Proposed Transaction
- Ms Sherwood's Vendor Loan (terms: unsecured and interest free) will be reduced from to \$25,000. The \$25,000 will be repaid in two tranches at 13 months and 26 months from the completion of the Proposed Transaction.

2 Scope of the report

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The Independent Directors (directors not associated with the proposal) may satisfy their obligations to provide such an analysis by either:

- commissioning an independent expert's report; or
- undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

If the Proposed Transaction is approved, the Major Shareholders may own approximately 32% interest in MEB before milestone payments or 30% interest if all milestone share payments are triggered¹². Accordingly, the Directors of MEB have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction including the issue of Consideration Shares and Milestone Shares is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

In addition to the consideration of Item 7 of Section 611 of the Corporations Act, it is noted that under the terms of the Proposed Transaction, Mr Solitario, a related party of the Company may receive a financial benefit as a result of the Proposed Transaction. Section 208 of the Corporations Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in section 210 of the Act.

Chapter 10 of the ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

¹² But before the exercise of the Stage 2 Option

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

We also note that Mr Solitario (one of the Major Shareholders) is a related party of the Company by virtue of section 228(5) of the Corporations Act, as he was a director of the Company in the previous six months.

Accordingly, the Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

Chapter 2E of the Corporations Act

Section 208 of Chapter 2E of the Corporations Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in section 210 of the Corporations Act.

Regulatory Guide 76 "Related party Transactions" ("RG 76") states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Corporations Act where:

- The financial benefit is difficult to value.
- The transaction is significant from the point of view of the entity (see RG 76.112).
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

It is noted that the Proposed Transaction may result in various financial benefits which are directly and indirectly provided to Mr Claudio Solitario, one of the Major Shareholders and a related party to the Company.

Accordingly, the Directors of the Company have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purpose of Chapter 2E of the Corporations Act.

2.1 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval

under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Transaction with reference to Section 640 of the Corporations Act.

In relation to Chapter 10 of the ASX Listing Rules, Grant Thornton Corporate Finance has also had regard to RG 111. RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 does not however, provide any direct guidance on transactions under Chapter 10 of the ASX Listing Rules.

RG 111 states that:

- an offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company;
- an offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
 - the offeror's pre-existing entitlement, if any, in the shares of the target company;
 - other significant shareholding blocks in the target company;
 - the liquidity of the market in the target company's securities;
 - taxation losses, cash flow or other benefits through achieving 100% ownership of the target company;
 - any special value of the target company to the offeror, such as particular technology and the potential to write off outstanding loans from the target company;
 - the likely market price if the offer is unsuccessful; and
 - the value to an alternative offeror and likelihood of an alternative offer being made.

In considering whether the Proposed Transaction is fair to the Non-Associated Shareholders we have compared the fair market value per MEB share (on a control basis) before the Proposed Transaction to the fair market value per MEB share (on a minority basis) after the Proposed Transaction. In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- whether the Proposed Transaction is fair;

- the implications of the Major Shareholders increasing their holding to a maximum of approximately 32% of the total issued capital of MEB;
- the implications to MEB and the Non-Associated Shareholders if the Proposed Transaction is not approved;
- other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111; and
- other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders of MEB.

For the purpose of Chapter 2E of the Corporations Act and ASX Listing Rule 10, we note that paragraph 63 of RG 111 states that “an expert need only conduct one analysis of whether the transaction is ‘fair and reasonable’ even if the report has been prepared for a reason other than the transaction being a related party transaction (eg if item 7 of s611 approval is also required).”

2.2 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Scheme with reference to the ASIC Regulatory Guide 112 “Independence of Experts” (“RG112”).

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.3 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 22 December 2014 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of General Meeting and Explanatory Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to MEB Shareholders as a whole. We have not considered the potential impact of the Proposed Acquisition on individual MEB

Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each MEB Shareholder based on their own views of value of MEB and expectations about future market conditions, MEB's performance, risk profile and investment strategy. If MEB Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

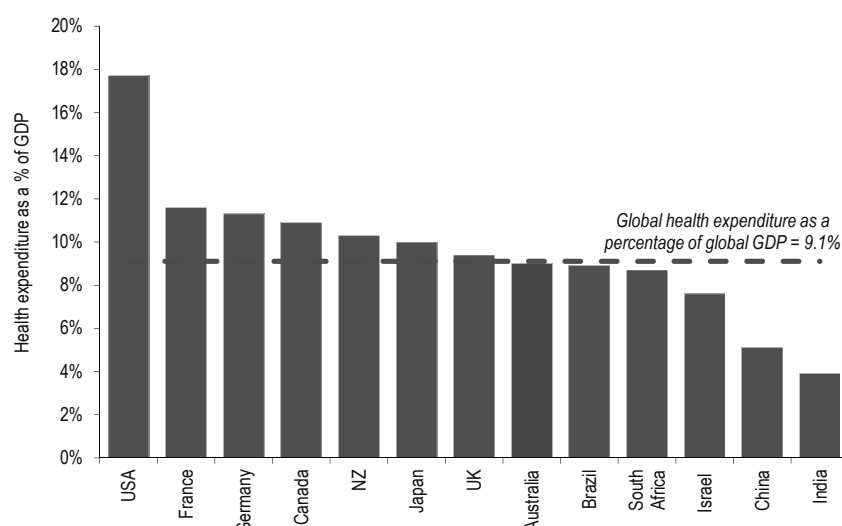
3 Profile of the health industry

Invatec is developing medical diagnostic technology which enables doctors to diagnose mental health disorders in patients (in particular focusing on people suffering from depression) via their heart rate variability. The technology is expected to be marketed in Australia, United States, Canada, Europe and New Zealand. Accordingly, this section of our report provides a brief overview of the health industry and in particular mental health worldwide.

3.1 Overview

The health industry comprises technology, research and the sale and provision of health related goods and services. Approximately 9.1% of the World's Gross Domestic Products ("GDP") has been spent on health expenditure per annum¹³.

The following graph sets out health expenditure in different countries according to *World Health Statistics 2014* by the World Health Organisation ("WHO"):



Source: *World Health Statistics 2014* (WHO)

As can be seen above, developed countries are more likely to have higher health expenditure than developing countries. In addition, the United States of America ("USA"), Brazil, South Africa and India are among countries that have higher health expenditure by the private sector compared to the public sector.

3.2 Mental health

Mental health

Besides physical health, mental health is an integral and essential component of health. WHO defines mental health as follows:

¹³ World Health Statistics 2014, *World Health Organisation*.

*"A state of complete physical, mental and social well-being, and not merely the absence of disease. It is defined as a state of well-being in which every individual realises his or her own potential, can cope with the normal stresses of life, can work productively and fruitfully, and is able to make a contribution to his or her community."*¹⁴

A poor mental health could lead to negative impacts on physical health (e.g. arthritis, asthma, diabetes etc.), as well as absenteeism and productivity at workplace. The International Labour Organisation estimated that stress can cost approximately 10% of a country's Gross National Products ("GNP")¹⁵.

Depression

One of the main focusing areas for recent mental health research is depression. Depression is a common mental health disorder with more than 350 million people of all ages suffering and is also one of the leading causes of disability worldwide¹⁶. It is different from usual mood fluctuations and short-lived emotional responses to challenges in daily lives. WHO defines depression as:

"Depression is a common mental disorder, characterised by sadness, loss of interest or pleasure, feelings of guilt or low self-worth, disturbed sleep or appetite, feelings of tiredness, and poor concentration."

It can lead to the deterioration of patients' health and anti-social behaviours if it is long lasting with moderate to severe intensity (which might lead to suicide at worst). It has been estimated that approximately 26% of adults in the USA (approximately 58 million people) suffer from a mental disorder per year; and almost one million people committed suicide as a result of prolonged depression¹⁷.

Depression is among the main contributors of burden of disease¹⁸ in the world. In addition to direct medical costs, depression can have indirect economic and social costs for societies. It has been estimated that depression costs the USA economy US\$83 billion a year whilst the corresponding cost for the Australian economy and European countries are approximately US\$15 billion¹⁹ and US\$120 billion per annum²⁰ respectively.

According to a study conducted by a group of Swiss researchers in 2013²¹ (the "Tomonaga Study"), the annual cost of depression in Switzerland were estimated to be in the range approximately of €8.1 billion and €8.3 billion²².

¹⁴ Source: WHO. URL link:< <http://www.who.int/features/qa/62/en/> > accessed on 10 September 2014.

¹⁵ Source: Bio Prospect's company presentation released on the ASX dated 16 December 2013.

¹⁶ Source: WHO.

¹⁷ Ibid.

¹⁸ Burden of disease relates to the relative impact of a disease or injury on populations in terms of health and economic loss due to the the disease or injury that remains after treatment, rehabilitation or prevention efforts of the health system and society in general.

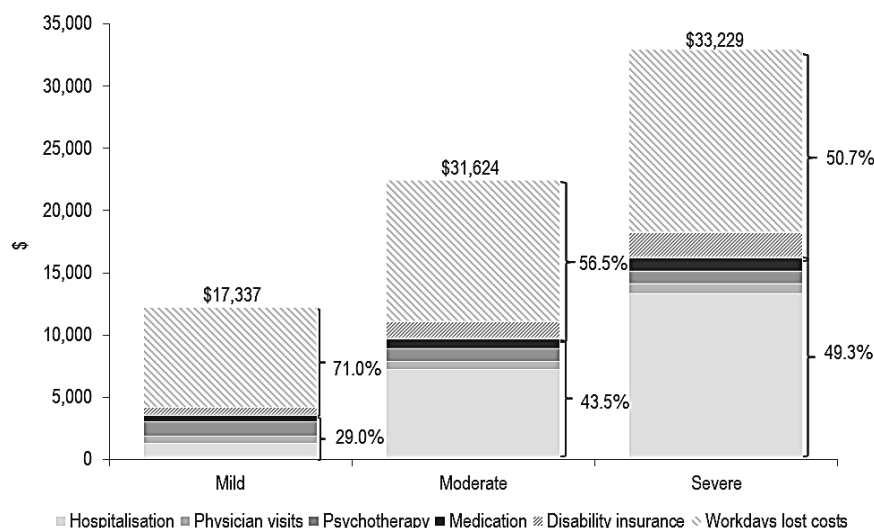
¹⁹ Source: Bio Prospect's company presentation released on the ASX dated 16 December 2013.

²⁰ Source: EurActiv, *Depression costs European businesses nearly €100 billion per year*, 14 March 2014.

²¹ See Tomonaga et al (2013), 'The economic burden of depression in Switzerland', *PharmacoEconomics*, 31: pp 237-250.

²² At an exchange rate of EUR:USD of 1.29266, the range of costs caused by depression falls between US\$10.5 billion and US\$10.7billion.

The following table sets out the break-downs of economic burden caused by depression in various degrees according to the Tomonaga study:



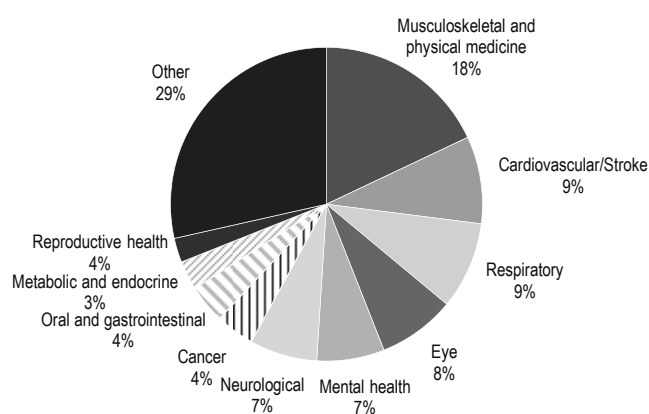
Note: Absolute value of economic burden caused by depression was originally denominated in Euro and has been converted to Australian dollar at the exchange rate of 1EUR = 1.41058 AUD (Source: OANDA) as at 11 September 2014
Source: Tomonaga et al (2013) and GTCF analysis

As can be seen from the above, in all degree of depression intensity, indirect costs (i.e. disability insurance and workdays lost costs) are consistently higher than direct costs (i.e. hospitalisation, physician visits, psychotherapy, and medication). However, the domination of indirect costs decreases with depression intensity.

3.3 Medical technology

According to health authorities, the majority of health issues (including mental health disorders) are curable if they are detected early and treated appropriately. In particular, research and clinical investigations in the medical technology field play an important part in detecting and treating health issues.

Set out below is the breakdown of medical technology investigations costs with different types of conditions in Australia:



Source: Australian New Zealand Clinical Trials Registry

On a global scale, the medical technology market is currently valued at more than US\$325 billion annually²³. Over the next few years, the global medical technology revenue is expected to reach approximately US\$455 billion by 2018, which implies a compound annual growth rate (“CAGR”) of 4.5% per annum²⁴. In addition, the global medical technology research and development (“R&D”) spending is expected to reach US\$26.7 billion by 2018 with a CAGR of 3.9% per annum²⁵.

²³ Source: Evaluate MedTech World Preview 2013, Outlook to 2018

²⁴ Ibid

²⁵ Ibid

4 Profile of MEB

4.1 Corporate overview

MEB is an Australian listed company engaged in developing and commercialising products and technology in the human health, personal care, animal health and nutrition and agricultural industries. MEB also holds an investment in Frontier Oil Corporation (“Frontier”), a Philippines-based oil and gas explorer.

MEB was first established in 1998 and was listed on the ASX in January 2001. MEB’s initial focus was on the collection and research of Australian flora, and subsequent screening for potential beneficial compound discovery. MEB has been focussed over the last twelve months on the development of its HRV technology which is designed to test for mental health including depression. MEB’s interest in the HRV technology first came about in December 2013 when MEB entered into an agreement with Invatec, the developer of a diagnostic test based on the HRV technology and an agreement with Heartlink in respect of its patents that are complimentary to the processes being developed by Invatec. Further information in relation to the HRV technology and the diagnostic method developed by Invatec is set out in 5.1 of this report.

In addition to its main focus of the commercialisation of the HRV technology MEB latently continues the advancement of existing biotechnology assets which are in the main, a range of environmentally friendly and natural products, targeting Australian and international markets. These comprise:

- Agriculture and animal health products – these products pertain to Qcide®, a natural insecticide and Termilone®, a natural termite treatment. The products are marketed under the AGRIPRO® and GI-GUARD® brands natural animal health products
- Human health and skin care products – these products are marketed under the brands of REGEN®, an emu-oil based skin care product, DEMURE® and L’AZURE™ natural skin care products

Whilst historically, from incorporation in 2005 to late 2012 MEB actively pursued the commercialisation of the technology related to the above products, during 2012, budgetary restrictions limited activities to just maintaining IP associated with the various technologies.

MEB’s 17.8% investment in Frontier is a legacy asset and is held for resale. The proceeds from the sale will be used to fund working capital and validation trials. Frontier is an oil and gas explorer and developer operating in the Philippines. Frontier currently operates two near-term production projects, located in the Philippines. Frontier is in the process of undergoing an IPO and listing. Frontier expects that the IPO will provide necessary funding to progress their projects. However, we note that market conditions have deteriorated, so there are uncertainties whether the IPO will proceed or not.

MEB previously held a larger proportion of Frontier, however sold a 25.58% interest in 2013 for approximately \$1.7 million. MEB Management expects to dispose of their remaining investment should Frontier be successful in completing the IPO and subject to any excrow arrangements that may be imposed.

4.2 Financial overview

4.2.1 Financial performance

Set out below is a summary of the income statement of MEB for the periods ended 30 June 2013 (“FY13”), 30 June 2014 (“FY14”) and year to date 30 September 2014 (“FY15 YTD”).

Consolidated statement of comprehensive income BioProspect Limited	FY13 Audited \$'000	FY14 Audited \$'000	FY15 YTD Unaudited \$'000
Profit on Sale of Investment	-	463	-
Other Income	9	7	1
Total Revenues	29	470	1
Cost of Sales	(24)	-	-
Gross Profit/(Loss)	4	470	1
Employee Costs	(256)	(139)	-
Inventory Written Off	(175)	-	-
Research and Development Expenses	(3)	(15)	-
Other Expenses	(470)	(637)	(294)
Total Expenses	(904)	(791)	(294)
EBITDA	(900)	(321)	(294)
Depreciation	(4)	-	-
EBIT	(903)	(321)	(294)
Finance Costs	(194)	(107)	-
Profit / (Loss) before Income Tax	(1,097)	(428)	(294)
Profit/(Loss) After Income Tax	(1,097)	(428)	(294)

Source: MEB Annual Reports and Management accounts

We note the following in relation to MEB’s income statement:

- Whilst historically, MEB actively pursued the commercialisation of various health care, environmental and agricultural products it made a decision, owing to budgetary restrictions, in late 2012 to limit activities in these areas and to just maintain IP.
- The profit on sale of investment in FY14 was due to the profit on the sale of MEB’s 25.58% interest in Frontier.
- Other Income relates to bank interest received.
- Employee costs and research and development expenses progressively decreased as a result of operational reorganisation and the reduction of management personnel.
- The \$174,701 inventory written off expense in FY13 was also a result of MEB’s reorganisation decision.
- Other expenses increased in FY14 primarily due the incurrence of legal and consulting costs in relation to its investment in Invatec and the associated licenses related to Heartlink. Similarly, other expenses in FY15 YTD predominantly relate to consulting, legal and due diligence expenses associated with the Invatec and Heartlink transactions.

- Finance costs primarily relate to interest payable under convertible notes.

4.2.2 Financial position

Set out below is a summary of MEB's balance sheet as at various dates up to 30 September 2014.

Consolidated Balance Sheet as at 30 June BioProspect Limited	30-Jun-12 Audited \$'000	30-Jun-13 Audited \$'000	30-Jun-14 Audited \$'000	30-Sep-14 Unaudited \$'000
Assets				
Cash and Cash Equivalents	85	181	96	381
Trade and Other Receivables	48	41	132	100
Prepayments	9	9	9	-
Total Current Assets	311	231	238	481
Available for Sale Investments	5,162	5,188	3,861	3,861
Investments	-	-	600	720
Intangible Assets	-	-	344	344
Total Non-Current Assets	5,165	5,188	4,805	4,925
Total Assets	5,476	5,419	5,043	5,406
Liabilities				
Trade and Other Payables	654	441	431	243
Borrowings	-	1,950	1,500	1,500
Total Current Liabilities	678	2,391	1,931	1,743
Borrowings	2,250	450	395	1,000
Other Payables	104	39	6	161
Total Non-Current Liabilities	2,354	489	401	1,161
Total Liabilities	3,032	2,881	2,332	2,904
Net Assets	2,444	2,538	2,710	2,502
Shareholders' Equity				
Issued Capital	35,460	36,651	37,251	37,251
Reserves	2,912	2,912	2,912	2,912
Accumulated Losses	(35,928)	(37,024)	(37,453)	(37,662)
Total Shareholders Equity	2,444	2,538	2,710	2,501

Source: BioProspect Limited annual reports 2014 and 2013 and Management Accounts

We note the following in relation to MEB's balance sheet:

- Between 30 June 2014 and 30 September 2014, cash increased following the issue of Series B Convertible Notes.
- Trade and other receivables represent non-interest bearing sundry debtors. Management have advised that these other receivables are short-term in nature and are not overdue.
- Available for sale investments relates to MEB's investments in Frontier (\$3.86 million as at 30 Sep 2014 reflecting a reduced balance from the prior year as a result of a sale by MEB of 25.58%)
- Investments relate to MEB's investment in Invatec (\$600,000 as at 30 June 2014 and \$720,000 as at 30 September 2014).
- The intangible assets balance of \$343,750 as at 30 June 2014 relates to MEB's acquisition of a license to use and exploit patented technology from Heartlink for \$300,000, as well as \$43,750 of capitalised algorithm development costs associated with the Heartlink technology.

- Current borrowings represent the issuance of Series A Convertible Notes. As at 30 June 2014, Series A Convertible Notes had a carrying value of \$1.5 million, reflecting a refinancing with existing note holders for \$1.2million and \$300,000 in accrued interest.
- Non-current borrowings as at 30 June 2014 represents the total amount of raised funds for new Series B Convertible Notes (being 12 \$25,000 notes and \$95,000 received as deposits). As at 30 September 2014, investors had signed up for 40 \$25,000 notes for a total of \$1million. Refer to Section 4.3.1 for further discussion on the balance of convertible notes.
- Non-current other payables reflects interest accrued on funds raised for Series B Convertible Notes. Accrued interest on Series A Convertible Notes is captured inside trade and other payables.

4.3 Capital Structure

As at 5 December 2014, MEB had on issue:

- 30 Series A Convertible Notes with a face value of \$50,000 per note
- 42 Series B Convertible Notes with a face value of \$25,000 per note
- 3,514,856,036 fully paid ordinary shares

4.3.1 MEB Convertible Notes

The total amount of convertible notes and the terms attached are outlined below.

Convertible Notes			
Type	Number of notes issued	Face Value per note	Total
Series A	30	50,000	1,500,000
Series B	42	25,000	1,050,000
Total face value of Convertible Notes			2,550,000

Source: 2014 Annual Financial Report, ASX Announcement on 10 October 2014 and discussions with Management. We note that \$1.055 million has been received in respect of Series B convertible notes

Terms of Convertible Notes		
Term	Series A	Series B
Face value ¹	1,500,000	1,000,000
Interest p.a	8%	8%
Maturity date	30-Jun-15	30-Dec-16
Secured	No	No
Conversion price ²	\$0.001	\$0.003
Minimum number of shares attached as options ³	1,500,000,000	na

Source: Convertible note agreements provided by MEB Management

Note (1): MEB has the ability to raise up to \$1.25 million in Series B Convertible Notes (up to 50 notes) as per the terms of its convertible note agreement, however Management have advised that it does not expect to raise the full amount.

Note (2): Series A: Lower of \$0.001 per share or 80% of the 5 day VWAP, Series B: Lower of \$0.003 per share or 80% of the 5 day VWAP

Note (3): Series A Convertible Notes have attaching call options for shares upon conversion of the notes to equity by note holders at expiry.

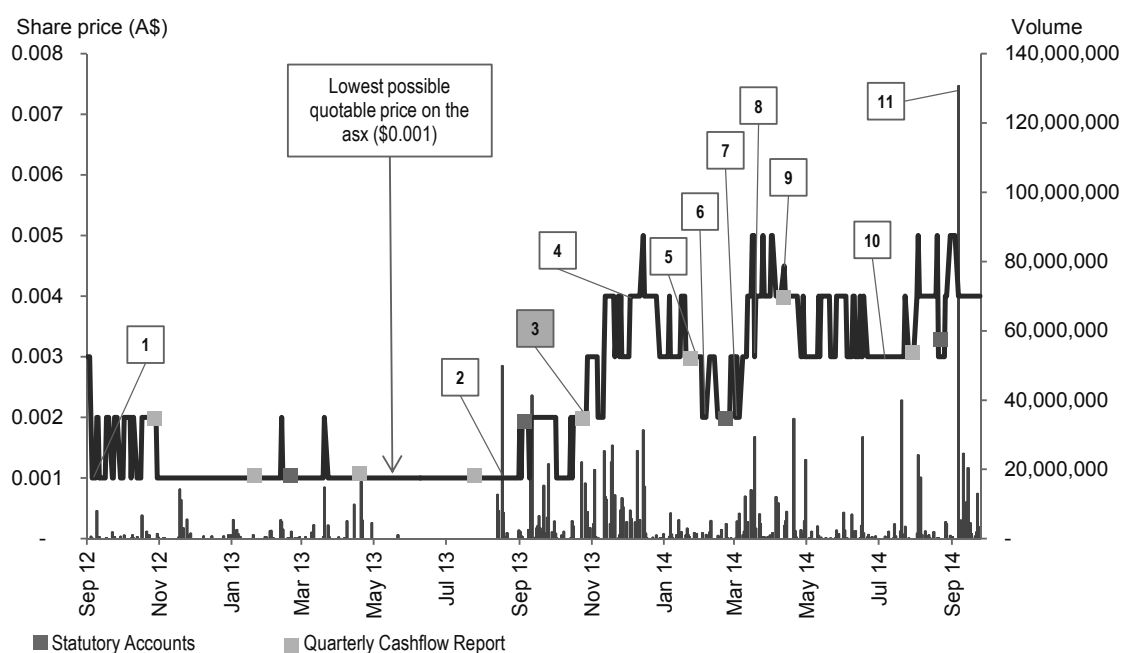
The number of shares to be issued will be determined based on the total amount of debt outstanding (being \$1.5 million in principal plus accrued simple interest at 8%) and a conversion price of \$0.001.

4.3.2 MEB Shares

The top ten shareholders of MEB as at 5 December 2014 are set out below:

Shareholder	No of shares	% of issued shares
HSBC Custody Nominees (Australia) Limited	455,688,001	12.96%
Pitts Street Absolute Return	279,050,000	7.94%
Bell Potter Nominees Ltd <BB Nominees A/C>	200,206,270	5.70%
Heartlink Limited	125,000,000	3.56%
Mining Investments Limited	103,333,333	2.94%
Bernard Laverly Pty Ltd	89,000,000	2.53%
Restoring Dreams Pty Ltd	81,613,762	2.32%
Mr Claude Solitario <Solitario Family A/c>	69,342,443	1.97%
Sanperez Pty Ltd <P Chalmers Partnership A/C>	60,000,000	1.71%
Mr Robert Martin Rowley <The Robert Rowley S/F A/C>	52,016,975	1.48%
Top Ten Shareholders	1,515,250,784	43.11%
Other Shareholders	1,999,605,252	57.03%
Total Shares Outstanding	3,514,856,036	100.1%
Source: Computershare		

The daily movements in MEB's share price and volumes traded for the period from September 2012 to September 2014 are set out below:



Source: S&P Capital IQ and GTCF Analysis

During the period from September 2012 to September 2013 MEB's shares traded between A\$0.001 and \$0.001 with low volumes. After MEB's announcement in December 2013 to acquire Invatec the shares price fluctuated between \$0.002 and \$0.005 and traded at higher volumes.

Further we note the following with regard to MEB's share price since September 2012:

No.	Date	Comments
1	4 September 2012	MEB released a prospectus offering eligible shareholders a non-renounceable rights issue of approximately 926,085,177 new shares. The funds raised were planned to be used for development of the REGEN and AGRIPRO products as well as general working capital and payment of debt. The share price subsequently dropped from \$0.003 to A\$0.001.
2	7 August 2013	MEB sold 25.58% of its holding in Frontier for \$1.79 million. The next day the share price closed at A\$0.002.
3	28 October 2013	MEB announces Frontier has received all necessary approvals and clearances from the Philippines Stock Exchange and the Securities and Exchange Commissions in order to list on the Philippines First Board and raise up to 2.2 billion pesos. In the week following announcement, the share price breaks through to an apparent ceiling to close at \$0.003 on Friday 1 November 2013.
4	5 December 2013	MEB announced that it had entered into agreements which allowed an option to acquire 80% of the ordinary shares in Invatec and the right to use Heartlink's technology. The share price closed at A\$0.004.
5	28 January 2014	Convertible Notes of \$1 million were raised, convertible at the lower of A\$0.003 per ordinary share or the 5 day volume weighted average price of the company's ordinary shares immediately prior to the issue of a conversion notice by the note holder. The share price closed at A\$0.003.
6	4 February 2014	MEB announced an update on the Invatec/Heartlink transaction stating that due diligence had commenced around the technology. The share price closed at A\$0.002.
7	7 March 2014	The Company announced that its patented product, TERMILONE will be included in a proposed project to investigate the use of natural insecticide products in cotton. The project was entered into by way of a Licence Deed with the University of Western Sydney. The share price closed at A\$0.002.
8	20 March 2014	The due diligence of the Heartlink technology was completed. MEB stated in their announcement that "The results of which provide us with confidence that mental health disorders can be diagnosed using heart rate data". The share price closed at A\$0.004.
9	14 April 2014	MEB confirms that they will proceed to acquire Invatec and the patents owned by Heartlink following the results from the due diligence completed in March. The share price closed at A\$0.005.
10	10 July 2014	MEB announced that Mr Stephen Pearce, Chief Financial Officer of Fortescue Metals Group Ltd has been appointed as an Advisor to the Board of MEB. The share price closed at A\$0.003.
11	08 September 2014	MEB announced that subject to shareholder approvals it will acquire 100% of Invatec and its HRV technology. As consideration for the acquisition MEB will issue Invatec shareholders 25,500,000 shares, representing approximately a 25% fully diluted interest in MEB. The share price closed at A\$0.004.

Source: MEB ASX announcements.

5 Profile of Invatec

5.1 Corporate overview

Invatec is a private company which was registered in 2005. Invatec is a developer of innovative medical technologies. As stated earlier in this report, Invatec is currently developing a method for diagnosing mental health disorders including depression. The method (based on algorithm analyses) developed by Invatec relies on HRV technology developed by Heartlink and Dr Stampfer over more than 10 years. Invatec assert that there is a diagnostic link between psychiatric status and heart rate activity and that their HRV technology is the first evidence-based and quantitative test to diagnose and monitor mental illnesses such as depression. The method is designed to produce an automated diagnosis for mental illness.

Invatec's shareholders claim that the solution that they provide will address the need for an objective test for diagnosing depression, which does not currently exist; current testing for mental health illness is subjective relying mostly on.

A MEB Management presentation in February 2014 to its investors provided the following summary of the technology:

- The diagnostic test relies on a patient's own biological data (ie their heart rate) making it unlike other tests for depression that typically rely on cognitive input by patients.
- The test is considered to be simple and unobtrusive as it requires a sample of the patient's heart rate over a 24 hour period. The heart rate data is transferred to a web based server where proprietary algorithms analyse the data. A diagnostic report is produced almost immediately and made available to the patient and/or medical practitioner.
- The HRV technology operates on the belief that when individuals are subjected to severe on-going stress or anxiety provoking situations, the body's automatic nervous system and heart rate are disturbed. In this context, mental state linked disturbance of the body's automatic nervous system is observed via the cardiovascular system.
- Invatec has conducted over 10 years of research into the relationship between the automatic nervous system, psychological state and heart rate activity. Clinical testing has observed that heart rate data/patterns in patients with a psychiatric disorder are different to those patients free of psychiatric illness. Distinct "identifiers" in heart rate data for depression and other mental illnesses have been identified. Patients have been followed up with serial monitoring over extended periods of time, results of which show a normalisation of testing in parallel with clinical recovery.

Invatec's shareholders are of the view that the technology will revolutionise the diagnosis and treatment of mental health disorders. Invatec's shareholders and MEB expect to complete roll out of the technology in 2014/15. They also expect the technology to appeal to numerous markets including:

- Medical – General Practitioners, psychiatrists, psychologists, therapists and counsellors

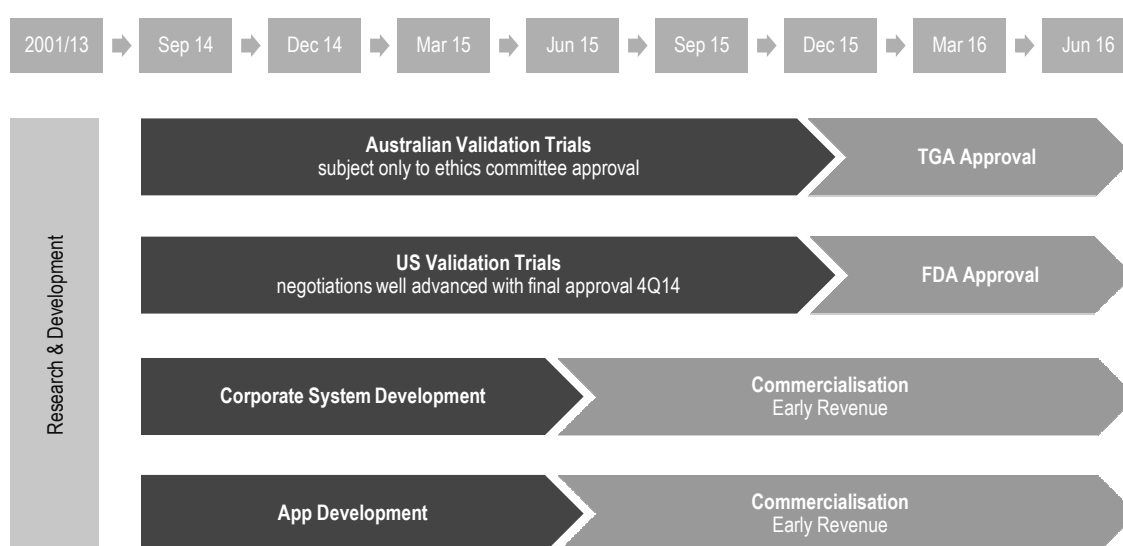
- Corporate – Insurance companies, high-risk occupations, private hospitals, pharmaceuticals and self-help organisations will be interest for numerous reasons including that the technology will provide an objective measure to deal with claims, it will also provide an objective way to assess the performance of drugs.
- Government – Public hospitals, police, emergency services and military
- Elite sport
- Consumer market – via potential Android or I-Phone apps. Mobile health is considered to be a booming sector. Over the last few years there has been an increase in the development of software to capture health related information

To date, Invatec has developed a number of intellectual property rights associated with its HRV technology including:

- Data files
- Test results
- Formulation of algorithms

On 20 March 2014 MEB announced that a technical due diligence of Invatec's HRV technology was completed. The due diligence demonstrated a successful diagnosis rate in excess of 80% in comparison to clinician diagnosis.

The following diagram illustrates the expected timeframe to commercialise what is being developed:



Source: MEB PowerPoint presentation

The funds raised from the capital raising that forms part of the Proposed Transaction is funding the validation trials as well as the App development. We understand from Management that work

has commenced in the area of obtaining independent validation. Specifically, MEB has entered into an agreement with the University of New South Wales to undertake the first independent trial of the HRV technology. The study will be conducted at the Black Dog Institute, which is a world leading organisation concerned with the diagnosis, treatment and prevention of depression, bipolar disorder and suicide. Management expect that this validation will be completed in the second half of 2015 and cost approximately \$300,000. Management also anticipate commencing a USA Validation Trial at an expected cost of \$700,000. The remaining capital raised will be used for App development (\$250,000) and Miscellaneous Expenses (\$1 million) such as algorithm development, corporate product development, patents and other research initiatives.

If the technology is ultimately validated, Management are of the view that the market for the technology is enormous.

As mentioned, related to the technology that Invatec are developing is HRV technology owned and patented by Heartlink. These patents are summarised below.

Country	Description	Status	Expiry
Australia	Method for diagnosing psychiatric disorders	Granted	14-Aug-18
Israel	Method for diagnosing psychiatric disorders	Granted	14-Aug-18
New Zealand	Method for diagnosing psychiatric disorders	Granted	14-Aug-18

Source: Invatec Management

MEB and Invatec are currently reviewing potential opportunities to also acquire patents in the USA.

5.2 Financial overview

5.2.1 Financial Performance

Set out below is a summary of Invatec's income statement for the periods ended FY13, FY14 and YTD FY15.

Statement of profit and loss Invatec Health Pty Ltd	FY13 Unaudited \$'000	FY14 Unaudited \$'000	FY15 YTD Unaudited \$'000
R&D Tax Rebate	102	154	-
Grant Received	23	-	-
Interest Received	-	1	0
Other Income	-	110	-
Total Revenues	125	265	0
Consultants Fees	(17)	(114)	(79)
Employee Costs	(16)	(42)	(42)
Research and Development Expenses	(26)	(87)	-
Skills and Knowledge	(24)	-	-
Travel and Accommodation	(58)	(46)	(20)
Other Expenses	(18)	(35)	(2)
Total Expenses	(159)	(324)	(142)
EBITDA	(35)	(58)	(142)
Depreciation	(8)	(8)	-
EBIT	(42)	(66)	(142)
Finance Costs	(2)	-	-
Profit/(Loss) before Income Tax	(45)	(66)	(142)
Income Tax Benefit	-	-	-
Profit/(Loss) Attributable to Members	(45)	(66)	(142)
Other Income for the Period, Net of Tax	-	-	-
Profit/(Loss) After Tax	(45)	(66)	(142)

Source: Invatec Management Accounts

We note the following in relation to Invatec's income statements:

- Historically, Invatec has been R&D focussed without any revenue generating commercial activities. As such, it has been a loss making enterprise.
- During 2013, Invatec Management determined that sufficient R&D had occurred to support the Invatec's existing IP. Invatec subsequently redirected its focus from R&D to raising capital and finding a commercial partner.
- In FY12 Invatec secured a \$247,944 Proof of Concept grant from Commercialisation Australia, of which \$22,707 fell into FY13.
- Other income in FY14 comprises \$50,000 received from MEB as part of MEB's option fee to acquire Invatec and \$60,148 received from MEB for research development funding.
- Consultants' fees increased in FY14 predominantly due to services provided by Mr Solitario (\$68,000 for the year) and Mr Matt Mesnik (\$28,000) for the year. Mr Mesnik was engaged to assist Invatec directors with a business plan development for the USA market, identify and recruit strategic commercial partners and assist in developing an eventual roll out of the

technology into the USA. Consultants' fees FY15 YTD relate to Mr Mesnik (\$59,246) and Amadeus Group (\$19,330).

- Research and development expenses in FY14 predominantly relate to the salary of director Dr Addis associated with work done in respect of the HRV technology.

5.2.2 Financial position

Invatec's statement of financial position as at 30 June 2013, 30 June 2014 and 30 September 2014 is set out in the table below.

Balance Sheet Invatec Health Pty Ltd	30-Jun-13 Unaudited \$'000	30-Jun-14 Unaudited \$'000	30-Sep-14 Unaudited \$'000
Assets			
Cash and Cash Equivalents	2	25	76
Trade and Other Receivables	8	-	-
Total Current Assets	10	25	76
Property Plant and Equipment	16	8	6
Research and Development Expenditure	1,798	1,798	1,798
Total Non-Current Assets	1,814	1,806	1,804
Total Assets	1,824	1,830	1,880
Liabilities			
Trade & other payables	24	24	37
Total Current Liabilities	24	24	37
Long Term Loans	2,247	2,206	2,206
Other Borrowings	2	5	5
Total Non-Current Liabilities	2,250	2,211	2,211
Total Liabilities	2,273	2,235	2,248
Net Assets	(450)	(404)	(368)
Shareholders' Equity			
Issued Capital	0	140	320
Accumulated Losses	(450)	(544)	(688)
Total Shareholders Equity	(450)	(404)	(368)

Source: Invatec Management Accounts (Unaudited)

Note (1): Issued and paid up capital as at 30 June 13 was \$440 which is rounded to \$0 in the above table

We note the following in relation to the balance sheet:

- The balance of cash at bank has increased as at 30 June 2014 and 30 September 2014 as a result of receiving equity injections from MEB totalling \$140,000 in FY14 and \$180,000 in FY15 YTD (which is also reflected in the balance of Issued Capital).
- Invatec has minimal tangible operating assets (\$6,000 as 30 September 2014). Property plant and equipment relates to computer equipment and a motor vehicle.
- Capitalised R&D expenditure has remained stagnant over the last 15 months due to Invatec's change in operational focus towards product commercialisation. Provided below is a breakdown of the historical balance of intangible assets:

Research and Development Expenditure	Historical \$'000
Medical Consultancy/Contract Expenditure	1,553
Salary Costs	12
Heart Rate Monitor Development Costs	143
Patent Costs	26
IT Costs	61
Other	3
Total Research and Development Expenditure	1,798

Source: Invatec Management

- To fund the research and development of the HRV technology, the directors of Invatec have historically provided loan advances to the Invatec (Long Term Loans: \$2,247,038 as at 30 June 2013), which reduced by \$145,000 during FY14 as result of repayments to director Dr Addis.
- The current breakdown of Long Terms loans has been provided below:

Balance Sheet	30-Sep-14
Invatec Health Pty Ltd	\$'000
Stephen RD Addis	1,502
Claude Solitario	464
Diane Sherwood	240
Total	2,206

- As at 30 September 2014, \$114,000 of trade and other payables predominantly relates to \$75,600 in salary owing to Dr Addis and GST payable.

5.3 Capital Structure

As at the date of our report, Invatec had 47,414 fully paid ordinary shares on issue. The following table summarises who the shareholders are:

Invatec shareholders as at 1 December 2014		Interest
Name	Number of shares	%
Stephen Addis	20,863	44%
Claude Solitario	20,862	44%
Diane Sherwood	1,800	4%
Vagabond Holdings Pty Limited	475	1%
Medibio Limited	3,414	7%
Total shares outstanding	47,414	100%

Source: Invatec Management. The table does not include a proposed issue of 500 shares to Dr Hans Stampfer

6 Valuation methodologies

6.1 Introduction

We have assessed the fairness of the Proposed Transaction by comparing the fair market value of MEB shares before the Proposed Transaction on a control basis with the fair market value of MEB shares after the Proposed Transaction on a minority basis.

In each case, Grant Thornton Corporate Finance has assessed the value of MEB Shares using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Selected valuation methods

In assessing the value of MEB prior to the Proposed Transaction we note that prior to the Proposed Transaction MEB has the following key assets:

- A 7% investment in Invatec with an option to acquire up to 35% of Invatec
- A two year licence to use Heartlink's patents
- An investment in Frontier Oil with a book value of \$3.86 million

Aside from the above, MEB has no other active operations. We also note that should the Proposed Transaction not be approved by shareholders the Directors will review its existing arrangements with Invatec and may seek to refresh the approval received in February 2014.

Grant Thornton Corporate Finance has selected a market approach, specifically, the quoted price of listed securities as the primary approach to assess the fair market value per MEB share prior to the Proposed Transaction, with an adjustment for control in order to assess fair market value of MEB assuming 100% control. We note that whilst there is limited liquidity of MEB Shares, MEB complies with the full disclosure regime required by the ASX and the market is fully informed about the performance of MEB. Whilst there are some limitations with the trading prices of MEB, we have canvassed other valuation methodologies and we do not believe any of them is applicable as set out below:

- Income approach using DCF – MEB has not prepared long term cash flow forecasts in respect of other operations and they are on hold as a result of budgetary constraints.
- Market approach using maintainable earnings - Historically, MEB has incurred trading losses, accordingly this methodology is not application. In addition, MEB's current assets are at early stage of development.
- Cost approach using assets – A net assets or net tangible assets approach to valuation does not yield an appropriate valuation for intangible assets intensive businesses such as MEB. We also note that as at 30 September 2014, MEB had net assets of \$2.5 million of which \$3.86 million represents the book value of Frontier which once removed would leave a negative net assets value.

In forming our view of the fair market value of MEB per share after the Proposed Transaction we have added the value of Invatec that MEB does not hold to the value of MEB prior to the Proposed Transaction and made an adjustment for the lack of control in order to assess the fair market value on a minority basis. In assessing the value of Invatec and given the difficulty in assessing biotechnology focussed start-up companies, we have adopted a range of approaches based on the DCF approach and a cost to replicate approach.

7 Valuation assessment of MEB shares before the Proposed Transaction

7.1 Quoted securities

In our assessment of the fair market value of MEB shares before the Proposed Transaction, we have had regard to MEB's share prices of its listed securities quoted on the ASX.

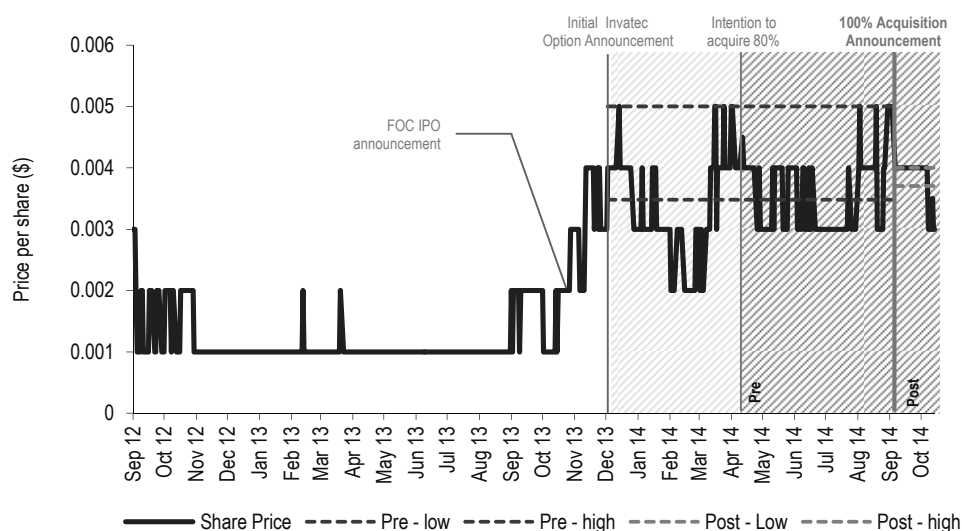
In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the underlying value of MEB before the Proposed Transaction.

The following table summarises the monthly trading volume and volume weighted average price ("VWAP") of MEB Shares for the two years to September 2014:

Month end	Volume traded ('000)	Monthly VWAP (cents)	Total value of shares traded (\$'000)	Volume traded as % of total shares
Oct 2012	12,860	0.1871	24	0.7%
Nov 2012	38,687	0.1041	40	1.4%
Dec 2012	3,060	0.1000	3	0.1%
Jan 2013	12,973	0.1000	13	0.5%
Feb 2013	20,102	0.1098	22	0.7%
Mar 2013	26,208	0.1034	27	0.9%
Apr 2013	37,181	0.1000	37	1.3%
May 2013	5,500	0.1000	6	0.2%
Jun 2013	-	NA	NA	0.0%
Jul 2013	-	NA	NA	0.0%
Aug 2013	80,065	0.1008	81	2.8%
Sep 2013	141,100	0.1985	280	4.9%
Oct 2013	68,643	0.2276	156	2.4%
Nov 2013	173,581	0.3498	607	6.0%
Dec 2013	103,878	0.3950	410	3.6%
Jan 2014	28,855	0.3053	88	1.0%
Feb 2014	18,228	0.2479	45	0.6%
Mar 2014	93,542	0.3700	346	3.2%
Apr 2014	83,684	0.4119	345	2.9%
May 2014	38,543	0.3134	121	1.3%
Jun 2014	59,495	0.3272	195	1.9%
Jul 2014	54,910	0.3004	165	1.7%
Aug 2014	69,820	0.4056	283	2.2%
Sep 2014	221,267	0.3461	766	7.0%
Oct 2014	46,685	0.3105	145	1.5%
Min				0.00%
Max				6.97%
Average				2.40%
Median				2.04%

Source: CapitalIQ

The following graph shows MEB's share price over the period before and after the announcement of the Proposed Transaction.



Source: S&P Capital IQ and GTCF Analysis

Based on the above table and graph, we note the following:

- There has been a historically low level of trading in MEB shares with an average monthly volume traded (as a percentage of total shares) of 2.40%.
- During the two year period from September 2012 to September 2014 MEB shares traded between 0.1 cents and 0.5 cents.
- During the one year period from November 2012 to November 2013, MEB shares traded between 0.1 cents 0.2 cents.
- On 28 October 2013 MEB announced Frontier had received the necessary approvals to proceed with an IPO. On 5 December 2013, MEB announced its potential intention to acquire a controlling stake in Invatec via the acquisition of an option. Together these announcements appear to initiate a liquidity event and a market re-rating of the share price. In the twelve months prior to the 28 October announcement, the share price traded between a low and high of 0.1 and 0.2 cents respectively. Following the 5 December announcement, the share price immediately moved from 0.3 cents to 0.4 cents and remained at that price or higher for the following 16 days.
- Since December 2013, MEB shares have traded within a minimum and maximum monthly VWAP price between 0.25 cents and 0.41 cents.
- In February 2014 MEB shareholders approved a change of sale of activities to accommodate an acquisition of Invatec up to 35%. The share price closed at 0.2 cents.
- In April 2014 MEB announced that it would proceed with the acquisition of Invatec in two stages. The share price increased to 0.5 cents.
- In September 2014 when MEB announced that it would proceed to acquire 100% of Invatec, the share price remained stable at \$0.4 cents.

In forming our view around the value of MEB before the Proposed Transaction we also note:

- MEB complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of MEB.
- In the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment.
- MEB issued convertible notes that contemplated a conversion price of lower of 0.01 cents and 80% of the 5 day VWAP for Series A notes and the lower of 0.03 cents and 80% of the 5 day VWAP for Series B notes.

Taking into account the aforementioned, in forming a view on the trading prices of MEB before the Proposed Transaction we believe it is more appropriate to place greater weight on MEB's VWAP prior and up to MEB's December 2013 announcement concerning its interest in Invatec; By doing so it will avoid the influence of any movement in price that occurred as a result of subsequent announcements concerning an interest in Invatec beyond the current holding of 7%.

In order to provide further analysis of the market price for MEB shares and volumes traded, we have considered the VWAP for the 1 day, 5 days, 10 days, 30 days and 60 days trading to 6 December 2013:

VWAP	Daily VWAP Low (cents)	Daily VWAP High (cents)	VWAP (cents)	Total value of shares traded (\$'000)	Volume traded as % of total shares
<i>Prior to announcement</i>					
60 days	0.10	0.40	0.32	791	8.62%
30 days	0.20	0.40	0.35	628	6.24%
10 days	0.30	0.40	0.35	151	1.50%
5 days	0.32	0.34	0.33	43	0.45%
1 day	0.34	0.34	0.34	28	0.28%
6 December 2013					
<i>After announcement</i>					
5 days	0.40	0.40	0.40	143	1.23%
10 days	0.40	0.41	0.40	294	2.52%
30 days	0.30	0.41	0.40	371	3.19%

Source: CapitalIQ and GTCF calculations

The above table shows that only 1.5% of MEB's shares have been traded in the 10 day period prior to December 2013. For this reason, we place a greater reliance on the more liquid VWAPs observed over 30 and 60 days, as these VWAPs are likely to provide a better indication of the true market value given the larger amount of trading that has occurred over these time intervals. We note that the VWAPs set out above are based on portfolio trading and accordingly they represent the fair market value of the Company on a minority basis.

Based on our VWAP analysis, we have selected trading prices between 0.30 cents (60 days before December 2013) and 0.40 cents (the maximum share price in the period observed prior to December 2013) as representative of the fair market value of the Company on a minority basis pre Proposed Transaction. We note that for the 30 days following the 100% announcement, the VWAP appears to have fluctuated between 0.30 cents and 0.41 cents.

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly from transaction to transaction.

In selecting an appropriate control premium to apply to MEB's shares, we have considered the following:

- MEB is intending to divest non-core assets (Frontier).
- MEB has fully written down the value of historical intellectual property associated with former business activities.
- In its current state MEB is effectively a shell company, at risk of being delisted if the Invatec transaction does not complete and alternative business activities cannot be found.

Based on the above factors, we are of the opinion that the premium for control should be at the low end of the premium for control historically applied in the Australian market for successful takeovers. Accordingly, we have adopted a premium for control of 20%.

BPO Shares	Low	High
Pre Proposed Transaction	(cents)	(cents)
Selected VWAP range	0.30	0.40
Control Premium	20.0%	20.0%
Fair market value per BPO share pre Proposed Transaction (control basis)	0.36	0.48

Source: CapitalIQ and GTCF calculations

Based on the above table, we have assessed the fair market value per MEB share before the Proposed Transaction on a control basis between 0.36 and 0.48 cents.

7.2 Valuation cross check

As discussed in section 5, we do not believe other valuation methodologies are particularly applicable based on the specific circumstances of MEB, the information available and where MEB is in its development process.

8 Valuation assessment of MEB shares after the Proposed Transaction

As discussed in Section 5.1, we have considered the fairness of the Proposed Transaction by comparing the fair market value of MEB shares before the Proposed Transaction on a 100% control basis with the fair market value of MEB shares after the Proposed Transaction on a minority basis.

We have assessed the fair market value of MEB after the Proposed Transaction by aggregating the following:

- The market value of MEB before the Proposed Transaction
- The market value of 93% of Invatec. We note that the market value of MEB before the Proposed Transaction already includes approximately 7% of Invatec.
- The market value of a number of structural adjustments relating to the extinguishment of current outstanding debt and simplification of the capital structure:
 - The conversion of 30 Series A Convertible Notes.
 - The conversion of 42 Series B Convertible Notes.
 - The issue of options attaching to the conversion of Series A Convertible Notes
- The market value of options to be issued to Mr Campbell and to sophisticated and professional investors.
- Transaction costs associated with the Proposed Transaction

The above has been assessed on two bases – assuming no further capital raising and assuming a further capital raising of \$3 million.

Set out below is a summary of our valuation assessment.

BPO Valuation of Shares (With no additional capital raising)		Section		
Post Proposed Transaction	Unit	Reference	Low	High
Value per BPO share on a minority basis	(cents)	7.1	0.30	0.40
Number of shares on issue pre Proposed Transaction		4.3.2	3,514,856,036	3,514,856,036
Equity value of BPO on a control basis pre Proposed Transaction	A\$		10,544,568	14,059,424
add 93% of equity value of Invatec on a control basis (GT assessed value)	A\$	8.1	1,860,000	33,480,000
add value of Series A and B Convertible Notes ¹	A\$	8.2	5,925,239	5,925,239
add value of attaching option to Series A Convertible Notes ¹	A\$	8.3	3,236,104	3,236,104
add liability arising from issue of options	A\$	8.4	(454,750)	(582,250)
less transaction costs	A\$	8.5	(325,000)	(405,000)
Equity value of BPO on a minority basis post Proposed Transaction	A\$		20,786,162	55,713,518
Number of fully diluted shares (post transaction)		8.6	7,933,606,035	9,733,606,035
Fair market value per BPO share post Proposed Transaction on a minority basis	(cents)		0.26	0.57

(1) As the BPO share price pre transaction already reflects the value erosion effect that results from having convertible notes (debt) in the capital structure, we have added back the fair market value of issued convertible notes at the valuation date to reflect the extinguishment of this liability post

(2) Transaction costs have been estimated by Management

(3) Convertible notes are assumed to convert on 1 December 2014

(4) At the high-end of our valuation assessment, we have applied a minority discount of 20%

BPO Valuation of Shares (With additional capital raising)		Section		
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add value of attaching option to Series A Convertible Notes ¹	A\$	8.3	3,236,104	3,236,104
add liability arising from issue of options	A\$	8.4	(454,750)	(582,250)
add surplus assets in cash arising from second tranche of \$4m equity raise (net of transaction costs)	A\$	8.5	2,470,000	2,550,000
Equity value of BPO on a minority basis post Proposed Transaction	A\$		23,581,162	58,668,518
Number of fully diluted shares (post transaction)		8.6	8,933,606,035	10,733,606,035
Fair market value per BPO share post Proposed Transaction on a minority basis	(cents)		0.26	0.55

(1) As the BPO share price pre transaction already reflects the value erosion effect that results from having convertible notes (debt) in the capital structure, we have added back the fair market value of issued convertible notes at the valuation date to reflect the extinguishment of this liability post

(2) Cash from second tranche of equity raise is net of total transaction costs, which have been estimated by Management to be between \$450k

(3) Convertible notes are assumed to convert on 1 December 2014

(4) At the high-end of our valuation assessment, we have applied a minority discount of 20%

With regard to the above, MEB's share price pre the Proposed Transaction already reflects the value erosion effect that results from having convertible notes (debt) in the capital structure. Thus we have added back the fair market value of issued convertible notes at the valuation date to reflect the extinguishment of this liability post transaction. The number of shares on issue post transaction reflects the full conversion of the convertible notes.

We have only adjusted for the Milestone Shares and the Consultancy Milestone Shares at the high end of our valuation range as the low end of our valuation assessment is based on the replacement cost of the existing IP and accordingly, the Milestone Shares and the Consultancy Milestone Shares would not vest.

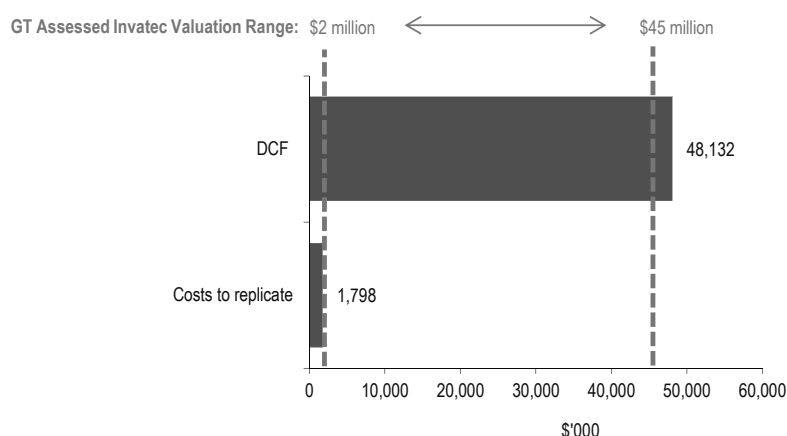
Management have advised that significant uncertainty exists as to the completion of the Heartlink component of the proposed transaction mostly due to the Company's preference to pursue commercialisation in the USA. As Heartlink does not have patents in the USA, Management perceive at this point that there is little utility from acquiring Heartlink's patents. In addition, we understand that the patents will expire in 2018 with no possibility for renewal. For these reasons, we believe it is inappropriate to include the potential effects of this part of the Proposed Transaction in our assessment of post-transaction value.

We have assessed the fair market value per MEB share post the Proposed Transaction on a minority basis to be between 0.26 cents and 0.57 cents assuming no further capital raising and between 0.26 cents and 0.55 cents assuming a capital raising of \$4 million.

8.1 Valuation of Invatec

Invatec is at the early stages of commercialising its technology. We note that it is in the process of its first independent validation trial²⁶ and is yet to achieve the requisite approvals to sell products. We also highlight Invatec's negative net asset position stemming from accumulated losses funded from large, related party loans. In addition, we have been advised that the costs associated with the technology's development have not been fully capitalised as they have been incurred over a longer time period than which Invatec has existed.

Given these circumstances, it is not possible to value Invatec by reference to neither a market based method (eg earnings) or a net assets method. Given the lack of certainty surrounding the probability, quantum and timing of Invatec's future cash flows, we also recognise the inappropriateness of placing too much reliance on a valuation derived from a DCF. Therefore we have assessed Invatec's value by reference to both the DCF approach and the replacement cost as set out below.



Source: GTCF Calculations

²⁶ ASX announcement on 5 November 2014

As can be seen above, we have assessed the value of 100% of Invatec to be in the range of \$2 million to \$45 million. Our range is based on a low point derived from our “Costs to Replicate” approach and a high point derived from our “DCF” and “Market Capitalisation” approaches. We have discussed our different valuation approaches in the sections below:

8.1.1 DCF

Based on information provided by Management as well as our assessment of certain inputs, we have calculated a potential value of Invatec using a DCF approach having regard to future projections.

We note that projections involve significant elements of subjective judgement that may or may not be correct. There is no guarantee that the future performance will be consistent with the projections adopted in our high level valuation assessment. The projections do not satisfy the requirements for presentation in a disclosure document and they should be treated with caution. Actual results will be different from those projected as events and circumstances often do not occur as expected and those differences may be material.

Set out below is a summary of the main assumptions underlying the DCF:

DCF Assumptions	FY15 F	FY16 F	FY17 F	FY18 F	FY19 F	FY20 F	FY21 F	TV
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Assumptions								
Inflation	-	-	-	2.5%	2.5%	2.5%	2.5%	2.5%
WACC - High Value	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%
WACC - Low Value	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%
Tax Rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Probability of Survival	100.0%	100.0%	80.8%	62.9%	49.5%	37.7%	31.2%	31.2%
AUD/USD exchange rate	0.88	0.85	0.83	0.83	0.83	0.83	0.83	0.83
Revenue assumptions								
Primarily based on Ametus Study 5 year moderate scenario and GTCF estimates concerning terminal value								
Capex and Opex Assumptions								
Based on management's budgeted cash flows for FY15, FY16 and FY17, historical financial performance and GTCF estimates	(1,603)	(666)	(388)	(575)	(837)	(1,260)	(1,974)	(2,023)
Corporate Overhead Assumptions								
Based on historical financial performance, market benchmarking and GTCF estimates	(1,277)	(1,502)	(1,546)	(3,228)	(4,152)	(5,530)	(7,697)	(7,890)

Source: GTCF DCF Model

The DCF incorporates cash flow projections for the seven years to 30 June 2021. Income generating activities are set to commence in FY17 in-line with Invatec management's current expectations for commercialisation. Following commercialisation, we have adopted a revenue profile consistent with that outlined in the Ametus Group study (as discussed in section 8.1.1.1 below). We have also adjusted the DCF for the probability of survival (discussed below) and made an assessment for terminal value.

8.1.1.1 Expected Future Income –Ametus Group Study

In projecting future income, we have relied upon an independent market study conducted by biotechnology consultants, Ametus Group. The study was commissioned in July 2014 by Invatec

Management to assess the Invatec's commercial opportunity in the clinical depression market within the USA and to assist Invatec's management with its strategic planning. As part of the market study, the Ametus Group modelled three scenarios of high-level revenue projections (mild, moderate and aggressive) for the first five years of commercialisation based on the following:

- Current depression prevalence rates and population data for the USA.
- Projected product penetration rates for undiagnosed and diagnosed populations growing year-on-year.
- Percentages of undiagnosed population (between 0.40% and 3.75%) captured as new product users each year.
- Pricing points of US\$45 for end user diagnosis and US\$500 for rent of HR Monitor equipment.

For the purposes of conservatism, we have included in our DCF the moderate level of projected revenue stream, which assumes:

- 3% of the undiagnosed proportion of the USA population captured as new users by year five of commercialisation.
- 8% HR Monitor product penetration rate by year five of commercialisation.

We note that it is Invatec's management's view that all three projected scenarios modelled by the Ametus Group are conservative in nature due to the following:

- Revenue projections relate exclusively to the diagnosis of depression, however Invatec management have advised that the product could be extended as a tool for diagnosing a range of mental health disorders.
- Only the general practitioner market in the United States was investigated. Other significant market opportunities are likely to exist in the corporate and aviation markets.
- Smartwatches with inbuilt heart-rate monitors are beginning to emerge, broadening the application of the product. This could significantly boost the appeal of the product with general consumers.

In addition to the revenues expected from clinicians, we have allowed for revenue expected from the stress-reduction App that Invatec are also in the process of developing. The App will be targeted at the corporate wellness and general consumer markets and the revenues for this are not captured in the Ametus Group revenue profile.

8.1.1.2 Survival probability rate

Taking into account the start-up nature of Invatec with no positive operating history we have adjusted the DCF to take into consideration the survival probability of Invatec. The survival probability rate is the likelihood or proportion of start-up firms that are expected to continue as a

going-concern over a specified period. Given the significant operational and financial uncertainty inherent in a start-up company, it is more appropriate to risk adjust projected cash flows through the application of a survival probability rate rather than attempt to incorporate into the discount rate.

For the purpose of forming a view on the survival probability rate to use for the valuation, Grant Thornton Corporate Finance has considered the historical survival probability rates estimated by independent research conducted over various periods in various countries for start-up and early stage companies as set out below:

Reference	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Low	High	Average
Country	Australia	US	EU	US, New Jersey	New Zealand	London			
No. of firms	33,624	8.7 million	215,903	730	45,010	52,755			
Year published	1987	2008	2010	2012	2013	2014			
Industry	All	IT	All	All	All	All			
Research years	1973 - 1990	1998-2005	2002-2006	2009-2011	2001-2013	2006-2011			
No. of years	Survival rate %								
1	68%	81%	77%	71%	82%	85%	68%	85%	77%
2	51%	63%	63%	21%	na	71%	21%	71%	54%
3	38%	49%	55%	na	na	53%	38%	55%	49%
4	31%	38%	48%	na	na	49%	31%	49%	41%
5	26%	31%	43%	na	na	42%	26%	43%	36%

Note 1

SMALL BUSINESS FAILURE RATES (1973 - 90)

Source: W. Reynolds, W. Savage and A. Williams, *Your Own Business. A Practical Guide to Success* (Sydney: ITP Thomas Nelson, 2/e 1994), p. 38.

Closure due to ill health, domestic discord, death or personal reasons are not included in the definition and therefore the results are more conservative by excluding such reasons for closure.

Note 2

Characteristics of Survival: Longevity of Business Establishments in the Business Employment Dynamics Data: Extensions

Amy E. Knaup and Merissa C. Piazza

Bureau of Labor Statistics

The data that follow are from the BLS Quarterly Census of Employment and Wages (QCEW) program, which has information on 8.7 million establishments in both the public and private sector

Note 3

Business Demography Dynamics In Portugal: A Non-parametric Survival Analysis

Alcina Nunes, Elsa Sarmento

Based on Quadros de Pessoal, GEP, MTSS

Note 4

Survival Rates of New Firms: An Exploratory Study

Source: Small Business Institute® Journal ©Small Business Institute® 2012, Vol. 8, No. 2, 35-42

In our assessment of the survival probability rate, we have considered the following:

- There has only been one significant piece of research conducted on start-up companies based in Australia between 1973 and 1990. Economic factors and consumer confidence may be materially different from those current as at the measurement date. These factors may influence the survival probability rate observed.
- Independent research sourced has observed a diminishing reduction in the survivor probability rate the longer the company has been in existence.
- As discussed in earlier in this report, Invatec is still required to undergo independent verification and regulatory approval in order to reach a commercialisation stage.
- The successful development of Invatec's technology is largely dependent on the Company's ability to retain key members of its development team including Dr Addis and Dr Stampfer. Whilst we understand non-compete clauses will be implemented as part of the Proposed Transaction and that both parties have their interests aligned with the Company through

material shareholdings and performance payments, the development of Invatec's technology will likely cease or be significantly delayed if either party terminates their association with the Company.

Based on the above, we have assessed a survival probability (rounded) based on the rates in the USA for FY17 (assumed to be first year of operations subject to survival uncertainty) to FY21.

The assumptions in relation to the survival probability adopted by Grant Thornton Corporate Finance do not represent forecasts by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their valuation of Invatec.

8.1.1.3 Terminal value

For purpose of our valuation, we have adopted Gordon growth model (which is a proxy for modelling the cash flows of a going concern business in perpetuity) and the following terminal value assumptions:

- Terminal year EBITDA margin at 75.0% in line with FY21 projection.
- Survival probability rate of 31.2%.

Long term growth rate of 2.5% in line with inflation and with regard to inflation/ consumer price index ("CPI") forecasts for Australia.

8.1.1.4 Discount Rate

For the purpose of the valuation, we have adopted the discount rate in the range of 19.5% to 22.5% as summarised in the table below. Refer to Appendix B for further details of our discount rate assessment.

WACC calculation	Low	High
Cost of equity		
Risk free rate	4.5%	4.5%
Beta ¹	2.50	3.00
Market risk premium	6.0%	6.0%
Cost of equity	19.5%	22.5%
Capital structure		
Proportion of debt	0%	0%
Proportion of equity	100%	100%
WACC (post tax) (rounded)	19.5%	22.5%

Source: GTCF calculations

Note (1): Total beta captures all of the risk of being in a specific business, rather than just the systematic risk and is calculated by dividing the equity beta by the correlation of the investment with the market. For further details refer to Appendix C.

8.1.1.5 Invatec Equity Value

Based on the inputs discussed above, we have assessed the equity value of Invatec under a DCF approach to be in the range of approximately \$42 million to \$55 million with a mid-point of \$48 million. This assumes no debt in the capital structure.

DCF Valuation Assessment	Low	Mid	High
Invatec Equity Value	41,555	48,132	54,708

Source: GTCF DCF Model

We have selected the mid-point of our DCF to form the basis of our upper limit of our Invatec valuation range.

8.1.2 Costs to Replicate Approach

In assessing the value of Invatec, we have considered what a potential purchaser might have to pay to replicate Invatec's technology. We have done this via an examination of the historic level of capitalised research and development expenditure on the balance sheet:

Research and Development Expenditure Breakdown	Historical \$'000
Medical Consultancy/Contract Expenditure	1,553
Salary Costs	12
Heart Rate Monitor Development Costs	143
Patent Costs	26
IT Costs	61
Other	3
Total Costs To Replicate	1,798

Source: Invatec Management Accounts

We note the following with regard to this approach:

- Invatec management have advised that research and development expenditure relates primarily to the time costs associated with the compilation of heart-rate data by Dr Addis.
- Dr Addis began compiling his research in 1998, seven years before the incorporation of Invatec in 2005 and ten years before Invatec began to capitalise this expenditure on the balance sheet.
- Consequently, the balance sheet does not reflect the total costs of development from across the last 16 years.

For the above reasons, it is our opinion that the current balance of capitalised R&D may underestimate the cost to replicate the technology. It follows that a potential purchaser would have to pay at least this value to acquire and thus we have set the costs to replicate as our low point in our Invatec valuation range.

8.2 Conversion of Convertible Notes

Set out below is a summary of the fair market value of Series A and Series B Convertible Notes and the number of MEB shares to be issued on conversion. We have based our valuation on the terms set out in section 4.3.1 and the following conditions as per the note holders' agreement:

- MEB has an embedded call option to redeem all outstanding notes for cash at any time prior to expiry, but must give 14 days' notice.
- Noteholders have an embedded call option to convert debt to equity at any date on or before maturity. This option takes precedence over MEB's option to redeem, allowing 5 days for Noteholders to convert if MEB decides to recall.

Having regard to the above, we have modelled the potential pay-offs under a number of scenarios assuming the above options will be exercised when the liability is minimised (MEB) and pay-off is maximised (Noteholders). A summary of our valuation is provided below:

Convertible Notes	
Fair market valuation	\$'000
Series A Convertible Notes	4,854
Total Series A Convertible Notes Value	4,854
Tranche 1 Series B Convertible Notes	309
Tranche 2 Series B Convertible Notes	762
Total Series B Convertible Notes Value	1,071
Total Convertible Notes Value	5,925

Source: GTCF Calculations

Notes (1): The equity component of Series A CNs is deemed to be deep-in-the-money given a conversion price of 0.1 cents. As such, the fair market value of Series A Convertible Notes reflects the potential equity value to noteholders that will result upon conversion of the instruments.

Notes (2): Options have been valued with reference to generally accepted financial theory as at 30 October 2014

8.3 Conversion of attaching options on Series A Convertible Notes

Set out below is a summary of the value of attaching options on Series A Convertible Notes. In our valuation assessment, we have considered the intrinsic value of the Options, being the difference between the trading prices of 0.3 cents and the exercise price of 0.2 cents.

Series A attaching options value	Metrics
Ratio of conversion shares to options	1:1
Number of Series A attaching options	1,500,000,000
Intrinsic value of the options	0.2
Value of Series A attaching options (\$'000)	3,236
Number of shares to be issued upon conversion of options	1,500,000,000

Source: GTCF Calculations

Notes (1): Attaching options on Series A CNs are deemed to be deep-in-the-money given a conversion price of 0.1 cents.

Notes (2): Options have been valued with reference to generally accepted financial theory as at 1 December 2014

8.4 Issue of options for professional and sophisticated investors and Mr Campbell

Set out below is a summary of the value of options to be issued to various professional and sophisticated investors and Mr Campbell as part of the Proposed Transaction:

Options Valuation Summary	Low \$'000	High \$'000
Options for investors	428	548
Options to James Campbell	27	34
Total Options Value	455	582

Source: GTCF Calculations

Notes (1): Options have been valued with reference to generally accepted financial theory as at 15 December 2014. As part of our valuation, we performed Monte Carlo simulations to investigate future share price for input into the Black Scholes Model.

In our assessment of the fair market value of the options, we have used the Black Scholes Model having regard to the following:

- The terms of the options, including:
 - Exercise price of \$0.30 (post consolidation)
 - Expiry date of second anniversary following issue
- Issue date of 15 December 2014
- Volatility of MEB shares of 60% to 80% based on historic volatility for MEB
- Risk free rate of 2.6% per annum based on the spot yield of the zero-coupon Australian Government Bond with a comparable timespan to the options

8.5 Capital raising - Cash (net of transaction costs)

Set out below is the proceeds from the expected capital raising, net of transaction costs.

Estimated Transaction Costs	Low	Mid	High
BPO	\$'000	\$'000	\$'000
Cash from tranche 2 of capital raising	3,000	3,000	3,000
Total estimated transaction costs	(530)	(490)	(450)
Cash net of transaction costs	2,470	2,510	2,550

Source: GTCF Calculations

8.6 Number of MEB Shares

The following table sets out a summary of the number of MEB shares on issue after the Proposed Transaction on two bases – assuming no further capital raising and assuming a further capital raising of \$3 million:

Number of shares	Pre	Post
Post Transaction with further capital raising	Consolidation	Consolidation
Current total shares on issue (undiluted)	3,514,856,036	35,148,560
Capital Raising (balance of the \$4m placement)	1,000,000,000	10,000,000
Issue of shares to Mr Indermaur	15,000,000	150,000
Conversion of notes (Series A & B)	1,850,000,000	18,500,000
Acquisition of Invatec	2,553,749,999	25,537,500
Total shares on issue post Proposed Transaction	8,933,606,035	89,336,060
Milestone Payments and Consultancy Milestone Payments	1,800,000,000	18,000,000
Total shares on issue after Milestone and Consultancy Milestone Payments	10,733,606,035	107,336,060

Number of shares	Pre	Post
Post Transaction with no further capital raising	Consolidation	Consolidation
Current total shares on issue (undiluted)	3,514,856,036	35,148,560
Capital Raising (balance of the \$4m placement)	-	-
Issue of shares to Mr Indermaur	15,000,000	150,000
Conversion of notes (Series A & B)	1,850,000,000	18,500,000
Acquisition of Invatec	2,553,749,999	25,537,500
Total shares on issue post Proposed Transaction	7,933,606,035	79,336,060
Milestone Payments and Consultancy Milestone Payments	1,800,000,000	18,000,000
Total shares on issue after Milestone and Consultancy Milestone Payments	9,733,606,035	97,336,060

Source: GTCF Calculations

8.7 Valuation cross-check of the combined group

As discussed in section 6, we do not believe other valuation methodologies are applicable based on the specific circumstances of MEB and Invatec, the information available and where Invatec is in its development process.

9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Notice of General Meeting and Explanatory Memorandum
- Annual reports of MEB for FY11, FY12, FY13 and FY14
- Financial statements for Invatec for FY12, FY13 and FY14
- Releases and announcements by MEB on the ASX
- MEB website
- Capital IQ
- Broker's reports
- Other publicly available information.

9.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to MEB and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to MEB, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with MEB or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

9.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by MEB and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by MEB through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of MEB.

This report has been prepared to assist the directors of MEB in advising the MEB Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the MEB Shareholders.

MEB has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by MEB, which MEB knew or should have known to be false and/or reliance on information, which was material information MEB had in its possession and which MEB knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. MEB will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

9.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be sent to MEB Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Discount rate

Introduction

We have assessed a range of nominal, post-tax WACC.

The WACC represents the average rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the fair value of the debt and equity capital provided.

We have used the a modified version of the CAPM, which is commonly used by practitioners to calculate the WACC of start-up companies, however we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the fair value of equity capital;
- D = the fair value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and specific risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while specific risk is the variability that relates to matters that are specific to the investment being valued.

The CAPM assumes that specific risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Accordingly, investors will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's equity beta. The equity beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

However, we note that the equity in an early stage company is often held by investors who are either completely invested in the company (founders) or only partially diversified (venture capitalists). As a result, these investors are likely to demand compensation for at least some of the firm specific risk. To account for this absence of diversification, we have modified the CAPM by replacing equity beta with total beta ("Modified CAPM"). Total beta captures all of the risk of being in a specific business, rather than just the systematic risk and is calculated by dividing the equity beta by the correlation of the investment with the market.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the non-diversifiable risk of an investment, the higher the beta of the investment.

The Modified CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic and firm specific risk, which is measured by multiplying the total beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the Modified CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_t (R_m - R_f)$$

Where:

- R_f = risk free rate
- B_t = expected total beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. We have observed the yield on the 10-year Australian Commonwealth Government Bond over several intervals from a period of 5 trading days to 10 trading years as set out in the table below:

Australia Government Debt - 10 Year				
as at	28 September 2014	Range		Daily average
Previous 5 trading days	3.14%	-	3.37%	3.27%
Previous 10 trading days	3.14%	-	3.37%	3.31%
Previous 20 trading days	3.14%	-	3.37%	3.29%
Previous 30 trading days	3.14%	-	4.02%	3.57%
Previous 60 trading days	3.14%	-	4.04%	3.66%
Previous 1 year trading	3.14%	-	4.26%	3.81%
Previous 2 years trading	2.84%	-	4.26%	3.59%
Previous 3 years trading	2.71%	-	4.58%	3.62%
Previous 5 years trading	2.71%	-	5.88%	4.47%
Previous 10 years trading	2.71%	-	6.79%	5.07%

Given the current volatility in the financial markets, we have placed more emphasis on the risk free rate observed over a longer period of time. Based on the above, we have adopted the risk free rate of 4.5%, which is based on the 5 year average yield on the 10 year Australian Government Bond.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a market risk premium of 6%.

We note that our adopted premium is consistent with the market risk premium used by regulatory authorities in Australia (such as the Australian Competition and Consumer Commission and all other state based regulators).

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this report, we have had regard to the observed betas (equity betas) of companies operating in the biotechnology sector. The nature of the technology being developed by Invatec makes comparability to other companies difficult. Hence we have focused on biotechnology companies operating in Australia and the USA.

Summarised below are the equity betas of biotechnology companies based on five years of monthly observations.

Company	Country	Market Cap \$million	Equity Beta ¹	Ungeared Beta	Regeared Beta	Correlation with market	Total beta
Tier 1 - Australian technology companies							
BioProspect Ltd.	Australia	11	2.24	1.95	1.95	0.13	15.51
Bionomics Ltd.	Australia	225	0.32	0.32	0.32	0.50	0.64
Clinuvet Pharmaceuticals Limited	Australia	204	0.46	0.46	0.46	0.18	2.59
Cellmid Limited	Australia	20	1.26	1.26	1.26	0.68	1.85
Mesoblast Limited	Australia	1,269	0.42	0.42	0.42	0.15	2.88
Sirtex Medical Limited	Australia	1,501	0.96	0.96	0.96	0.80	1.20
Benitec Biopharma Limited	Australia	72	1.70	1.69	1.69	0.43	3.97
Tissue Therapies Ltd.	Australia	79	2.08	2.08	2.08	0.25	8.43
Prima Biomed Ltd.	Australia	47	1.91	1.91	1.91	0.53	3.57
Patrys Limited	Australia	13	1.32	1.32	1.32	0.16	8.05
Tier 2 - US technology companies							
Visual Healthcare Corp.	United States	0	9.40	3.40	3.40	0.28	12.35
Vicor Technologies, Inc.	United States	0	(0.98)	NM	NM	0.69	NM
Mind Solutions, Inc.	United States	2	(8.43)	NM	NM	0.67	NM
American Diversified Holdings Corporation	United States	3	1.05	1.05	1.05	0.46	2.28
Robertson Global Health Solutions Corporation	United States	3	(1.95)	NM	NM	0.50	NM
Average (Tier 1 - Excluded unreliable betas)			1.40	1.35	1.35	0.51	4.46
Median (Tier 1 - Excluded unreliable betas)			1.48	1.48	1.48	0.52	2.71
Average (all)			0.54	1.40	1.40	0.42	5.28
Median (all)			0.96	1.29	1.29	0.46	2.88

Source: CapitalIQ and GTCF calculations

Note (1): Equity betas are calculated using data provided by CapitalIQ. The betas are based on a five-year period with monthly observations and have been degereared based on the average gearing ratio over five years.

Grant Thornton Corporate Finance has observed the betas of the biotechnology companies by reference to the local index of the comparable company.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparables, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise, and adjust for inclusion of firm specific risk to calculate total beta:

$$\beta_t = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right] \times R$$

Where:

- β_t = total beta
- β_a = Asset beta
- t = corporate tax rate
- R = correlation with market

The betas are de-gearred using the average gearing²⁷ level over the period in which the betas were observed and then re-gearred using a gearing ratio of 0% debt and 100% equity. The gearing ratio has been determined after considering the gearing levels of Invatec and the biotechnology companies.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured total betas of the listed broadly comparable companies provide useful benchmarks, the selection of a total equity beta requires a level of judgement.

For the purposes of this valuation, we have selected a total beta range of between 2.5 and 3.0 to calculate the required rate of return on equity capital for Invatec.

Capital Structure

When forming a view on the gearing ratio used to calculate the WACC, Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the return to shareholders after interest payments, and the ability of the businesses to raise external debt.

In determining the appropriate capital structure for the purpose of this report, we have had regard to Invatec's capital structure and the average gearing ratio of comparable companies.

For the purpose of the valuation of Invatec, Grant Thornton Corporate Finance has adopted a debt-to-enterprise ratio of 0% debt and 100% equity.

WACC

The assumptions described above can be summarised as follows.

WACC calculation	Low	High
Cost of equity		
Risk free rate	4.5%	4.5%
Beta	2.50	3.00
Market risk premium	6.0%	6.0%
Cost of equity	19.5%	22.5%
Capital structure		
Proportion of debt	0%	0%
Proportion of equity	100%	100%
WACC (post tax) (rounded)	19.5%	22.5%

Source: Calculations

²⁷ Gearing ratio represents Net debt/Market capitalisation

Appendix C – Glossary

A\$ or \$	Australian dollar
ASIC	Australian Securities and Investments Commission
Associated Shareholders	Mr Claude Solitario and Dr Stephen Addis
ASX	Australian Securities Exchange
ADR	American Depository Receipt
CAGR	Compound annual growth rate
CDC	Centre for Disease Control and Prevention
Company	Medibio Limited
Consideration Shares	The MEB Shares to be issued to the Invatec Shareholders, as the purchase consideration for all of the issued capital in the capital of Invatec.
Convertible Notes	Convertible Notes issued by MEB
Corporations Act	Corporations Act, 2001 (cth)
Consideration Shares	2,700,000,000 Shares to be issued to the Invatec shareholders (or at their direction), as the purchase consideration for all of the issued capital in the capital of Invatec
Consideration Shares	Shares in the Company to be issued to the Invatec shareholders as consideration under the Invatec SPA
Consultancy Agreement	The consultancy agreement between Dr Hans Stampfer and Invatec.
Consultancy Milestone Shares	Shares in the Company to be issued to Dr Hans Stampfer under the Consultancy Agreement on satisfaction of the Milestones
DCF	Discounted cash flow
EMH	Efficient Market Hypothesis
FSG	Financial Services Guide
FY/HY	Financial year/Half financial year
GFC	Global Financial Crisis
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
Heartlink	Heartlink Limited
HRV	Heart rate variability
Initial Placement	Capital raising of \$1 million placed on 6 October 2014
Invatec	Invatec Health Pty Limited
IP	Intellectual Property
LR	A listing rule of the Listing Rules of ASX Limited
Management	The management of MEB
MEB	Medibio Limited formerly known as Bioprospect Limited
Milestone Shares	The MEB shares to be issued to the Invatec shareholders following achievement of certain milestones
Non-Associated Shareholders	MEB Shareholders excluding the Associated Shareholders
Placement	Capital raising of up to \$3 million expected to occur following Proposed

	Transaction
Post consolidation	The issued capital of MEB immediately following the MEB share consolidation of MEB's share capital on a 1 for 100 basis
Pre consolidation	The issued capital of MEB immediately prior to the MEB share consolidation of MEB's share capital on a 1 for 100 basis
Proposed Transaction	The 100% acquisition of Invatec
Resolution	Resolution as defined in the Notice of Meeting
RG74	ASIC Regulatory Statement 74 "Acquisitions agreed to by shareholders"
RG 111	ASIC Regulatory Statement 111 "Content of expert reports"
RG 112	ASIC Regulatory Statement 112 "Independence of experts"
RG 170	ASIC Regulatory Statement 170, "Prospective financial information"
Stage One Option	The option whereby MEB was granted on 5 December 2013 a two year exclusive license to use and exploit Heartlink patents and other IP
Stage Two Option	The further option to extend MEB's exclusive license to use and exploit Heartlink patents and other IP by 25 years in consideration of shares in MEB of approximately 10%
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

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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.

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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

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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 C/ - PKF Lawler Level 8, No.1 O'Connell Street, Sydney NSW 2000 on Friday, 6 March 2015 at 10:30am (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.

SPECIAL BUSINESS		For	Against	Abstain
Item 1	Acquisition of Invatec Health Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	Issue of Consideration Shares and Milestone Shares to Invatec Shareholders other than the Associated Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Issue of Consideration Shares and Milestone Shares to the Associated Shareholders and increase in relevant interest in MEB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Acquisition of a substantial asset from a related party	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Issue of securities to the Unrelated Series A Noteholder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	Issue of securities to Pitt Street Absolute Return Fund (a related party)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7	Issue of securities to Unrelated Series B Noteholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8	Issue of securities to Pitt Street Absolute Return Fund (a related party)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 9	Issue of securities to Kafta Enterprises (a related party)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 10	Consolidation of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 11	Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 12	Issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 13	Appointment of Christopher Charles Indermaur as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 14	Issue of Options to James Campbell (or nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 15	Approval of Performance Rights Plan (PRP) and issue of securities under the PRP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 16	Issue of Shares to Mr Christopher Charles Indermaur	<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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Computershare +