
NUSEP HOLDINGS LIMITED

ACN 120 047 556

NOTICE OF ANNUAL GENERAL MEETING

TAKE NOTICE that the Annual General Meeting of Shareholders of the Company will be held at the time, date and place specified below:

Time: 10.30am

Date: 19 December 2014

Place: 30 Richmond Road, Homebush

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive the Financial Statements, Directors' Report and Auditor's Report for the Company and its controlled entities for the year ended 30 June 2014.

1. Resolution 1: Adoption of the Remuneration Report

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

"That, the Company adopt the Remuneration Report for the year ended 30 June 2014 in accordance with Section 250R(2) of the Corporations Act."

Note: This resolution is advisory only and does not bind the Company or the Directors.

Voting Prohibition Statement:

In accordance with section 250R(4) of the Act, no member of the key management personnel of the Company or a closely related party of such a member may vote on Resolution 1.

However, in accordance with the Act, a person described above may vote on Resolution 1 if:

- It is cast by such person as proxy for a person who is permitted to vote, in accordance with the direction specified on the proxy form how to vote; or*
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with an express direction specified on the proxy form to vote as the proxy decides.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution 1, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of Resolution 1.

2. Resolution 2: Amendment and approval of the Employee Share Option Plan

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

*"That the Company's Employee Share Option Plan (**Plan**), the rules of which are summarised in Explanatory Memorandum to this Notice of General Meeting, be:*

- (a) amended as necessary to give effect to the summary of proposed changes set out in the Explanatory Notes to this Notice of General Meeting; and*
- (b) approved for all purposes, including as set out in the Explanatory Notes to this Notice of General Meeting:*
 - (i) for the purpose of section 260C(4) of the Corporations Act;*
 - (ii) for the purpose of section 259B(2) of the Corporations Act; and*
 - (iii) for the purpose of ASX Listing Rule 7.2 Exception 9 as an exception to ASX Listing Rule 7.1.*

Voting Prohibition Statement:

Company will disregard any votes cast on this Resolution by the Directors of the Company and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:*
 - (i) a member of the Key Management Personnel; or*
 - (ii) a Closely Related Party of such a member; and*
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.*

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and*

- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

3. Resolution 3: Grant of Long Term Incentives to the Executive Chairman

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That any acquisition by Ms Alison Coutts, Executive Chairman of the Company, of ordinary shares and options to acquire ordinary shares, the terms of which are summarised in Item B of the Explanatory Notes to this Notice of General Meeting and pursuant to the terms of the Employee Share Option Plan as amended by Resolution 2 is approved for all purposes, including for the purpose of ASX Listing Rule 10.14.

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Alison Coutts or any associate of Alison Coutts, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Alison Coutts or any associate of Alison Coutts.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

4. Resolution 4: Re-election of Director – Mr Andrew Goodall

Mr Andrew Goodall retires as a Director in accordance with the requirement of the ASX Listing Rules. Being eligible, he offers himself for re-election.

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, Mr Andrew Goodall, who is retiring in accordance with the ASX Listing Rules, and who offers himself for re-election, is re-elected as a Director of the Company.”

5. Resolution 5: Election of Director – Mr Michael Graham

Mr Michael Graham retires as a Director in accordance with the requirement of clause 64(b) of the Constitution. Being eligible, he offers himself for re-election.

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, Mr Michael Graham, who is retiring in accordance with the Constitution, and who offers himself for re-election, is re-elected as a Director of the Company.”

6. Resolution 6: Election of Director – Mr Mark Gell

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, Mr Mark Gell, who is retiring in accordance with the Constitution, and who offers himself for re-election, is re-elected as a Director of the Company.”

7. Resolution 7: Approval of 10% Placement Facility

To consider, and if thought fit, pass as a **special** resolution, with or without amendment, the following:

“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”

Voting Prohibition Statement

The Company will disregard any votes cast on the Resolution by a person, or any associate of that person, who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Resolution 8: Ratification of Prior Share Allotment

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the ratification of the prior issue on 19 February 2014 of 6,338,028 fully paid ordinary Shares at an issue price of \$0.071 per share, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

Any person who participated in the issue of the Shares, or any associate of any person who participated in the issue of the Shares, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by any person who participated in the issue of the Shares, or any associate of any person who participated in the issue of the Shares.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- It is cast by the Chairman 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.

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

9. Resolution 9: Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 18,400,174 fully paid ordinary Shares to sophisticated investors at \$0.065 per share on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

Any person who may participate in the issue of the Shares, or any associate of any person who may participate in the issue of the Shares, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by any person who participated in the issue of the Shares, or any associate of any person who participated in the issue of the Shares.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- It is cast by the Chairman 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.

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

10. Resolution 10: Issue of Options to Ms Chang Seow Ying Alison

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 7.1, and for all other purposes, approval is given for the Company to issue and allot 1,000,000 Options to Ms Chang Seow Ying Alison, or her nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

Chang Seow Ying, or any associate of Chang Seow Ying, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Chang Seow Ying, or any associate of Chang Seow Ying.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- It is cast by the Chairman 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.

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

11. Resolution 11: Issue of Shares to Mr Clifford Eu

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 7.1, and for all other purposes, approval is given for the Company to issue and allot 46,863 Shares to Mr Clifford Eu, or his nominee, the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

Clifford Eu or any associate of Clifford Eu, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Clifford Eu or any associate of Clifford Eu.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

12. Resolution 12: Issue of Shares to Related Parties

Resolution 12(a)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 259,528 Shares to Ms Alison Coutts, or her nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Alison Coutts or any associate of Alison Coutts, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Alison Coutts or any associate of Alison Coutts.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 12(b)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 656,803 Shares to Mr Andrew Ernest Goodall, or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 12(c)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 340,499 Shares to The Andrew Ernest Goodall - Goodall Family Super Fund, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 12(d)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 20,018 Shares to The Andrew Ernest Goodall - Goodall Family Super Fund, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 12(e)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 636,894 Shares to Mr Andrew Ernest Goodall, or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 12(f)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, subject to the passing of Resolution 7, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 634,884 Shares to Mr Andrew Ernest Goodall, or his nominee, under the terms of the Convertible Note Agreement.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

13. Resolution 13: Issue of Options to Related Parties

Resolution 13(a)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 2,000,000 Options to Ti Rakau Developments Ltd, or its nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 13(b)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 1,125,000 Options to Mr Andrew Ernest Goodall, or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 13(c)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, subject to the passing of Resolution 7, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001, and for all other purposes, approval is given for the Directors to issue 3,500,000 Options to Mr Andrew Ernest Goodall, or his nominee, under the terms of the Convertible Note Agreement.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

14. Resolution 14: Issue of Convertible Notes to Related Parties

Resolution 14(a)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001, and for all other purposes, Shareholders approve the issue of Shares in consideration for the conversion of a Convertible Note, with face value of NZ\$1,400,000 (AUD\$1,260,000) to Mr Andrew Ernest Goodall on the terms and conditions summarised in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 14(b)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001, and for all other purposes, Shareholders approve the issue of a Convertible Note, with face value of AUD\$250,000 to Mr Andrew Ernest Goodall on the terms and conditions summarised in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 14(c)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001, and for all other purposes, Shareholders approve the issue of a Convertible Note, with face value of AUD\$500,000 to Mr Andrew Ernest Goodall on the terms and conditions summarised in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

Resolution 14(d)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001, and for all other purposes, Shareholders approve the issue of a Convertible Note, with face value of NZ\$1,919,859 (AUD\$ 1,727,873) to Ti Rakau Developments Ltd on the terms and conditions summarised in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with section 224 of the Act and the ASX Listing Rules Andrew Goodall or any associate of Andrew Goodall, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by Andrew Goodall or any associate of Andrew Goodall.

However, the Company will not disregard a vote if:

- It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

15. Resolution 15: Issue of Convertible Notes

Resolution 15(a)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, Shareholders approve the issue of a Convertible Note, with face value of SG\$432,241 (AUD\$ 387,765) to Ms Chang Seow Ying Alison on the terms and conditions summarised in the Explanatory Memorandum.”

Resolution 15(b)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, Shareholders approve the issue of a Convertible Note, with face value of AUD\$87,198.37 to Mr John Manusu on the terms and conditions summarised in the Explanatory Memorandum.”

Voting Prohibition Statement:

Any person who may participate in the issue of the Notes, or any associate of any person who may participate in the issue of the Notes, is prohibited from voting on the Resolution and the Company will disregard any votes cast on the Resolution by any person who participated in the issue of the Notes, or any associate of any person who participated in the issue of the Notes.

However, the Company will not disregard a vote if:

- *It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or*
- *It is cast by the Chairman 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.*

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of the Resolution.

16. Resolution 16: Removal and Appointment of Auditor

A notice pursuant to section 329(1A) of the Corporations Act 2001 was received from Mr. Andrew Goodall, a shareholder with a substantial holding exceeding 5%, requesting the Company consider removing the Auditor. ESV Accounting and Business Advisors has been nominated pursuant to section 328B of the Corporations Act 2001 as a replacement for the current Auditors, by Mr. Andrew Goodall.

Resolution 16(a)

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That, pursuant to section 329 of the Corporations Act 2001, and for all other purposes, KPMG be removed as Auditor of the Company effective from the date of this Meeting.”

Resolution 16(b)

To consider, and if thought fit, pass as **special** resolution, with or without amendment, the following:

“That subject to passing Resolution 11(a), ESV Accounting and Business Advisors having been duly nominated in accordance with section 328B(1) of the Corporations Act 2001, be appointed as Auditor of the Company.”

Dated: 19 November 2014

By Order of the Board



Elissa Hansen
Company Secretary

NOTES

1. Explanatory Memorandum

The Explanatory Memorandum and the annexure accompanying this Notice of Annual General Meeting are incorporated in and comprise part of this Notice of Annual General Meeting and should be read in conjunction with this Notice of Annual General Meeting.

2. Who may vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company (as convenor of the Meeting) has determined that a person's entitlement to attend and vote at the Meeting will be those persons set out in the register of Shareholders as at 7.00pm on 17 December 2014. This means that any Shareholder registered at 7.00pm on 17 December 2014 is entitled to attend and vote at the Meeting.

3. Proxies

A Shareholder entitled to attend this Meeting and vote, is entitled to appoint a proxy to attend and vote on behalf of that Shareholder at the Meeting.

- (a) A proxy need not be a Shareholder.
- (b) If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes held by that Shareholder.
- (c) If the Shareholder appoints only one proxy, that proxy is entitled to vote on a show of hands. If a Shareholder appoints two proxies, only one proxy is entitled to vote on a show of hands.
- (d) Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.
- (e) A Proxy Form accompanies this Notice.
- (f) Unless the Shareholder specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit, or abstain from voting.
- (g) If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.
- (h) The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised officer or attorney of the corporation or otherwise signed in accordance with the Corporations Act.
- (i) If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.
- (j) The Proxy Form (together with any relevant authority) must be received by no later than 10.30 am on 17 December 2014 before the time scheduled for the commencement of the meeting (or any adjournment of that meeting).
- (k) The completed Proxy Form may be:
 - Mailed to the address on the Proxy Form; or
 - Faxed to NuSep Holdings Limited, Attention Company Secretary, on facsimile number +61 2 9290 9655.

4. Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority must be sent to the Company and/or registry at least 24 hours in advance of the Meeting.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of the Notice convening the Annual General Meeting of Shareholder of NuSep Holdings Limited (**Company**) to be held at 10.30 am on 19 December 2014 at NuSep's offices at 30 Richmond Road, Homebush NSW.

This Explanatory Memorandum is to assist Shareholders in understanding the background to, and the legal and other implications of, the Notice and the reasons for the proposed resolutions. Both documents should be read in their entirety and in conjunction with each other.

Explanatory Memorandum to the Resolutions

Resolution 1: Remuneration Report

The Corporations Act requires that at a listed Company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors of the Company.

The Remuneration Report sets out the Company's remuneration arrangements for Key Management Personnel of the Company. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ending 30 June 2014. A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Voting consequences

Under the Corporations Act, if at least 25% of the votes cast on a Remuneration Report resolution are voted against the adoption of the Remuneration Report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of Directors of the Company at the second annual general meeting (Spill Resolution).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (Spill Meeting) within 90 days of the second annual general meeting. All of the Directors of the Company who were in office when the Directors' Report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the Executive Directors of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as Directors of the Company is approved by the Shareholders will be the Directors of the Company.

At the Company's previous annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

Voting Restrictions

Members of the Key Management Personnel and their proxies and Closely Related Parties are restricted from voting on a resolution put to Shareholders that the Remuneration Report of the Company be adopted. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

The Voting Restriction does not apply where:

- (a) The Chairman or any other member of the Key Management Personnel is appointed in writing (by a Shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with specific instructions on how to vote on a resolution to adopt the Remuneration Report of the Company; or
- (b) the Chairman is appointed in writing (by a Shareholder who is not Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with no specific instructions on how to vote on a non-binding shareholder vote on remuneration, where the Shareholder provides express authorisation for the Chairman to do so.

Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the resolutions of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

Resolution 2: Amendment and Approval of Employee Share Plan

The Board asks Shareholders to approve changes to the terms of the Plan in order to provide a simplified system of long term incentives which more effectively align the economic interests of the Company's executives and senior employees with the interests of Shareholders, as described below.

Summary of Amended Plan Rules

This is a summary of the proposed amended terms of the Plan. Shareholders may request a copy of the Plan by a request in writing to the Company Secretary.

All permanent employees of the Company or any of its subsidiaries, or their associate, are eligible to participate, upon invitation of the Board.

Subject to the discretion of the Board, eligible employees or their associates may be granted Options over ordinary Shares in the Company. Any ordinary Shares acquired through exercise of Options, will be restricted from trading as determined by the Board.

The Board may determine the terms of issue of any Options issued. The terms of issue may include:

- The number of Options;
- The exercise price;
- The exercise period;
- The expiry date;
- The details of any loan advanced by the Company to an offeree for the acquisition of the Shares;
- Vesting conditions (including performance requirements and service tenure);
- Determining eligibility to participate; and
- Other conditions it may choose to impose.

The specific terms may also include performance hurdles, which may stipulate that some or all of the granted Options may lapse in certain specified circumstances.

If employees leave the Company for any reason, the Plan determines whether they leave as a Good Leaver or a Bad Leaver.

The directors may accelerate the exercise date of any Options and determine that outstanding Options will lapse at that time or upon the occurrence of a specified event.

Participants may exercise their Options when their specific Options become exercisable in accordance with their terms of issue.

On any capital reorganisation of the Company prior to the exercise of the then outstanding Options, the terms of such Options are to be reconstructed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

Where an entity announcing its intention to make an offer to acquire the shares in the Company under Part 6.3 or 6.4 of the Corporations Act the Board may determine in its absolute discretion that a relevant Exercise Condition has been met or waived.

On the exercise of Options, the Company will either issue, in the name of the Participant, and/or purchase on market for the holder, the number of Shares required by the terms of the exercise, plus an additional number of such Shares equal to the number of Shares which the holder would have received in any bonus issue (if the Options had been exercised before the record date for the bonus issue).

The Plan is not a contract of employment and confers no rights on termination of employment or otherwise that is not expressly set out.

The Plan is administered by the Board, which has the power to determine any questions regarding the Plan, and to amend it subject to any requirements of the Corporations Act 2001 or the Listing Rules of the ASX. The Board may terminate the Plan at any time.

If a Participant ceases employment with the Company, then the retention of the Options granted to that Participant will be determined by whether the Participant is a Good Leaver or a Bad Leaver.

Shareholder approval

Shareholder approval by ordinary resolution is sought for the implementation of the New Plan in compliance with the following laws and regulations.

- Exemption for financial assistance: Section 260C(4) of the Corporations Act requires shareholder approval by ordinary resolution in order to access the special exemption from the prohibition on a company financially assisting the acquisition of Shares in itself under s 260A of the Act. In this case, the proposed loan to Participants to fund the acquisition of ordinary Shares constitutes financial assistance. The special exemption is available where the assistance is given under an employee share scheme that has been approved at a general meeting of the company.
- Exemption for security over own Shares: Section 259B(2) of the Corporations Act requires shareholder approval by ordinary resolution in order to access the exemption from the prohibition on a company taking security over Shares in itself under s 259B(1) of the Act. In this case, the proposed mortgage over the ordinary Shares issued to Participants constitutes such a security. The exemption is available where the security is taken under an employee share scheme that has been approved at a general meeting of the company.
- Exemption for >15% issue of capital: ASX Listing Rule 7.1 requires shareholder approval by ordinary resolution for an issue of equity securities if, over a 12 month period, the amount of equity securities issued is more than 15% of the number of ordinary Shares on issue at the start of that 12 month period. However, ASX Listing Rule 7.2 Exception 9 provides that an issue under an employee incentive scheme (such as the ESOP) is exempted from the 15% limit if shareholders approve the issue of securities under an employee incentive scheme as an exception to Listing Rule 7.1 no more than three years before the date of issue.
- ASX Listing Rule 7.1 Exception 9 also requires shareholders to be informed of the number of securities issued under the relevant employee incentive scheme since the date of the last approval. Accordingly, 1,500,000 Options were issued under the original ESOP but have lapsed without being exercised. There are no other options under the ESOP outstanding.
- Exemption for retirement benefits: Section 200B of the Corporations Act requires shareholder approval by ordinary resolution, and in accordance with the special provisions of s 200E of the Act, in order to access the exemption from the prohibition on a company giving a person a benefit in connection with that person's retirement from an office or position of employment in that company where that person is, or was in the three years prior to his or her retirement, in a managerial or executive office in that company. Section 200E(2) requires that the details of the benefit, the manner of calculation of the value of that benefit, and any relevant factors likely to affect that value be set out in this notice of meeting.
- In this case, the details of benefits which may accrue to Participants upon retirement and relevant factors affecting the value of those benefits are described above in this Item A. These include:
 - the lifting of trading restrictions on ordinary Shares acquired by Participants under the plan;
 - the acceleration, at the Board's discretion, of the vesting of any unvested Options remaining at the time of a Participant's retirement; and
 - the treatment, at the Board's discretion, of any Participant who would otherwise be classified as a Bad Leaver as a Good Leaver.

Where the vesting of unvested Options is accelerated, the value of the benefit will be calculated by reference to the value of the Options which would otherwise have been forfeited by the relevant Participant. Where any Participant is reclassified as a Good Leaver rather than a Bad Leaver, the value of the benefit will be calculated by reference to the value of all vested and unvested Options which have not yet been exercised and would otherwise have been forfeited by that Participant at the time of retirement.

The Board regards the above exemptions as correct and appropriate to the implementation of the Plan.

Resolution 3: Grant of Long Term Incentives to the Executive Chairman

Shareholders are asked separately to approve the grant of long term incentives consisting of Options to acquire ordinary Shares to Ms Alison Coutts, the Executive Chairman (and a director) of the Company, for the purposes of the ASX Listing Rules. Ms Coutts was appointed Executive Chairman on 29 November 2013, and has been an executive Director of the Company since 29 November 2013.

The Board proposes that the Company offer Ms Alison Coutts or her associate be granted Options in the Company in three (3) series:

- a series with an exercise price of 1.45 x 7 cents (i.e, \$0.1015) (**1st Series**);
- a series with an exercise price of \$0.1015 (**2nd Series**);
- a series with an exercise price of \$0.1015 (**3rd Series**).

The Options in each series will be granted up front and then vest in equal instalments as described below. These Options will be non-transferable.

Term	Description
Number of Options	3,600,000
Conversion	On exercise, each Option gives the holder the right to be issued one ordinary share.
Exercise price	\$0.1015 per Option.
Exercise condition	Vesting and payment of the exercise price.
Vesting	KPI's and performance hurdles to be finalised.
Expiry	Options expire as follows: <ul style="list-style-type: none">• 1,200,000 Options expire on 5 December 2015;• 1,200,000 Options expire on 5 December 2016; and• 1,200,000 Options expire on 5 December 2017.
Forfeiture	Unvested Options are automatically forfeited if holder is a Bad Leaver
Dividends & distributions	No dividend or distribution rights.
Reconstruction	Options will be reconstructed to reflect any split, consolidation or other adjustment to underlying ordinary Shares (eg. as a result of a reduction in capital), in compliance with the relevant provisions of the ASX Listing Rules including Listing Rule 7.22.
Valuation:	In accordance with Accounting Standard AASB 2 "Share Based payments", the Board commissioned an independent valuation from Sydney Capital Partners for the Options proposed to be issued to Ms Alison Coutts The valuation did not consider the KPI and vesting period hurdles which must be met in order for the options to be granted. The valuation may therefore change when these factors are taken into account. Key assumptions used in the valuation were as follows:

	Tranche 1	Tranche 2	Tranche 3
Estimated Value per Option (average):	\$0.043	\$0.042	\$0.041
Estimated Income Statement cost:	\$51,995	\$40,726	\$49,486
Valuation Assumptions (as at 13 October 2014)			
Risk Free Rate (weighted average)	2.50%	Derived from the Interest Rates Swaps and Treasury Bond Rates of appropriate term, as at the valuation date, continuously compounded.	
Stock Volatility (weighted average)	92.78%	Based on rolling historical standard deviation of appropriate term using daily closing NSP share prices	
Share price	\$0.08	Closing NSP share price on valuation date.	
Exercise Price	\$0.1015		

Dividend Yield	0%	Annualised Dividend Yield on historical dividends paid during the 36 months prior to the valuation date.
Expected Life (Number of days: weighted average)	1095	

Shareholder approval

ASX Listing Rule 10.14 prohibits the acquisition of securities by a director or an associate of the director under an employee incentive scheme without the approval of ordinary holders of securities of the acquisition.

Resolution 4: Re-election of Mr Andrew Goodall

In accordance with the ASX Listing Rules, the Company must hold an election of Directors at each Annual General Meeting. Mr Andrew Goodall retires and, being eligible, wishes to stand for re-election in accordance with the Company's Constitution. Mr Goodall was appointed as a Director of the Company on 14 March 2012.

Mr Goodall has been a significant shareholder in the Company for a number of years. In addition he is also the Company's largest shareholder. Mr Goodall brings a wealth of commercial experience to the Board. Mr Goodall has extensive experiences in Commercial Property Investment, running successful companies in Australia and New Zealand.

The Directors (excluding Mr Goodall) unanimously recommend that the Shareholders vote in favour of the Resolution.

Resolution 5: Election of Mr Michael Graham

Clause 64(b) of the Company's Constitution provides that any Director appointed to fill a casual vacancy shall be eligible for election as a Director at the next following annual general meeting. Mr Michael Graham was appointed as a Director on 10 September 2014.

Mr Graham brings a wealth of experience to the Company. He has been involved in a number of commercial ventures over the term of his career. Originally qualifying as a Company Secretary, Mr. Graham has worked in mining, retail and services for much of his career. Mr. Graham spent 10 years working in the UK, US and Australia in Marketing Services in a division of WPP the global marketing communication group. Since 2010 Mr Graham has been the CEO of Mercurien Pty Ltd a technology company focused on telemetry for motor vehicles. Mr. Graham holds a Bachelor of Arts from the University of Queensland and a Post-graduate Diploma in Management from the QUT.

The Directors (excluding Mr Graham) unanimously recommend that the Shareholders vote in favour of the Resolution.

Resolution 6: Appointment of Mr Mark Gell as Director

Clause 64(b) of the Company's Constitution provides that any Director appointed to fill a casual vacancy shall be eligible for election as a Director at the next following annual general meeting. Mr Michael Graham was appointed as a Director on 15 October 2014.

Mr Gell has over 30 years experience in both the public and private sectors in Australia and internationally, He provides knowledgeable and pragmatic counsel on matters ranging from capital markets and strategy to corporate and issues management. Mr. Gell has extensive capital markets experience, having managed the equity markets function for a number of top 50 Australian companies, with involvement in over \$20 billion of transactions. He was also a Director and past Chairman of the Australasian Investor Relations Association.

His corporate experience includes senior positions at Citibank, Australian National Industries, TNT, Boral, Telstra, OneSteel and Lend Lease, where he held international responsibilities. He has also advised international companies such as Thomson CSF, Hawker Siddeley and Lyonnaise des Eaux. He currently advises a number of companies across the industrial, technology, bio-tech, property, education and services sectors.

Mr. Gell has an Economics degree from the University of Sydney, an EMBA from the Australian Graduate School of Management and also holds company director qualifications from the Australian Institute of Company Directors.

The Directors (excluding Mr Gell) unanimously recommend that the Shareholders vote in favour of the Resolution.

Resolution 7: Approval of 10% Placement Facility

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the AGM (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity. The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer below).

The Directors of the Company believe that the Resolution is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

Description of Listing Rule 7.1A

a) Shareholder approval:

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

b) Equity Securities:

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The classes of equity security of the Company at the date of the Notice are ordinary Shares and unlisted Options.

c) Formula for calculating 10% Placement Facility:

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is:

- the number of Shares on issue 12 months before the date of issue or agreement;
- plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid Shares that became fully paid in the 12 months;
- plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- less the number of fully paid Shares cancelled in the 12 months.

Note, that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

d) Listing Rule 7.1 and Listing Rule 7.1A:

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 171,259,376 Shares. At present, the Company has a capacity to issue a remaining 18,350,174 Equity Securities under Listing Rule 7.1.

e) Minimum Issue Price:

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in the relevant class were recorded immediately before:

- (a) the date on which the price at which the Equity Securities are to be issued is agreed; or

- (b) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

f) 10% Placement Period:

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (b) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX (10% Placement Period).

Listing Rule 7.1A

The effect of the Resolution will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

The Resolution is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in the relevant class were recorded immediately before:
 - i. the date on which the price at which the Equity Securities are to be issued is agreed; or
 - ii. if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If the Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:
 - i. the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date Shareholders provide their approval at the Annual General Meeting; and
 - ii. the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- (a) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue to all Shareholders) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' Meeting; and
- (b) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable A in Listing Rule 7.1.A.2		Dilution		
		0.04 50% decrease in Issue Price	0.08 Issue Price	0.16 100% increase in Issue Price
Current Variable A 171,259,377 Shares	10% Voting Dilution	17,125,938	17,125,938	17,125,938
	Funds Raised	\$685,038	\$1,370,075	\$2,740,150
50% increase in current Variable A 256,889,066 Shares	10% Voting Dilution	25,688,907	25,688,907	25,688,907
	Funds Raised	\$1,027,556	\$2,055,113	\$4,110,225
100% increase in current Variable A 342,518,754 Shares	10% Voting Dilution	34,251,875	34,251,875	34,251,875
	Funds Raised	\$1,370,075	\$2,740,150	\$5,480,300

The table has been prepared on the following assumptions:

- (a) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (b) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (c) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
- (d) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% Placement capacity under Listing Rule 7.1.
- (e) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- (f) The issue price is \$0.08, being the closing price of the Shares on ASX on 6 October 2014.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement period. The approval under the Resolution for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
 - i. non-cash consideration for the acquisition of the new business assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - ii. cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new business assets or investments (including expenses associated with such acquisition) and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A4 and 3.10.5A upon issue of any Equity Securities.
- (e) The Company's allocation policy will depend on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.

The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

 - i. the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing Shareholders can participate;
 - ii. the effect the issue of the Equity Securities might have on the control of the Company;
 - iii. the financial situation and solvency of the Company; and
 - iv. advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

If the Company were to acquire an asset or investment in exchange for Shares, it is likely that the allottee under the 0% Placement Facility would be the vendor of the asset or investment.

- (f) This is the first occasion on which Shareholder approval has been sought under Listing Rule 7.1A. The total number of equity securities issued in the 12 months preceding the date of the meeting is 6,338,028 ordinary Shares, issued on 19 February 2014 at 7.10 cents per share for working capital purposes.
- (g) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The Directors unanimously recommend that Shareholders vote in favour of the Resolution. .

Resolution 8: Ratification of Prior Share Allotment

On 19 February 2014 6,338,028 fully paid ordinary Shares were issued to professional and sophisticated investors at an issue price of \$0.071 per Share, for working capital purposes.

In accordance with Listing Rule 7.1 and Listing Rule 7.4, to restore the Company's capacity to issue Shares it is proposed that Shareholders ratify the issues of ordinary Shares as detailed below.

The following information is provided in accordance with Listing Rule 7.5:

- (a) Maximum number of securities issued:
6,338,028 fully paid ordinary Shares.
- (b) Date on which securities were issued:
The Shares were issued and allotted on 19 February 2014
- (c) Issue price of securities:
The Shares were issued for \$0.071 per share.
- (d) Allottees of the securities:
The allottees of the Shares were professional and sophisticated investors procured by the Company.
- (e) Terms of securities:
The Shares, when issued, ranked equally with all other Shares on issue at the time and had the same rights and entitlements as the currently issued Shares.
- (f) The intended use of the funds:
The funds raised by the issue of the Shares were used to replenish the working capital base of the Company.

Resolution 9: Approval of Placement

Resolution 9 seeks Shareholder approval for the allotment and issue of 18,400,174 fully paid ordinary Shares to sophisticated investors at \$0.065 per share for a total of \$1,196,011.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equities during any 12 month period than the amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of the Resolution 9 will be to allow the Company to issue the Shares pursuant to the Placement without using the Company's 15% annual placement capacity.

The possible dilution effect of the issue of Shares under Item 9 for the Placement, assuming all other Resolutions put to Shareholders at this meeting are passed would be 10.01%

(a) Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) The maximum number of securities to be issued is 18,400,174 fully paid ordinary Shares;
- (b) The issue and allotment of the Shares will occur as soon as practical but no later than one month after the date of this General Meeting or such later time as deemed appropriate by an ASX waiver;
- (c) The price the Shares are to be issued at or around \$0.065;
- (c) The Directors will determine to whom the securities will be issued;
- (e) The Shares issued will be fully paid ordinary Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) A voting exclusion statement is included in the Notice of Meeting;
- (g) The funds raised from the placement will be used for working capital purposes.

The Board recommends that Shareholders vote in favour of Item 9.

Resolution 10: Issue of Options to Ms Chang Seow Ying Alison

Resolution 10 seeks approval from Shareholders under ASX Listing Rule 7.1 for the issue of 1,000,000 unlisted Options to purchase Shares in the Company at an exercise price of 11.2 cents each expiring 20 January 2016 to Ms Chang Seow Ying Alison.

The resolution issues Options in accordance with a term of the Loan Agreement between the Company and Ms Chang Seow Ying Alison, entered into for the sum of SGD350,000 on 22 July 2013, expiring 31 July 2015. The Loan Agreement contains a clause to issue and allot 1,000,000 Options at an exercise price of 11.2 cents per share (being 150% of 5 day VWAP prior to 20 Jan 2014), expiring 24 months from issue.

Ms Chang Seow Ying Alison currently holds 2,360,855 Shares, representing approximately 1.4% of the total Company Shares on issue. If the Options are granted and any or all of the Options are exercised, dilution of existing Shareholders will occur. The total number of Company Shares on issue is 171,259,377 shares. If 100% of the 1,000,000 Options were exercised the dilution effect will be approximately 0.6% (1,000,000 shares divided by the expanded capital base of 172,884,377 shares).

If 100% of the 1,000,000 Options were exercised, Ms Chang Seow Ying Alison will hold 3,360,855 Shares, representing approximately 1.9% of the total Company Shares on issue.

The Directors unanimously recommend that Shareholders vote in favour of the Resolution.

Resolution 11: Issue of Shares to Mr Clifford Eu

Resolution 11 seeks approval from Shareholders under ASX Listing Rule 7.1 for the issue of 46,863 ordinary Shares to Mr Clifford Eu. Mr Clifford Eu is a former Director of the Company who resigned on 29 November 2013.

Mr Eu currently holds 13,695,453 Shares, representing 7.99% of the total Company Shares on issue. Should Shareholders approve the allotment, Mr Eu will hold a total of 13,742,316 Shares in the Company, representing 8% of the total Company Shares on issue. The resolution converts unpaid monies into Shares. Mr Eu has agreed, subject to shareholder approval, to convert \$3,438 of his unpaid director fees into Shares, at 7.3363 cents per share. The amount of 7.3363 cents per share was chosen as it was the 5 day VWAP of Company Shares before 10 January 2014, being the date the Company Board resolved that the unpaid monies would be converted into Shares, subject to Shareholder approval. The Directors unanimously recommend that Shareholders vote in favour of the Resolution.

Resolution 12: Issue of Shares to Related Parties

Resolutions 12 (a) to (f) seek approval from Shareholders for the issue of Shares to Ms Alison Coutts, Mr Andrew Ernest Goodall, and entities associated with Mr Andrew Ernest Goodall. Ms Alison Coutts, Mr Andrew Ernest Goodall are Directors of the Company.

Approval of Shareholders is sought for the purposes of Chapter 2E of the Corporations Act 2001 and Listing Rule 10.11.

ASX Listing Rule 7.2 exception 14 provides that the issue of securities in accordance with Listing Rule 10.11 will be treated as having been made with Shareholder approval for the purposes of ASX Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 10.13 and for the purposes of Chapter 2E of the Corporations Act.

The related party	<ul style="list-style-type: none"> a) Ms Alison Coutts b) Mr Andrew Ernest Goodall c) The Andrew Ernest Goodall - Goodall Family Super Fund d) The Andrew Ernest Goodall - Goodall Family Super Fund e) Mr Andrew Ernest Goodall f) Mr Andrew Ernest Goodall
Proposed Financial Benefit	<ul style="list-style-type: none"> a) 259,528 Shares to Ms Alison Coutts or her nominee b) 656,803 Shares to Mr Andrew Ernest Goodall or his nominee c) 340,499 Shares to The Andrew Ernest Goodall - Goodall Family Super Fund d) 20,018 Shares to The Andrew Ernest Goodall - Goodall Family Super Fund e) 636,894 Shares to Mr Andrew Ernest Goodall or his nominee f) 634,884 Shares to Mr Andrew Ernest Goodall or his nominee
Consideration	<ul style="list-style-type: none"> a) The Resolution converts \$17,500 in unpaid salary into Shares at 6.743 cents per share. The amount of 6.743 cents per share was chosen as it was the VWAP of Company Shares for the period 10 February 2014 to 30 June 2024, being the period in 2014 where Ms Coutts was in the position of Executive Chairman. b) The Resolution converts \$48,185.05 of interest payable on historical loans to the Company into Shares at 7.3363 cents per share. The amount of 7.3363 cents per share was chosen as it was the 5 day VWAP of Company Shares before 10 January 2014, being the date the Company Board resolved that the interest on the loan would be converted into Shares, subject to Shareholder approval. c) The Resolution converts a loan to the Company of A\$24,980 into shares at 7.3363 cents per share. The loan, made on 14/07/2014 accrues an interest rate of 14% per annum and the maturity date is on the 31 July 2015. d) The Resolution converts interest of \$1,468.61 on the loan of A\$24,980 into Shares at 7.3363 cents per share. e) The Resolution converts interest of \$41,079.65 on the Convertible Note Agreement (subject to shareholder approval) into Shares at the Conversion Price under the Convertible Note Agreement of 6.45 cents per share. f) The Resolution converts \$40,950 payable under the Convertible Note Agreement (subject to shareholder approval) into Shares at the Conversion Price under the Convertible Note Agreement of 6.45 cents per share.
Reasons for Grant and for giving a Financial Benefit	<p>The purpose of the grant of Shares is to preserve the cash reserves of the Company.</p> <p>The Directors (excluding the related parties) believe that the grant of Shares is appropriate and reasonable in the circumstances because the Company is in a growth phase of its development and wishes to utilise funds to progress commercialisation of its IP. In addition the Company needs to attract high calibre individuals with the necessary experience and qualifications.</p>
Reasons for the specific number of Shares	<ul style="list-style-type: none"> a) The Resolution converts unpaid salary into Shares at the volume weighted average price of Shares traded from 10 February to 30 June 2014. b) The Resolution converts interest payable on historical loans to the Company into Shares. c) The Resolution converts a loan to the Company into Shares. d) The Resolution converts interest payable on a historical loan to the Company into Shares. e) The Resolution converts interest payable on the Convertible Note Agreement (subject to shareholder approval) into Shares at the Conversion Price under the Convertible Note Agreement of 6.45 cents per share. f) The Resolution converts an amount payable under the Convertible Note Agreement (subject to shareholder approval) into Shares at the Conversion Price under the Convertible Note Agreement.
Recommendation of the Director's	<p>The Directors (excluding the related parties) recommend to Shareholders that they vote in favour of the Resolutions.</p> <p>The Directors (excluding the related parties) believe that the granting of Shares is appropriate in the circumstances in order to preserve the cash reserves of the Company.</p>
Interests of Directors in outcome of resolution	<ul style="list-style-type: none"> a) Ms Alison Coutts has an interest in the outcome of the Resolution in that she will receive Shares if the Resolution is passed. b) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed

	<p>c) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed</p> <p>d) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed</p> <p>e) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed</p> <p>f) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed</p>
Total Remuneration Package	<p>Ms Coutts' total remuneration package comprises a salary of \$277,500 plus superannuation per annum.</p> <p>Mr Goodall's total remuneration package comprises a director's fee of \$50,000 per annum.</p>
Existing Securities Held	<p>At 10 November 2014, Ms Coutts, a Director of the Company, holds 51,724 Shares directly in the Company, representing 0.03% of the total Company Shares on issue.</p> <p>Should Shareholders approve the allotment, Ms Coutts will hold a total of 311,252 Shares in the Company, representing 0.18% of the total Company Shares on issue.</p> <p>At 10 November 2014, Mr Goodall, and entities under his control, hold 32,225,440 Shares in the Company, representing 18.82% of the total Company Shares on issue. Should Shareholders approve the allotment, Mr Goodall will receive an additional 2,289,098 Shares in the Company, representing 19.8% of the total Company Shares on issue overall.</p>
Date for Granting and Issuing Shares	If the resolution is passed, the Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
Intended Use of Funds Raised from Grant	No funds will be raised from the grant of the Shares as the resolutions convert unpaid amounts into Shares.
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Shares, including no fringe benefits tax.
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Shares.
Listing Rules 7.1 and 7.2 and 15% restriction	If Shareholder approval is given under Listing Rule 10.11 then the Listing Rules provide that Shareholder approval will not be required in relation to the issue of the Options pursuant to the 15% restriction in Listing Rule 7.1

Resolution 13: Issue of Options to Related Parties

Resolutions 13 (a) to (c) seek approval from Shareholders for the issue of Options Mr Andrew Ernest Goodall, and entities associated with Mr Andrew Ernest Goodall. Mr Andrew Ernest Goodall is a Director of NuSep Holdings Ltd.

The Options terms are provided in the table below: the exercise price and expiry date. The options are all also issued subject to a further condition which states that the Options cannot be exercised where the exercise of such option would be in breach of the Corporations Act, including the takeover provisions of Chapter 6.

The options are issued, subject to Shareholder approval and with those provisions in place.

Approval of Shareholders is sought for the purposes of Chapter 2E of the Corporations Act 2001 and Listing Rule 10.11.

ASX Listing Rule 7.2 exception 14 provides that the issue of securities in accordance with Listing Rule 10.11 will be treated as having been made with Shareholder approval for the purposes of ASX Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 10.13 and for the purposes of Chapter 2E of the Corporations Act.

The related party	<p>a) Ti Rakau Developments Ltd - an entity associated with Mr Andrew Ernest Goodall</p> <p>b) Mr Andrew Ernest Goodall</p> <p>c) Mr Andrew Ernest Goodall</p>
Proposed Financial Benefit	<p>a) 2,000,000 unlisted Options to purchase Shares in the Company at an exercise price of 11.2 cents each expiring 20 January 2016. The Options are only exercisable in the event the issue of shares on exercise of the options does not breach any provision of the</p>

	<p>Corporations Act and specifically the Chapter 6 takeover provisions.</p> <p>b) 1,125,000 unlisted Options to purchase Shares in the Company at an exercise price of 11.2 cents each expiring 20 January 2016. The Options are only exercisable in the event the issue of shares on exercise of the options does not breach any provision of the Corporations Act and specifically the Chapter 6 takeover provisions.</p> <p>c) 3,500,000 unlisted Options with an exercise price of 11.2 cents. Two million of these Options will have an expiry date of 1 November 2016 and the remaining 1,500,000 million Options will expire on 1 November 2017. The Options are only exercisable in the event the issue of shares on exercise of the options does not breach any provision of the Corporations Act and specifically the Chapter 6 takeover provisions</p>
Consideration	Nil consideration for the grant of the Options. Consideration of 11.2 cents for each Share on exercise of the Options.
Reasons for Grant and for giving a Financial Benefit	<p>a) The Options were part of the original agreement for the loan</p> <p>b) The Options were part of the original agreement for the loan</p> <p>c) As part of the Convertible Note Agreement dated 29 September 2014.</p>
Reasons for the specific number of Options and specific Option exercise price	<p>a) The Options were part of the original agreement for the loan</p> <p>b) The Options were part of the original agreement for the loan</p> <p>c) As part of the Convertible Note Agreement dated 29 September 2014</p>
Recommendation of the Director's	The Directors (excluding the related parties) recommend to Shareholders that they vote in favour of the Resolutions.
Interests of Directors in outcome of resolution	<p>a) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that a related party of his will receive Options if the Resolution is passed.</p> <p>b) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that he will receive Options if the Resolution is passed</p> <p>c) Mr Andrew Ernest Goodall has an interest in the outcome of the Resolution in that he will receive Options if the Resolution is passed</p>
Total Remuneration Package	Mr Goodall's total remuneration package comprises a director's fee of \$50,000 per annum.
Existing Securities Held	<p>If the resolution is passed, the Options will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.</p> <p>At 10 November 2014, Mr Goodall, and entities under his control, hold 32,225,440 Shares in the Company, representing 18.82% of the total Company Shares on issue. Should Shareholders approve the allotments, Ms Goodall will receive 6,625,000 Options in the Company, and 6,625,000 Shares if the Options are exercised, representing 21.8% of the total Company Shares on issue overall.</p>
Dilution Effect if Options Exercised	<p>If the Options are granted and any or all of the Options are exercised, dilution of existing Shareholders will occur.</p> <p>The total number of Company Shares on issue is 171,259,377 shares. If 100% of the 6,625,000 Options were exercised the dilution effect will be approximately 3.7% (6,625,000 shares divided by the expanded capital base of 177,884,377 shares).</p>
Date for Granting and Issuing Options	If the resolution is passed, the Options will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
Intended Use of Funds Raised from Grant	The Company intends to use the funds raised towards paying down of the debt to Luye and to further commercialise IP.
Valuation of Options	<p>In accordance with Accounting Standard AASB 2 "Share Based payments", the Board commissioned an independent valuation from Lonergan Edwards and Associates Ltd. They used a Black-Scholes valuation methodology with an additional 30% discount applied to the final valuation due to lack of marketability of the options. Their valuation and all relevant assumptions are provided in their report in Appendix C, pages 38 to 41.</p> <p>Their valuation of the options, taking the midpoint of their valuation range, is \$24,000 for the first tranche, \$26,000 for the second tranche and \$70,500 for the third tranche, making an aggregate total of \$120,500.</p>
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Options, including no fringe benefits tax.
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Options.

Listing Rules 7.1 and 7.2 and 15% restriction	If Shareholder approval is given under Listing Rule 10.11 then the Listing Rules provide that Shareholder approval will not be required in relation to the issue of the Options pursuant to the 15% restriction in Listing Rule 7.1
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Resolution 14: Issue of Convertible Notes to Related Parties

Resolutions 14(a) to (d) seek approval from Shareholders for the issue of Shares in consideration for the conversion of Convertible Notes, and further the issue of Convertible Notes to related parties of the Company. These parties are Mr Andrew Ernest Goodall and Ti Rakau Developments Ltd. Mr Andrew Ernest Goodall is a Director of NuSep Holdings Ltd.

Approval of Shareholders is sought for the purposes of Chapters 2E and 6 of the Corporations Act 2001, and Listing Rule 10.11.

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue equity securities to a related party without the approval of shareholders. In issuing the Notes, the Company did not breach ASX Listing Rule 10.11 as the Notes are not considered equity securities until such time as Shareholder approval is obtained. As the Notes have been issued and may not be converted into Shares without Shareholder approval, Resolution 14 seeks approval under the terms of the Notes and ASX Listing Rule 10.11 in respect of the Converting Notes to be converted into Shares and for the Shares to be issued to Mr Andrew Ernest Goodall and Ti Rakau Developments Ltd (Mr Andrew Ernest Goodall is a Director of NuSep Holdings Ltd) and therefore a related party pursuant to ASX Listing Rule 10.11. As approval for the issue of the Shares is being sought under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

If approval is not obtained under resolution 14(a), the Notes will remain as debt securities and cannot be converted into shares without prior shareholder approval under ASX Listing Rule 10.11.

If approval is not obtained under resolution 14(b), 14(b) and 14(c), the loans will continue to be in place under the current terms of each loan. Further shareholder approval may be sought at future general meetings.

Shareholders should note that interest paid as shares in connection with the Notes do not form part of the approval under ASX Listing Rule 10.11. The Company will obtain prior shareholder approval via separate resolution under ASX Listing Rule 10.11 and issue the shares in lieu of interest at the time the interest is accrued, within 1 month of shareholder approval.

NuSep is seeking shareholder approval for the issue of the Convertible Note under Chapter 6 of the Act as Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

However, Section 611 of the Act contains various exceptions to the Section 606 prohibition.

NuSep is seeking shareholder approval for the issue of the Convertible Notes under Section 611, item 7, of the Act, as Mr Goodall could increase his relevant voting interest from below 20% to over 35% as a result of the proposed allotment of Notes.

For the acquisition of shares, pursuant to the issue of the Convertible Note, to fall within the exceptions, the acquisition must be approved in advance by a resolution passed at a general meeting of the company, subject to the applicable voting restrictions.

If the resolution to issue the Convertible Notes is approved there will be an impact on the voting power and ownership of NuSep. Mr Goodall (who currently has a relevant interest in NuSep shares of approximately 18.8%) will increase his relevant interest in NuSep to:

- a) approximately 37.1% assuming the placement of 17.1 million shares proceeds (but prior to taking into account the options to be issued to Mr Goodall and associates)
- b) approximately 38.8% assuming the placement of 17.1 million shares proceeds and the options to be issued to Mr Goodall and associates are exercised:

The following information is provided in accordance with *ASIC Regulatory Guide 74: Acquisitions approved by members*.

<i>An explanation of the reasons for the proposed acquisition;</i>	Mr Goodall has committed to convert this loan to equity on the terms stated.
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<i>When the proposed acquisition is to occur;</i>	If the resolution is passed, those Notes still subject to shareholder approval will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
<i>The material terms of the proposed acquisition;</i>	<p>The Conversion Price is \$0.0645 per Share being a 10% discount to the 5 days VWAP of \$0.0716 prior to execution of the Agreement for the note issued on 29 September 2014.</p> <p>The Notes have a face value of:</p> <ol style="list-style-type: none"> 1) NZ\$1,400,000 (AUD\$1,260,000 at an exchange rate of 0.90) which converted into an unhedged value of AUD \$1,248,794.80 at the time of receipt. This amounts to a maximum of 19,534,883 Shares. The AUD/NZD exchange rate as at 29 September 2014 (was AUD0.90) will remain for all conversions to shares throughout the term of the Note. The interest rate is 14% per annum which will be converted onto fully paid ordinary Shares at the Conversion Price. This amounts to a maximum of 636,894 shares payable as interest. The note was issued on 29 September 2014. Approval of shareholders is requested for the issue of Shares upon conversion of the note. 2) AUD\$250,000. This amounts to a maximum of 3,875,968 Shares. The interest rate is 15% per annum and paid in shares at the conversion price on 1 April and 1 October each year over the 3 year term or until the note is paid out or converted. The interest will be a prorated should the note be part converted. The allotment of the note is subject to shareholder approval. 3) AUD\$500,000. This amounts to a maximum of 7,751,937 Shares. The interest rate is 14% per annum and paid in shares at the conversion price on 1 April and 1 October each year over the 3 year term or until the note is paid out or converted. The interest will be a prorated should the note be part converted. The allotment of the note is subject to shareholder approval. 4) NZ\$1,919,859 (AUD\$1,727,873 at an exchange rate of 0.90). This amounts to a maximum of 26,788,728 Shares. The AUD/NZD exchange rate as at 29 September 2014 (was AUD0.90) will remain for all conversions to shares throughout the term of the Note. The interest rate is 14% per annum which will be converted onto fully paid ordinary Shares at the Conversion Price. The allotment of the note is subject to shareholder approval. <p>Shareholders should refer to the Independent Experts Report for further details.</p> <ol style="list-style-type: none"> 1) Further, subject to shareholder approval, Mr Goodall and/or his nominee will receive a one off fee of \$40,950, to be paid in Shares at Conversion Price together with 3.5 million unlisted Options with an exercise price of 11.2 cents. Two million of these Options will have an expiry date of 1 November 2016 and the remaining 1.5 million Options will expire on 1 November 2017. All Options are subject to a further term whereby they cannot be exercised where the exercise of such Options would cause a breach of the Corporations Act and in particular of Chapter 6. Should shareholders not vote in favour of granting of these Options, Mr. Andrew Goodall may negotiate fully paid Shares to be allocated to him to the same value as the Options. The Company will reimburse Mr. Andrew Goodall for legal fees and other costs incurred in arranging this finance immediately upon receiving the funds. 2) Further, subject to shareholder approval, Mr Goodall and/or his nominee will receive 375,000 unlisted Options with an exercise price of 11.2 cents. 3) Further, subject to shareholder approval, Mr Goodall and/or his nominee will receive 750,000 unlisted Options with an exercise price of 11.2 cents. 4) Further, subject to shareholder approval, Ti Rakau Developments and/or nominee will receive 2,000,000 unlisted Options with an exercise price of 11.2 cents.
<i>Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members approval of the proposed acquisition;</i>	No applicable.
<i>A statement of the acquirers intentions</i>	Mr Goodall has advised the Company that he has absolutely no intention of

<p><i>regarding the future of the target entity if members approve the acquisition and, in particular:</i></p> <ul style="list-style-type: none"> • <i>any intention to change the business of the entity;</i> • <i>any intention to inject further capital into the entity;</i> • <i>the future employment of present employees of the entity;</i> • <i>any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates; and</i> • <i>any intention to otherwise redeploy the fixed assets of the entity;</i> 	<p>changing the business of the entity, and that his membership and contribution of the Company Board is always in the very best interests of both the Company and all shareholders.</p> <p>Mr Goodall, and the Company, believe that there are underlying benefits to Nusep for this transaction to occur. To strengthen Nusep's financial position (reduction of debt) and within a relatively short period of time the interest charges are substantially reduced, while preserving cash.</p>
<p><i>Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity;</i></p>	<p>Mr Goodall has advised that he has no intention to significantly change the financial or dividend distribution policies of the entity.</p>
<p><i>The interests that any director has in the acquisition or any relevant agreement disclosed under RG 74.25(d);</i></p>	<p>The Directors (excluding Mr Goodall) do not have an interest in the outcome of the acquisition. Mr Goodall has an interest in the acquisition in that he will receive the securities described above.</p>
<p><i>And (h) the following details about any person who is intended to become a director if members approve the acquisition</i></p> <ul style="list-style-type: none"> • <i>name;</i> • <i>qualifications and relevant professional or commercial experience;</i> • <i>any associations that the proposed director has with the acquirer, vendor or any of their associates; and</i> • <i>any interest that the proposed director has in the acquisition or any relevant agreement disclosed under RG 74.25(d).</i> 	<p>No applicable.</p>

To assist Shareholders to make an informed decision on the proposed resolution, the Company (other than Mr Goodall) commissioned an independent experts report on the proposed transaction. The Independent Experts Report is annexed to this Notice as Annexure "A". The Directors encourage you to read the Report to assist with making an informed decision on whether to approve this Resolution.

ASX Listing Rule 7.2 exception 14 provides that the issue of securities in accordance with Listing Rule 10.11 will be treated as having been made with Shareholder approval for the purposes of ASX Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 10.13 and for the purposes of Chapter 2E of the Corporations Act.

The name of the person	Mr Andrew Ernest Goodall, a Non-executive Director of NuSep Holdings Ltd. Ti Rakau Developments Ltd - an entity associated with Mr Andrew Ernest Goodall
Maximum number of securities to be issued	<p>The Conversion Price is \$0.0645 per Share being a 10% discount to the 5 days VWAP of \$0.0716 prior to execution of the Agreement for the note issued on 29 September 2014.</p> <p>The Notes have a face value of:</p> <ol style="list-style-type: none"> 1) NZ\$1,400,000 (AUD\$1,260,000 at an exchange rate of 0.90) which converted into an unhedged value of AUD \$1,248,794.80 at the time of receipt. This amounts to a maximum of 19,534,883 Shares. The AUD/NZD exchange rate as at 29 September 2014 (was AUD0.90) will remain for all conversions to shares throughout the term of the Note. The interest rate is 14% per annum which will be converted onto fully paid ordinary Shares at the Conversion Price. This amounts to a maximum of 636,894 shares payable as interest. The note was issued on 29 September 2014. Approval of shareholders is requested for the issue of Shares upon conversion of the note.

	<p>2) AUD\$250,000. This amounts to a maximum of 3,875,968 Shares. The interest rate is 15% per annum and paid in shares at the conversion price on 1 April and 1 October each year over the 3 year term or until the note is paid out or converted. The interest will be a prorated should the note be part converted.</p> <p>3) AUD\$500,000. This amounts to a maximum of 7,751,937 Shares. The interest rate is 14% per annum and paid in shares at the conversion price on 1 April and 1 October each year over the 3 year term or until the note is paid out or converted. The interest will be a prorated should the note be part converted.</p> <p>4) NZ\$1,919,859 (AUD\$1,727,873 at an exchange rate of 0.90). This amounts to a maximum of 26,788,728 Shares. The AUD/NZD exchange rate as at 29 September 2014 (was AUD0.90) will remain for all conversions to shares throughout the term of the Note. The interest rate is 14% per annum which will be converted onto fully paid ordinary Shares at the Conversion Price.</p> <p>Shareholders should refer to the Independent Experts Report for further details.</p>
Right of conversion	<p>1) Mr Goodall has committed to convert this loan to equity on the terms stated, within 30 days of the Annual General Meeting, subject to shareholder approval.</p> <p>2, 3 & 4) Mr Goodall and Ti Rakau Developments Ltd will have the right at their discretion to convert all or part of the Convertible Notes into Shares, until expiry at which point any remaining debt will be converted to equity at the Conversion Price.</p>
Date of issue of securities	If the resolution is passed, the Note will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
Issue price of securities	The Conversion Price is \$0.0645 per Share being a 10% discount to the 5 days VWAP of \$0.0716 prior to execution of the Agreement
Use of funds	<p>1) Conversion to equity will decrease interest payments and the necessity of repaying the debt in cash</p> <p>2, 3 & 4) Potential future conversions to equity will enable the Company to decrease interest payments and decrease the necessity of repaying these debts with cash.</p>
Recommendation of the Director's	The Directors (excluding Mr Goodall) recommend to Shareholders that they vote in favour of the Resolutions.
Interests of Directors in outcome of resolution	<p>The Directors (excluding Mr Goodall) do not have an interest in the outcome of the resolution. Mr Goodall has an interest in the outcome of the resolution in that he, and an entity related to him, will receive Convertible Notes in the Company should the resolutions carry.</p> <p>1) Further, subject to shareholder approval, Mr Goodall and/or his nominee will receive a one off fee of \$40,950, to be paid in Shares at Conversion Price together with 3.5 million unlisted Options with an exercise price of 11.2 cents. Two million of these Options will have an expiry date of 1 November 2016 and the remaining 1.5 million Options will expire on 1 November 2017. All Options are subject to a further term whereby they cannot be exercised where the exercise of such Options would cause a breach of the Corporations Act and in particular of Chapter 6. Should shareholders not vote in favour of granting of these Options, Mr. Andrew Goodall may negotiate fully paid Shares to be allocated to him to the same value as the Options. The Company will reimburse Mr. Andrew Goodall for legal fees and other costs incurred in arranging this finance immediately upon receiving the funds.</p> <p>2) Further, subject to shareholder approval, Mr Goodall and/or his nominee will receive 375,000 unlisted Options with an exercise price of 11.2 cents.</p> <p>3) Further, subject to shareholder approval, Mr Goodall and/or his nominee will receive 750,000 unlisted Options with an exercise price of 11.2 cents.</p> <p>4) Further, subject to shareholder approval, Ti Rakau Developments and/or nominee will receive 2,000,000 unlisted Options with an exercise price of 11.2 cents.</p> <p>Shareholders should refer to the Independent Experts Report for further details.</p>
Total Remuneration Package	Mr Goodall's total remuneration package comprises a non executive director's fee of \$50,000 per annum.
Existing Securities Held	At 8 October 2014, Mr Goodall, a Director of the Company, holds 13,548,300 Shares directly, and 11,250,000 Shares indirectly in the Company.
Date for Granting and Issuing	If the resolutions are passed, the Notes will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting. The expiry date of the Note shall be 2 October 2017.
Tax Consequences (include Fringe)	There are no taxation consequences for the Company resulting from the grant of the Notes, including no fringe benefits tax.

Benefits Tax)	
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Notes.
Listing Rules 7.1 and 7.2 and 15% restriction	If Shareholder approval is given under Listing Rule 10.11 then the Listing Rules provide that Shareholder approval will not be required in relation to the issue of the Options pursuant to the 15% restriction in Listing Rule 7.1

Resolution 15: Issue of Convertible Notes

Resolutions 15(a) and (b) seek approval from Shareholders for the issue of a Convertible Notes. These parties are Ms Chang Seow Ying Alison and Mr John Manusu

Loans from Ms Chang Seow Ying Alison and Mr John Manusu will convert to convertible notes, subject to final Loan holder and Shareholder approval. Ms Chang Seow Ying Alison has provided approval but Mr John Manusu has not.

Ms Chang Seow Ying Alison currently holds 2,360,855 Shares, representing approximately 1.4% of the total Company Shares on issue. If \$387,765 is converted into Shares at \$0.0645 per share, Ms Chang Seow Ying Alison will receive 6,011,860 Shares. If 1,000,000 unlisted options are exercised, Mr Chang Seow Ying Alison will receive 1,000,000 Shares. Ms Chang Seow Ying Alison's holding will represent approximately 5.2% of the total Company Shares on issue.

Mr Manusu currently holds 10,473,434 Shares, representing approximately 6.1% of the total Company Shares on issue. If AU\$87,198.37 is converted into Shares at \$0.0645 per share, Mr Manusu will receive 1,351,913 Shares. Mr Manusu's holding will represent approximately 6.8% of the total Company Shares on issue.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided:

- (a) The maximum number of securities to be issued is two convertible notes, amounting to a maximum of 7,363,773 fully paid ordinary Shares if fully converted;
- (b) The issue and allotment of the convertible notes will occur as soon as practical but no later than one month after the date of this General Meeting or such later time as deemed appropriate by an ASX waiver;
- (c) The price the notes are AU\$ 387,765 and \$87,198.37 respectively. The conversion price for shares is \$0.0645;
- (c) The securities will be issued to Ms Chang Seow Ying Alison and John Manusu, respectively;
- (e) The notes will be issued on the terms described below. If converted, the Shares issued will be fully paid ordinary Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) A voting exclusion statement is included in the Notice of Meeting;
- (g) The resolutions convert historical loans made for working capital purchases into convertible notes.

Shareholders should note that interest paid as shares in connection with the Notes do not form part of the approval under ASX Listing Rule 7.1. The issue of shares in lieu of interest will be deducted from the Company's ASX Listing Rule 7.1 capacity or, the Company will obtain prior shareholder approval via separate resolution under ASX Listing Rule 7.1 and issue the shares in lieu of interest at the time the interest is accrued, within 3 months of shareholder approval.

The terms of the agreement with Ms Chang Seow Ying Alison are as follows.

Parties	Ms Chang Seow Ying Alison and NuSep Holdings Ltd.
Amount to be converted	Principal: SGD \$350,000 Interest to 30 Sept 2014: SGD \$82,241 Total: SGD \$432,241 (AU\$ 387,765 at an exchange rate of 1.1147 which will remain throughout the term of the note until fully repaid or converted)
Conversion right	Ms Chang will have the right at her discretion to convert the whole or part of her convertible note into shares.

Commencement Date		1 October 2014
Term		3 years from the commencement date.
Expiry Date		30 September 2017
Expiry conversion		At expiry, any remaining un converted loan will automatically be converted to equity at the Conversion Price.
Interest Rate		Fixed rate of 14% per annum and paid in shares at the conversion price on 1 April and 1 October each year over the 3 year term or until the note is paid out or converted. The interest will be a prorated should the note be part converted.
Conversion Price of Convertible Note and Interest		A\$0.0645 per share
Interest Conversion Price		A\$0.0645 per share
Options		Ms Chang and/or nominee will also receive 1,000,000 unlisted options.
	Exercise price	11.2 cents
	Other terms	The options are to be issued within 3 business days following the 2014 AGM.

The terms of the conversion of the loan from Mr John Manusu to a convertible note are as follows.

Parties	John Manusu and NuSep Holdings Ltd.
Amount to be converted	Principal: \$77,176.05 Interest to 30 Sept 2014: \$10,022.31 Total: \$87,198.37
Conversion right	John Manusu will have the right at his discretion to convert the whole or part of its convertible note into shares.
Commencement Date	1 October 2014
Term	3 years from the commencement date.
Expiry Date	30 September 2017
Expiry conversion	At expiry, any remaining un converted loan will automatically be converted to equity at the Conversion Price.
Interest Rate	Fixed rate of 12% per annum and paid in shares at the conversion price on 1 April and 1 October each year over the 3 year term or until the note is paid out or converted. The interest will be a prorated should the note be part converted.
Conversion Price of Convertible Note and Interest	A\$0.0645 per share
Interest Conversion Price	A\$0.0645 per share

The Board unanimously recommends that shareholders vote in favour of the Resolutions.

Resolution 16: Removal and Appointment of Auditor

A notice pursuant to section 329(1A) of the Corporations Act 2001 was received from Mr. Andrew Goodall, a shareholder with a substantial holding exceeding 5%, requesting the Company consider removing the Auditor. The resolution is put to the shareholders in accordance with that notice.

Resolution 16(b) is a special resolution. A special resolution requires approval of at least 75% of the votes cast by shareholders entitled to vote on Resolution 16(b).

ESV Accounting and Business Advisors has been nominated pursuant to section 328B of the Corporations Act 2001 as a replacement for the current Auditors, by Mr. Andrew Goodall. This resolution will only be put to the shareholders if Resolution 16(a) is successful.

A copy of the nomination is enclosed as Annexure A as required by section 328B(3) of the Corporations Act 2001. ESV Accounting and Business Advisors have consented in writing to act as the Company's Auditor pursuant to section 328A of the Corporations Act 2001.

The Board unanimously recommends that shareholders vote in favour of the Resolutions.

DEFINITIONS

Throughout this Explanatory Memorandum the following various words and phrases are capitalised and the definitions of these capitalised words and phrases are set out below:

"Annual General Meeting" means the meeting convened by the Notice of Meeting;

"ASIC" means the Australian Securities & Investments Commission;

"ASX" means ASX Limited (ACN 000 943 377);

"ASX Listing Rules" or **"Listing Rule"** means the Official Listing Rules of the ASX;

"Board" means the board of Directors of the Company;

"Business Day" means a day on which trading takes place on the stock market of the ASX;

"Chairman" means chairman of the annual general meeting;

"Closely Related Party" of a member of the Key Management Personnel means:

- (a) A spouse or child of the member;
- (b) A child of the member's spouse;
- (c) A dependant of the member or the member's spouse;
- (d) Anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) A company the member controls; or
- (f) A person prescribed by the Corporation Regulations 2001 (Cth).

"Company" means NuSep Holdings Limited ACN 120 047 556;

"Constitution" means the Company's constitution;

"Corporations Act" means the *Corporations Act 2001* (Cth);

"Corporations Regulation" means the *Corporations Regulation 2001* (Cth)

"Directors" mean the current Directors of the Company;

"Equity Securities" means has the meaning given to that term in the Listing Rules;

"Explanatory Memorandum" means this Explanatory Memorandum as modified or varied by any supplementary Memorandum issued by the Company from time to time;

"Key Management Personnel" has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

"NuSep" means NuSep Holdings Limited ACN 120 047 556;

"Management" or **"Board"** means the management of the Company;

"Meeting" or **"Annual General Meeting"** means the annual general meeting convened by this Notice;

"Notice" or **"Notice of Meeting"** means the notice convening the annual general meeting of the Company to be held on 19 December 2014 which accompanies this Explanatory Memorandum;

"Option" means an Option to acquire a Share;

"Proxy Form" means the proxy form that is enclosed with and forms part of this Notice;

"Remuneration Report" means the remuneration report set out in the Directors' Report section of the Company's Annual Financial Report for the year ended 30 June 2014.

"Resolution" means a resolution in the form proposed in the Notice of Meeting;

"Share" means a fully paid ordinary share in the capital of the Company;

"Shareholder" means a registered holder of a Share in the Company;

"Trading Day" means a day determined by ASX to be a trading day and notified to market participants.

"VWAP" means volume weighted average price.

The Independent Directors
NuSep Holdings Ltd
30 Richmond Road
Homebush NSW 2140

11 November 2014

Subject: Independent Expert's Report | Issue of Convertible Notes

Dear Independent Directors

Introduction

- 1 On 8 October 2014, NuSep Holding Ltd (NuSep or the Company) announced that it had received A\$1,248,795 from non-executive director, Mr Andrew Goodall and his associates (Mr Goodall), in return for the issue by NuSep of a convertible note with a face value of NZ\$1,400,000¹. Mr Goodall has agreed to convert these convertible notes into ordinary shares within 30 days of the annual general meeting (AGM) on 17 December 2014.
- 2 NuSep also proposes to issue additional convertible notes to Mr Goodall with a face value of NZ\$1,919,859² and A\$750,000, to replace existing loans made to the Company by him (and his associates).
- 3 We have collectively referred to the two tranches of convertible notes in this report as the Convertible Notes. The key terms of the Convertible Notes are set out below:

Convertible Notes – Key terms

Maturity date	2 October 2017
Interest rate	14% per annum
Conversion period	Anytime before the maturity date ⁽¹⁾
Conversion price	6.45 Australian cents per share
Exchange rate to be used for conversion of NZ\$ face value	NZ\$1.00 = A\$0.90

Note:

- 1 On the maturity date, all outstanding convertible notes will automatically convert to ordinary shares at the conversion price.

¹ Equivalent to A\$1,260,000 based on the exchange rate to be used on conversion of NZ\$1.00=A\$0.90.

² Equivalent to A\$1,727,873 based on the exchange rate to be used on conversion of NZ\$1.00=A\$0.90.

- 4 Mr Goodall is to receive a one-off fee of A\$40,950 to be paid in shares at the conversion price (set out above) together with 6.625 million unlisted options to subscribe for NuSep shares (Options) as a result of the issue of the Convertible Notes. The key terms of the Options are as follows:

Options – Key terms			
Tranche	Number of options	Exercise price per share	
		Australian cents	Expiry date
Tranche One	3,125,000	11.2	20 January 2016
Tranche Two	2,000,000	11.2	1 November 2016
Tranche Three	1,500,000	11.2	1 November 2017

- 5 NuSep has also reimbursed Mr Goodall for approximately \$8,500 in legal fees and other costs incurred in connection with the issue of the Convertible Notes.
- 6 The following table illustrates the impact the issue of the Convertible Notes (as well as other resolutions to be put to shareholders at the AGM) is likely to have on the ownership of NuSep:

NuSep – Illustrative impact of issue of Convertible Notes on ownership								
	Current Position		Pre-placement⁽¹⁾		Post-placement⁽²⁾		Options Exercised⁽³⁾	
	millions	%	millions	%	millions	%	millions	%
Current holding	32.2		32.2		32.2		32.2	
AGM Resolution 12	-		2.3		2.3		2.3	
Convertible Notes	-		58.0		58.0		58.0	
Options	-		-		-		6.6	
Mr Goodall (and associates)	32.2	18.8	92.5	39.9	92.5	37.1	99.1	38.8
Others	139.1	81.2	139.3	60.1	156.5	62.9	156.5	61.2
Total shares on issue	171.3	100.0	231.8	100.0	249.0	100.0	255.6	100.0

Note:

- 1 Assumes that AGM resolutions 11 and 12 are approved by shareholders (being the issue of 2.6 million shares, 2.3 million of which will go to Mr Goodall and his associates). Assumes conversion of Convertible Notes in accordance with the terms set out above.
- 2 Assumes that AGM resolution 9 (being the placement of 17.1million shares) is approved by shareholders and takes place. It is further assumed that Mr Goodall does not participate in the placement.
- 3 Hypothetically assumes that the Options are exercised. It should be noted that the Options are, based upon current day share prices, significantly out of the money.

NuSep

- 7 NuSep is primarily involved in the research, development, manufacture and sale of pre-cast electrophoresis gels, separations equipment and consumables and other biological products for the life science market (primarily in the USA, Europe, Asia and Australia).

Scope

- 8 Mr Goodall will acquire a relevant interest of more than 20% in the Company upon the conversion of the Convertible Notes into ordinary shares. Accordingly, there is a regulatory requirement for NuSep to commission an independent expert's report (IER). The issue of the Convertible Notes is also a related party transaction under Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act) and the Australian Securities Exchange (ASX) Listing Rules.
- 9 Given the above, the Directors of NuSep have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the issue of the Convertible Notes is fair and reasonable to the shareholders of NuSep not associated with Mr Goodall.
- 10 LEA is independent of NuSep and Mr Goodall and has no involvement with or interest in the outcome of the issue of the Convertible Notes other than the preparation of this report.

Summary of opinion

- 11 LEA has concluded that the issue of the Convertible Notes is not fair but reasonable to the shareholders of NuSep not associated with Mr Goodall in the absence of a superior funding proposal.
- 12 We have arrived at this conclusion for the reasons set out below.

Assessment of fairness

- 13 Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) requires that fairness be assessed by comparing the controlling interest value of NuSep shares prior to the issue of the Convertible Notes with the portfolio value of NuSep shares following the conversion of the Convertible Notes into ordinary shares. In order for the issue of the Convertible Notes to be “fair” under RG 111, the portfolio value of NuSep shares following conversion of the Convertible Notes, must be equal to, or greater than the controlling interest value of NuSep shares before the issue.
- 14 The Convertible Notes convert to equity at an issue price of 6.45 cents per share. This conversion price³ is less than the price at which NuSep placed shares to investors in February 2014 (7.1 cents⁴) and the recent volume weighted average trading price (VWAP) of NuSep shares in the one and three month period to 31 October 2014 (representing the portfolio value of the shares).
- 15 As the controlling interest value of 100% of NuSep shares is likely to exceed these portfolio values, it follows that the portfolio interest value of NuSep shares following conversion of the Convertible Notes into ordinary shares is less than the controlling interest value of NuSep shares prior to the issue of the notes.
- 16 Accordingly, in our opinion, the issue of the Convertible Notes is not fair when assessed under RG 111.

³ Before considering the potential diluting impact of the Options.

⁴ It should be noted that this placement only raised A\$0.4 million.

Assessment of reasonableness

- 17 The issue of the Convertible Notes may be reasonable if, despite being “not fair”, the expert concludes that the advantages of the issue outweigh the disadvantages from the perspective of NuSep shareholders not associated with Mr Goodall.
- 18 In this regard, RG 111 states that the expert should identify the advantages and disadvantages of the proposal to the shareholders not associated with the transaction, which are summarised below:

Advantages	Disadvantages
<ul style="list-style-type: none"> The issue and subsequent conversion of the Convertible Notes to shares: <ul style="list-style-type: none"> materially improves NuSep’s financial position and its ability to remain a going concern (as it will significantly reduce debt and its ongoing interest costs) allows NuSep to avoid having to raise a large amount of equity from alternate sources in order to repay its debts (e.g. increasing the equity raising proposed under AGM Resolution 9). In our view such an equity raising is likely to be priced at no more than the conversion price implicit in the Convertible Notes terms (and could be materially lower). There is also a significant risk that NuSep will be unable to raise funds on commensurate terms from an alternative source. The interest rate on the Convertible Notes is consistent with the weighted average interest rate on the existing debts owed to Mr Goodall (and his associates). Accordingly, the issue of the Convertible Notes is not expected to have any material impact on NuSep’s interest costs between the date of issue and date of conversion. 	<ul style="list-style-type: none"> The conversion price of the Convertible Notes represents a discount to the one and three month VWAPs of NuSep shares (albeit large capital raisings are generally priced at a discount to the prevailing listed market price). NuSep shareholders ownership interest in NuSep will be diluted when the Convertible Notes are converted. However, this is likely to occur in any event given NuSep’s financial position and need for additional equity. Mr Goodall will also receive options with an estimated theoretical market value of approximately A\$0.12 million⁽¹⁾. However, as these options will not be listed, Mr Goodall is unlikely to be able to realise any value for the options unless the NuSep share price exceeds their exercise price of 11.2 cents per share.

Note:

- 1 Mr Goodall will also receive a one-off payment of A\$40,950 (to be paid in NuSep shares at the same conversion price as that applicable to the Convertible Notes) and reimbursement for legal fees and other costs incurred in connection with the issue of the Convertible Notes.

- 19 As indicated above there are a number of advantages and disadvantages associated with the issue of the Convertible Notes. However, in our opinion, the issue of the Convertible Notes is reasonable to the shareholders of NuSep not associated with Mr Goodall as the advantages significantly outweigh the disadvantages.

General

- 20 In preparing this report we have considered the interests of NuSep shareholders (other than Mr Goodall and his associates) as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 21 The ultimate decision whether to approve the issue of the Convertible Notes should be based on each NuSep shareholder's assessment of their own circumstances. If NuSep shareholders are in doubt about the action they should take in relation to the issue of the Convertible Notes or matters dealt with in this report, NuSep shareholders should seek independent professional advice.
- 22 For our full opinion on the issue of the Convertible Notes and the reasoning behind our opinion, we recommend that NuSep shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Nathan Toscan
Authorised Representative

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I Scope of our report

Purpose

Acquisition of an interest in excess of 20%

- 23 Mr Goodall will acquire a relevant interest of more than 20% in the Company upon the conversion of the Convertible Notes into ordinary shares (based on the number of NuSep shares currently on issue).
- 24 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in Item 7 of section 611 of the Corporations Act, whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor or any of their respective associates.
- 25 The Corporations Act requires securityholders that are approving a resolution pursuant to this section to be provided with all material information in relation to the proposed transaction. ASIC requires an entity to commission an expert report or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act.

Related party transactions

- 26 As Mr Goodall is a director of NuSep, the issue of the Convertible Notes is also a related party transaction under Chapter 2E of the Corporations Act and the ASX Listing Rules.
- 27 Chapter 2E of the Corporations Act prohibits (in all but limited circumstances) a public company from 'giving a financial benefit' to a 'related party' without the approval of the securityholders that are not a party to the transaction. Whilst there is no specific requirement for an IER under the Corporations Act, the notice of meeting sent to members must include all information that is reasonably required in order for the members to decide whether it is in the company's interests to pass the proposed resolution.
- 28 ASX Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities to a related party without the approval of the securityholders that are not a party to the transaction. The notice of meeting relating to item 10.11 does not require the preparation of an IER.

Our engagement

- 29 Given the above, the Independent Directors of NuSep have requested that LEA prepare an IER stating whether, in our opinion, the issue of the Convertible Notes is fair and reasonable to the shareholders of NuSep not associated with Mr Goodall in the absence of a superior funding proposal.
- 30 This report has been prepared to assist these shareholders in assessing the merits of the issue of the Convertible Notes. Our report should not be used for any other purpose or by any other party.

- 31 The ultimate decision whether to approve the issue of the Convertible Notes should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the issue of the Convertible Notes or matters dealt with in this report, NuSep shareholders should seek independent professional advice.

Basis of assessment

- 32 In preparing our report, we have had regard to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly RG 111.
- 33 Under RG 111, the conversion of the Convertible Notes is deemed a "change of control" transaction because Mr Goodall will acquire a greater than 20% voting interest in NuSep. As a result, RG 111 indicates that the issue of the Convertible Notes must be analysed as if it were a takeover bid under Chapter 6 of the Corporations Act. Accordingly, the expert is required to assess the transaction in terms of the convention established for takeovers pursuant to s640 of the Corporations Act being:
- (a) is the offer "fair" – when assessing takeovers, an offer is "fair" if the value of the offer price or consideration is equal to, or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the company and is irrespective of whether the offer is cash or scrip
 - (b) is it "reasonable" – an offer is "reasonable" if it is fair. An offer may also be reasonable if, despite being "not fair", there are sufficient reasons for securityholders to accept the offer in the absence of any higher bid before the close of the offer.
- 34 As the issue (and subsequent conversion) of the Convertible Notes does not involve any takeover offer being made to NuSep shareholders, RG 111 requires that fairness be assessed by comparing the controlling interest value of NuSep shares prior to the issue of the Convertible Notes with the portfolio value of NuSep shares following the conversion of the Convertible Notes into ordinary shares. In order for the issue of the Convertible Notes to be "fair" under RG 111, the portfolio value of NuSep shares following the conversion of the Convertible Notes, must be equal to, or greater than the controlling interest value of NuSep shares before the issue.
- 35 The issue of the Convertible Notes will be "reasonable" if it is "fair". In addition, the issue of the Convertible Notes will be "reasonable" even if it is not "fair" if the expert concludes that the advantages of the issue outweigh the disadvantages from the perspective of NuSep shareholders.
- 36 Based on our understanding of ASIC's policy intent, it should also be noted that:
- (a) when assessing the fairness of a transaction the expert must determine the full underlying value of the company's shares without applying any discount due to company specific factors (such as excess gearing or the need to undertake a significant equity raising) which may impair the company's ability to realise full underlying value
 - (b) company specific factors which may impair a company's ability to realise full underlying value should only be taken into account when assessing the reasonableness of a transaction.

- 37 Our report has therefore considered a range of both qualitative and quantitative factors including:

Fairness

- (a) the controlling interest value of 100% of NuSep shares prior to the issue of the Convertible Notes
- (b) the portfolio value of NuSep shares following conversion of the Convertible Notes into ordinary shares
- (c) the difference between (a) and (b) in order to assess whether the issue of Convertible Notes issue is fair to NuSep shareholders pursuant to RG 111

Reasonableness

- (d) the price at which the Convertible Notes convert to ordinary shares compared to the NuSep share prices prior to the announcement of the issue of the Convertible Notes
- (e) the impact of the issue of the Convertible Notes on the ownership and control of NuSep
- (f) NuSep's current financial position and the need for additional equity capital
- (g) impediments to the issue of new equity capital in the absence of the Convertible Notes
- (h) the value of the Options being issued to Mr Goodall and his associates
- (i) the implications for NuSep shareholders if the issue of the Convertible Notes is not approved and implemented; and
- (j) other qualitative and strategic issues associated with the issue of the Convertible Notes and the extent to which, on balance, they may advantage or disadvantage existing NuSep shareholders.

Limitations and reliance on information

- 38 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 39 Our report is also based upon financial and other information provided by NuSep and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 40 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the issue of the Convertible Notes. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

- 41 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.
- 42 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 43 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 44 In forming our opinion, we have also assumed that:
- (a) the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects
 - (b) the Convertible Notes will be issued in accordance with the key terms set out in this report.

II Profile of NuSep

Business overview

Overview

45 NuSep is primarily involved in the research, development, manufacture and sale of pre-cast electrophoresis gels, separations equipment and consumables and other biological products for the life science market (primarily in the USA, Europe, Asia and Australia). NuSep has three areas of focus for separating high value biological substances from fluids, utilising its proprietary separation membranes and equipment:

- (a) animal and human sperm processing and selection through its SpermSep division
- (b) membrane technology development
- (c) proteins from blood plasma separation, carried out by PrIME Biologics Pte Limited (PrIME), which is predominately based in Singapore.

46 It also produces polyacrylamide gels and diagnostic products, predominately for the biological research market, and separation membranes for internal use.

SpermSep

47 The SpermSep division focuses on the selection of the most viable sperm for use in fertility treatments including in vitro fertilisation (IVF) for humans and artificial insemination (AI) for livestock.

48 During 2014 NuSep, in collaboration with the University of Newcastle, has shown that its technology provides a simple, quick, cost effective and reliable method of selecting the most viable sperm cells and, unlike current practices of sperm separation for IVF, does not contribute to DNA-damaged sperm.

49 NuSep has also shown in initial tests with the University of Newcastle that its larger machine is well suited to horse sperm separation and that it shows promise to be quicker and cheaper than current AI processes. Trials are underway expanding this to include the other major animal applications including cattle and pigs. Most importantly, SpermSep technology has been shown in human and animal semen preliminary testing to have the potential to separate the most viable sperm cells from semen samples.

50 NuSep's prototype devices are currently in further evaluation for both IVF and AI and the Company now has to commercialise the opportunity.

PrIME

51 PrIME is exclusively developing the blood plasma separation business with production from its Singapore cGMP manufacturing facility to supply Asian markets with high value proteins including albumin, immunoglobulin and clotting factors. PrIME is using NuSep's membrane technology which has been shown in laboratory scale tests to be far more efficient and cheaper than current commercial plasma fractioning processes.

- 52 The key milestone for PrIME over the coming year is to obtain cGMP certification of its production facility from the Singaporean Health Sciences Authority (as it has not been operational for some time and requires clean up and maintenance services to get it ready for scale up and production of clinical grade proteins).
- 53 In May 2014, NuSep entered into the PrIME Investment Agreement (PIA) with Xeraya Capital Labuan Ltd (Xeraya Capital)⁵ and JP Asia Prime Capital Pte Ltd (JP Asia) in respect of PrIME. Pursuant to the PIA:
- (a) Xeraya and JP Asia committed to investing, in aggregate, SGD\$16 million (via the acquisition of four tranches of Series A Preference Shares in PrIME⁶). The first investment tranche (of SGD\$6.55 million) was received by PrIME in June 2014
 - (b) NuSep's ordinary equity in PrIME was converted to non-voting Series B Preference Shares (resulting in the loss of control of PrIME⁷)
 - (c) ownership of PrIME Biologics Pty Ltd (another subsidiary of NuSep which relates to the PrIME separations business) was transferred to PrIME
 - (d) NuSep assumed responsibility for A\$3.7 million in debt owed to A-Bio Pharma Pte Ltd (A-Bio) by PrIME⁸.
- 54 As a result of the above, the cost of the future commercialisation of PrIME's technology will be funded independently (i.e. separately) to NuSep (thus allowing the Company to focus on its SpermSep division). Accordingly, the PrIME separations business was deconsolidated from NuSep's financial accounts and treated as a discontinued operation (in FY14 and the comparative accounts for FY13).

Financial performance

- 55 The financial performance of NuSep's continuing operations for the three years ended 30 June 2014 is set out below:

⁵ Via its affiliate Pulau Manukan Ventures Labuan Ltd (Pulau).

⁶ Series A Preference Shares have control over all major decisions of the company.

⁷ NuSep is entitled to receive notices of and to attend and speak at any meetings of the shareholders but has no rights to vote except: where its dividends as Series B Preference shareholders remain unpaid; upon any resolution which varies the rights attached to its shares; and upon any resolution for the winding up of the company.

⁸ NuSep entered into an indemnity agreement with A-Bio, PrIME, Pulau and JP Asia. The agreement provides additional guarantees to A-Bio to settle the debt in the event NuSep defaults on its obligations. Should PrIME be required to settle the debt on behalf of NuSep, then Pulau has the option to acquire NuSep's Series B Preference Shares in PrIME for consideration of SGD\$1.

NuSep's continuing operations – Financial performance⁽¹⁾			
Year ending 30 June	FY12 Audited A\$000	FY13 Audited A\$000	FY14 Audited A\$000
Revenue	1,322	918	851
Cost of sales	(813)	(862)	(700)
Gross profit	509	55	151
Government grants	795	427	420
Other income	129	92	9
Marketing expenses	(500)	(432)	(187)
General and administration expenses	(2,225)	(1,024)	(849)
Research and development	(546)	(864)	(514)
EBITDA⁽²⁾	(1,838)	(1,745)	(971)
Depreciation and amortisation	(420)	(308)	(99)
EBIT	(2,258)	(2,054)	(1,070)
Interest income	8	31	3
Interest expense	(68)	(337)	(522)
Profit / (loss) before tax (pre impairment charges)	(2,318)	(2,360)	(1,589)
Impairment	(3,538)	75	344
Profit / (loss) before tax (post impairment charges)⁽²⁾	(5,856)	(2,285)	(1,245)

Note:

- 1 Rounding differences may exist.
- 2 Note that the Company also reported net cash outflows from operating activities in each year as follows:
Cash flow from operating activities (435) (719) (942)

Source: NuSep.

- 56 Although NuSep decreased operating costs during FY14 (predominately due to the spin-off of PrIME and partly due to NuSep's rationalisation and downsizing), the continuing operations still incurred significant losses. It should also be noted that the Company had net cash outflows from operations in each of the last three financial years.
- 57 Discontinued operations include activities relating to the BioInquire software⁹ and PrIME businesses.

NuSep's discontinued operations – Financial performance⁽¹⁾			
Year ending 30 June	FY12 Audited A\$000	FY13 Audited A\$000	FY14 Audited A\$000
BioInquire – trading result	(291)	(29)	-
BioInquire – profit on sale	-	600	-
BioInquire – reverse contingent acquisition consideration	-	208	45
BioInquire – impairment	(3,144)	-	-
PrIME	(401)	(336)	(2,642)
Profit / (loss) before tax – Discontinued operations	(3,836)	443	(2,597)
Profit / (loss) before tax – Continuing operations	(5,856)	(2,285)	(1,245)
Profit / (loss) before tax – NuSep	(9,692)	(1,842)	(3,842)

Note:

- 1 Rounding differences may exist.

Source: NuSep.

⁹ Business was sold by NuSep in March 2013.

Financial position

58 The financial position of NuSep as at 30 June 2013, 31 December 2013 and 30 June 2014 is set out below:

NuSep – Financial position ⁽¹⁾			
	30 Jun 13 Audited A\$000	31 Dec 13 Reviewed A\$000	30 Jun 14 Audited A\$000
Cash and cash equivalents	181	76	84
Trade and other receivables	432	173	234
Inventories	400	401	300
Other current assets	1,075	5	263
Assets held for sale	-	11,010	-
Total current assets	2,088	11,665	882
Financial assets	300	300	4,125
Property, plant and equipment	6,827	468	425
Intangible assets	3,885	1,632	1,671
Other non-current assets	531	3	-
Total non-current assets	11,544	2,404	6,221
Total assets	13,632	14,068	7,102
Trade and other payables	2,716	1,105	1,004
Interest bearing liabilities	479	2,223	480
Tax liabilities	139	448	176
Short-term provisions	333	322	127
Liabilities held for sale	-	8,156	-
Total current liabilities	3,668	12,255	1,787
Interest bearing liabilities	1,568	-	6,237
Long-term provisions	1,406	143	72
Total non-current liabilities	2,974	143	6,308
Total liabilities	6,642	12,398	8,095
Net assets	6,990	1,670	(993)

Note:

1 Rounding differences may exist.

Source: NuSep.

59 In respect of the above, we note the following:

- (a) **trade and other receivables** – includes trade receivables in the ordinary course of business as well as related party receivables:

NuSep – Trade and other receivables⁽¹⁾			
	30 Jun 13	31 Dec 13	30 Jun 14
	Audited	Reviewed	Audited
	A\$000	A\$000	A\$000
Trade receivables	63	124	70
Tax receivables	369	49	-
Related party receivable – PrIME ⁽²⁾	-	-	164
Related party receivable – Mr Thee Woon Goh ⁽³⁾	1,309	1,287	966
Impairment of related party receivables	(1,309)	(1,287)	(966)
Total	432	173	234

Note:

- 1 Rounding differences may exist.
- 2 This amount was repaid in July 2014.
- 3 On 25 November 2011, Mr Thee Woon Goh (Mr Goh), a non-executive director of PrIME exercised 12,622,692 share options. The consideration was never received by the Company and NuSep later entered into a debt agreement with Mr Goh. Under the terms of the agreement, certain rights and entitlement of the shares were suspended and NuSep retained a lien over the securities. The full amount of the debt was due to be repaid in March 2014 but was not. During FY14, the impaired receivable reduced by A\$343,535 (A\$28,535 related to services rendered by Mr Goh and A\$315,000 related to the sale of 3,000,000 of the secured shares to Ti Rakau Developments Limited, which reduced the NuSep debt owing to Ti Rakau Developments Limited).

Source: NuSep.

- (b) **other current assets** – largely amounts due to be received under the research and development tax incentive scheme
- (c) **financial assets** – represent investments in the ordinary issued capital of an unlisted public company, Minomic International Limited and Series B Preference Shares in former subsidiary, PrIME. Both investments are held at cost as the equity instruments do not have a quoted market price in an active market and the fair value cannot be reliably determined:

NuSep – Financial assets			
	30 Jun 13	31 Dec 13	30 Jun 14
	Audited	Reviewed	Audited
	A\$000	A\$000	A\$000
Minomic International Limited	300	300	300
PrIME	-	-	3,825
Total	300	300	4,125

Source: NuSep.

- (d) **property, plant and equipment** – largely represents the depreciated carrying value of plant and equipment (leasehold improvements make up the small remainder)
- (e) **intangible assets** – represents internally developed IP¹⁰

¹⁰ NuSep capitalises internal development costs based on time spent by employees, the type of project, geographic location, related development tasks and other related factors.

(f) **interest bearing liabilities** – loans from related and third parties are as follows:

NuSep –Interest bearing liabilities ⁽¹⁾				
		As at 30 Jun 14		
	Currency	Interest rate %	Maturity	Amount outstanding A\$000
Current				
Related party – Ti Rakau Developments Ltd ⁽²⁾	NZD	14	At call	95 ⁽³⁾
Mr John Manusu	AUD	12	Jul 15 ⁽⁴⁾	85
Dr Hari Nair	AUD	12	At call	3
Related party – Mr Goodall	AUD	15	Apr 15 ⁽⁵⁾	267 ⁽⁶⁾
Related party – Ms Alison Coutts	AUD	15	At call	19
Related party – Mr Pablo Neyertz	AUD	15	At call	11
Subtotal				480
Non-current				
A-Bio	SGD	5	2016	3,752
Ms Chang Seow Ying Alison	SGD	14	Jul 15	356
Related party – Ti Rakau Developments Ltd ⁽²⁾	NZD	14	Jul 15	1,628 ⁽³⁾
Related party – Mr Goodall	AUD	14	Jul 15	500
Subtotal				6,237

Note:

- 1 Rounding differences may exist.
 - 2 Ti Rakau Developments Ltd is a company related to but not controlled by Mr Goodall.
 - 3 Comprises principal and capitalised interest. As at 30 September 2014 the total amount outstanding was NZ\$1,919,859 (being equivalent to A\$1,727,873 based on the exchange rate to be used on conversion of NZ\$1.00=A\$0.90).
 - 4 Although the NuSep 2014 Annual Financial Report disclosed this loan as ‘at call’, the loan is based on a verbal agreement between Mr Goodall, Mr Clifford Eu and Mr John Manusu whereby the loan is to be repaid on a pro-rata basis and on the same terms as the loans received from Ti Rakau Developments Ltd, subject to the loan from Ms Chang Seow Ying Alison being repaid first.
 - 5 This loan was disclosed in the NuSep 2014 Annual Financial Report as maturing in January 2015. However, a further extension to April 2015 has been agreed.
 - 6 Comprises principal (A\$250,000) and capitalised interest.
- Source:** NuSep 2014 Annual Financial Report.

60 In addition to the above, we note that NuSep incurred a net loss for FY14 of A\$3.8 million, had net cash outflows from operating activities of A\$0.9 million and as at 30 June 2014 had a deficiency in working capital and net assets of A\$0.9 million and A\$1.0 million respectively. Notwithstanding this, NuSep’s Directors prepared the financial accounts for FY14 on a going concern basis. In forming that view, the Directors considered the following:

- (a) on 29 September 2014, NuSep executed a NZD\$1.4 million convertible note debt facility with Mr Goodall
- (b) on 30 September 2014, NuSep received a conditional commitment of continued financial support of up to A\$1.2 million from Mr Goodall¹¹
- (c) in the coming months NuSep expects to receive a A\$0.8 million tax refund from the Australian Taxation Office (ATO)

¹¹ The commitment remains in place for at least one year from the date of approval of the FY14 financial statements.

- (d) NuSep has the ability to access funds through further security issues (noting that it raised equity of A\$1.7 million during FY14)
- (e) NuSep reduced its losses from continuing activities during FY14 (when compared to FY13).

61 However, it should be noted that NuSep's ability to remain a going concern is materially dependent upon its continued ability to access adequate funding to conduct its activities and to invest in its IP.

Share capital and performance

62 As at the date of this report, NuSep had 171,259,377 ordinary shares on issue.

Substantial shareholders

63 As at 23 September 2014 the substantial (i.e. 5% or more) shareholders in NuSep were Mr Goodall (32.2 million shares or 18.8%), Mr Clifford Eu (13.7 million or 8.0%), Mr John Manus (10.5 million or 6.1%), Mr Goh (10.2 million shares or 6.0%) and Mr Ying Ming Chiu (8.3 million shares or 5.0%)¹².

Share price performance

64 The price of NuSep shares from 1 January 2012 to 31 October 2014 is summarised below:

NuSep – Share price performance table				
	High ⁽¹⁾ Cents	Low ⁽¹⁾ Cents	Close Cents	Monthly Volume ⁽²⁾ 000
Quarter ended				
March 2012	7.6	2.2	2.6	2,239
June 2012	6.1	2.3	5.0	1,194
September 2012	8.3	4.0	6.3	807
December 2012	8.8	5.1	6.0	873
March 2013	8.0	6.0	6.5	386
June 2013	6.3	4.1	5.0	612
September 2013	5.1	4.0	5.0	683
December 2013	7.4	3.7	7.4	1,425
Month ended				
January 2014	8.0	7.0	8.0	659
February 2014	6.5	5.5	6.4	618
March 2014	6.2	5.5	5.7	585
April 2014	7.4	5.5	7.0	1,367
May 2014	8.5	6.6	7.2	870
June 2014	7.5	6.1	6.1	398
July 2014	7.4	6.2	6.5	754
August 2014	7.0	6.5	6.9	195
September 2014	8.0	5.1	7.8	815
October 2014	8.0	4.5	6.3	530

¹² The substantial shareholding note in the NuSep 2014 Annual Financial Report erroneously omitted the shareholdings of both Mr Clifford Eu and Mr John Manus.

Note:

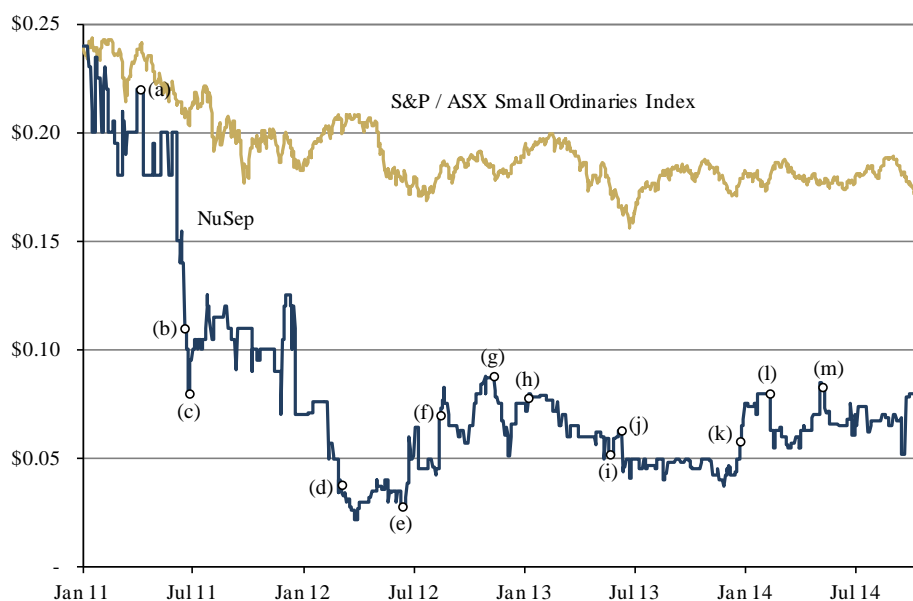
- 1 Based upon intraday trading.
- 2 Monthly volumes for the quarter ended represent average monthly volumes.

Source: Bloomberg.

- 65 The following graph illustrates the movement in the NuSep share price compared to the S&P / ASX Small Ordinaries Index from 1 January 2011:

NuSep – Share price history⁽¹⁾

1 January 2011 to 31 October 2014



Note:

- 1 Based upon closing prices. The S&P / ASX Small Ordinaries Index has been rebased to NuSep's last traded price on 1 January 2011 (A\$0.24).

Source: Bloomberg.

- 66 The material movements in the share price of NuSep are explained as follows:

- (a) **8 April 2011** – announced the launch of two new gel products after investing some A\$1.2 million over the previous nine months
- (b) **20 June 2011** – announced that it will undertake a share purchase offer at 10 cents per share and propose a bonus options issue. NuSep also announced that it has settled its US IP legal case on its patented analytical gel cassettes with Thermo Fisher Scientific
- (c) **28 June 2011** – announced a three year gels distribution agreement with Thermo Fisher Scientific
- (d) **6 March 2012** – announced a distribution agreement with In Vitro Technologies for the sale of consumable products in Australia and New Zealand
- (e) **14 June 2012** – announced that it has settled its legal case with NxGen Pharmaceuticals Pty Limited which included a confidential settlement a payment to be received by NuSep
- (f) **16 August 2012** – announced a restructure of the Company to focus on blood plasma separation following the purchase of the A-Bio facility in Singapore

- (g) **12 November 2012** – announced that it had been accredited by the Australian Therapeutic Goods Administration for the manufacture of in-vitro diagnostics medical devices used in the field of coagulation
- (h) **8 January 2013** – announced the successful completion of three trial production runs of human albumin (a protein found in human blood plasma) using its pilot production unit in Singapore
- (i) **23 May 2013** – announced that patents had been lodged for both the development of a diagnostic and a therapeutic for the treatment of dengue haemorrhagic fever based on the PrIME Technology
- (j) **11 June 2013** – announced that it had obtained an importation license from the Singaporean regulatory authority to import human plasma from other countries such as India
- (k) **24 December 2013** – announced that Xerya Capital has commenced due diligence for PIA of SGD16 million. The PIA was signed on 9 May 2014
- (l) **11 February 2014** – announced that the employment of Mr Prakash Patel as Chief Executive Officer (CEO) has ceased and Ms Alison Coutts has been appointed interim CEO
- (m) **9 May 2014** – announced that NuSep had signed the PIA with Xeraya Capital

Liquidity in NuSep shares

67 The liquidity in NuSep shares based on trading on the ASX over the year to 31 October 2014 is set out below:

NuSep – Liquidity analysis						
Period	Start date	End date	No of shares traded 000	WANOS Outstanding ⁽¹⁾ 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	2 Oct 14	31 Oct 14	549	171,259	0.32	3.85
3 months	1 Aug 14	31 Oct 14	1,570	171,259	0.92	3.67
6 months	2 May 14	31 Oct 14	3,591	171,259	2.10	4.19
1 year	1 Nov 13	31 Oct 14	10,466	169,405	6.18	6.18

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

III Valuation methodology

Valuation approaches

- 68 RG 111 outlines the appropriate methodologies that a valuer should 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:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) 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.
- 69 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 70 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 71 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.
- 72 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no

longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 73 We have assessed the market value of NuSep on a going concern basis. For the purposes of our report we have primarily relied upon the listed market price of the securities (albeit we note that trading in the Company is relatively illiquid), the price of recent share placements and the price at which the proposed placement to sophisticated investors is to occur (as this placement is significant relative to the current market capitalisation of the Company).
- 74 We have not adopted the DCF, capitalisation of earnings or net asset approaches. This is because:
- (a) there are no long-term cash flow forecasts prepared for the business of sufficient reliability to enable the DCF valuation method to be applied
 - (b) there are no earnings (EBITDA, EBIT or profit after tax) which can be capitalised
 - (c) NuSep has a significant negative net asset position following the accounting write down of the PrIME investment.

IV Evaluation of the Proposal

Assessment of fairness

75 In our opinion, the issue of the Convertible Notes is not fair but reasonable to the shareholders of NuSep not associated with Mr Goodall in the absence of a superior funding proposal. We have formed this opinion for the following reasons.

Assessment of fairness

76 RG 111 requires that fairness be assessed by comparing the controlling interest value of NuSep shares prior to the issue of the Convertible Notes with the portfolio value of NuSep shares following the conversion of the Convertible Notes into ordinary shares. In order for the issue of the Convertible Notes to be “fair” under RG 111, the portfolio value of NuSep shares following conversion of the Convertible Notes, must be equal to, or greater than the controlling interest value of NuSep shares before the issue.

77 In respect of the controlling interest value of NuSep shares prior to the issue of the Convertible Notes, we note the following:

- (a) since 1 July 2014, NuSep’s share price has ranged between 4.5 cents and 8.0 cents per share. NuSep’s one month and three month VWAPs (to 31 October 2014) are 7.0 cents and 7.1 cents per share respectively. However, it should be noted that share market trading in the Company is relatively illiquid
- (b) on 19 February 2014, NuSep issued 6.3 million fully paid ordinary shares to professional and sophisticated investors at an issue price of 7.1 cents per share to raise some A\$0.4 million for working capital purposes
- (c) empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).

78 On the basis of the above, in our opinion, the current controlling interest value of the Company is likely to exceed 7.0 cents per share.

79 The Convertible Notes are convertible to equity at an issue price of 6.45 cents per share. The conversion price is therefore less than the controlling interest value of NuSep shares prior to the issue of the Convertible Notes and the recent VWAP of NuSep shares in the one and three month period to 31 October 2014 (representing the portfolio value of the shares)¹³. Consequently, the portfolio interest value of NuSep shares following the conversion of the Convertible Notes into ordinary shares, is less than the controlling interest value of NuSep shares prior to the issue of the notes.

80 Accordingly, in our opinion, the issue of the Convertible Notes is not fair when assessed under RG 111.

¹³ Even before considering the potential diluting impact of the Options.

Assessment of reasonableness

- 81 Under RG 111 the issue of the Convertible Notes is reasonable if it is fair. The issue of the Convertible Notes may also be reasonable if, despite being “not fair”, if the expert concludes that the advantages of the issue outweigh the disadvantages from the perspective of NuSep shareholders not associated with Mr Goodall.
- 82 In order to determine whether the issue of the Convertible Notes is reasonable we have had regard to the following matters.

Impact on ownership

- 83 If the resolution to issue the Convertible Notes is approved there will be an impact on the voting power and ownership of NuSep. Mr Goodall (who currently has a relevant interest in NuSep shares of approximately 18.8%) will increase his relevant interest in NuSep to:
- (a) approximately 37.1% assuming the placement of 17.1 million shares proceeds (but prior to taking into account the options to be issued to Mr Goodall and associates)
 - (b) approximately 38.8% assuming the placement of 17.1 million shares proceeds and the options to be issued to Mr Goodall and associates are exercised:

NuSep – Illustrative impact of issue of Convertible Notes on ownership								
	Current Position		Pre-placement ⁽¹⁾		Post-placement ⁽²⁾		Options Exercised ⁽³⁾	
	millions	%	millions	%	millions	%	millions	%
Current holding	32.2		32.2		32.2		32.2	
AGM Resolution 12	-		2.3		2.3		2.3	
Convertible Notes	-		58.0		58.0		58.0	
Options	-		-		-		6.6	
Mr Goodall (and associates)	32.2	18.8	92.5	39.9	92.5	37.1	99.1	38.8
Others	139.1	81.2	139.3	60.1	156.5	62.9	156.5	61.2
Total shares on issue	171.3	100.0	231.8	100.0	249.0	100.0	255.6	100.0

Note:

- 1 Assumes that AGM resolutions 11 and 12 are approved by shareholders (being the issue of 2.6 million shares, 2.3 million of which will go to Mr Goodall and his associates). Assumes conversion of Convertible Notes in accordance with the terms set out above.
- 2 Assumes that AGM resolution 9 (being the placement of 17.1 million shares at 7.0 cents per share) is approved by shareholders. It is further assumed that Mr Goodall does not participate in the placement.
- 3 Hypothetically assumes that the Options are exercised. It should be noted that the Options are, based upon current day share prices, significantly out of the money.

- 84 Therefore, following conversion of the Convertible Notes to shares, Mr Goodall will have a significant voting interest and influence over NuSep’s affairs. In addition, Mr Goodall will be able to veto special resolutions (other than related party transactions in which he has an interest) due to the size of his shareholding and voting power. However, Mr Goodall will not have absolute control over NuSep (as his shareholding will be less than 50.1%).
- 85 We note that the ownership interests of other NuSep shareholders will be diluted as a result of the issue of the Convertible Notes. However, as stated below, we expect that some dilution is inevitable in any event given NuSep’s need for further equity capital (for amongst other things, debt reduction purposes) is high relative to NuSep’s financial performance and position.

Financial position of NuSep

- 86 As at 30 June 2014, NuSep had A\$6.7 million in interest bearing debt, of which A\$0.128 million is repayable on demand, A\$0.267 million matures in April 2015, A\$2.569 million matures in July 2015 and A\$3.752 million matures in 2016.
- 87 The Company also had a deficiency in both working capital and net assets of A\$0.9 million and A\$1.0 million respectively. Furthermore, NuSep's continuing operations are incurring significant losses (and have done so in each of the last three financial years) resulting in the Company incurring net cash outflows (not inflows) from its operations (thus preventing the Company from being able to service its debts).
- 88 Given the above, NuSep's ability to remain a going concern is materially dependent upon its ongoing ability to raise significant additional equity capital in order to reduce debt and continue to conduct its activities and invest in its IP.

Implications if the issue of the Convertible Notes is not approved and implemented

- 89 Should the issue of the Convertible Notes not be approved by shareholders, then NuSep would be required to repay the existing debt owed to Mr Goodall and his associates on the maturity date of the loan facilities. Based on NuSep's current financial position it is clear that NuSep could not repay these loans in the absence of further funding from alternate sources. For example the Company may, in the absence of the issue of the Convertible Notes, have to:
- (a) significantly increase the currently proposed 17.1 million share placement to sophisticated investors. However, the proposed placement would need to be approximately three times larger than proposed, and would most likely need to be priced at a lower price per share due to the amount to be raised. There is also significant uncertainty as to whether sufficient funds could be raised (particularly given that a significant amount of the raising would need to be used to repay debt)
 - (b) conduct a pro-rata rights issue. Although this would prevent NuSep's existing shareholders from being diluted, the size of the raising would be high and would require shareholders to have the financial capacity in the current economic climate to participate in any issue (and those that do not participate would be diluted)
 - (c) obtain debt from alternate sources. However, in our view, this is not a sustainable option given that the Company is generating negative cash flow from its operations and therefore, from a practical perspective would be unable to service the debt.
- 90 The ability to successfully raise the additional funds from alternate sources is materially uncertain. Further, in our view, any equity issue to repay debt is likely be priced at no more than the conversion price implicit in the Convertible Notes terms (and could be materially lower).
- 91 The failure to secure alternate funds is likely to jeopardise NuSep's ability to remain a going concern. Should the Company be forced into administration and wound-up, shareholders are unlikely to receive any return on their investment due to NuSep's significant negative net asset position.

Interest rates

- 92 The existing debts owed to Mr Goodall have a weighted average interest rate marginally above 14% per annum¹⁴. The interest rate on the Convertible Notes (of 14% per annum) is therefore consistent with the interest rate on the existing loans. Accordingly, the issue of the Convertible Notes is not expected to have any material impact on NuSep's interest costs prior to the Convertible Notes being converted to equity.

The one-off fee and value of Options to be granted

- 93 If the resolution to issue the Convertible Notes is approved, Mr Goodall will receive a one-off fee of A\$40,950 to be paid in shares at a conversion price of 6.45 cents per NuSep share, together with 6.625 million unlisted options to subscribe for NuSep shares. The value of the one-off fee and Options provides Mr Goodall with an in-substance discount on the 'headline' conversion price of the Convertible Notes¹⁵.
- 94 We have assessed the in-substance discount at between 0.32 cents and 0.34 cents per share as follows:

In-substance discount to 'headline' conversion price on Convertible Notes		
	Low A\$000	High A\$000
One-off payment	41.0	41.0
Assessed value of the Options ⁽¹⁾	116.0	125.0
Total	157.0	166.0
Shares issued pursuant to conversion of Convertible Notes (million)	57.9	57.9
Discount achieved on conversion price (cents per share) ⁽²⁾	0.27	0.29

Note:

- 1 We have valued the Options using the Black-Scholes option valuation model. Our assumptions are set out at Appendix C.
- 2 Excludes any value associated with Mr Goodall's reimbursement of the legal and other costs incurred in connection with the issue of the Convertible Notes.

- 95 Given the above, the effective conversion price on the Convertible Notes is therefore between 6.16 cents and 6.18 cents per NuSep share. It should be noted however that, as the options issued to Mr Goodall and his associates will not be listed, he is unlikely to be able to realise any value for them unless the NuSep share price exceeds their exercise price of 11.2 cents per share.

Likelihood of receiving a future takeover offer

- 96 If the issue of the Convertible Notes is approved, the outcome of any future takeover offer for NuSep will be more dependent on Mr Goodall's reaction to any such offer due to his increased shareholding¹⁶.

¹⁴ With the exception of one loan at a 15% annual interest rate, the interest rates on the loans from Mr Goodall are 14% per annum.

¹⁵ It should also be noted that NuSep will reimburse Mr Goodall for legal fees and other costs incurred in connection with the issue of the Convertible Notes.

¹⁶ Should Mr Goodall decide to accept an offer for his interest, it is likely that the non-associated NuSep shareholders will have the opportunity to participate on the same terms.

- 97 However, Mr Goodall currently has a relevant interest of some 18.8% of NuSep (on a fully diluted basis), which is sufficient to block a full takeover by another party in any event.

Conclusion

- 98 As indicated above there are a number of advantages and disadvantages associated with the issue of the Convertible Notes. However, in our opinion, the issue of the Convertible Notes issue is reasonable to the shareholders of NuSep not associated with Mr Goodall given that:
- (a) the issue and subsequent conversion of the Convertible Notes to shares:
 - (i) materially improves NuSep's financial position and its ability to remain a going concern (as it will significantly reduce debt and its ongoing interest costs)
 - (ii) allows NuSep to avoid having to raise a large amount of equity from alternate sources in order to repay its debts (e.g. increasing the equity raising proposed under AGM Resolution 9). In our view such an equity raising is likely to be priced at no more than the conversion price implicit in the Convertible Notes terms (and could be materially lower). There is also a significant risk that NuSep will be unable to raise funds on commensurate terms from an alternative source
 - (b) the interest rate on the Convertible Notes is consistent with the weighted average interest rate on the existing debts owed to Mr Goodall (and his associates). Accordingly, the issue of the Convertible Notes is not expected to have any material impact on NuSep's interest costs between the date of issue and date of conversion.
- 99 For the reasons set out above, in our opinion, the issue of the Convertible Notes is therefore not fair but is reasonable to the shareholders of NuSep not associated with Mr Goodall in the absence of a superior funding proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting and Explanatory Memorandum to be sent to NuSep shareholders in connection with the issue of the Convertible Notes.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at A\$20,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Edwards and Mr Toscan, who are each authorised representatives of LEA. Mr Edwards and Mr Toscan have over 20 years and 10 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Independent Directors of NuSep to accompany the Notice of Meeting and Explanatory Memorandum to be sent to NuSep shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether the issue of the Convertible Notes is fair and reasonable to the NuSep shareholders not associated with Mr Goodall.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Toscan have any interest in the outcome of the issue of the Convertible Notes. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with NuSep or Mr Goodall prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, NuSep agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of NuSep which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum.

Appendix C

Valuation of Options

Methodology

- 1 There are a number of accepted valuation methodologies available with which to value options over shares in a company. The two most commonly used of these models are the Black-Scholes option valuation model and the Binomial option pricing model. These models value an option based on a model (log normal variation) of the behaviour of the value of the asset (shares) over which options are held. The value of an option is then calculated as an output of the following fundamental determinants of option value:
 - (a) the current market value of the underlying asset (share)
 - (b) the exercise price of the option
 - (c) the time to expiry of the option
 - (d) the prevailing level of the risk-free interest rate
 - (e) the expected volatility of the value of the underlying asset (share) over the period until the expiry of the option
 - (f) the level of dividends expected to be paid on the asset (share) in the period until the expiry of the option and their timing.
- 2 The Black & Scholes option valuation model is not designed to take into account dividends expected to be received on the underlying shares. However, as we understand that NuSep is unlikely to pay a dividend prior to the expiry of the Options, we have considered the value of the Options under the Black-Scholes model.
- 3 We comment below on each of the fundamental determinants of an option's value.

Determinates of value

The current market value of the underlying asset

- 4 The underlying asset of the Options is un-issued NuSep shares. This is because, for every option exercised, the holder will receive one new ordinary share in NuSep. For the purposes of this report we have adopted a value for NuSep shares equal to 7.0 cents per share (representing the one month VWAP up to and including 31 October 2014).

The exercise prices and expiry dates of the options

- 5 The Options are American style options in that they are exercisable any time prior to expiry. The exercise prices and expiry dates of the Options are as follows:

Options – Key terms			
Tranche	Number of options	Exercise price per share Australian cents	Expiry date
Tranche One	3,125,000	11.2	20 January 2016
Tranche Two	2,000,000	11.2	1 November 2016
Tranche Three	1,500,000	11.2	1 November 2017

Appendix C

The risk-free interest rate

- 6 The risk-free rate used to value an option is generally defined to be the interest rate on government bonds of a maturity equivalent to the term of the option. This rate is used to take into account the fact that a call option holder will not have to pay the exercise price until the call option (being the right, but not the obligation to buy an asset at a specified price) is exercised, and the fact that the present value of the exercise price is therefore less than the exercise price due to the time value of money. Instead, the call option holder can invest the cash which he would otherwise need to exercise the option “risk-free “until expiry or exercise of the option.
- 7 For the purposes of our valuation we have adopted a risk-free rates of 2.45%, 2.50% and 2.60% per annum (for Tranche One, Two and Three respectively) being the yields at the close of business on 31 October 2014 on the treasury bonds whose maturity dates provide the closest approximation to the expiry dates of the Options being valued¹⁷.

Volatility

- 8 Option pricing models require estimation of the future volatility of the underlying asset price (in this case shares in NuSep).
- 9 Volatility is a measure of the level of fluctuation in the value of the underlying asset. The volatility is measured as the standard deviation of the underlying asset’s returns. The more volatile the underlying asset’s returns (i.e. the more the asset’s returns fluctuate) the higher the value of the option. This is because the more volatile the underlying asset’s returns, the greater the value associated with the outcomes where the option is in the money, i.e. share price exceeds exercise price at expiry.
- 10 In order to estimate the future volatility of a share, its historical volatility is often used as a guide to the future volatility over the term of the option. This approach is necessary as it is often not possible to measure future volatility. In the case of NuSep there are no listed options which can be used to directly observe implied volatility (expected by option buyers and sellers). Accordingly, we have estimated volatility by reference to the volatility of NuSep’s historical share prices.
- 11 The historical volatility of NuSep shares over various periods is shown below:

¹⁷ 2.484% per annum was the yield on Australian Government bonds maturing on 15 June 2016 (source: AFR 31 October 2014). 2.50% and 2.59% per annum were the yields on two and three year Australian Government bonds (source: RBA table F2).

Appendix C

NuSep – Share price volatility	Volatility ⁽¹⁾ % p.a.
Monthly volatility – 5 years (1 November 2009 to 31 October 2014)	86.9
Weekly volatility – 5 years (1 November 2009 to 31 October 2014)	88.9
Weekly volatility – 1 year (1 November 2013 to 31 October 2014)	86.2

Note:

1 Volatility calculated based on weekly share prices.

- 12 Consequently, for the purposes of our valuation we have adopted a volatility rate of 85% to 90% per annum.

Dividends

- 13 As discussed above, it is unlikely that NuSep will pay a dividend on its ordinary shares prior to the expiry date of the Options. We have therefore assumed that no dividend will be paid by NuSep before the expiry date of the Options.

Discount for lack of marketability

- 14 The Black-Scholes option pricing model assumes that there are no restrictions on the transferability or negotiability of options.
- 15 While the options are assignable to third parties, from a practical perspective it would be very difficult to sell the options as they are significantly “out of the money”¹⁸ and are not listed on any stock exchange. As a result the holder is likely to have to exercise the options in order to crystallise any value from them. However, the value of NuSep shares would need to increase significantly before the options would be worth exercising. Consequently, in our opinion, it is appropriate to apply a significant discount to reflect the Options’ lack of marketability.
- 16 Having regard to the empirical evidence in the USA and Australia on discounts for lack of marketability, the term of the options and the increase in share price required before the options will be exercised, we have applied a discount for lack of marketability of 30%.

Valuation

- 17 On this basis of the above, we have assessed the value of the Options as follows:

¹⁸ In that the exercise price of the Options significantly exceeds the current value of NuSep shares.

Appendix C

Options – Assessed value ⁽¹⁾						
	Tranche One		Tranche Two		Tranche Three	
	Low	High	Low	High	Low	High
	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000
Value of single option (cents per option)	1.61	1.77	2.38	2.57	3.13	3.34
Number of options (000s)	2,000	2,000	1,500	1,500	3,125	3,125
Value of tranche	32	35	36	38	98	104
Less discount for lack of marketability (30%)	(10)	(11)	(11)	(12)	(29)	(31)
Assessed value	23	25	25	27	68	73

Note:

1 Rounding differences may exist.

Appendix D

Glossary

Term	Meaning
A-Bio	A-Bio Pharma Pte Ltd
AGM	Annual general meeting
AI	Artificial insemination
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
CEO	Chief Executive Officer
Convertible Notes	The convertible notes issued proposed to be issued to Mr Goodall (and his associates) as described at paragraphs 1 to 3
Corporations Act	<i>Corporations Act 2001</i> (Cth)
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
JP Asia	JP Asia Prime Capital Pte Ltd
IER	Independent expert's report
IP	Intellectual property
IVF	In vitro fertilisation
LEA	LonerGAN Edwards & Associates Limited
Mr Goodall	Andrew Goodall and his associates
NPV	Net present value
NuSep or the Company	NuSep Holding Ltd
Options	6.625 million unlisted options to subscribe for NuSep shares (as described at paragraph 0).
PE	Price earnings
PIA	PrIME Investment Agreement
PrIME	PrIME Biologics Pte Limited
Pulau	Pulau Manukan Ventures Labuan Ltd
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
VWAP	Volume weighted average trading price
WANOS	Weighted average number of shares outstanding
Xeraya	Xeraya Capital Labuan Ltd

14 October 2014

The Company Secretary
NuSep Holdings Limited
30 Richmond Road
HOMEBUSH NSW

Dear Elissa

AUDITOR NOMINATION – ESV ACCOUNTING AND BUSINESS ADVISORS

I, Andrew Goodall, a shareholder of NuSep Holdings Limited hereby nominate ESV Accounting and Business Advisors to be appointed the Auditor of NuSep Holdings Limited.

Yours sincerely



Andrew Goodall



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10.30am (AEDT) on Monday, 17 December 2014.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

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

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10.30am (AEDT) on Monday, 17 December 2014.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Nusep Holdings Limited

ACN 120 047 556

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Nusep Holdings Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the **Annual General Meeting of the Company to be held at the Nusep Holdings, 30 Richmond Road, Homebush, NSW, 2140 on Friday, 19 December 2014 at 10:30am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1,2,3 and 12(a), I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1,2,3 and 12(a) are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1,2,3 and 12(a)). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*			For	Against	Abstain*
Res 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12(d)	Issue of Shares to Related Parties - The Andrew Ernest Goodall - Goodall Family Super Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2	Amendment and approval of the Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12(e)	Issue of Shares to Related Parties - Mr Andrew Ernest Goodall or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 3	Grant of Long Term Incentives to the Executive Chairman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12(f)	Issue of Shares to Related Parties - Mr Andrew Ernest Goodall or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 4	Re-election of Director - Mr Andrew Goodall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 13(a)	Issue of Options to Related Parties - Ti Rakau Developments Ltd or its nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5	Election of Director - Mr Michael Graham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 13(b)	Issue of Options to Related Parties - Mr Andrew Ernest Goodall or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 6	Election of Director - Mr Mark Gell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 13(c)	Issue of Options to Related Parties - Mr Andrew Ernest Goodall or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 7	Approval of 10% Placement Facility (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 14(a)	Issue of Convertible Notes to Mr Andrew Ernest Goodall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 8	Ratification of Prior Share Allotment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 14(b)	Issue of Convertible Notes to Mr Andrew Ernest Goodall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 9	Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 14(c)	Issue of Convertible Notes to Mr Andrew Ernest Goodall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 10	Issue of Options to Ms Chang Seow Ying Alison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 14(d)	Issue of Convertible Notes to Ti Rakau Developments Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 11	Issue of Shares to Mr Clifford Eu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 15(a)	Issue of Convertible Notes to Ms Chang Seow Ying Alison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 12(a)	Issue of Shares to Related Parties - Ms Alison Coutts or her nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 15(b)	Issue of Convertible Notes to Mr John Manus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 12(b)	Issue of Shares to Related Parties - Mr Andrew Ernest Goodall or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 16(a)	Removal of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 12(c)	Issue of Shares to Related Parties - The Andrew Ernest Goodall - Goodall Family Super Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 16(b)	Appointment of Auditor (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2014