

AO ENERGY LIMITED
ACN 010 126 708

NOTICE OF EXTRAORDINARY GENERAL MEETING
EXPLANATORY STATEMENT
PROXY FORM

Date of Meeting
13 March 2014

Time of Meeting
11.00 am (CDST)

Place of Meeting
Level 16
211 Victoria Square
ADELAIDE SA 5000

NOTICE OF EXTRAORDINARY GENERAL MEETING

AO ENERGY LIMITED ACN 010 126 708

Notice is hereby given that an Extraordinary General Meeting of shareholders of AO Energy Limited (**Company**) will be held at 11.00 am (CDST) on 13 March 2014 at Level 16, 211 Victoria Square, Adelaide, South Australia.

RESOLUTION 1 - SUBSEQUENT APPROVAL OF THE ISSUE OF 1,742,577 SHARES

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

‘That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, subsequent approval is given to the issue by the Company of 1,742,577 fully paid ordinary shares (pre-Consolidation) to Taycol Nominees Pty Ltd on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 2 - SUBSEQUENT APPROVAL OF THE ISSUE OF 1,027,850 SHARES

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

‘That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, subsequent approval is given to the issue by the Company of 1,027,850 fully paid ordinary shares (pre-Consolidation) to Taycol Nominees Pty Ltd on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 3 – CANCELLATION OF OPTIONS AND PERFORMANCE RIGHTS IN EXCHANGE FOR THE ISSUE OF SHARES

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

‘That, for the purposes of ASX Listing Rule 6.23.2, ASX Listing Rule 7.1 and for all other purposes, approval is given to the cancellation of:

- (a) 1,050,000 vested Options each with an exercise price of \$0.225 and an expiry date of 11 February 2016;
- (b) 9,500,000 unvested Options each with an exercise price of \$0.225 and an expiry date of 11 February 2016;
- (c) 18,500,000 unvested Options each with an exercise price of \$0.30 and an expiry date of 11 February 2017; and
- (d) 3,600,000 Performance Rights,

granted to the Former Directors and the issue by the Company of 10,380,000 fully paid ordinary shares (pre-Consolidation) to the Former Directors in consideration for such cancellation, on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 4 – ISSUE OF SHARES TO JAREK KOPIAS

To consider and, if thought fit, 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, approval is given to the issue by the Company of 475,833 fully paid ordinary shares (pre-Consolidation) to Mr Jarek Kopias (or his nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 5 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

'That, subject to the passing of Resolutions 6 - 17 (inclusive), for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities as set out in the Explanatory Statement.'

RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES

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

'That, subject to the passing of Resolutions 5 and 7 - 17 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 191,207,026 fully paid ordinary shares (pre-Consolidation) to the RHS Vendors (or their nominees) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 7 - ISSUE OF SHARES TO DAVID BROOKES

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

'That, subject to the passing of Resolutions 5, 6 and 8 – 17 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 8,792,974 fully paid ordinary shares (pre-Consolidation) to Dr David Brookes (or his nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 8 - CONSOLIDATION OF SHARES AND OPTIONS

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

'That, subject to the passing of Resolutions 5 – 7 (inclusive) and 9 - 17 (inclusive), and with effect from the date of, and immediately following, completion of the RHS Acquisition, for the

purpose of section 254H of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the issued capital of the Company to be consolidated on the basis that:

- (a) every ten fully paid ordinary shares be consolidated into one fully paid ordinary share; and*
- (b) every ten Options be consolidated into one Option with the exercise price amended in inverse proportion to that ratio,*

and where this consolidation ratio would otherwise result in a fractional entitlement to a share or Option (as the case may be), that fractional entitlement be rounded up to the nearest whole share or Option (as the case may be), as set out in the Explanatory Statement.'

RESOLUTION 9 – CAPITAL RAISING

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

'That, subject to the passing of Resolutions 5 - 8 (inclusive) and 10 - 17 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 12,000,000 fully paid ordinary shares (post-Consolidation) at a minimum issue price of \$0.20 per share to raise \$2,400,000 (minimum subscription) and up to an additional 3,000,000 fully paid ordinary shares (post-Consolidation) at a minimum issue price of \$0.20 per share to raise up to an additional \$600,000 by way of oversubscriptions (maximum subscription) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 10 – ISSUE OF SHARES TO TAYLOR COLLISON LIMITED

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

'That, subject to the passing of Resolutions 5 - 9 (inclusive) and 11 - 17 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of up to 1,006,065 fully paid ordinary shares (post-Consolidation) to Taylor Collison Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 11 - ISSUE OF OPTIONS TO SIMON O'LOUGHLIN

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

'That, subject to the passing of Resolutions 5 - 10 (inclusive) and 12 - 17 (inclusive), for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 750,000 Options (post-Consolidation) to Mr Simon O'Loughlin (or his nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 12 - ISSUE OF OPTIONS TO DONALD STEPHENS

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

'That, subject to the passing of Resolutions 5 - 11 (inclusive) and 13 - 17 (inclusive), for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for

all other purposes, approval is given to the issue by the Company of 600,000 Options (post-Consolidation) to Mr Donald Stephens (or his nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 13 - ISSUE OF OPTIONS TO GRAHAM ASCOUGH

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

'That, subject to the passing of Resolutions 5 - 12 (inclusive) and 14 - 17 (inclusive), for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 300,000 Options (post-Consolidation) to Mr Graham Ascough (or his nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 14 - ISSUE OF OPTIONS TO DAVID BROOKES

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

'That, subject to the passing of Resolutions 5 - 13 (inclusive) and 15 - 17 (inclusive), for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 750,000 Options (post-Consolidation) to Dr David Brookes (or his nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 15 - ISSUE OF OPTIONS TO JOHNATHON MATTHEWS

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

'That, subject to the passing of Resolutions 5 - 14 (inclusive), 16 and 17, for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 600,000 Options (post-Consolidation) to Mr Johnathon Matthews (or his nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 16 - ISSUE OF OPTIONS TO MICHELLE FRASER

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

'That, subject to the passing of Resolutions 5 - 15 (inclusive) and 17, for the purposes of section 208 of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 2,700,000 Options (post-Consolidation) to Dr Michelle Fraser (or her nominee) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 17 – CHANGE OF NAME

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

'That, subject to the passing of Resolutions 5 - 16 (inclusive), for the purposes of sections 157(1)(a) and 136(2) of the Corporations Act 2001 (Cth) and for all other purposes, approval

is given for the name of the Company to be changed to Reproductive Health Science Limited, and for all references to the Company's name in the Constitution of the Company to be replaced with Reproductive Health Science Limited.'

DATED 5 February 2014

**BY ORDER OF THE BOARD
AO ENERGY LIMITED**

A handwritten signature in cursive script that reads "Donald Stephens".

**DONALD STEPHENS
COMPANY SECRETARY**

NOTES:

1. Explanatory Statement

The Explanatory Statement accompanying this Notice of Extraordinary General Meeting is incorporated in and comprises part of this Notice of Extraordinary General Meeting and should be read in conjunction with this Notice of Extraordinary General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in both this Notice of Extraordinary General Meeting and the Explanatory Statement.

2. Voting Exclusion Statements

(a) Resolution 1

The Company will disregard any votes cast on Resolution 1 by a person who participated in the issue and 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.

(b) Resolution 2

The Company will disregard any votes cast on Resolution 2 by a person who participated in the issue and 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.

(c) Resolution 3

The Company will disregard any votes cast on Resolution 3 by:

- (i) a Former Director and an associate of a Former Director; and
- (ii) a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 3 is passed.

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.

(d) **Resolution 4**

The Company will disregard any votes cast on Resolution 4 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 4 is passed.

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.

(e) **Resolution 5**

The Company will disregard any votes cast on Resolution 5 by a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 5 is passed.

However, the Company need not disregard a vote if:

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

(f) **Resolution 6**

The Company will disregard any votes cast on Resolution 6 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 6 is passed.

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.

(g) **Resolution 7**

(i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 7 if:

- the person is either:

- a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
- a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
 - the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.
- (ii) For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 7 by a person (and their associates) who is to receive securities in relation to the Company.

However, subject always to paragraph 2(g)(i), 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

(h) **Resolution 9**

The Company will disregard any votes cast on Resolution 9 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 9 is passed.

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.

(i) **Resolution 10**

The Company will disregard any votes cast on Resolution 10 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 10 is passed.

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.

(j) **Resolutions 11, 12, 13, 14, 15 and 16**

(i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on any of Resolutions 11, 12, 13, 14, 15 and 16 if:

- the person is either:
 - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
 - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
- the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

(ii) For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolutions 11, 12, 13, 14, 15 and 16 by a person (and their associates) who is to receive securities in relation to the Company.

However, subject always to paragraph 2(j)(i), 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 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.

3. Proxies

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. 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 votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a shareholder will need to take the following steps:

3.1 complete and lodge the manual proxy form at the share registry of the Company, Link Market Services Limited:

(a) by post at the following address:

Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235

OR

(b) by facsimile on +61 2 9287 0309

OR

(c) by hand at the following address:

Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138

OR

3.2 cast the shareholder's vote online by visiting www.linkmarketservices.com.au,

so that it is received no later than 11.00 am (CDST) on 11 March 2014.

Please note that if the chair of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolutions 7, 11, 12, 13, 14, 15 and 16 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. For Resolution 11, this express authority is also subject to you marking the box in the section titled Important - Voting Exclusions on the Proxy Form. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on any of Resolutions 7, 11, 12, 13, 14, 15 and 16 by marking the appropriate box on the Proxy Form.

The chair intends to vote undirected proxies in favour of each item of business.

4. 'Snap Shot' Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (CDST) on 11 March 2014 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. 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 may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY STATEMENT

PART 1 – GENERAL INFORMATION

This Explanatory Statement forms part of a Notice convening an Extraordinary General Meeting of shareholders of AO Energy Limited to be held on 13 March 2014. This Explanatory Statement is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Statement, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 17 (inclusive).

1. SUBSEQUENT APPROVAL OF SHARE ISSUES

The Company and Taylor Collison are parties to an Underwriting Agreement dated 9 October 2013 (**Underwriting Agreement**) pursuant to which Taylor Collison partially underwrote the Company's recent rights issue to the extent of \$600,000.

On 5 November 2013 and 2 December 2013, the Company issued a total of 2,770,427 fully paid ordinary shares to Taycol Nominees in lieu of payment of the underwriting fee and placement fee otherwise payable to Taylor Collison under the Underwriting Agreement.

The issue of the shares the subject of Resolutions 1 and 2 did not result in the Company breaching the 15% limit referred to in ASX Listing Rule 7.1. The issue of the shares does not therefore depend upon shareholders passing Resolutions 1 and 2. The purpose of Resolutions 1 and 2 is to obtain shareholder approval for the purpose of ASX Listing Rule 7.4 and for all other purposes. If shareholders approve the issue of the shares the subject of Resolutions 1 and 2 for the purpose of Listing Rule 7.4, the issue of those shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the shares the subject of Resolutions 1 and 2 for the purpose of ASX Listing Rule 7.4, the issue of those shares will count towards the number of equity securities which the Company can issue in any 12 month period.

Resolutions 1 and 2 are stand-alone resolutions and do not depend on the passing of any other Resolution. The Directors recommend that shareholders vote in favour of Resolutions 1 and 2.

2. CANCELLATION OF OPTIONS AND PERFORMANCE RIGHTS HELD BY FORMER DIRECTORS IN EXCHANGE FOR THE ISSUE OF SHARES

As announced to ASX on 31 July 2013 and 23 August 2013, the Company has entered into a Settlement Deed dated 31 July 2013 (**Settlement Deed**) with its previous Directors Messrs Colin Goodall, Neil Young, Jeremy Jebamoney and David Bamford and The Honourable Alexander Downer AC (**Former Directors**). Under the terms of the Settlement Deed (and subject to shareholder approval), the Former Directors agree to forgo any unpaid employee or director entitlements and cancel all Options and Performance Rights held by them in exchange for a total of 10,380,000 fully paid ordinary shares.

The total number of Options and Performance Rights held by the Former Directors is:

- (a) 1,050,000 vested Options each with an exercise price of \$0.225 and an expiry date of 11 February 2016;
- (b) 9,500,000 unvested Options each with an exercise price of \$0.225 and an expiry date of 11 February 2016;
- (c) 18,500,000 unvested Options each with an exercise price of \$0.30 and an expiry date of 11 February 2017; and
- (d) 3,600,000 Performance Rights.

The number of Options and Performance Rights held by each of the Former Directors is set out in the table below:

Name	Number of Options	Number of Performance Rights
Colin Goodall	8,050,000	1,250,000
Neil Young	9,200,000	1,400,000
Jeremy Jebamoney	5,800,000	950,000
Hon. Alexander Downer AC	3,000,000	Nil
David Bamford	3,000,000	Nil
TOTAL	29,050,000	3,600,000

Subject to the passing of Resolution 3, the number of fully paid ordinary shares to be issued to each of the Former Directors is set out in the table below:

Name	Number of Shares
Colin Goodall	1,100,000
Neil Young	4,750,000
Jeremy Jebamoney	3,650,000
Hon. Alexander Downer AC	440,000
David Bamford	440,000
TOTAL	10,380,000

Resolution 3 is a stand-alone resolution and does not depend on the passing of any other Resolution. The passing of Resolution 3 will, however, allow the capital structure of the Company to be appropriately restructured prior to the RHS Acquisition. The Directors recommend that shareholders vote in favour of Resolution 3 as it has the effect of relinquishing any claims the Former Directors may have against the Company in respect of unpaid entitlements.

3. **ISSUE OF SHARES TO PREVIOUS COMPANY SECRETARY**

The Company has agreed to issue 475,833 fully paid ordinary shares (pre-Consolidation) to its previous Company Secretary, Mr Jarek Kopias (or his nominee), in lieu of fees and employee entitlements. Resolution 4 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of these shares.

Resolution 4 is a stand-alone resolution and does not depend on the passing of any other Resolution. The Directors recommend that shareholders vote in favour of Resolution 4.

4. **CURRENT OPERATIONS**

The Company currently holds interests in two key projects being:

- (a) a 100% interest in Kiawarra EL 6269, an exploration licence in New South Wales which has been subject to exploration efforts targeting high grade silver and associated lead, zinc, tin and gold mineralisation; and
- (b) a 40% interest in the Connors Arch Joint Venture with SmartTrans Holdings Limited (60% interest and operator), which covers three tenements in Mt Mackenzie, Queensland, an area considered to be prospective for porphyry-style copper-gold deposits and epithermal gold deposits.

The Company is currently seeking a partner to advance exploration activities on the Kiawarra project through a farm-in arrangement, and the Joint Venture is currently seeking interested parties to advance exploration activities on the Connors Arch project through a farm-in arrangement or sale of the project.

5. **CHANGE TO NATURE AND SCALE OF ACTIVITIES**

The acquisition by the Company of all the issued share capital of RHS involves a significant change to the nature of the Company's main business activity from exploring for minerals to the provision of biotechnology products and services. Furthermore, the RHS Acquisition involves a significant change to the size of the Company's business operations. Given these circumstances, ASX has exercised its discretion to require the significant change to the nature and scale of the Company's main business activity to be approved by the Company's shareholders under ASX Listing Rule 11.1.2. This approval is sought from shareholders in Resolution 5.

6. **INFORMATION ON THE RHS BUSINESS**

RHS is a developer of sophisticated novel molecular tools for amplifying DNA (deoxyribonucleic acid) and determining the genetic contents of a single cell. RHS was founded to develop patented technology for single cell chromosome analysis that originated from the Department of Obstetrics and Gynaecology at The University of Adelaide.

The precursor company to RHS (NCPGG Pty Ltd) was incorporated in 1994. In 2003 the company changed its name to Reproductive Health Science Pty Ltd and in early 2004 it commenced its current operations. To date, the company has been funded through a combination of angel and venture capital investment and State and Federal Government grants.

RHS initial product is a kit to determine the number of chromosomes in a single human cell. This kit contains two parts; an RHS proprietary DNA amplification and fluorescent labelling system and a patented microarray for counting the number of chromosomes in a single cell.

RHS has exclusively out-licensed its DNA amplification and labelling expertise to Kapa BioSystems Inc (**Kapa BioSystems**). Kapa BioSystems is headquartered in Boston, USA and has manufacturing and research and development facilities in Cape Town South Africa (<http://www.kapabiosystems.com/company>). Kapa BioSystems has its own sales and marketing capabilities and also uses a global network of over 55 life sciences distributors to provide its product to the global market. In early 2014, Kapa BioSystems intends to launch a suite of RHS co-branded products for amplifying DNA from as little as a single cell. One of these kits will be specifically designed for use in single cell sequencing, which has a range of applications including understanding cancer.

The RHS microarray contains proprietary DNA targets that are specific to entire human chromosomes. Each microarray kit will contain Kapa BioSystems/RHS DNA amplification and labelling kits along with the RHS microarray and will provide sufficient reagents to analyse up to 20 single cells. The RHS array is fundamentally different to the competitor microarrays and this approach allows for precision, lower cost, ease of analysis and interpretation of the array. RHS believes there is no other approach that can deliver similar benefits.

RHS has managed the patent underlying its microarray since the Patent Cooperation Treaty (**PCT**) filing stage, where the patent was filed internationally. This patent has now been granted in Australia, USA, China and New Zealand and is in late stage examination in Europe, Canada and Hong Kong.

RHS has been regularly manufacturing its microarray on-site since January 2010 and has performed over 100 production runs in that time. These microarrays have been used in-house for optimisation of the technology for single cell analysis and sales have not yet commenced. RHS has the expertise and protocols to be able to scale up manufacture of the array as required with minimal additional expertise, floor space and equipment.

The initial target of the RHS technology is the IVF market. Currently there are approximately 1.7 million IVF cycles per annum and the IVF market is growing by roughly 10% per annum. According to the 2011 Australian and New Zealand data on Assisted Reproductive Technologies¹, less than 20% of all IVF cycles in Australia and New Zealand result in a pregnancy baby being born. The primary reason for IVF failure is considered to be aneuploidy, where the embryo has the wrong number of chromosomes. IVF failure causes emotional trauma to patients and has a significant adverse financial impact on patients, insurers and Governments. One of the most significant advances to improve IVF success rates has been the introduction of Pre-implantation Genetic Screening (**PGS**) in which embryos are screened to ensure that they have the correct number of chromosomes before embryo transfer.

Recently published randomised controlled trials have demonstrated an average 20% increase in IVF success rate in good prognosis women who are less than 35

¹ Macalldowie A, Wang YA, Chambers GM & Sullivan EA 2013. Assisted reproductive technology in Australia and New Zealand 2011. Sydney: National Perinatal Epidemiology and Statistics Unit, the University of New South Wales

years of age (45.8% using morphology alone vs 70.9% with microarray PGS) and a greater than 60% increase in women over 35 years of age.

Although health economic studies have yet to be done, RHS believes that given an improved 'time to pregnancy', reduced miscarriage, a reduction in the need for multiple embryos to be transferred to achieve pregnancy and the more effective selection of frozen embryos prior to transfer will prove PGS to be dramatically cost effective.

The RHS Board believes the IVF market is on the cusp of a surge in the use of PGS, driven by positive randomised controlled trials, the economic benefits of decreasing the number of IVF cycles required to achieve pregnancy, health benefits of transferring only one embryo at a time and improved embryo culture, biopsy and storage techniques. RHS offers a product that is technically advantageous, cost competitive and is well positioned to not only participate in this growing market opportunity but to contribute to its growth.

7. **CONDITIONS PRECEDENT TO COMPLETION OF THE RHS ACQUISITION**

On 26 November 2013 the Company entered into a Share Purchase Agreement with the RHS Vendors to acquire all the issued share capital of RHS in consideration for the issue of 191,207,026 fully paid ordinary shares (pre-Consolidation).

The conditions precedent to completion of the RHS Acquisition are:

- (a) the Company conducting prior to 31 January 2014 (or such other date agreed by the Company and the RHS Vendors) (**Due Diligence End Date**) such due diligence in respect of RHS as it deems appropriate and not prior to the Due Diligence End Date becoming aware of any matter that amounts to a breach of any of the warranties given by the RHS Vendors;
- (b) the RHS Vendors conducting prior to the 30th day following the date of the Share Purchase Agreement (or such other date agreed by the Company and the RHS Vendors) such due diligence in respect of the Company as they deem appropriate and not prior to that date becoming aware of any matter that amounts to a breach of any of the warranties given by the Company;
- (c) the Company obtaining shareholder approval of the transaction contemplated by the Share Purchase Agreement, including for the purposes of ASX Listing Rules 7.1 and 10.11 and Chapter 2E of the Corporations Act;
- (d) the Company obtaining shareholder approval to consolidate its shares;
- (e) the Company obtaining shareholder approval to change its name to 'Reproductive Health Science Limited';
- (f) the Company raising at least \$2.4 million via a prospectus for the offer of ordinary shares (post-Consolidation) at an offer price of at least \$0.20 each;

- (g) the Company meeting the requirements in Chapters 1 and 2 of the ASX Listing Rules as if the Company was applying for admission to the official list;
- (h) the Company obtaining conditional approval (subject only to the imposition of conditions usual to such approvals) from ASX for its ordinary shares to be reinstated to quotation on ASX;
- (i) there being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of RHS;
- (j) there being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of the Company; and
- (k) that RHS' accuracy of detection of chromosome copy number from single cells sorted from cell lines of known chromosomal content allows it to meet its required preclinical validation claim of 90% or greater accuracy of the microarray.

The conditions precedent referred to in paragraphs (a) and (b) above have been satisfied.

No RHS Vendor or any other person will hold more than 20% of the Company's shares following the Company's re-compliance with ASX's admission requirements in chapters 1 and 2.

8. **BOARD CHANGES**

On completion of the RHS Acquisition the Company proposes to appoint to the Board RHS CEO, Dr Michelle Fraser and Mr Johnathon Matthews (with Dr Colin Matthews as his alternate). Furthermore, it is proposed that existing Director, Mr Graham Ascough, will resign as a director of the Company.

Profiles of each of the proposed new directors are set out below:

Dr Michelle Fraser PhD, Grad Dip Sci Tech Comm – Current Chief Executive Officer of RHS

Dr Fraser joined RHS as the inaugural chief executive officer in September 2007 and became a member of the RHS Board in May 2012. In this role, she has been responsible for key achievements including securing venture capital investment and leveraging State and Commonwealth Government Grants, in-licensing and out-licensing activities, intellectual property management and building the RHS commercial and clinical network.

Dr Fraser was previously a Business Development Manager at Bio Innovation SA where she provided commercialisation advice and assistance to bioscience companies, universities, research institutes and teaching and research hospitals. Dr Fraser was also part of the Bio Innovation SA team responsible for the establishment of venture capital fund Terra Rossa Capital. Dr Fraser has previously been the chief executive officer for two biotechnology start-up companies; Viswa Biotechnology Pty Ltd and BenEphex Biotechnologies Pty Ltd.

Dr Fraser has a PhD in molecular biology and a Graduate Diploma of Science and Technology Commercialisation, both from the University of Adelaide. Dr Fraser has graduated from the Australian Institute of Company Directors.

Mr Johnathon Matthews BEc, B Comm, LLB

Mr Matthews has six years' experience in the IVF industry as executive director of The Pipette Company Pty Ltd (TPC), an Adelaide based specialist manufacturer and supplier of high quality micropipettes used in IVF procedures. He has actively contributed to developing and managing TPC's growth with its products being supplied to hospitals and IVF clinics in over 40 countries worldwide.

Prior to joining TPC, Mr Matthews has worked at the Australian Treasury on microeconomic policy reform, the ASX where he was responsible for the ASX's relationship with over 100 listed companies, and at the Commonwealth Bank where he worked as a corporate analyst in the institutional banking division.

Mr Matthews holds a Bachelor of Economics, a Bachelor of Commerce and a Bachelor of Laws from The University of Adelaide and has completed postgraduate diplomas in Applied Finance & Investment and Legal Practice.

Emeritus Professor Colin Matthews AO – Current Non-Executive Director of RHS

Dr Matthews has been a director and shareholder of RHS since its establishment. He is a founding director of The Pipette Company Pty Ltd, currently a director of Flinders IVF and chair of the Research Committee and Board Member of Channel 7 Research Foundation.

Dr Matthews was previously a founding director of Repromed Pty Ltd, a University owned Adelaide-based IVF clinic.

Dr Matthews is a Distinguished Alumni of The University of Adelaide, a Life Member of The Fertility Society of Australia and of The European Society of Human Reproduction and Embryology and was appointed an Officer of the Order of Australia in 2012 for services to reproductive medicine.

9. **RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES**

ASX has notified the Company that the significant change to the nature and scale of the Company's main business activity arising from the RHS Acquisition will require re-compliance with ASX's admission requirements in chapters 1 and 2.

In accordance with guidelines published by ASX, the Company intends requesting a trading halt under ASX Listing Rule 17.1 to apply from the start of trading on the date of the Extraordinary General Meeting. Then, if shareholders approve the change to the nature and scale of activities of the Company and related resolutions, trading in the Company's securities will be immediately suspended until re-compliance with the admission requirements is achieved.

10. **INDICATIVE TIMETABLE**

An indicative timetable for re-compliance with the admission requirements is set out in the following table:

Event	Date
Despatch Notice of Meeting	5 February 2014
Lodge Prospectus with ASIC and ASX	6 March 2014
General Meeting	13 March 2014
Suspension of trading in the Company's securities	13 March 2014
Offer under Prospectus opens	14 March 2014
Offer under Prospectus closes	28 March 2014
Completion of RHS acquisition and issue of shares under the Prospectus	4 April 2014
Expected date for re-quotation of the Company's shares on ASX	24 April 2014

11. **PRO-FORMA CAPITAL STRUCTURE**

The capital structure of the Company following completion of all of the Resolutions the subject of the Notice is set out in the following table:

	SHARES	OPTIONS	PERFORMANCE RIGHTS
Current issued capital	142,176,609	30,841,046	3,600,000
Cancellation of Options and Performance Rights held by Former Directors in consideration for shares (Resolution 3)	10,380,000	(29,050,000)	(3,600,000)
Issued to Former Company Secretary (Resolution 4)	475,833	Nil	Nil
Issued to RHS Vendors (Resolution 6)	191,207,026	Nil	Nil
Issued to David Brookes (Resolution 7)	8,792,974	Nil	Nil
Total issued capital (pre Consolidation) on completion of the RHS Acquisition assuming none of the current issued Options are exercised before completion of the RHS Acquisition	353,032,442	1,791,046	Nil

	SHARES	OPTIONS	PERFORMANCE RIGHTS
Total issued capital (post Consolidation) assuming none of the current issued Options are exercised before the Consolidation (Resolution 8)	35,303,245	179,105	Nil
Issued pursuant to Capital Raising (Resolution 9)*	15,000,000	Nil	Nil
Issued to Taylor Collison (Resolution 10)*	1,006,065	Nil	Nil
Issued to current and proposed Directors (Resolutions –11 - 16)	Nil	5,700,000	Nil
Total issued capital on reinstatement assuming none of the current issued Options are exercised before reinstatement*	51,309,310	5,879,105	Nil

*Assumes that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued.

12. PRO-FORMA STATEMENT OF FINANCIAL POSITION

Set out in Annexure A to this Explanatory Statement is a pro-forma consolidated statement of financial position of the Company taking into account the RHS Acquisition. The pro-forma statement of financial position illustrates the effect of the RHS Acquisition as if it had occurred on 30 June 2013 (adjusted for certain events outlined in the notes in Annexure A).

13. USE OF FUNDS

Funds raised from the Capital Raising to are intended to be used for the following purposes:

- to underpin the Company's product launches and forecast sales growth rates over the next 1 – 2 years; and
- to accelerate the Company's growth beyond the existing projected growth rates by funding additional sales and marketing activities.

Further details on the use of funds will be provided in the Prospectus.

Funds used from the Capital Raising will be utilised over a one year period as follows:

Use of proceeds if full amount raised:

Expenses relating to the acquisition of RHS and associated placement	\$415,000
Management and Administration	\$400,000
Laboratory equipment	\$230,000
Research and development	\$780,000
	\$1,825,000

Use of proceeds if minimum amount raised:

Expenses relating to the acquisition of RHS and associated placement	\$380,000
Management and Administration	\$400,000
Laboratory equipment	\$230,000
Research and development	\$780,000
	\$1,790,000

14. **ADVANTAGES OF THE RHS ACQUISITION**

14.1 **More certain return to shareholder value creation**

Your Directors have been mindful of the current state of the Australian share market with regard to junior exploration companies and continued low investor sentiment. Cash preservation has been front of mind however good investment opportunities have been sought. In the current share market environment there is greater likelihood of restoring shareholder value by progressing the proposed acquisition of RHS than if the Company was simply to remain a junior mineral explorer listed on ASX.

14.2 **Transaction provides shareholders with exposure to existing growing business**

The RHS Acquisition provides current shareholders of the Company with exposure to an existing well managed and expanding business involved in the biotechnology industry. The business will be well capitalised following a proposed minimum \$2.4 million equity raising. Existing and new funds will be directed to accelerate growth by funding additional sales and marketing activities as well as continuing product and service development to obtain market leadership.

14.3 **Increased investor interest and market liquidity**

Until recently, transactions in Company shares on ASX have been sparse. In more recent days this has changed and is mostly related to the 26 November 2013 announcement of the proposed acquisition of RHS. It is not unreasonable to anticipate continued improved liquidity going forward post completion of the RHS Acquisition.

14.4 **No cash payment for an existing growing business with track record**

The proposed acquisition of RHS has no cash consideration.

15. **DISADVANTAGES OF THE RHS ACQUISITION**

15.1 **Change of business focus and a move away from mineral exploration focus**

It is very likely that the Company, once it has changed its name to Reproductive Health Science Limited, will move out of the mineral exploration business and focus on the biotechnology industry in which RHS is an Australian leader. This may be seen as a disadvantage to some shareholders that were seeking, via the Company, a ‘pure’ mineral exploration investment.

15.2 **Issue of new securities pursuant to the resolutions will dilute existing shareholders**

The proposed Capital Raising of not less than \$2.4 million by way of a prospectus, the issue of shares to the RHS Vendors, the issue of shares to Dr David Brookes (or his nominee) and the issue of shares to Taylor Collison will be dilutive on some or all shareholders. Consequently, the current shareholders’ voting power and influence over the affairs of the Company will be reduced.

15.3 **Transaction and Capital Raising costs**

The proposed transaction for the Company to acquire all the existing shares in RHS has required the Company to engage a number of advisers, lawyers and experts to facilitate and report on the proposal. This work includes preparation of the Notice of Extraordinary Meeting and a prospectus to ensure compliance with ASX Listing Rules and other statutory requirements and approvals. These are sunk but necessary costs to all of the Company’s shareholders.

Your Directors believe the advantages of the transaction outweigh the disadvantages substantially.

16. **RISKS**

16.1 **Specific risk factors**

Competition Risk

The industry in which RHS is involved is subject to domestic and global competition. Although RHS undertakes all reasonable due diligence in its business decisions and operations, RHS has no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of its projects and business.

Price competitiveness brought about by increased competition may affect the selling margin of RHS’ products and RHS’ profitability.

New market entrants providing single cell, genetic analysis products and services may negatively impact on RHS’ sales projections.

It is impossible to be certain that RHS' present idea is not being pursued elsewhere by parties unknown, either as their primary business focus or as a secondary approach.

Product risk

RHS has not commenced sales of its products. There is a risk that the sales of products will be delayed or not meet forecast expectations, which would compromise RHS' anticipated revenues.

If RHS does not successfully manage the development, manufacturing, and launch of its microarray, its financial results could be adversely affected. If RHS is unable to increase its manufacturing capacity and develop and maintain operation of its manufacturing capability, it may not be able to launch or support its products in a timely manner, or at all. An inability to manage the growth or the expansion of RHS' operations could adversely affect its business, financial condition, or results of operations.

Whilst the products are intended to be sold for research use only, it is possible that changes in Government legislation will require the products to undergo regulatory approval in some or all territories, which may be an expensive and time consuming process of uncertain outcome.

IP risks

Any inability to effectively protect RHS' proprietary technologies could harm its competitive position. There is a risk that RHS will need to undertake expensive litigation to protect its intellectual property from infringement.

RHS' existing and future licensing arrangements may be affected by the failure or default of any of the contracting parties.

Litigation, or other proceedings, or third party claims of intellectual property infringement could require RHS to spend significant time and money and could prevent it from selling its products or services.

Alliance risks

Partners can be difficult to find or can fail to follow through or withdraw from commitments. The cost of pursuing broken contracts may be prohibitive or unwise.

The anticipated launch of Polymerase Chain Reaction and sequencing kits by Kapa BioSystems may be delayed or not materialise, which would impact RHS' revenues.

Global sale of RHS products may rely on distribution partnerships. If these partnerships are not successful, RHS may not achieve the forecast sales targets and the profitability of the business may be compromised.

Reliance on third party manufacturers and suppliers

RHS depends on third party manufacturers and suppliers for components and materials used in its products. If shipments from these manufacturers or suppliers are delayed or interrupted, or if the quality of the components

or materials supplied does not meet its requirements, RHS may not be able to manufacture, or ship its products in a timely manner, or at all.

Shortage of funding

RHS' operating results may vary significantly from period to period, and it may not be able to sustain operating profitability.

Security breach

Security breaches and other disruptions could compromise RHS' information and expose it to liability, which would cause its business and reputation to suffer.

Reliance on specialised leased premises

RHS relies on access to laboratory space for the manufacture of the microarray and its operations. There is a risk that continued access to specialised premises is not available, which would cause business interruption and loss of revenues while suitable alternate premises are secured.

Dependence on key personnel

If RHS loses its key personnel or is unable to attract and retain additional personnel, it may be unable to achieve its goals. Loss of key personnel could also result in loss of some proprietary know-how.

Market risk

Below forecast growth in the IVF market, changes to Government financial support for patients and lower than anticipated uptake of PGS may negatively impact RHS' forecast revenues. In addition, ethical, legal, and social concerns related to the use of genetic information could reduce demand for RHS' products or services.

Clinical samples may not behave in exactly the same way as the cell lines used to validate the performance of RHS' test, which may impact the sensitivity and specificity of the test in a clinical setting.

Damage to reputation and key brands

If the quality of RHS' products does not meet its customers' expectations, then its reputation could suffer and ultimately its sales and operating earnings could be negatively impacted.

16.2 General Risk Factors

Economic conditions

The performance of RHS is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some of the matters listed below:

- future demand for IVF services;

- the level of spending on IVF by patients in Australia;
- general financial issues which may affect policies, exchange rates, inflation and interest rates;
- deterioration in economic conditions, possibly leading to reductions in spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance;
- the strength of the equity and share markets in Australia and throughout the world;
- financial failure or default by any entity with which RHS may become involved in a contractual relationship;
- industrial disputes in Australia and overseas;
- changes in investor sentiment towards particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

Government policies and legislation

RHS may be affected by changes to government policies and legislation, and taxation.

Insurance

The Company does, wherever practicable and economically advisable, utilise insurance to mitigate business risks. Such insurance may not always be available or may fall outside the scope of insurances cover. In addition, there remains the risk that an insurer defaults in the payment of a legitimate claim by the Company.

Litigation

Litigation brought by third parties including but not limited to customers, partners, suppliers, business partners or employees could negatively impact the business in the case where the impact of such litigation is greater than or outside the scope of the Company's insurance.

Other general risks

Other general risks associated with investment in the Company may include:

- fluctuation of the price at which the Company's shares trade due to market factors; and
- price volatility of the Company's shares in response to factors such as:
 - additions or departures of key personnel;

- litigation and legislative change;
- press newspaper or other media reports; and
- actual or anticipated variations in the Company's operating results.

17. **FUTURE DIRECTION FOR THE COMPANY IF THE CHANGE TO NATURE AND SCALE OF ACTIVITIES IS NOT APPROVED**

If Resolutions 5 – 17 (inclusive) are not passed the RHS Acquisition will therefore not proceed. In this circumstance, the Company will continue with its present activities and the evaluation of potential advanced opportunities that might meet criteria capable of adding significant shareholder value.

18. **DIRECTORS' RECOMMENDATION**

The Directors consider that the proposed change to the nature and scale of activities of the Company arising from the RHS Acquisition has the potential to add significant shareholder value for the Company's shareholders. Accordingly, the Directors recommend the RHS Acquisition and that shareholders vote in favour of proposed Resolutions 5 – 17 (inclusive).

EXPLANATORY STATEMENT

PART 2 - EXPLANATION OF THE PROPOSED RESOLUTIONS

This Explanatory Statement forms part of a Notice convening an Extraordinary General Meeting of shareholders of AO Energy Limited to be held on 13 March 2014. This Explanatory Statement is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Statement, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 17 (inclusive).

1. RESOLUTION 1 – SUBSEQUENT APPROVAL OF THE ISSUE OF 1,742,577 SHARES

The Company and Taylor Collison are parties to the Underwriting Agreement pursuant to which Taylor Collison partially underwrote the Company's recent rights issue to the extent of \$600,000.

On 5 November 2013, the Company issued 1,742,577 fully paid ordinary shares to Taycol Nominees in lieu of payment of the underwriting fee otherwise payable to Taylor Collison under the Underwriting Agreement.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

ASX Listing Rule 7.4

However, ASX Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if:

- (a) the issue did not breach ASX Listing Rule 7.1; and
- (b) holders of ordinary securities subsequently approve it.

Resolution 1 seeks approval by shareholders under ASX Listing Rule 7.4 for the issue of 1,742,577 shares to Taycol Nominees.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.5.

- The Company has issued 1,742,577 shares (pre-Consolidation).
- The shares were not issued for cash consideration.

- The shares were issued on the same terms as the Company's existing issued fully paid ordinary shares.
- The shares were issued to Taycol Nominees.
- No funds were raised from the issue of the shares.

Resolution 1 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 1.

The chair intends to vote undirected proxies in favour of Resolution 1.

Resolution 1 is a stand-alone resolution and does not depend on the passing of any other Resolution.

2. **RESOLUTION 2 – SUBSEQUENT APPROVAL OF THE ISSUE OF 1,027,850 SHARES**

The Company and Taylor Collison are parties to the Underwriting Agreement pursuant to which Taylor Collison agreed to place the shortfall from the Company's recent rights issue.

On 2 December 2013, the Company issued 1,027,850 fully paid ordinary shares to Taycol Nominees in lieu of payment of the placement fee otherwise payable to Taylor Collison under the Underwriting Agreement.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

ASX Listing Rule 7.4

However, ASX Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if:

- (a) the issue did not breach ASX Listing Rule 7.1; and
- (b) holders of ordinary securities subsequently approve it.

Resolution 2 seeks approval by shareholders under ASX Listing Rule 7.4 for the issue of 1,027,850 shares to Taycol Nominees.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.5.

- The Company has issued 1,027,850 shares (pre-Consolidation).
- The shares were not issued for cash consideration.

- The shares were issued on the same terms as the Company's existing issued fully paid ordinary shares.
- The shares were issued to Taycol Nominees.
- No funds will be raised from the issue of the shares.

Resolution 2 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 2. The chair intends to vote undirected proxies in favour of Resolution 2.

Resolution 2 is a stand-alone resolution and does not depend on the passing of any other Resolution.

3. **RESOLUTION 3 – CANCELLATION OF OPTIONS AND PERFORMANCE RIGHTS IN EXCHANGE FOR THE ISSUE OF SHARES**

Listing Rule 6.23.2

ASX Listing Rule 6.23.2 provides amongst other things that 'a change which has the effect of cancelling an option for consideration can only be made if holders of ordinary securities approve the change'. Resolution 3 seeks approval by shareholders under ASX Listing Rule 6.23.2 for the cancellation of the Options and Performance Rights held by the Former Directors in consideration for the issue to the Former Directors of the fully paid ordinary shares referred to below.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 3 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of 10,380,000 (pre-Consolidation) fully paid ordinary shares to the Former Directors in consideration for the cancellation of the Options and Performance Rights held by them.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- The Company will issue 10,380,000 fully paid ordinary shares (pre-Consolidation).
- The shares will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares will be issued on the same date.
- The shares will not be issued for cash consideration.
- The number of shares to be issued to each Previous Director is set out in the table below:

Name	Number of Shares
Colin Goodall	1,100,000
Neil Young	4,750,000
Jeremy Jebamoney	3,650,000
Hon. Alexander Downer AC	440,000
David Bamford	440,000
TOTAL	10,380,000

- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised from the issue of the shares.

Resolution 3 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 3.

The chair intends to vote undirected proxies in favour of Resolution 3.

Resolution 3 is a stand-alone resolution and does not depend on the passing of any other Resolution.

4. **RESOLUTION 4 – ISSUE OF SHARES TO JAREK KOPIAS**

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 4 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of 475,833 fully paid ordinary shares (pre-Consolidation) to the Company's previous Company Secretary, Mr Jarek Kopias (or his nominee), in lieu of fees and employee entitlements.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- The Company will issue 475,833 fully paid ordinary shares (pre-Consolidation).
- The shares will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX.
- The shares will not be issued for cash consideration but in lieu of fees and employee entitlements.
- The shares will be issued to Mr Kopias (or his nominee).

- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised from the issue of the shares.

Resolution 4 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 4.

The chair intends to vote undirected proxies in favour of Resolution 4.

Resolution 4 is a stand-alone resolution and does not depend on the passing of any other Resolution.

5. **RESOLUTION 5 – CHANGE TO NATURE AND SCALE OF ACTIVITIES**

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. Further, the following rules apply in relation to the proposed change:

- (a) the entity must give ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, the entity must get the approval of holders of its ordinary securities; and
- (c) if ASX requires, the entity must meet the requirements in Chapters 1 and 2 as if the entity were applying for admission to the official list.

The acquisition by the Company of all the issued share capital of RHS involves a significant change to the nature of the Company's main business activity from exploring for minerals to the provision of biotechnology products and services. Furthermore, the RHS Acquisition involves a significant change to the size of the Company's business operations (details of the RHS business and the proposed changes to the structure and business operations of the Company are provided in this Explanatory Statement). Given these circumstances, ASX has exercised its discretion to require the significant change to the nature and scale of the Company's main business activity to be approved by the Company's shareholders under ASX Listing Rule 11.1.2. Moreover, ASX has notified the Company that the significant change to the nature and scale of the Company's main business activity will require re-compliance with ASX's admission requirements in Chapters 1 and 2 of the ASX Listing Rules.

If Resolution 5 is passed the Company will have complied with the ASX requirement to obtain shareholder approval for the significant change to the nature and scale of its activities. Conversely, if Resolution 5 is not passed the Company will not be allowed to change the nature and scale of its activities as proposed in this Explanatory Statement and the RHS Acquisition will not proceed.

Resolution 5 is an ordinary resolution.

The Directors recommend shareholders vote in favour of Resolution 5.

The chair intends to vote undirected proxies in favour of Resolution 5.

The passing of Resolution 5 is conditional upon, and subject to, Resolutions 6 - 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 5, you should also vote in favour of Resolutions 6 - 17 (inclusive).

6. **RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES**

Resolution 6 seeks approval by shareholders for the issue of Consideration Shares to the RHS Vendors (or their nominees) for the purpose of ASX Listing Rule 7.1.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 6 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of 191,207,026 fully paid ordinary shares (pre-Consolidation) to the RHS Vendors (or their nominees). Some or all of the shares will be subject to ASX imposed escrow conditions.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- The Company will issue 191,207,026 shares (pre-Consolidation).
- The shares will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares will be issued on the same date.
- The shares will not be issued for cash consideration.
- The shares will be issued to the RHS Vendors (or their nominees).
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised from the issue of the shares.

Resolution 6 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 6.

The chair intends to vote undirected proxies in favour of Resolution 6.

The passing of Resolution 6 is conditional upon, and subject to, Resolutions 5 and 7 - 17 (inclusive) being approved by shareholders and the Company obtaining the approval of ASX for reinstatement of its securities to quotation. Accordingly if you intend to vote in favour of Resolution 6, you should also vote in favour of Resolutions 5 and 7 - 17 (inclusive).

7. **RESOLUTION 7 - ISSUE OF SHARES TO DAVID BROOKES**

The Board has resolved, subject to shareholder approval, to issue 8,792,974 fully paid ordinary shares (pre-Consolidation) to the Company's current non-executive director (and Chairman elect), Dr David Brookes (or his nominee), in consideration for services provided to the Company in connection with identifying the proposed transaction for the Company to acquire all of the shares in RHS, undertaking technical due diligence on RHS' projects and assisting in negotiating the transaction with the RHS Vendors.

The proposed share issue to Dr Brookes (or his nominee) requires the approval of shareholders under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Dr Brookes is a Director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed share issue is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- The shares will be issued to Dr Brookes (or his nominee).
- The Company will issue 8,792,974 shares (pre-Consolidation). Some or all of the shares will likely be subject to ASX imposed escrow conditions.
- The shares will be issued no later than one month after the date of the Meeting or such later date as permitted by ASX.
- The shares will not be issued for cash consideration.
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised by the issue of the shares.
- The value of the 8,792,974 shares proposed to be issued to Dr Brookes (or his nominee) is \$211,031.38 at the market price of the Company's shares quoted on ASX at the close of trading on 23 January 2014 (being the day immediately before the date this Notice was lodged at ASIC). This value may increase or decrease after 23 January 2014 depending on the future price of the Company's shares.
- In addition to the shares proposed to be issued to Dr Brookes (or his nominee), for the financial year ended 31 December 2014, it is expected that Dr Brookes will receive remuneration (including superannuation) as follows:

Director	Total remuneration
Dr Brookes	\$60,000

- Dr Brookes is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that he properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current pre-Consolidation share and Option holdings of Dr Brookes and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Brookes	Nil	1,650,000	Nil	Nil

- The pre-Consolidation share and Option holdings of Dr Brookes and his associates if Resolution 7 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Brookes	Nil	10,442,974	Nil	Nil

*If Resolutions 5 - 17 (inclusive) are passed, the Company will issue 750,000 post-Consolidation Options to Dr Brookes (or his nominee), which are not reflected in the table above.

Resolution 7 is an ordinary resolution.

The Directors (other than Dr Brookes) do not have an interest in the outcome of Resolution 7 and recommend that shareholders vote in favour of Resolution 7.

The chair intends to vote undirected proxies in favour of Resolution 7.

The passing of Resolution 7 is conditional upon, and subject to, Resolutions 5, 6 and 8 - 17 (inclusive) being approved by shareholders and the Company obtaining the approval of ASX for reinstatement of its securities to quotation. Accordingly, if you intend to vote in favour of Resolution 7, you should also vote in favour of Resolutions 5, 6 and 8 - 17 (inclusive).

8. **RESOLUTION 8 - CONSOLIDATION OF SHARES AND OPTIONS**

(a) **General comments**

Resolution 8 seeks Shareholder approval to consolidate the number of Shares and Options on a one-for-ten basis (rounded up to the nearest whole number), with the proposed consolidation to become effective on the date of, and immediately following, Completion of the RHS Acquisition (**Consolidation**).

(b) **Background and explanation**

If shareholders approve the RHS Acquisition proposed by passing all Resolutions, the Company will need to requalify for and seek admission to the official list of ASX. One of the conditions to re-

qualify is that the Company must have a share price equal to, or greater than, \$0.20.

The proposed Consolidation is intended to position the Company so that the price of its shares will satisfy this condition to the Company's re-admission to the official list of ASX.

(c) **Legal requirements**

Section 245H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number.

In the case of a consolidation of share capital of the Company, the ASX Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price by amended in inverse proportion to that ratio.

Accordingly, the Options on issue will be consolidated, and the exercise price of the Options amended, as follows (subject to adjustment for fractional calculations):

Existing Options and expiry date	Existing number of Options on issue	Existing exercise price	Number of Options on issue after consolidation	Exercise price of Options after consolidation
Options (expiry 20/9/2016)*	1,791,046	\$0.201	179,105	\$2.01

* Assuming Resolution 3 has been passed.

(d) **Fractional entitlements**

The consolidation ratio is 10:1. Fractional entitlements may arise where shareholders or optionholders hold a number of shares or Options which cannot be evenly divided by ten. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole share or Option (as applicable).

(e) **Taxation**

The Company considers that no taxation implications will arise for shareholders or optionholders from the Consolidation. However, shareholders and optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

(f) **Holding statements and Option certificates**

From the date of the Consolidation:

- (i) all holding statements for the shares will cease to have any effect, except as evidence of entitlement to a certain number of shares on a post-Consolidation basis; and
- (ii) all certificates for unlisted Options (if any) will cease to have any effect, except as evidence of entitlement to a number of Options on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for shares to be issued to holders of those securities and, to the extent required, new certificates for unlisted Options to be issued to optionholders.

(g) **Effect on Capital Structure**

Shareholders are referred to the pro-forma capital structure in paragraph 11 of Part 1 of the Explanatory Statement for the effect of the Consolidation on the capital structure of the Company.

(h) **Expected timetable for consolidation**

The Company will release a timetable in accordance with the ASX Listing Rules following satisfaction of the conditions to the Consolidation.

If Shareholders approve the change in nature and scale of the Company's activities the subject of Resolution 5, the securities of the Company will remain suspended until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules.

The Company's securities will recommence trading on a T+3 basis when the Company has re-complied with Chapters 1 and 2 of the Listing Rules and ASX confirms that it will reinstate the Company's securities to official quotation.

Resolution 8 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 8.

The chair intends to vote undirected proxies in favour of Resolution 8.

The passing of Resolution 8 is conditional upon, and subject to, Resolutions 5 – 7 (inclusive) and 9 - 17 (inclusive) being approved by shareholders. Accordingly if you intend to vote in favour of Resolution 8, you should also vote in favour of Resolutions 5 – 7 (inclusive) and 9 – 17 (inclusive).

9. **RESOLUTION 9 – CAPITAL RAISING**

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing equity securities in any 12 month period which amount to more than 15% of its

ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 9 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of 12,000,000 shares at a minimum issue price of 20 cents per share to raise \$2,400,000 (minimum subscription) and up to an additional 3,000,000 shares (post-Consolidation) at a minimum issue price of 20 cents per share to raise up to an additional \$600,000 by way of oversubscriptions (maximum subscription) (**Capital Raising**).

The Company is undertaking the Capital Raising in conjunction with the RHS Acquisition, using a prospectus (**Prospectus**) to satisfy ASX Listing Rule 1.1 condition 3 and re-comply with ASX's admission requirements.

The Company intends to issue the Prospectus on or about 6 March 2014.

If Resolution 9 is passed it will permit the Directors to complete the Capital Raising no later than three months after the date of the Meeting (or such longer period as allowed by ASX) without impacting on the Company's 15% placement limit under ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- The Company will issue a maximum of 15,000,000 shares (post-Consolidation) pursuant to the Capital Raising.
- The shares will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares issued under the Prospectus will be issued on the same date.
- The issue price will be a minimum of 20 cents per share.
- The shares will be issued to applicants for shares under the Prospectus to clients of Taylor Collison and others as determined by the Board, none of whom will be related parties of the Company.
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- The use of funds raised under the Prospectus are detailed in section 13 of Part 1 of the Explanatory Statement.

Resolution 9 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 9.

The chair intends to vote undirected proxies in favour of Resolution 9.

The passing of Resolution 9 is conditional upon, and subject to, Resolutions 5 – 8 (inclusive) and 10 – 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 9, you should also vote in favour of Resolutions 5 - 8 (inclusive) and 10 – 17 (inclusive).

10. **RESOLUTION 10 – ISSUE OF SHARES TO TAYLOR COLLISON LIMITED**

The Company and Taylor Collison are parties to a mandate letter dated 19 November 2013 under which the Company has agreed to issue shares to Taylor Collison equating to 2% of the issued capital of the Company (post-Capital Raising) upon completion of the RHS Acquisition.

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 10 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of up to 1,006,065 shares (post-Consolidation) to Taylor Collison (or its nominee). Some or all of the shares will likely be subject to ASX imposed escrow conditions.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- The Company will issue a maximum of 1,006,065 shares (post-Consolidation).
- The shares will be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The shares will not be issued for cash consideration but for the provision of corporate services in relation to introducing RHS to the Company.
- The shares will be issued to Taylor Collison (or its nominee).
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised from the issue of the shares.

Resolution 10 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 10.

The chair intends to vote undirected proxies in favour of Resolution 10.

The passing of Resolution 10 is conditional upon, and subject to, Resolutions 5 – 9 (inclusive) and 11 - 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 10, you should also vote in favour of Resolutions 5 - 9 (inclusive) and 11 – 17 (inclusive).

11. **RESOLUTION 11 - ISSUE OF OPTIONS TO SIMON O'LOUGHLIN**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 750,000 Options (post-Consolidation) to the Company's current non-executive Chairman, Mr Simon O'Loughlin (or his nominee), each to acquire one new ordinary share in the Company. All of the Options will be exercisable at a price, rounded up to the next whole cent, 25% above the

closing price of the Company's shares on the date shareholder approval is granted (calculated on a post-Consolidation basis). All of the Options will have an exercise period commencing on the date shareholder approval is granted and expiring on 31 December 2016.

The Options will be granted as a key component of Mr O'Loughlin's remuneration in order to retain his services and provide incentive linked to the performance of the Company.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr O'Loughlin is a Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- Subject to shareholder approval, it is proposed that Mr O'Loughlin will be issued 750,000 Options (post-Consolidation) to subscribe for new ordinary shares in the Company. Some or all of the Options will likely be subject to ASX imposed escrow conditions. It is considered appropriate to grant the Options to Mr O'Loughlin as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered that the performance of Mr O'Loughlin and the performance and value of the Company will be closely related. As such, the Options to be granted will only be of benefit if Mr O'Loughlin performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Mr O'Loughlin to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.
- The terms and conditions of the Options are set out in Annexure B to this Explanatory Statement.
- A valuation of the Options has been conducted. The valuation imputes a total value of the Options to be issued to Mr O'Loughlin (or his nominee) at \$87,653. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied a Binomial options pricing model together with the following assumptions:
 1. a volatility index of 90% based on the historical volatility of comparable companies on the ASX;

2. the share price on the issue date has been estimated to be \$0.20, being the anticipated fair value of the shares post the completion of the RHS Acquisition; and
 3. a risk free rate of 3.08% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Mr O'Loughlin under Resolution 11 assuming that shareholders pass Resolutions 1 – 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolution 11	750,000
Total shares	52,238,415
Dilution effect	1.44%

- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued under Resolutions 11 - 16 (inclusive) assuming that shareholders pass Resolutions 1 - 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolutions 11 - 16 (inclusive):	5,700,000
Total shares	57,188,415
Dilution effect	9.97%

- The market price of shares in the Company would normally determine whether or not Mr O'Loughlin (or his nominee) will exercise the Options. If the Options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 23 January 2014 (being the day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.07 on 4 March 2013
Lowest	\$0.01 on 3 September 2013
Last	\$0.024 on 23 January 2014

- In addition to the Options proposed to be issued to Mr O'Loughlin (or his nominee), for the financial year ended 31 December 2014, it is expected that Mr O'Loughlin will receive remuneration (including superannuation) as follows:

Director	Total remuneration
Mr O'Loughlin	\$35,000

- Mr O'Loughlin is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that he properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current pre-Consolidation share and Option holdings of Mr O'Loughlin and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr O'Loughlin	1,865,294	1,254,963	Nil	Nil

- The post-Consolidation share and Option holdings of Mr O'Loughlin and his associates if Resolution 11 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr O'Loughlin	185,530	125,497	Nil	750,000

Resolution 11 is an ordinary resolution.

The Directors (other than Mr O'Loughlin) do not have an interest in the outcome of Resolution 11 and recommend that shareholders vote in favour of Resolution 11.

The chair intends to vote undirected proxies in favour of Resolution 11.

The passing of Resolution 11 is conditional upon, and subject to, Resolutions 5 - 10 (inclusive) and 12 - 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 11, you should also vote in favour of Resolutions 5 - 10 (inclusive) and 12 - 17 (inclusive).

If Resolutions 5 - 17 (inclusive) are passed, the Options to be issued to Mr O'Loughlin (or his nominee) will be issued not later than one month after the date of the Meeting.

12. **RESOLUTION 12 - ISSUE OF OPTIONS TO DONALD STEPHENS**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 600,000 Options (post-Consolidation) to the Company's current non-executive director and company secretary, Mr Donald Stephens (or his nominee), each to acquire one new ordinary share in the Company. All of the Options will be exercisable at a price, rounded up to the next whole cent, 25% above the closing price of the Company's shares on the date shareholder approval is granted (calculated on a post-Consolidation basis). All of the Options will have an exercise period commencing on the date shareholder approval is granted and expiring on 31 December 2016.

The Options will be granted as a key component of Mr Stephens' remuneration in order to retain his services and provide incentive linked to the performance of the Company.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Stephens is a Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- Subject to shareholder approval, it is proposed that Mr Stephens will be issued 600,000 Options (post-Consolidation) to subscribe for new ordinary shares in the Company. Some or all of the Options will likely be subject to ASX imposed escrow conditions. It is considered appropriate to grant the Options to Mr Stephens as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered that the performance of Mr Stephens and the performance and value of the Company will be closely related. As such, the Options to be granted will only be of benefit if Mr Stephens performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Mr Stephens to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.
- The terms and conditions of the Options are set out in Annexure B to this Explanatory Statement.
- A valuation of the Options has been conducted. The valuation imputes a total value of the Options to be issued to Mr Stephens (or his nominee) at \$70,122. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares

in the Company. The valuation has applied a Binomial options pricing model together with the following assumptions:

1. a volatility index of 90% based on the historical volatility of comparable companies on the ASX;
 2. the share price on the issue date has been estimated to be \$0.20, being the anticipated fair value of the shares post the completion of the RHS Acquisition; and
 3. a risk free rate of 3.08% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Mr Stephens under Resolution 12 assuming that shareholders pass Resolutions 1 – 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolution 12	600,000
Total shares	52,088,415
Dilution effect	1.15%

- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued under Resolution 11 - 16 (inclusive) assuming that shareholders pass Resolutions 1 - 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolutions 11 – 16 (inclusive):	5,700,000
Total shares	57,188,415
Dilution effect	9.97%

- The market price of shares in the Company would normally determine whether or not Mr Stephens (or his nominee) will exercise the Options. If the Options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 23 January 2014 (being the day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.07 on 4 March 2013
Lowest	\$0.01 on 3 September 2013
Last	\$0.024 on 23 January 2014

- In addition to the Options proposed to be issued to Mr Stephens (or his nominee), for the financial year ended 31 December 2014, it is expected that Mr Stephens will receive remuneration (including superannuation) as follows:

Director	Total remuneration
Mr Stephens	\$30,000

- Mr Stephens is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that he properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current pre-Consolidation share and Option holdings of Mr Stephens and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Stephens	Nil	501,987	Nil	Nil

- The post-Consolidation share and Option holdings of Mr Stephens and his associates if Resolution 12 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Stephens	Nil	50,199	Nil	600,000

Resolution 12 is an ordinary resolution.

The Directors (other than Mr Stephens) do not have an interest in the outcome of Resolution 12 and recommend that shareholders vote in favour of Resolution 12.

The chair intends to vote undirected proxies in favour of Resolution 12.

The passing of Resolution 12 is conditional upon, and subject to, Resolutions 5 – 11 (inclusive) and 13 - 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 12, you should also vote in favour of Resolutions 5 - 11 (inclusive) and 13 – 17 (inclusive).

If Resolutions 5 - 17 (inclusive) are passed, the Options to be issued to Mr Stephens (or his nominee) will be issued not later than one month after the date of the Meeting.

13. **RESOLUTION 13 - ISSUE OF OPTIONS TO GRAHAM ASCOUGH**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 300,000 Options (post-Consolidation) to the Company's current non-executive director, Mr Graham Ascough (or his nominee), each to acquire one new ordinary share in the Company. All of the Options will be exercisable at a price, rounded up to the next whole cent, 25% above the closing price of the Company's shares on the date shareholder approval is granted (calculated on a post-Consolidation basis). All of the Options will have an exercise period commencing on the date shareholder approval is granted and expiring on 31 December 2016.

The Options will be granted as a key component of Mr Ascough's remuneration in relation to services previously provided to the Company.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Ascough is a Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- Subject to shareholder approval, it is proposed that Mr Ascough will be issued 300,000 Options (post-Consolidation) to subscribe for new ordinary shares in the Company. Some or all of the Options will likely be subject to ASX imposed escrow conditions. It is considered appropriate to grant the Options to Mr Ascough as a key component of his remuneration in relation to services previously provided to the Company.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Mr Ascough to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.
- The terms and conditions of the Options are set out in Annexure B to this Explanatory Statement.
- A valuation of the Options has been conducted. The valuation imputes a total value of the Options to be issued to Mr Ascough (or his nominee) at \$35,061. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied a Binomial options pricing model together with the following assumptions:
 1. a volatility index of 90% based on the historical volatility of comparable companies on the ASX;

2. the share price on the issue date has been estimated to be \$0.20, being the anticipated fair value of the shares post the completion of the RHS Acquisition; and
 3. a risk free rate of 3.08% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Mr Ascough under Resolution 13 assuming that shareholders pass Resolutions 1 – 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolution 13	300,000
Total shares	51,788,415
Dilution effect	0.58%

- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued under Resolutions 11 - 16 (inclusive) assuming that shareholders pass Resolutions 1 - 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolutions 11 - 16 (inclusive):	5,700,000
Total shares	57,188,415
Dilution effect	9.97%

- The market price of shares in the Company would normally determine whether or not Mr Ascough (or his nominee) will exercise the Options. If the Options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 23 January 2014 (being the day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.07 on 4 March 2013
Lowest	\$0.01 on 3 September 2013
Last	\$0.024 on 23 January 2014

- In addition to the Options proposed to be issued to Mr Ascough (or his nominee), for the financial year ended 31 December 2014, it is expected that Mr Ascough will receive remuneration (including superannuation) as follows:

Director	Total remuneration
Mr Ascough	\$30,000

- Mr Ascough is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that he properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current pre-Consolidation share and Option holdings of Mr Ascough and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Ascough	Nil	752,978	Nil	Nil

- The post-Consolidation share and Option holdings of Mr Ascough and his associates if Resolution 13 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Ascough	Nil	75,298	Nil	300,000

Resolution 13 is an ordinary resolution.

The Directors (other than Mr Ascough) do not have an interest in the outcome of Resolution 13 and recommend that shareholders vote in favour of Resolution 13.

The chair intends to vote undirected proxies in favour of Resolution 13.

The passing of Resolution 13 is conditional upon, and subject to, Resolutions 5 – 12 (inclusive) and 14 - 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 13, you should also vote in favour of Resolutions 5 - 12 (inclusive) and 14 - 17 (inclusive).

If Resolutions 5 - 17 (inclusive) are passed, the Options to be issued to Mr Ascough (or his nominee) will be issued not later than one month after the date of the Meeting.

14. **RESOLUTION 14 - ISSUE OF OPTIONS TO DAVID BROOKES**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 750,000 Options (post-Consolidation) to the Company's current non-executive director (and Chairman elect), Dr David Brookes (or his nominee), each to acquire one new ordinary share in the Company. All of the

Options will be exercisable at a price, rounded up to the next whole cent, 25% above the closing price of the Company's shares on the date shareholder approval is granted (calculated on a post-Consolidation basis). All of the Options will have an exercise period commencing on the date shareholder approval is granted and expiring on 31 December 2016.

The Options will be granted as a key component of Dr Brookes' remuneration in order to retain his services and provide incentive linked to the performance of the Company.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Dr Brookes is a Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- Subject to shareholder approval, it is proposed that Dr Brookes will be issued 750,000 Options (post-Consolidation) to subscribe for new ordinary shares in the Company. Some or all of the Options will likely be subject to ASX imposed escrow conditions. It is considered appropriate to grant the Options to Dr Brookes as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered that the performance of Dr Brookes and the performance and value of the Company will be closely related. As such, the Options to be granted will only be of benefit if Dr Brookes performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Dr Brookes to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.
- The terms and conditions of the Options are set out in Annexure B to this Explanatory Statement.
- A valuation of the Options has been conducted. The valuation imputes a total value of the Options to be issued to Dr Brookes (or his nominee) at \$87,653. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied a Binomial options pricing model together with the following assumptions:
 1. a volatility index of 90% based on the historical volatility of comparable companies on the ASX;

2. the share price on the issue date has been estimated to be \$0.20, being the anticipated fair value of the shares post the completion of the RHS Acquisition; and
 3. a risk free rate of 3.08% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Dr Brookes under Resolution 14 assuming that shareholders pass Resolutions 1 – 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolution 14	750,000
Total shares	52,238,415
Dilution effect	1.44%

- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued under Resolutions 11 - 16 (inclusive) assuming that shareholders pass Resolutions 1 - 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolutions 11 - 16 (inclusive)	5,700,000
Total shares	57,188,415
Dilution effect	9.97%

- The market price of shares in the Company would normally determine whether or not Dr Brookes (or his nominee) will exercise the Options. If the Options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 23 January 2014 (being the day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.07 on 4 March 2013
Lowest	\$0.01 on 3 September 2013
Last	\$0.024 on 23 January 2014

- In addition to the Options proposed to be issued to Dr Brookes (or his nominee), for the financial year ended 31 December 2014, it is expected that Dr Brookes will receive remuneration (including superannuation) as follows:

Director	Total remuneration
Dr Brookes	\$60,000

- Dr Brookes is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that he properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current pre-Consolidation share and Option holdings of Dr Brookes and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Brookes	Nil	1,650,000	Nil	Nil

- The post-Consolidation share and Option holdings of Dr Brookes and his associates if Resolution 14 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Brookes	Nil	165,000	Nil	750,000

*If Resolutions 5 - 17 (inclusive) are passed, the Company will issue 8,792,974 pre-Consolidation shares to Dr Brookes (or his nominee), which are not reflected in the table above.

Resolution 14 is an ordinary resolution.

The Directors (other than Dr Brookes) do not have an interest in the outcome of Resolution 14 and recommend that shareholders vote in favour of Resolution 14.

The chair intends to vote undirected proxies in favour of Resolution 14.

The passing of Resolution 14 is conditional upon, and subject to, Resolutions 5 – 13 (inclusive) and 15 – 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 14, you should also vote in favour of Resolutions 5 - 13 (inclusive) and 15 – 17 (inclusive).

If Resolutions 5 - 17 (inclusive) are passed, the Options to be issued to Dr Brookes (or his nominee) will be issued not later than one month after the date of the Meeting.

15. **RESOLUTION 15 - ISSUE OF OPTIONS TO JOHNATHON MATTHEWS**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 600,000 Options (post-Consolidation) to the Company's proposed non-executive director, Mr Johnathon Matthews (or his nominee), each to acquire one new ordinary share in the Company. All of the Options will be exercisable at a price, rounded up to the next whole cent, 25% above the closing price of the Company's shares on the date shareholder approval is granted (calculated on a post-Consolidation basis). All of the Options will have an exercise period commencing on the date shareholder approval is granted and expiring on 31 December 2016.

The Options will be granted as a key component of Mr Matthews' remuneration in order to retain his services and provide incentive linked to the performance of the Company.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Matthews is a proposed Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- Subject to shareholder approval, it is proposed that Mr Matthews will be issued 600,000 Options (post-Consolidation) to subscribe for new ordinary shares in the Company. Some or all of the Options will likely be subject to ASX imposed escrow conditions. It is considered appropriate to grant the Options to Mr Matthews as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered that the performance of Mr Matthews and the performance and value of the Company will be closely related. As such, the Options to be granted will only be of benefit if Mr Matthews performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Mr Matthews to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.
- The terms and conditions of the Options are set out in Annexure B to this Explanatory Statement.
- A valuation of the Options has been conducted. The valuation imputes a total value of the Options to be issued to Mr Matthews (or his nominee) at \$70,122. The value may increase or decrease after

the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied a Binomial options pricing model together with the following assumptions:

1. a volatility index of 90% based on the historical volatility of comparable companies on the ASX;
 2. the share price on the issue date has been estimated to be \$0.20, being the anticipated fair value of the shares post the completion of the RHS Acquisition; and
 3. a risk free rate of 3.08% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Mr Matthews under Resolution 15 assuming that shareholders pass Resolutions 1 – 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolution 15	600,000
Total shares	52,088,415
Dilution effect	1.15%

- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued under Resolutions 11 - 16 (inclusive) assuming that shareholders pass Resolutions 1 – 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolutions 11 - 16 (inclusive)	5,700,000
Total shares	57,188,415
Dilution effect	9.97%

- The market price of shares in the Company would normally determine whether or not Mr Matthews (or his nominee) will exercise the Options. If the Options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 23 January 2014 (being the day immediately before the date this Notice was lodged at ASIC) were:

Highest	\$0.07 on 4 March 2013
Lowest	\$0.01 on 3 September 2013
Last	\$0.024 on 23 January 2014

- In addition to the Options proposed to be issued to Mr Matthews (or his nominee), for the financial year ended 31 December 2014, it is expected that Mr Matthews will receive remuneration (including superannuation) as follows:

Director	Total remuneration
Mr Matthews	\$30,000

- Mr Matthews is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that he properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current pre-Consolidation share and Option holdings of Mr Matthews and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Matthews	Nil	Nil	Nil	Nil

- The post-Consolidation share and Option holdings of Mr Matthews and his associates if Resolution 15 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Matthews	Nil	Nil	600,000	Nil

*If Resolutions 5 – 17 (inclusive) are passed, the Company will issue pre-Consolidation Consideration Shares to the Acorn Trust as one of the RHS Vendors. Mr Matthews is co-trustee of this discretionary trust, and will therefore have an interest in all of the Consideration Shares issued to it. Mr Matthews' indirect interest in these shares is not reflected in the table above.

Resolution 15 is an ordinary resolution.

The Directors do not have an interest in the outcome of Resolution 15 and recommend that shareholders vote in favour of Resolution 15.

The chair intends to vote undirected proxies in favour of Resolution 15.

The passing of Resolution 15 is conditional upon, and subject to, Resolutions 5 – 14 (inclusive), 16 and 17 being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 15, you should also vote in favour of Resolutions 5 - 14 (inclusive), 16 and 17.

If Resolutions 5 - 17 (inclusive) are passed, the Options to be issued to Mr Matthews (or his nominee) will be issued not later than one month after the date of the Meeting.

16. **RESOLUTION 16 - ISSUE OF OPTIONS TO MICHELLE FRASER**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 2,700,000 Options (post-Consolidation) to the Company's proposed managing director, Dr Michelle Fraser (or her nominee), each to acquire one new ordinary share in the Company. All of the Options will have an exercise period commencing on the date shareholder approval is granted and expiring on 31 December 2016.

900,000 of the Options will each have an exercise price of \$0.25.

900,000 of the Options will each have an exercise price of \$0.30.

900,000 of the Options will each have an exercise price of \$0.35.

The Options will be granted as a key component of Dr Fraser's remuneration in order to retain her services and provide incentive linked to the performance of the Company.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Dr Fraser is a proposed Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in the Explanatory Statement:

- Subject to shareholder approval, it is proposed that Dr Fraser will be issued 2,700,000 Options (post-Consolidation) to subscribe for new ordinary shares in the Company. Some or all of the Options will likely be subject to ASX imposed escrow conditions. It is considered appropriate to grant the Options to Dr Fraser as a key component of her remuneration in order to retain her services and to provide incentive linked to the performance of the Company. It is further considered that the performance of Dr Fraser and the performance and value of the Company will be closely related. As such, the Options to be granted will only be of benefit if Dr Fraser performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.
- No funds will be raised by the grant of the Options as they are being granted for no consideration. Each Option proposed to be granted entitles Dr Fraser to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.

- The terms and conditions of the Options are set out in Annexure C to the Explanatory Statement.
- A valuation of the Options has been conducted. The valuation imputes a total value of the Options to be issued to Dr Fraser (or her nominee) at \$272,267. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied a Binomial options pricing model together with the following assumptions:
 1. a volatility index of 90% based on the historical volatility of comparable companies on the ASX;
 2. the share price on the issue date has been estimated to be \$0.20, being the anticipated fair value of the shares post the completion of the RHS Acquisition; and
 3. a risk free rate of 3.08% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Dr Fraser under Resolution 16 assuming that shareholders pass Resolutions 1 – 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolution 16	2,700,000
Total shares	54,188,415
Dilution effect	4.98%

- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued under Resolutions 11 - 16 (inclusive) assuming that shareholders pass Resolutions 1 - 17 (inclusive) and that pursuant to Resolution 9, the maximum number of 15,000,000 shares are issued:

Current shares issued	51,309,310
Shares issued assuming all existing Options are exercised	179,105
Shares issued assuming exercise of all the Options referred to in Resolutions 11 - 16 (inclusive)	5,700,000
Total shares	57,188,415
Dilution effect	9.97%

- The market price of shares in the Company would normally determine whether or not Dr Fraser (or her nominee) will exercise the Options. If the Options are exercised at a price that is lower than the

price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the shares quoted on ASX during the 12 month period ending on 23 January 2014 (being the day immediately before the date the Notice was lodged at ASIC) were:

Highest	\$0.07 on 4 March 2013
Lowest	\$0.01 on 3 September 2013
Last	\$0.024 on 23 January 2014

- In addition to the Options proposed to be issued to Dr Fraser (or her nominee), for the financial year ended 31 December 2014, it is expected that Dr Fraser will receive remuneration (including superannuation) as follows:

Director	Total remuneration
Dr Fraser	\$191,188

- Dr Fraser is also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that she properly incurs in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- The current pre-Consolidation share and Option holdings of Dr Fraser and her associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Fraser	Nil	Nil	Nil	Nil

- The post-Consolidation share and Option holdings of Dr Fraser and her associates if Resolution 16 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Dr Fraser	Nil	Nil	Nil	2,700,000

*If Resolutions 5 – 17 (inclusive) are passed, the Company will issue 3,517,190 pre-Consolidation Consideration Shares to Dr Fraser (or her nominee), which are not reflected in the table above.

Resolution 16 is an ordinary resolution.

The Directors do not have an interest in the outcome of Resolution 16 and recommend that shareholders vote in favour of Resolution 16.

The chair intends to vote undirected proxies in favour of Resolution 16.

The passing of Resolution 16 is conditional upon, and subject to, Resolutions 5 – 15 (inclusive) and 17 being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 16, you should also vote in favour of Resolutions 5 - 15 (inclusive) and 17.

If Resolutions 5 - 17 (inclusive) are passed, the Options to be issued to Dr Fraser (or her nominee) will be issued not later than one month after the date of the Meeting.

17. **RESOLUTION 17 – CHANGE OF NAME**

In accordance with section 157(1)(a) of the Corporations Act, the Company submits to shareholders for consideration and adoption by way of a special resolution for the name of the Company to be changed to Reproductive Health Science Limited.

The Company also seeks approval under section 136(2) of the Corporations Act, to the Company's Constitution being updated to reflect the change of name.

Resolution 17 is a **special resolution**.

The Directors recommend that shareholders vote in favour of Resolution 17.

The chair intends to vote undirected proxies in favour of Resolution 17.

The passing of Resolution 17 is conditional upon, and subject to, Resolutions 5 – 16 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 17, you should also vote in favour of Resolutions 5 - 16 (inclusive).

18. **GLOSSARY**

In this Explanatory Statement and Notice of Extraordinary General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Capital Raising means the capital raising the subject of Resolution 9.

CDST means Central Daylight Savings Time as observed in Adelaide, South Australia.

Closely Related Party of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of 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 dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed as such by the *Corporations Regulations 2001* (Cth).

Company means AO Energy Limited ACN 010 126 708.

Consideration Shares means 191,207,026 fully paid ordinary shares (pre-Consolidation) in the capital of the Company.

Consolidation means the consolidation of the existing securities of the Company on a one-for-ten basis (rounded up to the nearest whole number), which consolidation is proposed to become effective on the date of, and immediately after, completion of the RHS Acquisition.

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Former Directors means Messrs Colin Goodall, Neil Young, Jeremy Jebamoney and David Bamford and The Honourable Alexander Downer AC.

General Meeting or **Meeting** means the meeting convened by the Notice.

Key Management Personnel has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term 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).

Meeting means the Extraordinary General Meeting convened by the Notice of Extraordinary General Meeting.

Notice or **Notice of Extraordinary General Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a fully paid ordinary share in the capital of the Company.

Performance Right means right to be issued for no consideration a fully paid ordinary share in the capital of the Company upon the satisfaction of specified performance conditions.

Prospectus means the prospectus to be issued by the Company in relation to the Capital Raising.

Proxy Form means the proxy form accompanying the Notice.

RHS means Reproductive Health Science Pty Limited ACN 067 210 922.

RHS Acquisition means the acquisition by the Company of all of the issued capital of RHS.

RHS Vendors means the registered holders of RHS shares from time to time and/or their nominees and assignees.

Share Purchase Agreement means the share purchase agreement dated 26 November 2013 between the Company and the RHS Vendors relating to the purchase by the Company of all of the issued capital of RHS, as novated and amended.

Taycol Nominees means Taycol Nominees Pty Ltd ACN 007 735 480.

Taylor Collison means Taylor Collison Limited ACN 008 172 450.

Underwriting Agreement means the underwriting agreement dated 9 October 2013 between the Company and Taylor Collison.

ANNEXURE A – PRO FORMA BALANCE SHEET

	Audited Reproductive Health Science Balance Sheet	Audited AO Energy Balance Sheet	Adjusted Pro Forma Merged Balance Sheet	Adjusted Pro Forma Merged Balance Sheet
	30 June 2013	30 June 2013	(Unaudited) Minimum Subscription	(Unaudited) Maximum Subscription
	\$	\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	185,987	129,671	2,995,793	3,559,793
Trade and other receivables	1,112	10,521	11,633	11,633
Other current assets	15,950	-	15,950	15,950
TOTAL CURRENT ASSETS	203,049	140,192	3,023,376	3,587,376
NON-CURRENT ASSETS				
Property, plant and equipment	176,216	30,018	206,234	206,234
Other receivables	-	35,000	35,000	35,000
Intangible assets	139,519	-	139,519	139,519
Exploration and evaluation assets	-	573,882	573,882	573,882
TOTAL NON-CURRENT ASSETS	315,735	638,900	954,635	954,635
TOTAL ASSETS	518,784	779,092	3,978,011	4,542,011
CURRENT LIABILITIES				
Trade and other payables	120,506	96,039	216,545	216,545
Short-term provisions	15,271	-	15,271	15,271
TOTAL CURRENT LIABILITIES	135,777	96,039	231,816	231,816
NON-CURRENT LIABILITIES				
Long-term provisions	11,348	67,720	79,068	79,068
TOTAL NON-CURRENT LIABILITIES	11,348	67,720	79,068	79,068
TOTAL LIABILITIES	147,125	163,759	310,884	310,884
NET ASSETS	371,659	615,333	3,667,127	4,231,127
EQUITY				
Issued capital	4,262,494	47,791,054	8,381,502	8,829,826
Reserves	-	615,835	584,760	622,878
Accumulated losses	(3,890,835)	(47,791,556)	(5,299,135)	(5,221,577)
TOTAL EQUITY	371,659	615,333	3,667,127	4,231,127

Pro-Forma Adjustments

The unaudited adjusted Pro-Forma Merged Group Balance Sheet has been prepared on the basis that the combination had taken place on 30 June 2013 and has been adjusted for the following events:

1. *The net proceeds from the AO Energy Ltd 1 is for 1 rights issue* – On 14 October 2013, AO Energy Ltd concluded a 1 is for 1 pro-rata non-renounceable rights issue, raising net proceeds of approximately \$659,135 and resulting in the issue of 72,473,518 ordinary fully paid shares (inclusive of the underwriting fee and placement fee paid in shares).
2. *The acquisition of Reproductive Health Science Pty Ltd* – The acquisition of Reproductive Health Science Pty Ltd ('RHS') by the issue of 200,000,000 fully paid ordinary shares in AO Energy to RHS shareholders in accordance with the Share Sale Agreement.
3. *Issue of shares under settlement deed to previous directors* – The issue of 10,380,000 fully paid ordinary shares to the previous directors of AO Energy in accordance with the settlement deed dated 31 July 2013. This issue of shares does not affect the pro-forma financials as it is incorporated in the deemed cost of acquiring AO Energy (refer to note 4).
4. *Accounting treatment of acquisition* – In accordance with Australian Accounting Standards, the business combination contemplated in the pro forma financial statements is referred to as a reverse acquisition. Under these rules, for accounting purposes RHS is deemed to have acquired AO Energy and at the date of acquisition the assets and liabilities of RHS are recorded at book value and the assets and liabilities of AO Energy are recorded at fair value. The excess of the consideration deemed to have been paid by RHS to acquire AO Energy (approximately 1.7 Million) over the fair value of the assets of AO Energy has been treated as a transaction cost and expensed in the pro-forma financial statements.
5. *Indicative Share Consolidation* – The proposed restructure of AO Energy Ltd's ('AO Energy') share capital by way of a consolidation of issued capital on a 1 is for 10 basis. The share consolidation does not impact the above pro forma financial statements.
6. *Shares issued under the Prospectus* – As part of AO Energy's re-compliance with Chapters 1 and 2 of the ASX Listing rules, the Company is seeking shareholder approval to conduct a capital raising by offering under a Prospectus 12,000,000 Shares at a price of \$0.20 per share to raise \$2,400,000, with an option to issue a further 3,000,000 Shares (or \$600,000) by way of oversubscriptions. It has been assumed for the purposes of the above financial statements that the full oversubscription amount will be raised.
7. *Issue of options to directors* – To incentivize the ongoing board of AO Energy, the Company will issue a total of 5,700,000 unlisted options to the board of directors. The options are to have an exercise period of three years, with the exercise price to be determined at a premium to the fair value of the Company's shares post consolidation. For the purposes of these financials, it has been assumed that 3,900,000 options will have an exercise price of \$0.25, 900,000 will have an exercise price of \$0.30 and 900,000 will have an exercise price of \$0.35.
8. *Costs associated with the issue of shares under the prospectus and with the acquisition of RHS* – In relation to the raising of \$3,000,000, it has been assumed that the cost involved in the preparation and implementation of the Prospectus and the placement fee payable will be \$340,000. This amount has been offset against the share capital figure. All remaining costs in relation to the acquisition of RHS have been included as an expense and have been recorded in the pro-forma group balance sheet in accumulated losses.

ANNEXURE B – TERMS AND CONDITIONS OF NON-EXECUTIVE DIRECTOR OPTIONS

1. Each option entitles the holder to one ordinary share in the Company.
2. Each of the options will be exercisable at a price, rounded up to the next whole cent, 25% above the closing price of the Company's shares on the date shareholder approval for the grant of the options is given (calculated on a post-Consolidation basis).
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on 31 December 2016 (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (i) elect to be registered as the new holder of the options;
 - (ii) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
 - (iii) if the deceased has already exercised options, pay the exercise price in respect of those options.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

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

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

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

11. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

ANNEXURE C – TERMS AND CONDITIONS OF MANAGING DIRECTOR OPTIONS

1. Each option entitles the holder to one ordinary share in the Company.
2. 900,000 of the options will each have an exercise price of \$0.25.
900,000 of the options will each have an exercise price of \$0.30.
900,000 of the options will each have an exercise price of \$0.35.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on 31 December 2016 (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (i) elect to be registered as the new holder of the options;
 - (ii) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
 - (iii) if the deceased has already exercised options, pay the exercise price in respect of those options.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

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

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

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

11. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

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