



Shareholder Booklet

Annual General Meeting including special business regarding Proposed Transaction

A Notice of Meeting is included with this Booklet. A proxy form for the Meeting accompanies this Booklet.

Lonergan Edwards & Associates Limited as independent expert has concluded that the Proposed Transaction is fair and reasonable to Shareholders not associated with the Proposed Transaction.

Your vote is important in determining whether the Proposed Transaction proceeds. This is an important document and requires your urgent attention.

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Shares, please disregard all enclosed documents.

Important Notices

General

You should read this Booklet in its entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting. The notice convening the Meeting is contained in this Booklet. A proxy form for the Meeting is enclosed.

Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 14 of this Booklet or where the relevant term is first used.

References to **dollars** or **\$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Booklet are due to rounding. All % figures have been rounded to 2 decimal places.

Purpose of this Booklet

The purpose of this Booklet is to:

- describe the business proposed to be considered at the Meeting;
- explain the terms and effect of the Proposed Transaction;
- explain the terms and effect of the Resolutions to Shareholders; and
- provide such information as is prescribed by the Listing Rules.

ASIC and ASX

A copy of this Booklet has been lodged with ASIC and with ASX. None of ASIC, ASX or any of their officers take any responsibility for the contents of this Booklet.

Responsibility for information in this Booklet

ITL is responsible for the contents of this Booklet, other than, to the maximum extent permitted by law, the information below for which other persons are stated to be responsible.

The Independent Expert has prepared the Independent Expert's Report which accompanies this Booklet and is responsible for that report. None of ITL, its related bodies corporate and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of ITL, in relation to information supplied by ITL to the Independent Expert.

Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to Shares. Independent financial and taxation advice should be sought before making any decision to invest in ITL or in relation to the Resolutions. It is important that you read the entire Explanatory Memorandum before making any voting or investment decision. In particular, it is important that Shareholders consider the possible disadvantages of the Resolutions and the risk factors identified in Section 11.

Shareholders should carefully consider these factors in light of their particular investment objectives, financial situation, tax position and requirements. If Shareholders are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the Resolutions. Past performance is no indication of future performance.

Forward looking statements

This Booklet includes certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. Factors which may affect future financial performance include, among other things, those identified in Section 11. The assumptions on which prospective financial information is based may prove to be correct or may be affected by matters not currently known to, or considered material by ITL.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement, and deviations are both normal and to be expected. None of ITL, the officers of ITL or any person named in this Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet.

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Important dates and times

Date of this Booklet	Thursday, 15 October 2015
Last time and date by which the proxy form for the Meeting can be lodged	10:00am (AEDT) on Tuesday, 24 November 2015
Time and date for determining eligibility to vote at the Meeting	7:00pm (AEDT) on Tuesday, 24 November 2015
Meeting* to vote on the Resolutions	10:00am (AEDT) on Thursday, 26 November 2015

* The Meeting will be held at Maxim Chartered Accountants, Level 2, 59 Wentworth Avenue, Kingston ACT 2604

Independent Board Committee's letter



Dear Shareholder

It is our pleasure to invite you to attend and vote at the annual general meeting of ITL. The Meeting will commence at 10:00am (AEDT) on Thursday, 26 November 2015 at Maxim Chartered Accountants, Level 2, 59 Wentworth Avenue, Kingston ACT 2604.

In addition to the ordinary business of this Meeting, the business to be conducted at this Meeting will include consideration of ITL's proposed acquisition of MyHealthTest Pty Limited (MHT).

MHT

MHT is a Canberra based medical biotech company. It will offer convenient home based blood sample collection, using finger prick dried blood spot samples, which are posted to a laboratory for analysis, and a secure on-line portal will deliver the test results directly to the consumers and their doctors. MHT is currently a pre-commercialisation stage venture.

MHT is one of the first entrants into the direct to consumer pathology testing market. It provides consumers with the convenience of not having to attend medical and pathology clinic appointments, cuts the costs of appointment fees and travel, and enables customers to manage their condition and health.

MHT's first entry into the testing market will be the test used to diagnose and manage diabetes (the "HbA1c" test). Australia has 1.2 million people diagnosed with diabetes, an estimated 500,000 with undiagnosed diabetes¹ and over 2 million with pre-diabetes².

The HbA1c test protocols were developed at The John Curtin School of Medical Research at The Australian National University (ANU) and strong support for the test has come from Diabetes ACT and the Australian Diabetes Educator Association.

MHT has a pipeline of tests in other chronic diseases, from which it is estimated over seven million Australians suffer. These include the approximately 3.72 million Australians suffering from cardiovascular disease,³ plus an estimated 157,000 Australians with prostate cancer⁴ and an estimated 129,000 Australians with hypothyroidism,⁵ as well as the 3.7 million Australians who are diagnosed diabetes sufferers, undiagnosed diabetes sufferers and those living with pre-diabetes who have been identified by MHT as a key market for other tests on the basis that the condition is correlated to other chronic diseases. Direct to consumer patient health monitoring is already a rapidly growing sector worldwide but is still in its infancy in Australia.

William Mobbs, Executive Chairman of ITL, is a director of MHT and currently owns approximately 67.24% of the issued share capital of MHT through controlled entities. Other than William Mobbs,

¹ <https://www.diabetesaustralia.com.au/diabetes-in-australia>

² <https://www.diabetesaustralia.com.au/pre-diabetes>

³ <http://www.heartfoundation.org.au/information-for-professionals/data-and-statistics/Pages/default.aspx>

⁴ As estimated by MHT based on Australian Institute of Health and Welfare information indicating that at the end of 2009, there were 157,163 Australian men who had been diagnosed with prostate cancer in the previous 28 years (from 1982 to 2009).

⁵ As estimated by MHT based on the prevalence of overt hypothyroidism reported by O'Leary PC, Feddema PH, Valdo PM, et al. 'Investigations of thyroid hormones and antibodies based on a community health survey: the Busselton thyroid study.' Clin Endocrinol 2006; 64: 97–104.

none of the Directors of ITL owns any of the issued share capital of MHT, either directly or through controlled entities.

As a result of William Mobbs' involvement with MHT, the Independent Board Committee was established to evaluate and negotiate the Proposed Transaction on behalf of ITL.

Rationale for Proposed Transaction

The Proposed Transaction is a strategic investment by ITL into the rapidly growing sector of direct to consumer pathology testing. As such, it is an important addition to the growth strategy of the ITL business model.

MHT has early mover advantage and has positioned itself well to create and meet demand from the enormous diabetes sector. It is expected that with an ageing population there will be a strong demand for Direct to Consumer health monitoring.

ITL's current BioMedical business will supply the test kits to be used by MHT.

Under the Proposed Transaction, ITL will acquire 100% ownership of MHT by subscribing for new MHT Ordinary Shares and acquiring the existing MHT Shares from the MHT Shareholders. MHT will use the proceeds of ITL's subscription for new MHT Ordinary Shares to fund the repayment of all of MHT's current debt, which was lent to it by William Mobbs to fund MHT's ongoing development.

Independent Expert Report

Lonergan Edwards & Associates Limited was retained to provide a report in relation to the Proposed Transaction. The Independent Expert concluded that the Proposed Transaction is fair and reasonable to Shareholders not associated with the transaction. A complete copy of the Independent Expert's report is included in Part C of this Booklet.

Recommendation of Independent Board Committee

The Independent Board Committee unanimously recommends that Shareholders vote in favour of the MHT Resolutions. As William Mobbs is associated with the major MHT Shareholder, he does not consider it appropriate to make a recommendation in relation to the MHT Resolutions.

Risks

MHT is in an early stage of development of its business and will need further funding. If the Proposed Transaction proceeds no guarantee can be given in respect of the future earnings of ITL or MHT or the earnings and capital appreciation of ITL or MHT. Shareholders should consider the risks detailed in Section 11 carefully when assessing the MHT Resolutions. These include risks associated with changes to the ITL share price and the dilutive impact of the issue of Shares under the Proposed Transaction, acquisition risks, protection of trade secrets and potential competition.

This Booklet

This Booklet comprises a Notice of Meeting, a detailed Explanatory Memorandum, an Independent Expert's Report and a personalised Proxy Form.

What you need to do

All Shareholders should carefully read the Booklet in full, and decide how to vote on the MHT Resolutions contained in the Notice of Meeting.

Your vote is important. If you would like to vote, you may either attend the Meeting in person or alternatively appoint a proxy to vote for you at the Meeting by using the attached Proxy Form. If you intend to appoint a proxy, please complete the Proxy Form and return it to us in accordance with the directions on the reverse side of the form by 10:00am (AEDT) on Tuesday, 24 November 2015.

Attendance

If you wish to attend the Meeting please bring your Proxy Form with you to assist us to process your registration efficiently.

The Independent Board Committee looks forward to welcoming you to the General Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Turnbull', with a stylized, cursive script.

Mr Andrew Turnbull
Non Executive Director

A handwritten signature in black ink, appearing to read 'M. Peatey', with a stylized, cursive script.

Mr Mark Peatey
Non Executive Director

Part A: Notice of Meeting

ITL Limited
(ACN 088 212 088)

Notice of Meeting **for the Annual General Meeting of Shareholders** **To be held at 10:00am (AEDT) on Thursday, 26 November 2015**

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is accompanied by an Explanatory Memorandum. The Explanatory Memorandum and its annexures have been prepared to assist Shareholders in determining whether or not to vote in favour of the Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its annexures should be read in conjunction with this Notice of Meeting.

You are encouraged to attend the Meeting, but if you cannot, you are requested to either complete and return the enclosed proxy form without delay to the Registry or place your proxy vote through the available online service as follows:

➤ by hand delivery to:

Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000

➤ by post to:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

➤ by facsimile to:

02 9290 9655 from within Australia, or +61 2 9290 9655 from outside Australia

➤ or by online voting at:

www.votingonline.com.au/itlagm2015

Items of business

Ordinary business

The ordinary business of the meeting is set out below.

1. Executive Chairman's address and presentation

2. Financial Statements and Reports

To receive and consider the annual financial report of ITL and its controlled entities and the related reports of the Directors and auditor for the year ended 30 June 2015, and to provide Shareholders with the opportunity to raise any issues or ask any questions of the Directors.

3. Adoption of Remuneration Report

To consider and, if thought fit, pass the following Resolution in accordance with subsections 250R(2) and 250R(3) of the Corporations Act as an **ordinary resolution**:

Resolution 1 *"That the remuneration report included in the 2015 Directors' Report be adopted."*

Notes:

- (a) The vote on this Resolution is advisory only and does not bind the Directors or ITL.
- (b) The Directors will consider the outcome of the vote and comments made by Shareholders on the remuneration report at the Meeting when reviewing ITL's remuneration policies.
- (c) If 25% or more of votes cast are against the adoption of the remuneration report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must stand for re-election.

4. Re-election of Director

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

Resolution 2 *"That Mr William Mobbs be re-elected as a Director of the company."*

5. Approval of On-Market Share Buy-Back

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

Resolution 3 *"That ITL authorise and approve the buy-back of up to 15% of the issued Shares by buy-back agreements under on-market buy-backs, and the terms and entry into of the buy-back agreements to the extent that approval of such buy-back agreements is required under the Corporations Act, as detailed in the Explanatory Memorandum."*

6. Approval of Additional 10% Placement Capacity

To consider and, if thought fit, pass the following Resolution as a **special resolution**:

Resolution 4 *"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of ITL at the time of issue (in addition to the 15% capacity available under Listing Rule 7.1), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."*

Special business – the Proposed Transaction

The special business of the Meeting is to consider the following proposed Resolutions relating to the Proposed Transaction.

7. Subscription for MHT Ordinary Shares and acquisition of MHT Shares from Mobbs Entities

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

Resolution 5 *“That, subject to Resolution 6 being passed, for the purposes of Listing Rule 10.1 and section 208(1)(a) of the Corporations Act and for all other purposes, the subscription by ITL for MHT Ordinary Shares and the acquisition by ITL of the MHT Shares from the Mobbs Entities as described in the Explanatory Memorandum is approved.”*

8. Issue of Shares to Mobbs Entities

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

Resolution 6 *“That, subject to Resolution 5 being passed, for the purposes of Listing Rule 10.11 and for all other purposes, the issue of Shares to the Mobbs Entities or as they may direct as described in the Explanatory Memorandum is approved.”*

9. Issue of Shares to other MHT Shareholders

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

Resolution 7 *“That, subject to Resolutions 5 and 6 being passed, for the purposes of Listing Rule 7.1 and for all other purposes, the issue of Shares to the MHT Shareholders (other than the Mobbs Entities) or as they may direct on the terms described in the Explanatory Memorandum is approved.”*

Other business

To deal with any other business that may be brought forward in accordance with ITL’s Constitution and the Corporations Act.

Important notes

Voting exclusion statements

ITL will disregard any votes cast on:

- Resolution 1 (Adoption of Remuneration Report):
 - by or on behalf of a member of the Key Management Personnel (whose remuneration is disclosed in the remuneration report), and any of their Closely Related Parties; and
 - as a proxy by a member of the Key Management Personnel, or any of their Closely Related Parties.
- Resolution 4 (Approval of 10% Additional Placement Capacity):
 - any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder if the Resolution is passed; and
 - an associate of those persons.
- Resolution 5 (Subscription for MHT Ordinary Shares and acquisition of MHT Shares from Mobbs Entities) by:
 - the MHT, Mobbs Entities and ITL; and
 - an associate of those persons;

- Resolution 6 (Issue of Shares to Mobbs Entities) by:
 - the Mobbs Entities; and
 - an associate of those persons; and
- Resolution 7 (Issue of Shares to other MHT Shareholders) by:
 - the MHT Shareholders (other than the Mobbs Entities) and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares) if Resolution 7 is passed; and
 - an associate of those persons.

For the purposes of the voting exclusion statements, the word “associate” has the meaning given in the Listing Rules, which is the meaning given in sections 12 and 16 of the Corporations Act.

For the purposes of the MHT Resolutions:

- ITL considers that each of the MHT Shareholders (including the Mobbs Entities) will be an associate of MHT and each other MHT Shareholder for the purposes of each of the MHT Resolutions and accordingly the MHT Shareholders will also be excluded from voting on each of the MHT Resolutions (to the extent they are not otherwise named as excluded above). See Section 9.8 for more information about this association.
- ITL does not have any associates.

However, ITL will 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 the person who is chairing the Meeting when the relevant Resolution is put to Shareholders (**Chairman of the Meeting**) as proxy for a person entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

The Chairman of the Meeting will vote all undirected proxies in favour of these Resolutions. If you wish to vote “against” or “abstain” you should mark the relevant boxes in the attached proxy form.

Chairman of the Meeting

As Executive Chairman of ITL, William Mobbs would ordinarily chair the Meeting. However, as the Proposed Transaction will result in a financial benefit to him, William Mobbs does not consider it appropriate to chair the parts of the Meeting during which the MHT Resolutions are being put to Shareholders. William Mobbs will therefore act as Chairman of the Meeting for those parts of the Meeting during which business other than the MHT Resolutions is being put to Shareholders, and will step aside for the parts of the Meeting during which the MHT Resolutions are being put to Shareholders. In his place, it is proposed one of the independent, non-executive Directors will act as the Chairman of the Meeting during that time.

Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Meeting, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (AEDT) on Tuesday, 24 November 2015. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

How to vote

Shareholders entitled to vote at the Meeting may vote:

- by attending the Meeting and voting in person;
- by voting online at www.votingonline.com.au/itlagm2015;
- by appointing an attorney to attend the Meeting and vote on their behalf or, in the case of corporate shareholders or proxies, a corporate representative to attend the Meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

Voting in person (or by attorney)

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this Meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by ITL before 10:00am (AEDT) on Tuesday, 24 November 2015 in any of the following ways:

- by hand delivery to:
 Boardroom Pty Limited
 Level 12
 Grosvenor Place
 225 George Street
 Sydney NSW 2000
- or by post to:
 Boardroom Pty Limited
 GPO Box 3993
 Sydney NSW 2001

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Meeting to be held at Maxim Chartered Accountants, Level 2, 59 Wentworth Avenue, Kingston ACT 2604 on Thursday, 26 November 2015 commencing at 10:00am (AEDT).

A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

- died;
- became mentally incapacitated;
- revoked the proxy or power; or
- transferred the Shares in respect of which the vote was cast,

unless ITL received written notification of the death, mental incapacity, revocation or transfer before the Meeting or adjourned meeting.

Voting by proxy

Shareholders wishing to vote by proxy at this Meeting must:

- complete and sign or validly authenticate the proxy form, which is enclosed with this Booklet; and
- deliver the signed and completed proxy form to ITL by 10:00am (AEDT) on Tuesday, 24 November 2015 in accordance with the instructions below.
- A person appointed as a proxy may be an individual or a body corporate.

Submitting proxy votes

Shareholders wishing to submit proxy votes for the Meeting must return the enclosed proxy form to the Registry in any of the following ways:

- by hand delivery to:

Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000
- by post to:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
- or by facsimile to:

02 9290 9655 from within Australia, or +61 2 9290 9655 from outside Australia

Online voting

Shareholders may place their proxy vote via an online service. To vote online Shareholders should go to and follow the instructions at:

www.votingonline.com.au/itlagm2015

Notes for proxies

1. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote at the Meeting on that Shareholder's behalf.
2. A proxy need not be a Shareholder.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.
4. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.
5. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular Resolution. If an appointment directs the way the proxy is to vote on a particular Resolution:
 - if the proxy is the Chairman of the Meeting - the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the Chairman of the Meeting - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.

6. If a proxy appointment is signed or validly authenticated by the Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman of the Meeting may either act as proxy or complete the proxy appointment by inserting the name or names of one of more Directors or ITL Secretary.
7. If:
 - a Shareholder nominates the Chairman of the Meeting as the Shareholder's proxy; or
 - the Chairman of the Meeting is to act as proxy if a proxy appointment is signed by a Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the proxy form,

then the person acting as Chairman of the Meeting in respect of an item of business at the Meeting must act as proxy under the appointment in respect of that item of business.
8. To the extent permitted by law, proxy appointments in favour of the Chairman of the Meeting, ITL Secretary or any Director which do not contain a direction will be voted in support of all Resolutions.

Corporate representatives

1. To vote in person at the Meeting, a Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the Meeting, a corporate Shareholder or proxy should obtain an Appointment of Corporate Representative Form from the Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the Meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the Meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board



Trevor Doolan
Company Secretary
15 October 2015

Part B: Explanatory Memorandum

This Explanatory Memorandum contains information relating to the business to be conducted at this Meeting. This business is divided between the ordinary business of the Meeting and the special business of the Meeting. The special business of the Meeting involves consideration of the Proposed Transaction and the associated Resolutions.

Ordinary Business

This part of the Explanatory Memorandum relates to the ordinary business of ITL to be conducted at this Meeting.

1. Executive Chairman's address and presentation

William Mobbs, Executive Chairman of ITL, will address the Meeting.

2. Financial Statements and Reports

As required by section 317 of the Corporations Act, ITL will lay its annual financial report, Directors' report, and auditor's report for the year ended 30 June 2015 before its Shareholders at the Meeting. There is no requirement for Shareholders to approve these reports. However, the Chairman of the Meeting will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, any aspect of the report they wish to discuss.

Shareholders will be given a reasonable opportunity to ask representatives from the auditor any questions about the conduct of the audit and the content of the auditor's report.

3. Adoption of Remuneration Report

3.1. Overview

Resolution 1 provides Shareholders the opportunity to vote on ITL's remuneration report, which is contained in the Directors' report within ITL's 2015 annual report. The Resolution is advisory only and does not bind ITL or the Directors.

The Chairman of the Meeting will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the remuneration report. The Directors will consider the outcome of the vote and comments made by Shareholders on the remuneration report at the Meeting when reviewing ITL's remuneration policies.

If 25% or more of votes that are cast are voted against the remuneration report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director and CEO) must stand for re-election. The Remuneration Report for the 2014 financial year was approved at the 2014 annual general meeting by more than 75% of votes cast on the corresponding resolution to Resolution 1.

3.2. Voting exclusion statements

ITL will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the Key Management Personnel (whose remuneration is disclosed in the remuneration report, including Directors) and any of their Closely Related Parties; and
- as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties.

unless the vote is cast as a proxy for a person who is entitled to vote on Resolution 1;

- in accordance with their directions of how to vote on the proxy form; or
- by the Chairman of the Meeting under an express authorisation on the proxy form.

ITL encourages all Shareholders to cast their votes on this Resolution. The Chairman of the Meeting will vote all available proxies in favour of this Resolution. If you wish to vote “against” or “abstain” you should mark the relevant box in the attached proxy form.

4. Re-election of Director

In accordance with Listing Rule 14.5 an entity that has directors must hold an election of directors each year. Mr William Mobbs retires at this Meeting and, being eligible, offers himself for re-election. Please refer to Directors’ Report in Annual Report for a profile of Mr Mobbs.

The Directors (other than Mr William Mobbs who, given his interest in the outcome of this Resolution, declines to make a recommendation) unanimously recommend that Shareholders vote in favour of this Resolution.

5. Approval of On-Market Share Buy-Back

5.1. Overview

One of ITL’s goals is to manage its capital so as to achieve the most efficient capital structure and optimise returns to Shareholders.

Since 2011, ITL has been undertaking a number of buy-backs with Shareholder approval. Most recently, ITL announced on 3 November 2014 that it was undertaking a buy-back scheme of up to 20% of Shares on-market over a 12 month period, commencing on 1 November 2014. This buy-back required Shareholder approval which was granted at the annual general meeting of Shareholders held on 31 October 2014. This on-market program is still in operation and, as at the date of this Notice of Meeting, 744,544 Shares (or 0.87% of the issued capital of ITL as at the commencement of the program) have been bought back under that scheme for a total cost including brokerage fees of \$167,632.

The current buy-back approved at the annual general meeting held on 31 October 2014 terminates on 31 October 2015.

Accordingly ITL is seeking to obtain approval so that it has the flexibility to undertake further buy-backs in the 12 month period following Shareholder approval should market conditions support this. ITL believes that such flexibility will support its goals of achieving the most efficient capital structure possible, and optimising returns to Shareholders.

Having regard to the available funding, projected cash flows and capital requirements over the next 12 months, the Board has determined that ITL may have capacity to return further capital to Shareholders. ITL has decided to return this capital by buying back Shares.

ITL is seeking Shareholder approval to buy-back Shares on-market. If Shareholders approve the buy-back, ITL will be permitted to buy back a maximum of 15% of the number of Shares it has on issue at the date of this Meeting, on-market over the next 12 months.

This part of the Explanatory Memorandum sets out information that is material to the Shareholders’ decision on how to vote on the buy-back Resolution, including the reasons for the buy-back, the applicable terms, the financial implications and the possible advantages and disadvantages of the on-market buy-back program.

5.2. Purpose of the Resolution

The purpose of the buy-back Resolution is to seek Shareholder approval for the proposed buy-back program. Under the Corporations Act, ITL must obtain Shareholder approval to buy-back more than

10% of the smallest number of voting Shares that ITL had on issue during the 12 months preceding the buy-back.

The buy-back Resolution will be approved if more than 50% of votes cast on the Resolution are in favour of the Resolution.

5.3. Reasons for the buy-back

The Board considers that, having regard to available funding, projected cash flows and capital requirements over the 12 months after this Meeting, ITL may have capacity to return further capital to Shareholders.

The Board considers that an on-market buy-back is an effective means of returning any surplus capital to Shareholders and will enable ITL to maintain an efficient capital structure. Implications of the buy-back program for ITL's financial position are set out in Section 5.6.

5.4. Director recommendation

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

However in deciding how to vote, Shareholders should be aware that, among other things, some of the disadvantages of the buy-back include:

- ITL's net assets will be reduced by the amount expended on the buy-backs;
- the buy-backs may provide some liquidity in ITL's Shares in the short term however will likely result in reducing the liquidity in ITL's Shares in the long term due to a smaller number of Shares on issue for trading; and
- the buy-back will have an impact on control of ITL as set out in Section 5.7.

5.5. Outline of on-market buy-backs

An on-market buy-back involves ITL buying Shares in the ordinary course of trading at the prevailing market price on the ASX, in the same way as any other market transaction.

The implementation of an on-market buy-back is regulated by both ASIC and the ASX. In particular, the Listing Rules prescribe that the buy-back price must not be more than 5% above the average of the closing market prices for Shares in ITL over the previous 5 days trading in which sales were recorded before the buy-back.

The closing price of ITL's Shares on the ASX on 5 October 2015 was \$0.21.

ITL must announce on the ASX the period during which Shares may be bought back (if ITL has determined this), the maximum number of Shares intended to be bought back and any other information that affect a Shareholder's decision to sell Shares. ITL also has to give daily notices containing details of the Shares bought back.

All holders of Shares are eligible to participate by selling their Shares to ITL on the ASX. Participation in any buy-back is voluntary. Shareholders do not have to sell their Shares if they do not want to. Shareholders will not, however, have the right to withdraw sales once made.

The maximum number of Shares that ITL will buy-back on-market will be an amount equal to 15% of the issued Shares in ITL as at the date of the Meeting. At the date of this Notice of Meeting, there are 84,678,177 Shares on issue. Assuming there are no further issues or buy-backs of Shares between the date of this Notice of Meeting and the date of the Meeting the maximum number of Shares that ITL will be able to buy-back would be 12,701,726 Shares.

Since an on-market buy-back involves Shares being acquired at the market price of Shares at that time, it is not possible to anticipate the total actual amount that ITL will expend on paying for the Shares. However, the following table sets out the amount that ITL would expend on paying for the

Shares (excluding brokerage fees) assuming ITL buys-back all 15% permitted under the Shareholder approval currently being sought at the prices specified in the table.

	\$0.18	\$0.21 (closing price of the Shares on 5 October 2015)	\$0.24
Cost excluding brokerage fees	\$2,286,310.68	\$2,667,362.46	\$3,048,414.24

The general advantages of an on-market buy-back include the following:

- purchases on-market can be tailored to changing market conditions;
- ITL has complete flexibility to adjust the volume of Shares bought and can stop buying at any time;
- implementation of an on-market buy-back is simple and cost effective; and
- the promotion of a more efficient capital structure.

5.6. Financial Implications of the buy-back program

The buy-back will be funded from ITL's available cash reserves (including those generated by ITL following Shareholder approval) and debt facilities. At 2 October 2015, ITL and its wholly owned subsidiaries had available funding of \$2 million, comprising of cash at bank of approximately \$500,000 and undrawn debt facilities of approximately \$1.5 million.

The Directors have determined that the buy-back will not materially prejudice ITL's ability to pay its creditors.

5.7. Effect on Control of ITL

William Mobbs, the Executive Chairman of ITL, through the Mobbs Group, has a relevant interest in 33,010,416 Shares, representing 38.98% of Shares.

Assuming:

- no more shares are bought back in the existing buy-back scheme;
- no more Shares are issued by ITL;
- the Mobbs Group do not sell or acquire any other Shares; and
- ITL buys-back all 15% of the Shares permitted under the Shareholder approval being sought,

the relevant interest of William Mobbs will increase to 45.86% of Shares, as a result of this buy-back.

However, ITL is also seeking approval for the Proposed Transaction which will result in the future issue of Shares to the Mobbs Entities and others. If the Proposed Transaction occurs, the relevant interest of William Mobbs will increase to 41.97% of Shares on Completion. In this scenario and otherwise on the assumptions set out above, the relevant interest of William Mobbs will increase to 48.47% of Shares as a result of this buy-back.

William Mobbs' voting power (which includes the relevant interests of him and of his associates) is currently 43.73% as a result of the association between William Mobbs and the other MHT Shareholders, which was established as a result of the entry into the Subscription and Option Agreement (which has since been amended to a Subscription and Sale Agreement to reflect the Proposed Transaction). See Section 9.8 for further information of this association. This association will end either on Completion or on the earlier termination of the Subscription and Sale Agreement that will occur if Shareholder approval is not obtained. On the ending of this association, William

Mobbs' voting power will equal the percentage of Shares that William Mobbs' has a relevant interest in, being the percentages set out in the preceding paragraph.

At the date of this Notice of Meeting, there were no other substantial Shareholders in ITL.

5.8. Other material information

(a) Taxation implications

Approval of the Resolution will not result in any tax implications for Shareholders if they do not sell their Shares.

However if a Shareholder chooses to participate in the buy-back by selling their Shares then that Shareholder should obtain specific tax advice on the treatment of the sale of their Shares taking into account their particular circumstances.

(b) Interest of other Directors

The following table shows the interests in ITL of the Directors other than William Mobbs (whose interests are set out in Section 5.7) at the date of this Notice of Meeting and on the assumptions that ITL does not issue Shares (including Shares issued on Completion of the Share Purchase), no more Shares are bought back under the existing buy-back scheme, ITL buys-back all 15% permitted under the Shareholder approval currently being sought, and Directors do not sell any of their Shares under the buy-back or otherwise acquire or dispose of any of their Shares.

Name	Number of Shares held	Current voting interest	Voting interest after buy-back
Mr Andrew Turnbull	2,991,752	3.53%	4.16%
Mr Mark Peatey	-	-	-

The following table shows interests in ITL of the Directors other than William Mobbs (whose interests are set out in Section 5.7) after ITL has issued Shares on Completion of the Share Purchase and on the assumptions that ITL does not otherwise issue further Shares, no more Shares are bought back under the existing buy-back scheme, ITL buys-back all 15% permitted under the Shareholder approval currently being sought, and Directors do not sell any of their Shares under the buy-back or otherwise acquire or dispose of any of their Shares.

Name	Number of Shares held	Post-Completion voting interest	Post Completion voting interest after buy-back
Mr Andrew Turnbull	2,991,752	3.16%	3.65%
Mr Mark Peatey	-	-	-

6. Approval of Additional 10% Placement Capacity

6.1. Overview

Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period of 12 months after the annual general meeting (**Additional 10% Placement Capacity**). This is in addition to the existing 15% placement capacity permitted by Listing Rule 7.1.

If Shareholders approve this Resolution, the number of Equity Securities the Eligible Entity may issue under the Additional 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out below).

This Resolution is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of this Resolution for it to be passed.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- is not included in the S&P/ASX 300 Index; and
- has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million.

ITL is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of less than \$300 million.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. ITL currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code: ITD).

The exact number of Equity Securities that ITL may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$(A \times D) - E$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement to issue:
- (i) plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (ii) plus the number of partly paid Shares that became fully paid in the 12 months;
 - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and
 - (iv) less the number of Shares cancelled in the 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of the Shareholders under Listing Rule 7.1 or 7.4.

6.2. Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution.

(a) *Minimum price*

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 ASX trading days of the date in the paragraph above, the date on which the Equity Securities are issued.

(b) *Risk of voting dilution*

Shareholders should note that there is a risk that:

- the market price for Equity Securities may be significantly lower on the issue date than on the date of the Meeting; and

- the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the date of issue.

Any issue of Equity Securities under the Additional 10% Placement Capacity will dilute the voting interests of Shareholders who do not receive any Shares under the issue.

If this Resolution is approved by Shareholders and ITL issues the maximum number of Equity Securities available under the Additional 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the potential dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice of Meeting.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the Additional 10% Placement Capacity.

Shares on Issue*		50% decrease in Issue Price	Issue Price (current)	100% increase in Issue Price
84,678,177 (current Variable A)	Shares issued – 10% voting dilution	8,467,817	8,467,817	8,467,817
	Funds Raised	\$889,120.79	\$1,778,241.57	\$3,556,483.14
127,172,265 (50% increase in current Variable A)	Shares issued – 10% voting dilution	12,717,226	12,717,226	12,717,226
	Funds Raised	\$1,335,308.73	\$2,670,617.46	\$5,341,234.92
169,356,354 (100% increase in current Variable A)	Shares issued – 10% voting dilution	16,935,635	16,935,635	16,935,635
	Funds Raised	\$1,778,241.68	\$3,556,483.00	\$7,112,967.00

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1. ITL is currently seeking Shareholder approval for the issue of Shares under the Proposed Transaction. If Shareholder approval for the issue of these Shares is obtained and these Shares are issued, this will impact on Variable A).

The table above assumes the following:

- There are currently 84,678,177 existing Shares as at the date of this Notice of Meeting.
- The issue price set out above is the closing price of the Shares on ASX of \$0.21 on 5 October 2015.
- ITL issues the maximum possible number of Equity Securities under the Additional 10% Placement Capacity.
- ITL has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
- The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- This table does not set out any dilution pursuant to approvals under Listing Rule 7.1.

- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

(c) *Date of issue*

Equity Securities may be issued under the Additional 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- 12 months after the date of the Meeting; and
- the date of approval by Shareholders of any transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of ITL's activities) or 11.2 (disposal of ITL's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(d) *Purpose of issue under Additional 10% Placement Capacity*

ITL may issue Equity Securities under the Additional 10% Placement Capacity for the following purposes:

- as cash consideration, in which case ITL intends to use funds raised for expanding ITL's existing business (including expenses associated MHT), pursuing other acquisitions that have a strategic fit or will otherwise add value to Shareholders (including expenses associated with such acquisitions), general working capital and repaying debt incurred by ITL; or
- as non-cash consideration for acquisition of new assets and investments, in such circumstances ITL will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

ITL will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(e) *Allocation policy under the Additional 10% Placement Capacity*

ITL's allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the Additional 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of ITL.

ITL will determine the recipients at the time of the issue under the Additional 10% Placement Capacity, having regard to the following factors:

- the purpose of the issue;
- alternative methods for raising funds available to ITL at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- the effect of the issue of the Equity Securities on the control of ITL;
- the circumstances of ITL, including, but not limited to, ITL's financial position and solvency of ITL;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

(f) *Previous approval under ASX Listing Rule 7.1A*

ITL has not previously obtained shareholder approval under Listing Rule 7.1A.

(g) *Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A*

When ITL issues Equity Securities pursuant to the Additional 10% Placement Capacity, it will give to ASX:

- a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- the information required by Listing Rule 3.10.5A for release to the market.

6.3. Voting exclusion statement

A voting exclusion statement is included in this Notice of Meeting. As at the date of this Notice of Meeting, ITL has not invited any existing Shareholder to participate in an issue of Equity Securities under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on this Resolution.

6.4. Director recommendation

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

Special Business – MHT

This part of the Explanatory Memorandum relates to the special business of ITL to be conducted at this Meeting.

7. Introduction

7.1. Overview

On 29 April 2015, ITL announced that it had entered into an agreement with MHT and the MHT Shareholders under which:

- it had agreed to acquire options to be issued new shares in MHT; and
- it had acquired a call option over the issued shares in MHT from its shareholders.

On 2 September 2015, ITL announced that, as MHT has already met certain milestones ahead of schedule, it had agreed to amend the transaction by:

- rather than acquiring options to be issued new shares in MHT, ITL would subscribe for 450 new MHT Ordinary Shares; and
- rather than acquiring a call option over the issued shares in MHT, proceeding to acquire those shares straight away.

The accelerated acquisition remains subject to Shareholder approval.

See Section 9.2 for more information about MHT.

The consideration payable by ITL:

- to MHT for the issue of 450 new MHT Ordinary Shares is \$450,000 cash; and
- to MHT Shareholders for the acquisition of the issued MHT Shares is \$2 million, payable by the issue of 10,000,000 Shares at a deemed issue price of \$0.20 per Share.

Under the Proposed Transaction, ITL will acquire 100% ownership of MHT by subscribing for new MHT Ordinary Shares and acquiring the existing MHT Shares from the MHT Shareholders. MHT will use the proceeds of ITL's subscription for new MHT Ordinary Shares to fund the repayment of all of MHT's current debt, which was lent to it by William Mobbs to fund MHT's ongoing development.

Further details regarding MHT are set out in Section 9. Further details regarding the terms of the Proposed Transaction are set out in Section 10.

Shareholders are now being asked to consider and vote on whether the Proposed Transaction should be implemented. This Booklet contains the details of the MHT Resolutions and information to enable Shareholders to assess the Proposed Transaction.

7.2. Shareholder approvals

The Proposed Transaction will only proceed if the Transaction Resolutions to be considered at the Meeting are approved by Shareholders. These Resolutions are described more fully in Section 12. In summary, Shareholder approval is required under Listing Rules 10.1, 10.11 and section 208(1)(a) of the Corporations Act to approve the Proposed Transaction because MHT and the Mobbs Entities are related parties of ITL. These entities are related parties of ITL because William Mobbs is a Director of ITL and also controls, and is a director of, Bilbo, which in turn controls MHT. For completeness, it should be noted that William Mobbs is also a director of MHT.

While not required for the Proposed Transaction, Shareholder approval is also being sought at the Meeting for the purposes of Listing Rule 7.1.

The MHT Resolutions require approval by a simple majority of votes cast by Shareholders at the Meeting.

The MHT Resolutions are subject to voting exclusions. These voting exclusions are summarised in the Notice of Meeting.

7.3. Interdependency

The Transaction Resolutions are interdependent, which means that if any one of the Transaction Resolutions is not passed by Shareholders, the Proposed Transaction will not proceed.

Resolution 7 is dependent on the Transaction Resolutions, which means that the issue of Shares contemplated in Resolution 7 will not proceed if any of the Transaction Resolutions is not passed by Shareholders. However, the Proposed Transaction may still proceed if Resolution 7 is not passed by Shareholders (provided all of the Transaction Resolutions are passed).

The Transaction Resolutions and Resolution 7 are not otherwise dependent on the other Resolutions being considered at this Meeting.

7.4. Independent Board Committee

William Mobbs controls MHT and Bilbo, and together with Bilbo owns approximately 67.24% of MHT. As a result of William Mobbs' interest in MHT, the Independent Board Committee, comprising the Directors other than William Mobbs, was established by the Directors of ITL to evaluate and negotiate the Proposed Transaction on behalf of ITL. William Mobbs has not participated in the Independent Board Committee's discussions relating to the Proposed Transaction.

7.5. Independent Board Committee recommendations

The Independent Board Committee considers that the Proposed Transaction is in the best interests of Shareholders and recommend that Non-Associated Shareholders vote in favour of all of the MHT Resolutions because:

- This is a strategic investment by ITL into the rapidly growing sector of direct to consumer pathology testing and hence an important addition to ITL's growth strategy.
- MHT has early mover advantage and has positioned itself well to create and meet demand from the enormous diabetes sector.
- The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to Shareholders not associated with the Proposed Transaction.

William Mobbs controls MHT and Bilbo, and together with Bilbo owns approximately 67.24% of MHT. Accordingly the Board does not consider William Mobbs to be independent for the purposes of considering the Proposed Transaction and he does not make a recommendation in relation to the MHT Resolutions.

7.6. Independent Expert Report

To assist Shareholders in their consideration of the Proposed Transaction, the Independent Board Committee commissioned Lonergan Edwards & Associates Limited to prepare an independent expert's report containing a valuation of MHT, a valuation of the Shares to be issued on Completion of the Share Purchase, a discussion of the advantages and disadvantages of the Proposed Transaction and an opinion on whether the Proposed Transaction is fair and reasonable to Shareholders not associated with the Proposed Transaction.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to Shareholders not associated with the Proposed Transaction.

A copy of the report accompanies this Booklet and should be read carefully by Shareholders. ITL will provide a hard copy of the report at no cost to the holder on request. Please contact Trevor Doolan

on 03 8773 3002 with the Shareholder reference number from the proxy form sent to you to request a copy. A copy of this report can also be accessed on ITL's website at <http://www.itl-limited.com>.

7.7. Implementation and timetable

The timetable for the Meeting and, if approved, the Proposed Transaction is as follows:

Date	Event
Wednesday, 29 April 2015	Proposed Transaction announced
Tuesday, 2 September 2015	Amendments to Proposed Transaction announced
10:00am (AEDT) Thursday, 26 November 2015	Meeting held Results of Meeting announced on ASX
Thursday, 10 December 2015	Completion of ITL's subscription for MHT Ordinary Shares and acquisition of all other MHT Shares from MHT Shareholders

Note: These dates are indicative only and may be changed as permitted by the Corporations Act and the Listing Rules.

7.8. What to do next

(a) Read the remainder of this Booklet

You should read and consider the Sections of this Booklet relating to the Proposed Transaction as well as the Independent Expert's Report contained in Part C of this Booklet in full before making any decision on the MHT Resolutions.

(b) Consider your options

Shareholders should refer to the Sections of this Booklet relating to the Proposed Transaction as well as the Independent Expert's Report contained in Part C of this Booklet for further guidance on the expected advantages and possible disadvantages of the Proposed Transaction. However, this Booklet does not take into account the financial situation, investments objectives and particular needs of any particular Shareholder.

(c) Vote at the Meeting

The Board urges all Shareholders to vote on the MHT Resolutions at the Meeting. The MHT Resolutions (as well as the other Resolutions proposed for consideration at the Meeting) affect your investment in ITL and your vote at the Meeting is important in determining whether the Proposed Transaction proceeds.

8. Relevant considerations for Shareholders

8.1. Introduction

The purpose of this Section 8 is to identify significant issues for Shareholders to consider in relation to the Proposed Transaction.

Before deciding how to vote on the MHT Resolutions at the Meeting, Shareholders should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

8.2. Rationale for Proposed Transaction

The Proposed Transaction is a strategic investment by ITL into the rapidly growing sector of direct to consumer pathology testing. As such, it is an important addition to the growth strategy of the ITL business model.

MHT has early mover advantage and has positioned itself well to create and meet demand from the enormous diabetes sector. It is expected that with an ageing population there will be a strong demand for Direct to Consumer health monitoring. MHT is currently a pre-commercialisation stage venture.

ITL's current BioMedical business will supply the test kits to be used by MHT.

Under the Proposed Transaction, ITL will acquire 100% ownership of MHT by subscribing for new MHT Ordinary Shares and acquiring the existing MHT Shares from the MHT Shareholders. MHT will use the proceeds of ITL's subscription for new MHT Ordinary Shares to fund the repayment of all of MHT's current debt, which was lent to it by William Mobbs to fund MHT's ongoing development.

8.3. Why you should vote in favour of the Transaction Resolutions

Reasons why Shareholders may decide to vote in favour of the Transaction Resolutions include the following:

- This is a strategic investment by ITL into the rapidly growing sector of direct to consumer pathology testing and hence an important addition to ITL's growth strategy.
- MHT has early mover advantage and has positioned itself well to create and meet demand from the enormous diabetes sector.
- The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to Shareholders not associated with the transactions.

8.4. Why you may vote against the Transaction Resolutions

Shareholders may decline to approve the Transaction Resolutions for a number of reasons. These may include the following:

- They do not agree with the Proposed Transaction.
- They do not agree with an investment into the sector of direct to consumer pathology testing.
- They do not agree with an investment in a pre-commercialisation stage venture.
- They are of the view that the risks associated with Proposed Transaction, including the risk factors described in Section 11, outweigh the potential benefits that the Proposed Transaction may have for ITL.
- They do not agree with the deemed issue price for Shares of \$0.20 per Share agreed to under the Proposed Transaction which may be less than the current market price for Shares on Completion (and which is less than the Independent Expert's adopted valuation of between \$0.23 and \$0.24 per Share as set out in the Independent Expert's Report), in which case ITL

will be required to issue Shares to MHT Shareholders at a discount to the current market price for the Shares.

- They will suffer a dilution in the voting interest in ITL should the Proposed Transaction proceed.
- They do not agree with the conclusion of the Independent Expert.

8.5. Why you should vote in favour of Resolution 7

Reasons why Shareholders may decide to vote in favour of Resolution 7 include the following:

- It will provide ITL with additional flexibility in considering any necessary further fundraising and will enable ITL to raise further funds at any time during the 12 months following the issue of Shares on Completion of the Share Purchase by issuing up to the full 15% of its issued share capital (in addition to the Additional 10% Placement Capacity which will be available if approved by Shareholders at this Meeting).
- It will avoid ITL incurring additional costs by convening a meeting of Shareholder to approve an issue of equity securities that would otherwise be able to be made as a result of this additional flexibility.

8.6. Why you may vote against Resolution 7

Shareholders may decline to approve Resolution 7 for a number of reasons. These may include the following:

- Shareholders may not wish to provide ITL with further flexibility to raise further funds by issuing equity securities without first obtaining Shareholder approval.

8.7. Key implications if the Resolutions are not approved

If any of the Transaction Resolutions are not approved:

- The Proposed Transaction will not proceed.
- ITL will not acquire MHT.

If Resolution 7 is not approved:

- This will not impact on whether or not the Proposed Transaction proceeds.
- There will be no impact on the obligation of ITL to issue Shares under the Proposed Transaction.
- However ITL will not have the ability to issue up to the full 15% of its issued share capital during the period ending 12 months following the issue of Shares under the Proposed Transaction (separate from the Additional 10% Placement Capacity which will be available if approved by Shareholders at this Meeting) without first obtaining Shareholder approval (except as otherwise permitted by the Listing Rules).

9. Information on MHT

9.1. Introduction

The purpose of this Section 9 is to provide some information on MHT, its operations, historical financial performance and position and capital structure.

9.2. Overview of MHT

MHT is a Canberra based medical biotech company. It will offer convenient home based blood sample collection, using finger prick dried blood spot samples, which are posted to a laboratory for analysis, and a secure on-line portal will deliver the test results directly to the consumers and their doctors. MHT is currently a pre-commercialisation stage venture.

MHT is one of the first entrants into the direct to consumer pathology testing market. It provides consumers with the convenience of not having to attend medical and pathology clinic appointments, cuts the costs of appointment fees and travel, and enables customers to manage their condition and health.

MHT's first entry into the testing market will be the test used to diagnose and manage diabetes (the "HbA1c" test). Australia has 1.2 million people diagnosed with diabetes, an estimated 500,000 with undiagnosed diabetes¹ and over 2 million with pre-diabetes².

The HbA1c test protocols were developed at The John Curtin School of Medical Research at The Australian National University (ANU) and strong support for the test has come from Diabetes ACT and the Australian Diabetes Educator Association.

MHT has a pipeline of tests in other chronic diseases, from which it is estimated over seven million Australians suffer. These include the approximately 3.72 million Australians suffering from cardiovascular disease,³ plus an estimated 157,000 Australians with prostate cancer⁴ and an estimated 129,000 Australians with hypothyroidism,⁵ as well as the 3.7 million Australians who are diagnosed diabetes sufferers, undiagnosed diabetes sufferers and those living with pre-diabetes who have been identified by MHT as a key market for other tests on the basis that the condition is correlated to other chronic diseases. Direct to consumer patient health monitoring is already a rapidly growing sector worldwide but is still in its infancy in Australia.

9.3. MHT's assets

In line with the nature of the industry that MHT operates in and its stage of development, MHT's main business asset is its intellectual property. MHT's intellectual property includes the 'know how' and trade secrets that have been developed by it in relation to the test protocols, on-line portal and packaging methodologies described in Section 9.2 above as well as two registered "MyHealthTest" trade marks.

MHT has not applied for patents over the HbA1c test protocols or any other direct to consumer patient health monitoring processes and it does not consider such protocols and processes to be patentable. There is a risk that the protective measures that MHT employs may not provide adequate protection of its trade secrets. See Section 11.2(f) for further details.

MHT also owns a small amount of laboratory equipment.

¹ <https://www.diabetesaustralia.com.au/diabetes-in-australia>

² <https://www.diabetesaustralia.com.au/pre-diabetes>

³ <http://www.heartfoundation.org.au/information-for-professionals/data-and-statistics/Pages/default.aspx>

⁴ As estimated by MHT based on Australian Institute of Health and Welfare information indicating that at the end of 2009, there were 157,163 Australian men who had been diagnosed with prostate cancer in the previous 28 years (from 1982 to 2009).

⁵ As estimated by MHT based on the prevalence of overt hypothyroidism reported by O'Leary PC, Feddema PH, Valdo PM, et al. 'Investigations of thyroid hormones and antibodies based on a community health survey: the Busselton thyroid study.' Clin Endocrinol 2006; 64: 97–104.

Other than the intellectual property and laboratory equipment, MHT does not have any material assets.

9.4. Relationship between MHT, ITL and William Mobbs

In September 2014, MHT entered into a distribution agreement with ITL Corporation Pty Limited (**ITL Corporation**) under which ITL Corporation agrees to supply MHT with its dry blood testing at-home kits. The distribution agreement is for a term of five years from 1 October 2014, renewable for an additional five years with the agreement of both parties. ITL Corporation is wholly owned by ITL.

William Mobbs is the founder and director of MHT. William Mobbs controls MHT and Bilbo, and together with Bilbo owns approximately 67.24% of MHT. William Mobbs has also provided a series of advances to MHT. As at 30 June 2015 (being the date for the financial information in Sections 9.5 and 9.6 below), a total of \$450,000 was outstanding, with interest accruing on the outstanding amounts. All amounts owed by MHT (including any funds lent by William Mobbs that have not otherwise been repaid out of the proceeds of ITL's subscription for MHT Ordinary Shares occurring as part of the Proposed Transaction) other than trade creditors are required to be repaid prior to Completion.

Hastcombe Pty. Ltd. (another company controlled by William Mobbs) has entered into service agreement with MHT in relation to services provided to MHT by William Mobbs including providing oversight and guidance to MHT, undertaking the role of executive chairman of MHT and undertaking the role of chair of the MHT Advisory Board. Under this service agreement, MHT will pay Hastcombe Pty. Ltd. \$10,000 per month (exclusive of GST). This service agreement will continue after Completion of the Proposed Transaction and will be reassessed by the independent directors of ITL following Completion.

None of the Directors other than William Mobbs has a direct or indirect personal interest in MHT.

9.5. Financial performance

The financial performance of MHT for the financial years ended 30 June 2014 and 30 June 2015, based on information taken from MHT's unaudited management accounts, is set out in the table below.

\$,000	FY 2014	FY 2015
Funding Grants	183	671
Expenses	(748)	(1,269)
Net Profit/(Loss)	(565)	(598)

9.6. Financial position

Summarised below is the balance sheet of MHT as at 30 June 2014 and 30 June 2015, based on information taken from MHT's unaudited management accounts.

\$,000	At 30 / 06 / 2014	At 30 / 06 / 2015
Cash	40	256
Other Receivables	43	42
Plant & Equipment	1	207
Total Assets	84	505
Creditors	167	586
Director Loan	186	450
Total Liabilities	353	1,036
Issued Capital	605	942
Accumulated Losses	(874)	(1,473)
Total Equity	(269)	(531)

The Director Loan identified in the summarised balance sheet is a loan from William Mobbs to MHT. See Section 9.4 for further details. MHT has agreed to use the \$450,000 subscription price received for the MHT Ordinary Shares being issued to ITL as part of the Proposed Transaction to repay the principal of this loan. In addition to this, all amounts owed by MHT other than trade creditors are required to be repaid prior to Completion.

9.7. Management of MHT

MHT has a highly qualified and experienced senior management team including Dr Nick Cerneaz (General Manager), Dr Marianne Gould (Marketing Director) and Belinda Whittle (Scientific and Laboratory Director) together with a number of contractors. They are supported by an Advisory Board.

9.8. Association of MHT Shareholders

On 7 May 2015, William Mobbs lodged a 'Notice of change of interests of substantial holder' regarding his voting power in ITL. That notice disclosed (among other things) the following:

- that the Mobbs Entities had entered into the Subscription and Option Agreement (which has since been amended to be renamed the Subscription and Sale Agreement) which may be considered to have resulted in the establishment of an association between him and the other MHT Shareholders pursuant to section 12 of the Corporations Act;
- that the Mobbs Group's voting power in ITL had increased from 38.63% to 43.67%. This increase was as a result of:
 - an acquisition by the Mobbs Group of relevant interests in 12,670 additional Shares since the last substantial shareholder notice lodged by it prior to that notice (being the 'Notice of change of interests of substantial holder' dated 14 August 2014), which resulted in an increase in his voting power of 0.01%;
 - the reduction in the number of Shares on issue in ITL as a result of the Share buy-back conducted by it, which resulted in an increase in his voting power of 0.29%; and

- the establishment of this associate relationship with the other MHT Shareholders who in aggregate have a relevant interest in 4,022,238 Shares in ITL as follows:
 - Craig Douglas Wilson who has a relevant interest in 1,604,542 Shares;
 - Stephanie Moss Norrell who has a relevant interest in 2,079,750 Shares;
 - Lucas Scott Woolmer and Monica Meyers Woolmer who have a relevant interest in 91,742 Shares;
 - Desmond Patrick Walker who has a relevant interest in 133,617 Shares;
 - Marianne Gould who has a relevant interest in 55,500 Shares;
 - Nicholas John Cerneaz who has a relevant interest in 31,981 Shares;
 - Louise Margaret Bresnahan who has a relevant interest in 25,106 Shares,

which accounted for an increase in the Mobbs Group's voting power of 4.74%;
- that the Mobbs Group does not have a relevant interest in those 4,022,238 Shares held by the other MHT Shareholders;
- that the association that may have been created on entry into the Subscription and Option Agreement will cease on the Shareholder Option granted under the Subscription and Option Agreement lapsing (on 31 December 2016) unless, on or prior to that date, Completion of the Share Purchase occurs in which case the association will cease on Completion taking place. It will also cease if the agreement was terminated, including if Shareholders did not approve the transaction.

Following the change of the structure of the Proposed Transaction (from the previously agreed options to the current obligation to subscribe for new MHT Ordinary Shares and to acquire the issued shares in MHT), the association that may have been created on entry into the Subscription and Option Agreement (which has since been amended to a Subscription and Sale Agreement to reflect the Proposed Transaction) continues however will now cease either on Completion of the Proposed Transaction or on the earlier termination of the Subscription and Sale Agreement, including if Shareholder approval for the Proposed Transaction is not obtained.

10. The Proposed Transaction

10.1. Introduction

The purpose of this Section 10 is to provide information on the Proposed Transaction.

10.2. Overview of the Proposed Transaction

ITL has entered into an agreement with MHT and the MHT Shareholders under which it has:

- agreed to subscribe for 450 new MHT Ordinary Shares. On Completion, these new MHT Ordinary Shares will be issued to ITL and ITL will pay the subscription price of \$450,000 for all of these new MHT Ordinary Shares. MHT will use the subscription price received for the new MHT Ordinary Shares to fund the repayment of all of MHT's current debt, which was lent to it by William Mobbs to fund MHT's ongoing development; and
- agreed to acquire all of the issued MHT Shares from the MHT Shareholders. On Completion, the MHT Shareholders must sell to ITL all of the MHT Shares on issue and, in consideration for these, ITL must provide consideration to the MHT Shareholders by issuing Shares to each of the MHT Shareholders (or as they direct). A total of 10,000,000 Shares will be issued to MHT Shareholders, with the number of Shares to be issued to each of the MHT Shareholders determined by multiplying 10,000,000 Shares by that MHT Shareholder's Respective Proportion.

10.3. ITL's interest in MHT acquired on Completion

Based on the structure of the Proposed Transaction, Completion of the Share Subscription and the Share Purchase will occur contemporaneously. ITL will therefore obtain a 100% interest in MHT on Completion.

10.4. Conditions to the Proposed Transaction

The Proposed Transaction is subject to the condition that all of the Transaction Resolutions have been passed.

There are no other conditions to the Proposed Transaction.

10.5. Pro forma capital structure of ITL

On Completion of the Proposed Transaction, ITL will issue Shares as consideration for the acquisition of the MHT Shares. The capital structure of ITL currently and on Completion is set out below.

	Number	Percentage
Shares currently on issue	84,678,177	89.44%
Shares issued on Completion	10,000,000	10.56%
Total Shares	94,678,177	100.00%

This table shows that the extent to which the issue of Shares on Completion will dilute a Non-Associated Shareholder's interest in ITL by 10.56%.

The above table and figures assume that there are no further changes in the capital structure of ITL between now and the date of Completion.

10.6. No impact on control

(a) Overview

ITL does not expect the Proposed Transaction to have any impact on control of ITL.

(b) *Impact on Mobbs Group's voting power*

The Mobbs Group's voting power disclosed in the 'Notice of change of interests of substantial holder' lodged on 7 May 2015 was 43.67%. This voting power comprised Shares in which the Mobbs Group had a relevant interest (of 33,010,416, representing 38.93%) and Shares in which the MHT Associates had a relevant interest (and in which the Mobbs Group do not have a relevant interest) (of 4,022,238, representing 4.74%).

On Completion, the association between the Mobbs Entities and the MHT Associates will end, resulting in a decrease in the voting power of the Mobbs Group of the percentage that the Shares held by the MHT Associates represents at that time (4.74% as at 7 May 2015). However, this voting power will simultaneously increase as a result of the issue of Shares to the Mobbs Entities on Completion. The effect that the issue of Shares on Completion will have on the Mobbs Group's voting power in ITL is set out below:

Voting power	Current	On Completion
Mobbs Group (excluding MHT Associates) ¹	38.98%	41.97%
MHT Associates (excluding Mobbs Group) ¹	4.75%	6.30%
Mobbs Group ²	43.73%	41.97%

Notes:

¹ Calculated based on the Shares for which the entity is identified as the registered holder in the 'Notice of change of interest of substantial holder' lodged on 7 May 2015 and taking into account the impact of Shares bought back since that date.

² Currently the Mobbs Group and the MHT Associates may be deemed to be associates, resulting in the Mobbs Group's voting power being calculated including the relevant interest of the MHT Associates. This association will cease on Completion, resulting in the Mobbs Group's voting power being calculated excluding the relevant interest of the MHT Associates. See Section 9.8 for further details.

From the table above, there will be a net decrease in the voting power of the Mobbs Group on Completion, however, the relevant interest of the Mobbs Group will increase by 2.99%.

11. Risk factors

11.1. Introduction

There are a number of factors, both specific to ITL and MHT and of a general nature, which may affect the future operating and financial performance of either or both of ITL and MHT and the outcome of either your investment in ITL or ITL's potential investment in MHT. There can be no guarantees that either ITL or MHT will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

This Section 11 describes certain, but not all, risks associated with an investment in ITL and with the Proposed Transaction.

11.2. Risks associated with the Proposed Transaction

Shareholders will be exposed to a number of risks arising from implementation of the Proposed Transaction. These risks include the following:

(a) *Change in ITL share price*

Under the Sale Agreement, ITL will issue 10,000,000 Shares to MHT Shareholders at an issue price of \$0.20 per Share irrespective of the prevailing market price for the Shares on Completion. If the price for Shares on Completion is more than \$0.20, ITL will be required to issue Shares to MHT Shareholders at a discount to the current market price for the Shares. In the Independent Expert's Report, the Independent Expert has determined that it is appropriate to adopt a value of between \$0.23 and \$0.24 per Share. On this basis, the Shares are being issued at a discount to the Independent Expert's valuation of the Shares.

(b) *Dilution of voting interests*

The issue of Shares to MHT Shareholders on Completion of the Share Purchase will result in each Non-Associated Shareholder's interest in ITL being diluted by 10.56%. Based on the current capital structure of ITL and assuming there are no further changes in the capital structure of ITL between now and the date of Completion, each Non-Associated Shareholder's interest in ITL will be diluted by 10.56%. See Section 10.5 for further details.

(c) *MHT is in an early stage of development of its business*

MHT is in the early stage of development of its business. To date, MHT has not achieved any product sales. There can be no assurance that MHT will be successful in achieving any product sales or profitably exploiting its products and technology.

(d) *MHT will need further funding from ITL*

MHT has received approval for a funding application submitted to the Commonwealth Department of Industry and Science for the commercialisation of dry blood spot pathology testing. This was approved as an Accelerating Commercialisation Project under the Entrepreneurs' Infrastructure Programme. The amount of the funds approved is a maximum of \$1.0 million which represents 38.38% of MHT's approved budget for this project. However, this grant does not provide complete funding for the approved budget for this project.

MHT has limited financial resources and will need to raise additional funds from time to time to finance the complete development and commercialisation of its products and meet its other longer term objectives and this funding may need to be raised or provided by ITL. MHT may never achieve commercialisation or profitability. MHT's ability to raise additional funds will be subject to, among other things, factors beyond the control of MHT and ITL, including cyclical factors affecting the economy and the share markets generally. There can be no assurance that future funds can be raised by MHT on favourable terms, if at all. If other sources of funds cannot be found for MHT, ITL may be required to continue to provide funding for the commercialisation of MHT after its acquisition. Alternatively, if ITL is not prepared to continue to fund MHT and debt funding is not available on appropriate terms,

ITL may be required to seek further capital funding for MHT which would result in MHT ceasing to be wholly owned by ITL.

(e) Acquisition risk

There can be no assurance that ITL will be successful in realising the anticipated benefits and synergies of MHT's business. The ability to realise these benefits will depend in part on whether ITL can efficiently integrate acquired businesses with its existing operations. In addition, there is a risk that ITL will overestimate the value of MHT and therefore overpay. These factors may adversely impact ITL's financial performance. ITL has, however, retained the Independent Expert to opine on the fairness and reasonableness of the Proposed Transaction and the Independent Expert has concluded that the Proposed Transaction is fair and reasonable to Shareholders not associated with the transaction.

(f) Trade secrets

MHT relies on its trade secrets, which include information relating to the manufacture, development and administration of its products. The protective measures that MHT employs may not provide adequate protection for its trade secrets. This could erode MHT's competitive advantage and materially harm its business. There can be no certainty that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that MHT will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.

(g) Competition

The pathology and diagnostic industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than MHT. There are companies that compete with MHT's efforts to discover, validate and commercialise alternative pathological testing processes. MHT's competitors may discover and develop products in advance of MHT and/or products that are more effective than those developed by MHT. As a consequence, MHT's technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

11.3. General risks

Shareholders should also note the following general risks that are associated with an investment in a listed entity such as ITL (which may also impact MHT):

(a) Dependence on general economic conditions

Changes in Australian and international economic conditions may adversely affect the financial performance, financial position or prospects of ITL and MHT, or the value or price of Shares. Amongst other things, these general conditions may impact on the availability of new investment opportunities, the availability, terms and costs of funding and operating costs of ITL and MHT.

(b) Share market conditions

There are risks associated with an investment in shares (such as ITL's) that are listed on a stock exchange. Share price movements can affect the value of an investment in ITL. The value of listed shares can be expected to fluctuate depending upon a number of general factors including changes in international and local share markets, changes in the economic conditions, inflation, interest rates, government fiscal, monetary and regulatory policies and investor perceptions. These risk factors are unpredictable and may have implications for the price or value of shares that are unrelated or disproportionate to the operating performance of the listed company.

(c) Governmental or regulatory actions

The operations of ITL and MHT could be affected by government actions in the countries or jurisdictions in which it has interests. The possible extent of introduction of additional legislation, regulations, standards (including accounting standards), guidelines or amendments to existing legislation that might affect their businesses is difficult to predict. Any such government action may

require increased capital or operating expenditures and could prevent or delay the execution of their plans or have a material adverse effect on their businesses and financial condition.

(d) Taxation

ITL and MHT are and will be subject to taxation and other imposts in Australia and any other jurisdictions in which they operate. Future changes in taxation laws in those jurisdictions, including changes in interpretation or application of existing laws by the courts or taxation authorities in those jurisdictions, may affect the tax liabilities of ITL or MHT, or the taxation treatment of holding or disposing of Shares.

(e) Disputes and litigation

Disputes or litigation may arise from time to time in the course of business activities of ITL and MHT. There is a risk that material or costly disputes or litigation which ITL or MHT may become party to or be required to assist with could adversely affect financial performance. ITL will take out insurance to cover certain risks of it where it appears appropriate to ITL to do so. To the extent that any such claims are not covered by insurance, the costs of responding to the claim and any adverse outcome from any claim may materially adversely affect ITL's financial position.

12. Regulatory information on the Resolutions

The purpose of this Section 12 is to outline the requirements for Shareholder approvals and provide the information required by the Listing Rules and the Corporations Act when seeking those approvals.

12.1. Resolution 5: Subscription for MHT Ordinary Shares and acquisition of MHT Shares from Mobbs Entities

Resolution 5 approves the subscription by ITL for MHT Ordinary Shares under the Share Subscription and the acquisition by ITL of the MHT Shares from the Mobbs Entities under the Share Purchase. It must be passed as an ordinary resolution.

Listing Rule 10.1 and section 208(1)(a) of the Corporations Act are relevant to this Resolution.

(a) *Listing Rule 10.1*

Listing Rule 10.1 provides that prior approval of shareholders is required for an acquisition by a company of a substantial asset from a related party. An asset is a substantial asset if its value, or the value of the consideration given for it, is 5% or more of the equity interests of the company set out in the latest accounts given to ASX under the Listing Rules. Listing Rule 10.2.1 provides that separate transactions will be aggregated if, in ASX's opinion, they form part of the same commercial transaction.

The Mobbs Entities comprise William Mobbs (as trustee for the Bilbo Superannuation Fund) and Bilbo. William Mobbs is a Director and accordingly is a related party of ITL. Bilbo is controlled by William Mobbs and is accordingly also a related party of ITL. MHT is controlled by Bilbo and is accordingly also a related party of ITL.

The latest accounts of ITL given to ASX reported equity interests of \$12.01 million. Therefore an asset is substantial for these purposes if its value, or the value of the consideration given for it, is \$600,500 or more. The amount payable by ITL to MHT under the Share Subscription is \$450,000. The amount payable by ITL to (or at the direction of) the Mobbs Entities under the Share Purchase is the issue of 6,723,870 Shares. On the basis of their deemed issue price, these Shares would have a value of \$1,344,774.

In circumstances where Completion of the Share Subscription and the Share Purchase will occur together and are both part of the Proposed Transaction, Shareholder approval is being sought under Resolution 5 to permit the Share Subscription and the Share Purchase for the purposes of Listing Rule 10.1.

As required by Listing Rule 10.10, a report on the Proposed Transaction from the Independent Expert is enclosed in this Booklet in Part C. The report is also available on ITL's website at <http://www.itl-limited.com>.

Listing Rule 10.7 provides that if an acquisition to which Listing Rule 10.1 applies is an acquisition of a classified asset from a related party, the consideration to those related parties must be restricted securities. An asset is a classified asset if, amongst other things, it is an interest in an asset which, in ASX's opinion, cannot readily be valued.

ASX has formed the view that MHT, being the asset acquired on Completion of the Share Purchase, cannot readily be valued and is therefore a classified asset. Listing Rule 10.7 therefore applies to the acquisition of MHT Shares from the Mobbs Entities. As such, the ASX has formed the view that the only consideration that can be paid to the Mobbs Entities on Completion of the Share Purchase is Shares that will be restricted securities under the Listing Rules. Under the Listing Rules, it is expected that these Shares will be subject to an escrow period of 12 months from the date of issue.

(b) *Section 208(1)(a) of the Corporations Act*

Section 208(1)(a) of the Corporations Act provides that a public company must obtain shareholder approval to give a financial benefit to a related party of the public company unless the giving of the benefit falls within certain exceptions.

As discussed above, MHT is a related party of ITL. The payment of money to MHT in consideration for the MHT Ordinary Shares acquired on Completion of the Share Subscription constitutes the giving of a financial benefit by ITL. Accordingly, the MHT Options Transaction is required to be approved by Shareholders under this provision.

The Mobbs Entities are also related parties of ITL (as discussed above) and the issue of Shares to them (or at their direction) as consideration for the MHT Shares being acquired from them constitutes the giving of a financial benefit by ITL. Accordingly, the issue of these Shares is required to be approved by Shareholders under this provision.

As required by section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided in relation to Resolution 5:

- The related parties to whom Resolution 5 would permit a financial benefit to be given by ITL are:
 - in relation to the Share Subscription, MHT. William Mobbs is a Director and accordingly is a related party of ITL. Bilbo is controlled by William Mobbs and is accordingly also a related party of ITL.
 - in relation to the Share Purchase, the Mobbs Entities. William Mobbs is a Director and accordingly is a related party of ITL. Bilbo is controlled by William Mobbs and is accordingly also a related party of ITL.
- The financial benefit that would be given is:
 - in relation to the Share Subscription, the payment of \$450,000 to MHT in consideration for the issue of the 450 MHT Ordinary Shares; and
 - in relation to the Share Purchase, the issue of Shares to the Mobbs Entities (or at their direction) as consideration for the MHT Shares being acquired from them as follows:
 - Bilbo – 6,411,860 Shares; and
 - William Mobbs (as trustee for the Bilbo Superannuation Fund) – 312,010 Shares.

The value of the financial benefit given to (or at the direction of) the Mobbs Entities is therefore the market value of the 6,723,870 Shares issued to them. Assuming a market value of Shares equal to the \$0.20 issue price agreed between the parties, the value of the financial benefit is \$1,344,774. In the Independent Expert's Report, the Independent Expert has determined that it is appropriate to adopt a value of between \$0.23 and \$0.24 per Share. Based on this determination, the value of the financial benefit is between \$1,546,490.10 and \$1,613,728.80.

However, if the market value of Shares increases, the value of the financial benefit will increase accordingly, and if the market value of these Shares decreases, the value of the financial benefit will decrease accordingly.

- In addition to the financial benefit provided to related parties, a financial benefit will also be provided to the MHT Shareholders other than the Mobbs Entities. This financial benefit will be the issue of Shares to them as consideration for the MHT Shares being acquired from them.

The number of Shares to be issued to (or at the direction of) each MHT Shareholder (other than the Mobbs Entities) is set out in Section 12.3, with a total of 3,276,130 Shares to be issued to these entities. Assuming a market value of Shares equal to the \$0.20 issue price agreed between the parties the value of the financial benefit is \$655,226, while the value of the financial benefit is between \$753,509.90 and \$786,271.20 based on the value of between \$0.23 and \$0.24 per Share that the Independent Expert determined that it was appropriate to adopt in the Independent Expert's Report.

- Each of the Directors, other than William Mobbs (who is not entitled to vote on this Resolution), recommends that Shareholders vote in favour of Resolution 5. See Section 7.5 of this Explanatory Memorandum for more details.
- William Mobbs has an interest in the outcome of Resolution 5. If the Resolution (and the other Transaction Resolution) is passed:
 - ITL will pay money to MHT under the Share Subscription; and
 - ITL will issue Shares to the Mobbs Entities under the Share Purchase.

No other Director has an interest in the outcome of Resolution 5.

- ITL has engaged the Independent Expert to opine on the Proposed Transaction. The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to Shareholders not associated with the Proposed Transaction. A copy of the Independent Expert's Report is set out in Part C of this Booklet.
- MHT does not hold any Shares. The Mobbs Group holds 33,010,416 Shares, representing 38.98% of the issued capital of ITL. No Shares will be issued to MHT under the Share Subscription, but further Shares will be issued to (or at the direction of) the Mobbs Entities on Completion of the Share Purchase. See Sections 10.2 and 12.2 for further details.
- The pro forma capital structure of ITL on Completion of the Share Purchase, which illustrates the dilution effect of Completion of the Share Purchase on the interests of existing Shareholders, is set out in Section 10.5.
- Other information that is relevant to the Resolution and known to ITL or any of its Directors is set out elsewhere in this Explanatory Memorandum.

12.2. Resolution 6: Issue of Shares to Mobbs Entities

Resolution 6 approves the issue of Shares to the Mobbs Entities which will occur on Completion of the Share Purchase. It must be passed as an ordinary resolution.

Listing Rule 10.11 provides that a company must not issue equity securities to a related party without the approval of holders of ordinary securities. Further, Listing Rule 7.2 (Exception 14) states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under Listing Rule 10.11.

The Mobbs Entities are related parties of ITL (as discussed above). As such, Shareholder approval is being sought under Resolution 6 to permit the issue of Shares to the Mobbs Entities under Listing Rule 10.11.

The Shares that are issued to the Mobbs Entities as consideration for the acquisition of MHT will be restricted securities under the Listing Rules and are expected to be subject to an escrow period of 12 months from the date of issue. See Section 12.1(a) for more details.

The issue of the Shares under Resolution 6 will not affect the capacity of ITL to issue securities under Listing Rule 7.1 in the 12 months following their issue as those Shares (once issued) will be excluded from the calculations under Listing Rule 7.1.

As required by Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- The related parties that will receive the Shares are the Mobbs Entities.
- The number of Shares to be issued to each of the Mobbs Entities is as follows:
 - to Bilbo – 6,411,860 Shares; and
 - to William Mobbs (as trustee for the Bilbo Superannuation Fund) – 312,010 Shares.

- The Shares will be issued at Completion. The date for this will be the date that is 10 Business Days after Shareholder approval is obtained, or on such other date as the parties agree. In any event, however, the Shares will be issued no later than 1 month after the date of this Meeting.
- William Mobbs is a Director. Bilbo is controlled by William Mobbs and is accordingly also a related party of ITL.
- The Shares will be issued as consideration for the MHT Shares held by the Mobbs Entities, with the issue price of the Shares to be \$0.20.
- The Shares to be issued will rank equally in all respects with existing Shares on issue.
- No funds will be raised from the issue of the Shares as they will be issued as consideration for the MHT Shares held by the Mobbs Entities.

12.3. Resolution 7: Issue of Shares to other MHT Shareholders

Resolution 7 approves the issue of Shares to the MHT Shareholders (other than the Mobbs Entities) on Completion of the Share Purchase. It must be passed as an ordinary resolution.

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company during the previous 12 months (without approval and which were not subject to an exception), exceed 15% of the number of shares on issue at the commencement of that 12 month period.

In determining whether or not this 15% limit is breached, a company is entitled to disregard the fully paid ordinary shares issued during the 12 month period with the approval of shareholders obtained for the purposes of Listing Rule 7.1. Shareholder approval therefore increases the number of securities the company can subsequently issue under its 15% capacity.

Resolution 7 seeks the approval of the issue of 3,276,130 Shares to the MHT Shareholders (other than the Mobbs Entities) or as they may direct on Completion of the Share Purchase for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 7 is approved, the Shares issued on Completion of the Share Purchase will not be included in ITL's 15% calculation for the purposes of Listing Rule 7.1.

As required by Listing Rule 7.3, the following information is provided in relation to Resolution 7:

- The number of Shares to be issued to (or at the direction of) each MHT Shareholder (other than the Mobbs Entities) is as follows:
 - to Patglide Pty. Limited (ACN 003 657 127) – 286,010 Shares;
 - to Craig Douglas Wilson – 260,010 Shares;
 - to Stephanie Moss Norrell – 260,010 Shares;
 - to Lucas Scott Woolmer and Monica Meyers Woolmer – 130,010 Shares;
 - to Anne-Marie Perret – 52,000 Shares;
 - to DJD ORR Pty Ltd (ACN 131 467 706) – 936,400 Shares;
 - to Desmond Patrick Walker – 572,020 Shares;
 - to Nicholas John Cerneaz – 332,810 Shares;
 - to Marianne Gould – 130,010 Shares;
 - to Cenika Pty Ltd (ACN 127 701 866) – 57,200 Shares; and

- to Louise Margaret Bresnahan – 260,010 Shares.

The MHT Shareholders may direct that the Shares be issued to other parties in which circumstances the number of Shares actually issued to the MHT Shareholders named above will reduce.

- The Shares will be issued at Completion. The date for this will be the date that is 10 Business Days after Shareholder approval is obtained, or on such other date as the parties agree. In any event, however, the Shares will be issued no later than 1 month after the date of this Meeting.
- The Shares will be issued as consideration for the MHT Shares held by the MHT Shareholders (other than the Mobbs Entities), with the issue price of the Shares to be \$0.20.
- The Shares will be issued to the MHT Shareholders other than the Mobbs Entities or as they may direct. The MHT Shareholders other than the Mobbs Entities are outlined in the first bullet point of this Section 12.3.
- The Shares to be issued will rank equally in all respects with existing Shares on issue.
- No funds will be raised from the issue of the Shares as they will be issued as consideration for the MHT Shares held by these MHT Shareholders.

13. Additional information

13.1. Introduction

This Section includes additional information that ITL considers is material to the decision on how to vote on the Resolutions to be considered at the Meeting.

13.2. Independent advice

Shareholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding the Proposed Transaction or any other aspects of this Booklet.

13.3. ITL is a disclosing entity

As a company listed on the ASX and a "disclosing entity" under the Corporations Act, ITL is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. ITL's most recent announcements are available from ASX's website. Further announcements concerning ITL will continue to be made available on ASX's website after the date of this Booklet.

ITL is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by ITL may be obtained, or inspected at, ASIC offices.

14. Glossary

The following terms used in this Booklet (including the Notice of Meeting included with this Booklet) have the meanings given to them below, unless the context otherwise requires.

Additional 10% Placement Capacity	has the meaning given in Section 6.1 of the Explanatory Memorandum.
AGM	annual general meeting
ASIC	Australian Securities & Investment Commission
ASX	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conducted by it
Bilbo	Bilbo Holdings Pty Ltd (ACN 072 906 248) as trustee for the Bilbo Family Trust
Board	the board of Directors
Booklet	this Booklet comprising the Notice of Meeting, the Explanatory Memorandum and the Independent Expert's Report
Business Day	Monday to Friday, inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day
Closely Related Parties	closely related party of a Key Management Personnel and includes (among others), a spouse, child or dependent of the Key Management Personnel and a company controlled by the Key Management Personnel.
Completion	as the context requires, completion of the Share Purchase, the Share Subscription or the Proposed Transaction
Constitution	the constitution of ITL
Controlled Entity	an entity under the control (as defined in section 50AA of the Corporations Act) of another entity
Corporations Act	<i>Corporations Act</i> 2001 (Cth)
Director	a director of ITL
Eligible Entity	an entity that, at the date of the relevant general meeting: (a) is not included in the S&P/ASX 300 Index; and (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million.
Equity Securities	includes a Share, a right to a Share or option, an option over an issued or unissued security, a convertible security and any security that ASX decides to classify as an Equity Security.
Explanatory Memorandum	this explanatory memorandum
Independent Board Committee	an independent board committee comprising the Directors excluding William Mobbs that was established by the Directors to evaluate and negotiate the Proposed Transaction on behalf of ITL
Independent Expert	Loneragan Edwards & Associates Limited (ACN 095 445 560)
Independent Expert's Report	the report provided by the Independent Expert accompanying this Booklet

ITL	ITL Limited (ACN 088 212 088)
Key Management Personnel	those persons having authority and responsibility for planning, directing and controlling the activities of the Group, whether directly or indirectly. ITL's Remuneration Report identifies ITL's key management personnel
Listing Rules	the listing rules of ASX
Meeting	the annual general meeting of Shareholders being convened by the Directors pursuant to the Notice of Meeting
MHT	MyHealthTest Pty Ltd (ACN 161 889 354)
MHT A Class Share	a fully paid Series A share in MHT
MHT Associates	the MHT Shareholders who become associates of William Mobbs as a result of the associate relationship established on the entry into the Subscription and Option Agreement and detailed in Section 9.8
MHT Ordinary Share	a fully paid ordinary share in MHT
MHT Resolutions	the Transaction Resolutions and Resolution 7
MHT Shares	MHT Ordinary Shares and MHT A Class Shares
MHT Shareholders	the shareholders of MHT, comprising the Mobbs Entities, Patgilde Pty. Limited (ACN 003 657 127), Craig Douglas Wilson, Stephanie Moss Norrell, Lucas Scott Woolmer and Monica Meyers Woolmer, Anne-Marie Perret, DJD ORR Pty Ltd (ACN 131 467 706), Desmond Patrick Walker, Nicholas John Cerneaz, Marianne Gould, Cenika Pty Ltd (ACN 127 701 866) and Louise Margaret Bresnahan
Mobbs Entities	William Mobbs as trustee for the Bilbo Superannuation Fund and Bilbo
Mobbs Group	the Mobbs Entities and Hastcombe Pty. Ltd. (ACN 010 594 279) (an entity controlled by William Mobbs)
Non-Associated Shareholders	Shareholders other than ITL, MHT, the MHT Shareholders and their associates
Notice of Meeting	the notice of meeting set out in this Booklet
Proposed Transaction	the transaction by which ITL will acquire 100% ownership of MHT by subscribing for 450 new MHT Ordinary Shares for \$450,000 and acquiring the existing MHT Shares from the MHT Shareholders for 10,000,000 Shares
Registry	Boardroom Pty Limited (ACN 003 209 836)
Remuneration Report	the remuneration report set out in the Directors' report section of ITL's annual financial report for the financial year ended 30 June 2015
Resolutions	the resolutions set out in the Notice of Meeting
Respective Proportion	a MHT Shareholder's pro rata entitlement to consideration under the Share Purchase determined as the proportion which that MHT Shareholder's MHT Shares bear to the total number of MHT Shares sold to ITL
Section	a section of the Explanatory Memorandum
Share	a fully paid ordinary share in the capital of ITL

Shareholder	a registered holder of Shares
Share Purchase	the acquisition by ITL of the MHT Shares from MHT Shareholders described in Section 10.2
Share Subscription	the subscription by ITL for MHT Ordinary Shares described in Section 10.2
Transaction Resolutions	Resolutions 5 and 6
Variable A	"A" as set out in the calculation in Section 6 of the Explanatory Memorandum

Part C: Independent Expert's Report on Proposed Transaction

The Independent Directors
ITL Limited
63 Wells Road
Chelsea Heights VIC 3196

13 October 2015

Subject: Proposed acquisition of MyHealthTest Pty Limited

Dear Directors

The Proposed Transaction

- 1 On 29 April 2015 ITL Limited (ITL or the Company) announced a proposal under which ITL could, through a series of call options and conditional upon certain milestones being achieved, acquire up to 100% of MyHealthTest Pty Ltd (MHT). As MHT has already met certain milestones ahead of schedule, the acquisition has been accelerated at the request of the ITL Board Committee. The provisions of the initial Subscription and Option Agreement entered into have been subsequently amended, and by terms entered into on 2 September 2015, the proposed transaction by which ITL will acquire 100% of MHT (the Proposed Transaction) will now comprise:
 - (a) the subscription by ITL of \$450,000 (the Subscription Share Consideration) for the issue of 450 new shares (the Subscription Shares) by MHT (the Subscription Share Acquisition)
 - (b) the acquisition of 100% of the existing shares in MHT (the Sale Shares), including interests held by Mr William Mobbs (Mr Mobbs) and his associated entities, in exchange for 10 million ITL shares (the Sale Share Acquisition and the Sale Share Consideration).
- 2 Prior to the announcement of the Proposed Transaction, Mr Mobbs (through his controlled entities) had a relevant interest of 39% in ITL shares.

ITL

- 3 ITL designs and manufactures human and animal healthcare products under two divisions:
 - (a) ITL BioMedical:
 - (i) biological collection and sampling systems
 - (ii) laboratory ancillaries
 - (b) Healthcare Australia:
 - (i) procedure packs

- (ii) invasive blood pressure monitoring kits
- (iii) surgical drapes and gowns.

MHT

- 4 MHT is an Australian company offering a new generation in pathology testing. The MyHealthTest website will allow consumers to conveniently order tests and take samples in the privacy of their own home. Samples can then be processed by a quality controlled laboratory. A secure online portal will deliver results to the consumer, which can be shared with healthcare practitioners, family or others as desired.

Scope

- 5 Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act) prohibits a public company from “giving a financial benefit” to a related party without the approval of the shareholders that are not party to the transaction (i.e. the non-associated shareholders). Shareholder approval is not needed to “give a financial benefit” on terms where the entity and the related party are dealing at arm’s length.
- 6 Listing Rule 10.1 of the Australian Securities Exchange (ASX) states that an entity must ensure that it does not acquire a substantial asset from a related party of the entity or a substantial holder (of greater than 10% of the voting rights) without the approval of holders of the entity’s ordinary securities. In this regard, Mr Mobbs is both the Executive Chairman (and therefore a related party) of ITL and, through his controlled entities, a substantial holder of ITL shares, and also a 67% shareholder in MHT.
- 7 Consequently, the Independent Directors of ITL have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in LEA’s opinion, the Proposed Transaction is fair and reasonable to the shareholders of ITL not associated with the parties involved in the Proposed Transaction (the non-associated shareholders).
- 8 LEA is independent of ITL, MHT, Mr Mobbs, his associated entities and the other shareholders of MHT and has no involvement with or interest in the outcome of the Proposed Transaction other than the preparation of this report.

Summary of opinion

- 9 LEA has concluded that the Proposed Transaction is **fair and reasonable** to the non-associated shareholders of ITL.
- 10 We are of this opinion because the market value of the total consideration payable under the Proposed Transaction is less than the current market value of the MHT shares to be acquired.
- 11 We have arrived at this conclusion for the reasons set out below.

Assessment of fairness

- 12 Regulatory Guide 111 – *Content of expert reports* (RG 111) of the Australian Securities & Investment Commission (ASIC) requires that where a proposed transaction consists of an asset acquisition by the entity, the proposed transaction is “fair” if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. Further, where the financial benefit given by the entity is securities in

the entity and the consideration is securities in another entity held by a related party, the value of the entity's securities should be compared to the value of the securities it is purchasing.

13 Given that:

- (a) the Subscription Share Acquisition and the Sale Share Acquisition are to occur concurrently
- (b) ITL shareholders will vote on the Proposed Transaction under the one resolution
- (c) the combined effect of the Subscription Share Acquisition and the Sale Share Acquisition is for ITL to acquire 100% of MHT and increase MHT's capital base,

LEA has evaluated the Proposed Transaction on a combined basis, being a comparison of the total consideration payable by ITL and the value of MHT including the proceeds of the Subscription Share Consideration.

Proposed Transaction – assessment of fairness			
	Para	\$000	\$000
Consideration			
Value of Subscription Share Consideration	26(a)	450	450
Value of Sale Share Consideration	180	2,300	2,400
Total Consideration		<u>2,750</u>	<u>2,850</u>
Value of MHT			
Value of MHT after implementation of the Proposed Transaction	169	<u>3,550</u>	<u>4,250</u>

14 ITL shareholders should note, however:

- (a) **MHT represents a speculative investment.** MHT has no track record of sales and actual financial performance may be considerably worse than expected
- (b) the development of the MHT intellectual property will most likely require further funding than is presently available from within MHT
- (c) if MHT does not perform to expectations, ITL shareholders could face a loss, and possibly a total loss, on the investment made by way of the Proposed Transaction.

Assessment of reasonableness

- 15 Under RG 111 the Proposed Transaction is “reasonable” if it is “fair”. The Proposed Transaction may also be reasonable if, despite being “not fair”, the expert believes there are sufficient reasons for securityholders to vote for the proposal.
- 16 As we have formed the opinion that the Proposed Transaction is “fair”, it is also “reasonable”. However, we have also had regard to the following matters.

The financial situation and solvency of ITL

- 17 In our opinion, the solvency of ITL will not be materially adversely impacted by the Proposed Transaction. However, ITL shareholders should note that further capital will most likely need to be provided by ITL to fund the commercialisation of the MHT pathology tests.

Selective treatment of any securityholder

- 18 Because the market value of the total consideration is less than the market value of the MHT shares to be acquired, in our opinion there is no material advantageous selective treatment to Mr Mobbs or any other securityholder of ITL.

Special value to ITL

- 19 LEA understands that MHT's pathology tests are complimentary to ITL's current BioMed business operations. As ITL currently produces the test kits used by MHT, the Proposed Transaction enables ITL to participate in all profits (including the retail margin) derived from the commercialisation and sale of the test kits.

Liquidity of the market in ITL's securities

- 20 In our opinion, should the Proposed Transaction proceed, there will be no material impact on the liquidity of the market of ITL's securities.

Impact of the Proposed Transaction on ownership and control of ITL

- 21 Although the Proposed Transaction will have the effect of increasing Mr Mobbs' interest in ITL, Mr Mobbs already has a significant interest (some 39%) and is able to veto special resolutions (other than related party transactions in which he has an interest). Should the Proposed Transaction proceed, it will not result in Mr Mobbs being able to control ITL.

Other advantages and disadvantages

- 22 In assessing whether the Proposed Transaction is reasonable, we have also had regard to the other advantages and disadvantages to the non-associated shareholders should the Proposed Transaction proceed:

Advantages

- (a) the value of the total consideration payable under the Proposed Transaction infers a value for the MHT intellectual property that represents a discount to the historical expenditure incurred. Whilst historical expenditure incurred is not, in itself, a reliable measure of future cash flow generating potential, given the technological success of MHT's intellectual property it would be reasonable to expect its market value would exceed the historical expenditure incurred
- (b) MHT's pathology tests are complimentary to ITL's current BioMed business operations. As ITL currently produces the test kits used by MHT, the Proposed Transaction enables ITL to participate in all profits derived from the commercialisation and sale of the test kits
- (c) given that Mr Mobbs already holds 39% of ITL shares, the Proposed Transaction does not substantially change the position of the non-associated shareholders or the likelihood of possible takeover of ITL. When combined with the other shareholders of MHT, to the extent that an associate relationship is established, this increases Mr Mobbs' voting interest to some 44%, although:
 - (i) Mr Mobbs does not have a relevant interest in those shares
 - (ii) the other shareholders of MHT would cease to be part of the substantial shareholder group upon completion of the Proposed Transaction

Disadvantages

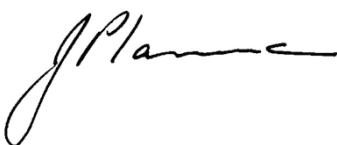
- (d) it should be noted that to date MHT has not achieved any product sales and can only be described as a speculative investment. If MHT does not perform to expectations, ITL shareholders could face a loss, and possibly a total loss, on the investment made by way of the Proposed Transaction
- (e) whilst estimated costs of commercialisation have been included in the cash flow forecasts for MHT, further capital will most likely need to be provided by ITL to fund the commercialisation of the MHT pathology tests
- (f) the MHT intellectual property has been internally developed, and cannot be protected by patents. Protection of the MHT intellectual property is therefore only available through common law.

- 23 For the reasons set out above, in our opinion, the Proposed Transaction is therefore fair and reasonable to the non-associated ITL shareholders.

General

- 24 In preparing this report we have considered the interests of ITL non-associated shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 25 The ultimate decision whether to approve the Proposed Transaction should be based on each ITL shareholder's assessment of their own circumstances. If ITL shareholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, ITL shareholders should seek independent professional advice. For our full opinion on the Proposed Transaction and the reasoning behind our opinion, we recommend that ITL shareholders read the remainder of our report.

Yours faithfully



Julie Planinic
Authorised Representative



Grant Kepler
Authorised Representative

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- A Financial Services Guide**
- B Qualifications, declarations and consents**
- C Broadly comparable ASX listed multiples**
- D Venture capital rates of return**
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I The Proposed Transaction

Summary

- 26 On 29 April 2015 ITL Limited (ITL or the Company) announced a proposal under which ITL could, through a series of call options and conditional upon certain milestones being achieved, acquire up to 100% of MyHealthTest Pty Ltd (MHT). As MHT has already met certain milestones ahead of schedule, the acquisition has been accelerated at the request of the ITL Board Committee. The provisions of the initial Subscription and Option Agreement entered into have been subsequently amended, and by terms entered into on 2 September 2015, the proposed transaction by which ITL will acquire 100% of MHT (the Proposed Transaction) will now comprise:
- (a) the subscription by ITL of \$450,000 (the Subscription Share Consideration) for the issue of 450 new shares (the Subscription Shares) by MHT (the Subscription Share Acquisition)
 - (b) the acquisition of 100% of the existing shares in MHT (the Sale Shares), including interests held by Mr William Mobbs (Mr Mobbs) and his associated entities, in exchange for 10 million ITL shares (the Sale Share Acquisition and the Sale Share Consideration).
- 27 Following completion of the Proposed Transaction (and assuming no further movements in the number of ITL shares on issue, and that the entities associated with Mr Mobbs do not change their interests in MHT), Mr Mobbs would have a relevant interest of 42% in ITL shares based on the current number of shares on issue. This interest will increase to the extent that ITL continues to acquire and cancel shares under its current share buy-back programme. Prior to the announcement of the Proposed Transaction Mr Mobbs had a relevant interest of 39% in ITL shares.
- 28 In accordance with the requirements of ASX Listing Rule 10.7, the ITL shares that are issued to Mr Mobbs or entities associated with Mr Mobbs as consideration upon exercise of the Shareholder Option will be restricted securities under the Listing Rules and are expected to be subject to an escrow period of 12 months from the date of issue.

Conditions

- 29 The Proposed Transaction is subject to shareholder approval at ITL's annual general meeting.
- 30 More detail on the above conditions is set out in the Explanatory Memorandum.

II Scope of our report

Regulatory considerations

- 31 Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act) prohibits (in all but limited circumstances) a public company from “giving a financial benefit” to a “related party” without the approval of the securityholders that are not a party to the transaction. Whilst there is no specific requirement for an IER under the Corporations Act, the notice of meeting sent to members must include all information that is reasonably required in order for the members to decide whether it is in their best interests to pass the proposed resolution.
- 32 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to (amongst others) a related party or a substantial holder (of greater than 10% of the voting rights) or associates of either without the approval of the holders of the entity’s ordinary securities. Approval is required by resolution at a general meeting.
- 33 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity as set out in the latest accounts provided to the ASX under the ASX Listing Rules.
- 34 ASX Listing Rule 10.10.2 requires that the notice of general meeting include a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated members.

Purpose

- 35 This report has been prepared to assist the Independent Directors of ITL in making their recommendation to the shareholders of ITL not associated with Mr Mobbs, and to assist these shareholders in assessing the merits of the Proposed Transaction.
- 36 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder’s assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this report, ITL shareholders should seek independent professional advice.

Basis of assessment

- 37 In preparing our report, we have had regard to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly Regulatory Guide 111 – *Content of expert reports* (RG 111).
- 38 RG 111 states that “fair and reasonable” should not be applied as a composite test and states there should be a separate assessment of “fair” and “reasonable”. RG 111 provides that a proposed related party transaction:
- (a) is “fair” if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity by the related party. This comparison is required to be made assuming an arm’s length transaction between knowledgeable and willing, but not anxious parties

- (b) is “reasonable” if it is “fair”. A related party transaction may also be “reasonable” despite being “not fair” if the expert believes there are other reasons for non-associated shareholders to vote for the proposal.

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

- (a) the market value of MHT equity
- (b) the market value of the Subscription Share Consideration and the market value of the Sale Share Consideration
- (c) the difference between (a) and (b) in order to assess whether the Proposed Transaction is fair to non-associated ITL shareholders
- (d) the financial situation and solvency of ITL
- (e) whether there is selective treatment of any securityholder, in particular, the associated shareholders
- (f) any special value of the transaction to ITL
- (g) the liquidity of the market in ITL’s securities
- (h) the impact of the Proposed Transaction on the ownership and control of ITL
- (i) other qualitative and strategic issues associated with the Proposed Transaction and the extent to which, on balance, they may advantage or disadvantage existing ITL shareholders if the Proposed Transaction proceeds or is rejected.

Limitations and reliance on information

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

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

III Profile of ITL Limited

Overview

- 47 ITL Limited (ITL or the Company) develops, manufactures and distributes a range of biological safety sampling devices and procedure packs for global healthcare markets. The Company operates in Australia, Malaysia and the United States of America (US) and its expertise includes the development and commercialisation of products from initial concept through to sales.

History

- 48 A summary of the key historical developments of ITL is set out below:

ITL – history	
Date	Key development
1994	<ul style="list-style-type: none"> Founded in Canberra in 1994 by Dr Jag Dillon and Mr William Mobbs (current Executive Chairman) to explore opportunities to develop niches in the global medical devices industry
1996	<ul style="list-style-type: none"> Won a contract to supply Baxter International Inc with DonorCare, a disposable patented needle protector in whole blood collection
1999	<ul style="list-style-type: none"> Dedicated manufacturing plant established at Lahat, Malaysia to ensure a quality reliable manufacturing solution and provide certainty in delivery
2000	<ul style="list-style-type: none"> Marketing office established in Europe and the US
2003	<ul style="list-style-type: none"> Major acquisition of Surgicare Pty Limited, a company based in Australia that supplies procedure kits for operating theatre, day surgery, catheterisation laboratory, intensive care unit and anaesthetic unit applications ITL shares listed on the ASX
2005	<ul style="list-style-type: none"> Secured multi-year contracts with both global and US blood banking partners for the DonorCare needle guard product, including a \$9.5 million supply deal with the American Red Cross
2006	<ul style="list-style-type: none"> Won a \$6 million contract to supply surgical medical equipment to the Prince Charles Medical Centre in Malaysia
2007	<ul style="list-style-type: none"> Commissioned a fully integrated packing and sterilisation facility in Melbourne that controls quality throughout the entire production process
2008	<ul style="list-style-type: none"> Acquisition of two Malaysian companies, Inspire Vision Technologies Sdn Bhd and Inspire Vision Medical Sdn Bhd, which specialise in the marketing and distribution of ultrasound and medical imaging products in Malaysia
2009	<ul style="list-style-type: none"> Announced the launch of TEGO, an animal blood collection kit for livestock
2012	<ul style="list-style-type: none"> Sale of Malaysian distribution operations due to the lack of strategic fit and depressed market conditions in Malaysia
2014	<ul style="list-style-type: none"> Launched a major initiative to reduce costs by outsourcing basic operations to Malaysia and by improving sourcing of key raw materials in Asia. During the year, a new Company-owned manufacturing facility in Bemban, Malaysia was upgraded at a cost of some \$2 million

Current operations

- 49 ITL employs approximately 290 staff. The Company has expertise in the research, development and manufacturing of medical devices and procedure packs.

- 50 The Company operates across Australia, Malaysia and the USA with management and new product development based in Australia, manufacturing and tool making based in Malaysia and sales and marketing based in the US where the largest customers and markets are located. ITL's top five customers account for 32% of total external revenue.
- 51 ITL's operations are divided into two segments, ITL BioMedical¹ (BioMed) and Healthcare Australia.

BioMed

- 52 BioMed designs, manufactures, markets and distributes a range of biological safety and sampling devices (human sample collection and processing) for blood-banking, laboratory and clinical healthcare professionals.
- 53 BioMed has the expertise to develop and commercialise new patented products from initial concept through to sales. This segment distributes predominantly its own proprietary range of products and has an intellectual property portfolio and a pipeline of new patents, trademarks and designs.
- 54 BioMed's customer base includes large multinational healthcare suppliers.

Healthcare Australia

- 55 Healthcare Australia provides medical and surgical solutions for hospitals throughout Australia. There are three core product areas, Customised Procedure Packs, Catheter Laboratory kits and Invasive Pressure Monitoring kits, which have been developed in consultation with Australian healthcare practitioners for the Australian market.
- 56 Healthcare Australia operates an ethylene oxide steriliser and class 8 clean room assembly facility which enables in-house assembly of medical instruments.
- 57 The most significant customer accounts for 18% of total external revenue within Healthcare Australia.

Financial performance

Historical financial performance

- 58 The financial performance of ITL for the three years ended 30 June 2015 is set out below:

¹ Formerly known as Innovative Products Group.

ITL – financial performance			
	FY13 Audited \$000	FY14 Audited \$000	FY15 Audited \$000
Revenue	24,885	25,864	28,330
Cost of sales ⁽¹⁾	(13,659)	(14,354)	(16,807)
Gross profit	11,226	11,510	11,523
Other income	65	98	63
Salaries and employee benefits	(5,747)	(6,252)	(6,464)
Premises and office	(902)	(1,013)	(1,245)
Other expenses	(1,777)	(1,741)	(1,967)
Depreciation and amortisation included in cost of sales	636	633	632
EBITDA from continuing operations⁽²⁾	3,501	3,235	2,542
Depreciation	(714)	(720)	(736)
Amortisation ⁽³⁾	(243)	(191)	(191)
EBIT⁽⁴⁾ from continuing operations	2,544	2,324	1,615
Net finance costs	(91)	(248)	(249)
Gain on sale of property	-	-	245
Profit before tax	2,453	2,076	1,611
Income tax expense	5	(55)	510
Profit after tax	2,458	2,021	2,121

Note:

- 1 Includes allocation of depreciation and amortisation expenses.
- 2 Excludes gain from property sale of \$245,000 in FY15. EBITDA – earnings before interest, tax, depreciation and amortisation.
- 3 Includes computer software amortisation of \$106,000 (FY13), \$54,000 (FY14) and \$52,000 (FY15). The balance represents amortisation of product design / development costs and patents, trademarks and licensing.
- 4 EBIT – earnings before interest and tax.

- 59 The financial performance of ITL for three years ended 30 June 2015 by segment is set out below:

ITL – financial performance by segment			
	FY13 Audited \$m	FY14 Audited \$m	FY15 Audited \$m
BioMed			
Revenue	9.8	11.6	11.1
EBITDA ⁽¹⁾	2.6	3.0	2.1
EBIT ⁽¹⁾	2.2	2.5	1.7
Healthcare Australia			
Revenue	15.4	15.0	18.6
EBITDA	1.6	1.0	1.5
EBIT	1.1	0.6	1.1
Other (unallocated)			
Revenue	(0.3)	(0.7)	(1.4)
EBITDA	(0.7)	(0.8)	(1.1)
EBIT	(0.8)	(0.8)	(1.2)

Note:

1 Excludes gain from property sale of \$245,000 in FY15.

60 In respect of the above we note that:

- (a) FY13 – the decline in reported EBIT from continuing operations was principally due to:
 - (i) BioMed revenue declining 8% due to industry consolidation, reduced demand from the US blood banking market (although market share was maintained) and a strong Australian dollar impacting US-based revenue. Gross profit margins remained relatively unimpacted
 - (ii) Healthcare Australia revenue declining 14% due to the completion of major hospital contracts and a competitive market place. Notwithstanding the revenue decline, EBIT increased by 12% primarily due to purchasing and manufacturing efficiencies
- (b) FY14 – the decline in reported EBIT from continuing operations was primarily due to an increase in staff costs and higher premises costs. There was a slight increase in ITL's overall revenue principally arising from BioMed's successful launch of new products, increased sales to Australian customers and a weaker Australian dollar assisting US revenue streams
- (c) FY15 – notwithstanding a 9.5% increase in revenue (largely driven by strong sales of IV kits to Western Australia), reported EBIT from continuing operations decreased by 30.5% primarily due to:
 - (i) margin erosion in the Australian healthcare market
 - (ii) an increase in expenses of some \$0.7 million due to factors including the adverse impact on cost of sales of the Malaysian plant shutdown / relocation, abnormal inventory write-downs, patent defence costs, MHT transaction costs and goods and services tax (GST) implementation costs in Malaysia.

Financial position

61 The financial position of ITL as at 30 June 2014 and 30 June 2015 is set out below:

ITL – financial position		
	30 Jun 2014	30 Jun 2015
	Audited	Audited
	\$000	\$000
Cash and cash equivalents	122	1,103
Trade and other receivables	3,791	4,694
Inventories	4,369	5,645
Other current assets ⁽¹⁾	679	1,007
Assets classified as held for sale ⁽²⁾	1,050	-
Total current assets	10,011	12,449
Property, plant and equipment	4,835	6,371
Product tooling ⁽³⁾	431	600
Intangible assets ⁽⁴⁾	549	466
Deferred tax assets	1,383	1,937
Total non-current assets	7,198	9,374
Total assets	17,209	21,823
Trade and other payables	2,410	3,088
Borrowings	2,430	2,279
Short-term provisions	728	811
Total non-current liabilities	5,568	6,178
Borrowings	1,273	3,366
Long-term provisions	373	400
Total non-current liabilities	1,646	3,766
Total liabilities	7,214	9,944
Net assets	9,995	11,879

Note:

- 1 Includes a loan to Mr Mobbs (\$0.10 million in FY14; \$0.47 million in FY15).
- 2 Leasehold land and buildings at Lahat in Perak, Malaysia were revalued to some \$1.1 million on 19 February 2014 and classified as assets held for sale. On 27 June 2014 a sale and purchase agreement (subject to regulatory approvals) was executed at a sale price of \$1.3 million. On 18 December 2014 it was announced that settlement was completed.
- 3 Relates to the manufacturing facility in Malaysia containing specialist staff of tool designers, pattern makers and mould specialists and associated equipment.
- 4 Relates to business development software (\$0.175 million in FY14; \$0.208 million in FY15), patents, trademarks and licences (\$0.269 million in FY14; \$0.258 million in FY15) and capitalised product development costs (\$0.105 million in FY14; \$nil in FY15).

- 62 Property, plant and equipment and product tooling increased in FY15 due to capital expenditure of \$2.5 million primarily related to the expansion and renovation of the newly acquired manufacturing facility at Bemban in Malaysia. This expenditure was funded by the sale of the old Malaysian factory at Lahat together with increased long term bank loans resulting in increased levels of net debt of \$4.5 million as at 30 June 2015.

Share capital and performance

- 63 As at 1 September 2015, ITL had 84,678,177 fully paid ordinary shares on issue. There were no options or performance rights on issue.

Significant shareholders

64 As at 12 August 2015, the 20 largest shareholders represented some 75.5% of the issued capital, with Mr Mobbs and his associated entities holding some 33 million shares (39%).

Share buyback

65 On 18 November 2011, ITL announced that it would establish an on-going buyback scheme as the Directors believed that the Company's progress had not been reflected in the market capitalisation of the company. As at 6 July 2015, some 61 million shares² have been bought back at market prices under this scheme. The scheme is still in effect and ITL has shareholder approval to buy back a further 17 million shares before 30 October 2015.

Share price performance

66 The traded prices of ITL shares from 1 January 2012 to 31 August 2015, being the date of the last trade prior to the announcement of the Proposed Transaction³, are summarised below:

ITL – share price performance				
	High \$	Low \$	Close \$	Volume ⁽¹⁾ 000
Quarter ended				
March 2012	0.16	0.11	0.14	3,009
June 2012	0.21	0.13	0.20	6,629
September 2012	0.22	0.18	0.20	3,654
December 2012	0.21	0.18	0.21	2,450
March 2013	0.26	0.19	0.24	1,269
June 2013	0.32	0.23	0.28	2,419
September 2013	0.34	0.29	0.30	2,454
December 2013	0.32	0.25	0.29	549
March 2014	0.31	0.25	0.25	747
June 2014	0.26	0.20	0.21	348
Month ended				
July 2014	0.21	0.20	0.20	247
August 2014	0.25	0.21	0.25	200
September 2014	0.25	0.20	0.21	724
October 2014	0.24	0.22	0.24	213
November 2014	0.24	0.21	0.23	39
December 2014	0.23	0.23	0.23	191
January 2015	0.24	0.23	0.23	191
February 2015	0.25	0.23	0.23	430
March 2015	0.23	0.22	0.23	360
April 2015	0.24	0.23	0.24	274
May 2015	0.25	0.22	0.22	551
June 2015	0.22	0.20	0.21	210
July 2015	0.28	0.18	0.27	2,892
August 2015	0.26	0.18	0.21	645

Note:

1 Monthly volumes for the quarter ended represent average monthly volumes.

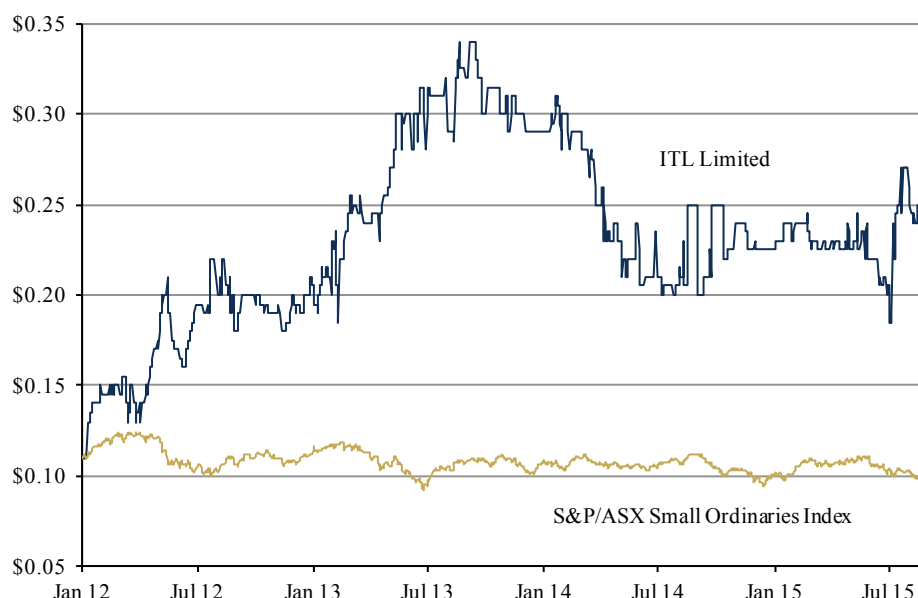
Source: Bloomberg.

² A further 14.4 million shares were issued since the initial buyback was established.

³ The last day on which ITL shares could be traded prior to the announcement was 1 September 2015, however no ITL shares were traded on that date.

- 67 The following chart illustrates the movement in the share price of ITL and the S&P / ASX Small Ordinaries Index (the latter rebased to ITL share prices) from 1 January 2012 to 31 August 2015:

ITL – share price history and comparative share price performance
1 January 2012 to 31 August 2015



Source: Bloomberg.

- 68 ITL generally traded between \$0.20 and \$0.30 in the period from 1 July 2012 to 31 August 2015. Profitability had been fairly steady during this period (refer to paragraph 58). Prior to 1 July 2012 the share price was significantly lower coinciding with a period of significantly lower profitability and restructuring. By comparison, the S&P / ASX Small Ordinaries Index was relatively flat during this period.

Liquidity in ITL shares

- 69 The liquidity in ITL shares based on ASX trading in the 12 months to 31 August 2015 is set out below:

ITL – liquidity analysis

Period	Start date	End date	No of shares traded 000	WANOS Outstanding ⁽¹⁾ 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	1 Aug 15	31 Aug 15	645	84,647	0.8	9.1
3 months	1 Jun 15	31 Aug 15	3,747	84,713	4.4	17.7
6 months	1 Mar 14	31 Aug 15	4,918	84,865	5.8	11.6
1 year	1 Sep 14	31 Aug 15	6,720	85,146	7.9	7.9

Note:

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

Source: Bloomberg and LEA analysis.

- 70 As shown in the above table, trading in ITL's shares is quite illiquid. The value traded in the 12 months to 31 August 2015 was \$1.6 million (based on 6.72 million shares at a VWAP of \$0.24 per share). This low liquidity is attributable to factors including ITL's small market capitalisation and low free float due to Mr Mobbs' significant interest of some 39%.

Outlook

- 71 No specific guidance has yet been provided by ITL management.
- 72 However, during FY15 ITL completed the expansion and renovation of the recently acquired medical device manufacturing plant at Bemban in Malaysia. This new manufacturing plant has been successfully commissioned and is operating efficiently. Manufacturing of certain products will be progressively transferred from Australia to Malaysia.

IV Valuation methodology

Valuation approaches

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

proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

Valuation of MHT

- 78 The valuation of the core businesses of MHT has been undertaken on the basis of market value as a going concern. Given the fact that the DCF methodology is the superior valuation methodology from a technical perspective⁴ and the availability of MHT management's cash flow projections (which we have reviewed in detail and amended where appropriate) the primary valuation methodology used to value the core businesses is the DCF methodology.
- 79 Other valuation methodologies have been considered, but not adopted in light of the following:
- (a) as MHT currently is not profitable, it is not possible to apply a capitalisation of earnings methodology
 - (b) as the principal asset of MHT is its technology, an asset based methodology would require the intellectual property to be valued, which would be conducted by applying the DCF methodology in any event.

Cross-checks on MHT valuation

- 80 The following methods have been used to cross-check the value of the Proposed Shareholder Option Consideration:

Methods used to cross-check valuation range	
Method	Reason
Recent share issues	<ul style="list-style-type: none"> the share price reflected in the recent share issues represents arm's length transactions involving minority interests
Premium to development costs incurred	<ul style="list-style-type: none"> the market value of the consideration being offered compared to the historical spend incurred by MHT in developing and commencing to commercialise its products is a measure of the value added and hence premium being paid for the MHT business

Value of ITL shares

- 81 In the circumstances of ITL, we have principally adopted the listed price of ITL shares as a valuation reference point⁵, having regard to:
- (a) the liquidity of recent trading in ITL shares
 - (b) the volume weighted average prices of trading in ITL shares over the past 12 months
 - (c) the variation in reported earnings of ITL over the past 12 months

⁴ Because the DCF methodology is the valuation methodology that most closely reflects the fundamental concept that the value of an asset is the present value of the future cash flows the asset is expected to generate.

⁵ We have not adopted a DCF methodology as there are no cash flow forecasts available with respect to ITL's future operations.

- (d) the implied EBITA and EBITDA multiples of ITL shares based on our adopted trading prices
- (e) the EBITA and EBITDA multiples of broadly comparable listed companies to determine if the adopted trading prices are reasonable.

V Profile and valuation of MHT

MyHealthTest Pty Ltd

- 82 MHT is an Australian company that has been established to offer a new generation in pathology testing. The MyHealthTest website will allow consumers to conveniently order pathology tests and take samples in the privacy of their own home (instead of attending a pathology collection site) using collection cards to capture dried blood samples (DBS). Samples will then be processed in a quality-controlled laboratory to provide accurate and reliable test results.
- 83 MHT has developed its current suite of tests, to be marketed under the MyHealthTest brand, in partnership with the John Curtin School of Medical Research (JCSMR) at the Australian National University (ANU) Australian Phenomics Facility. MHT have contracted JCSMR to undertake comparative testing to ensure that the results produced by MyHealthTest are comparable to that derived from traditional venous blood sample tests. We understand that no regulatory approvals (e.g. Therapeutic Goods Approval) are required before marketing the tests.
- 84 A secure online portal is being established by MHT to protect the confidentiality of the results delivered to the consumer; results can then be shared with healthcare practitioners, family or others as desired.

MyHealthTest HbA1c diabetes test

- 85 The first test to be marketed by MHT under the MyHealthTest brand is the HbA1c diabetes test. People diagnosed with diabetes (type 1 or type 2) need to have their blood glucose levels monitored using the HbA1c (glycated haemoglobin) test.
- 86 Proteins in the body chemically react with glucose and become glycosylated. HbA1c is glycosylated haemoglobin and reflects the average blood glucose over the lifespan of the red blood cells containing it. HbA1c is a substance normally found in blood that is made up of glucose attached to haemoglobin (the “Hb” in HbA1c), which is present in everyone’s red blood cells. High levels of glucose in the blood result in high levels of HbA1c.
- 87 The HbA1c test (also called the glycated haemoglobin test) measures average blood glucose level over the previous three months, and gives a reliable estimate of how well a person’s diabetes is being managed. HbA1c is regarded as the best indicator for assessing glycaemic control.
- 88 For most people, the recommended level of HbA1c is 42 mmol/mol (6%) or less. If the HbA1c level is higher than 42 mmol/mol (6%), it means that blood glucose has been too high in the past three months.
- 89 The HbA1c test is different from the “finger prick” tests that people do to monitor their own blood glucose levels at home. To measure HbA1c a blood sample is taken and sent to a laboratory for testing. The test result helps health professionals to decide whether diet and diabetes medicines are controlling a patient’s diabetes effectively or if these need to be changed.

- 90 In Australia, HbA1c testing is primarily used for monitoring diabetes treatment after diabetes has been diagnosed, but in some countries, the test is also used to diagnose diabetes. We understand that the HbA1c test has recently been approved for diagnosis in Australia⁶.
- 91 Diabetes is Australia's fastest growing chronic disease. More than 1.2 million Australians are currently diagnosed with diabetes, and another 280 are diagnosed daily.
- 92 Whilst four tests per year are recommended and subsidised by Medicare, most people diagnosed with diabetes undertake less than the recommended number of tests. MHT management estimate that, each year, between 1.0 and 2.9 million HbA1c tests that should be conducted are not performed. As a result of the convenience of the MyHealthTest HbA1c test, including reminders to be generated by the MyHealthTest website, MHT management expect that 100% of customers subscribing for the test will undertake them quarterly⁷. However, there are likely to be single use purchasers who will not go on to be subscription members.
- 93 The MyHealthTest HbA1c test uses DBS collection cards that are to be sourced from ITL. A distinguishing feature of MHT's collection process is the envelope in which the DBS card is placed. The envelope allows the blood sample to dry on the card without contamination and to be posted to MHT for testing.
- 94 The MyHealthTest HbA1c test protocols were developed in conjunction with JCSMR. The research undertaken by JCSMR established that there is an excellent correlation (at very high levels of statistical significance) between the results obtained from the DBS collected in the MyHealthTest kits and the results obtained from traditional methods.
- 95 Major pathology laboratories (such as those operated by Sonic Healthcare, Primary Healthcare and Healthscope Pathology) currently do not have the processes necessary to test DBS. Based on MHT management's understanding of the current low levels of HbA1c testing, it is not expected that these operations will view MHT as a direct competitor.

Current operations

- 96 MHT is a pre-commercialisation stage venture. The testing protocol for the first test to be introduced has been developed, market research has been undertaken, relationships with relevant organisations have been established, the online sales website has been set up (but are not yet operational) and arrangements are in place to undertake testing of samples.
- 97 MHT's pathology tests were developed to meet the demand for pathology testing services which is increasing across the globe driven by:
- (a) people wanting control over their health
 - (b) increasing consumer awareness of health and preventative measures
 - (c) convenience driven online services
 - (d) push for health systems to move from curative care to detection, prevention and personalised care

⁶ <http://www.mbsonline.gov.au/internet/mbsonline/publishing.nsf/Content/news-2014-11-01-latest-news-November>.

⁷ This is based on the tests being sold in packs of four or eight, with individual tests being sent to customers on a quarterly basis.

- (e) increasing and ageing population
- (f) increasing incidence of chronic disease
- (g) the need to reduce growing demands on the current health system
- (h) the move to patient-centric healthcare from service-centric healthcare.

- 98 The DBS collection kits have been designed and manufactured by ITL with an initial order placed for 10,000 kits which have all been delivered. As at the time of writing, a further 30,000 kits have been ordered.
- 99 MHT's website is established and is anticipated to be a significant ordering point for customers, while pharmacists and doctor referrals will also provide a parallel distribution channel. Once a customer has undertaken one test, MHT will have the requisite details in order to contact these customers and refer them to the online ordering system for further tests. Existing customers will also be sent reminders as to the need for tests in accordance with the recommended schedule.

Key benefits to consumers

- 100 MyHealthTest's testing process from a customer perspective can be summarised as follows:
- (a) customer orders test online and a test is dispatched to them
 - (b) customer collects the blood sample at their convenience at home
 - (c) customer mails DBS in the specially designed envelope to the MHT laboratory
 - (d) customer receives test results online and can share these results with their healthcare professional.
- 101 The key customer benefits of MHT's DBS testing are convenience (in access to the test and time savings) and access to information about the customer's health. MHT management also consider that the net consumer costs are reduced. By offering a more convenient and informative process, MHT aims to capture market share from the traditional pathology tests currently undertaken for diabetes but also increase the incidence of HbA1c tests for the 1 million to 3 million recommended tests that are not currently being undertaken by persons diagnosed with diabetes.

Other tests / further opportunities

- 102 MHT have plans to introduce a second test once the HbA1c test is released to the market, being a Cardio Profile test (Cardiometabolicpanel – hsCRP, HbA1c, fasting insulin, cholesterol panel). As there is a direct correlation between cardiovascular health and diabetes, this is seen as an ancillary test for people diagnosed with diabetes. Further, the incidence of heart disease is increasing and this will provide an additional target market.
- 103 Other tests that MHT is considering introducing under the MyHealthTest and/or MyWellnessTest brand are as follows:
- (a) PSA – prostate cancer
 - (b) hs-CRP - cardiac
 - (c) thyroid panel (TSH, T3, T4)

- (d) fasting insulin – diabetes and cardiac
- (e) cholesterol panel (TC, HDL, LDL, triglycerides)
- (f) IGF-1 (insulin-like growth factor 1 – which is seen as attractive to the health & fitness / wellness market)
- (g) hormones.

104 The MHT pathology tests are targeted at individuals:

- (a) who need to undertake periodic testing of their health, e.g. for patients with chronic diseases
- (b) who want to make use of various pathology tests to check on the state of their health
- (c) in rural / remote communities to provide extended reach & access.

105 In addition, management have identified other applications of MHT's pathology collection and testing applications for bulk screening, for example:

- (a) governments, research bodies, NGOs, healthcare organisations in epidemiology and population studies; population screening for infectious disease control
- (b) military – field medicine; drug and alcohol testing
- (c) law enforcement agencies – forensics testing; drug and alcohol testing
- (d) transport / mining companies, elite athletes / sporting teams – drug and alcohol testing for staff / players
- (e) insurance companies – pre-screening and/or periodic screening health checks for insurance; rebates for health insurance.

Future milestones

106 A list of key Australian milestones yet to be completed are set out below by year:

Year	Milestones
Year 1	<ul style="list-style-type: none"> • Secure investment funding • Market establishment trial for MyHealthTest HbA1c test. During this time, free or heavily discounted tests are being offered to target groups • Establish second round of DBS protocols in conjunction with ANU and University of Canberra • Commence commercial sales / operations. Initial sales are anticipated to come from first-follow up HbA1c test three months after initial complimentary test • Continue development of a range of further health and wellness tests and offer those to market as they become available
Year 2	<ul style="list-style-type: none"> • Entry into the Australian market for new tests

107 MHT management have identified a number of other milestones concerning geographic expansion into other countries (Asia and North America), however these are highly contingent on the business' success in Australia and they have not been set out in the table above.

Competition

108 MHT management identified a number of substitute products currently on the market as follows:

Substitute product	Description
Personal A1c tests	MHT management consider that these tests are usually poor, inaccurate and dismissed by GPs.
Over the Counter HbA1c tests	MHT management consider that that these tests are usually poor, inaccurate and dismissed by GPs.
Point of Care devices	Reasonably accurate. Costs \$9,000 to \$10,000 per device. Usually used in a large GP practice or medical centre.
Online A1c calculators	Available at www.accu-chek.com/us/glucose-monitoring/a1c-calculator.html . The website claims that its calculator is not a substitute for A1c tests performed by doctors.
Not testing at all	Choosing not to have a test. This is a commonly used option. MHT aims to convert non-testers by offering a superior / more convenient product to the above alternatives.

Intellectual property protection

109 The intellectual property of MHT comprises:

- (a) test protocols for processing and analysing the DBS to produce an accurate test result
- (b) packaging methodology for capturing the DBS sample card and returning it for processing.

110 These processes cannot be patented but are subject to protection under business trade secrets.

111 In addition, MHT has the following trademarks and domain names:

- (a) MyHealthTest
- (b) MyWellnessTest
- (c) MyGeneticTest
- (d) [www.myhealthtest \(.com/.com.au/.org/.net.au/.me/.eu/.info/.biz/.co\)](http://www.myhealthtest.com/.com.au/.org/.net.au/.me/.eu/.info/.biz/.co)
- (e) [www.mygeneticTest \(.com/.com.au/.net.au/.eu\)](http://www.mygeneticTest.com/.com.au/.net.au/.eu)
- (f) [www.myWellnessTest \(.com.au/.net/.net.au/.info/.biz/.asia\).](http://www.myWellnessTest.com.au/.net/.net.au/.info/.biz/.asia)

Financial performance

112 MHT's profit and loss statement for the two years ended 30 June 2015 is set out in the following table:

MHT - Profit and loss⁽¹⁾		
	FY14 Unaudited \$000	FY15 Unaudited \$000
Funding grants	183	671
Purchases - Kits	-	20
Purchases – Lab consumables and regents	-	12
Purchases - Pack-n-ship	-	1
Total cost of sales	-	33
Gross profit	183	638
Marketing fees / research	(53)	(189)
Research and business development planning / consulting	(457)	(307)
Computer operating costs	(159)	(78)
Depreciation	-	(270)
Rent	(24)	(24)
Other expenses	(55)	(368)
Total expenses	(748)	(1,236)
Net profit / (loss)	(565)	(598)

Note:

1 All product and software development costs incurred to date have been expensed.

- 113 MHT is in pre-commercialisation stage. Consequently its only source of revenue has been the receipt of government grants. The grants received in FY15 include the first instalment of the Accelerating Commercialisation grant of up to \$1.0 million for the Commonwealth Department of Industry and Science (the Grant). These funds were used to establish an in-house testing facility for the DBS samples.

Financial position

- 114 MHT's balance sheet as at 30 June 2015 and 30 June 2014 is set out below:

MHT - Balance sheet		
	30 Jun 14	30 Jun 15
	\$000	\$000
Cash	40	256
Receivables – shareholder loan	20	-
GST	23	41
Total current assets	83	297
IP ⁽¹⁾	-	-
Plant and equipment ⁽²⁾	1	207
Total non-current assets	1	207
Total assets	84	505
Trade creditors	167	586
Total current liabilities	167	586
Director loan ⁽³⁾	186	450
Total non-current liabilities	186	450
Total liabilities	353	1,036
Net assets / (liabilities)	(269)	(531)
Issued capital	605	942
Retained earnings / (accumulated losses)	(874)	(1,473)
Total equity	(269)	(531)

Note:

- 1 MHT's financial statements do not recognise any value attributable to MHT's intellectual property, either in respect of costs incurred or fair value.
- 2 FY15 balance includes the purchase of laboratory testing equipment to establish MHT's in-house testing facility.
- 3 Loan from Mr Mobbs.

- 115 Since inception, MHT has raised \$941,739 from issuing shares, the most recent share issue being made on 10 December 2014. A total of 336 ordinary shares were issued⁸ at \$1,000 per ordinary share⁹. Three new shareholders came onto the register, subscribing for a combined 150 ordinary shares out of the 336 ordinary shares issued. The shareholders of MHT as at 1 September 2015 were as follows:

⁸ In addition to the 336 ordinary shares issued, 168 Series A shares were issued to the Mobbs Entities at \$1 per Series A share.

⁹ Since 1 June 2013, all ordinary shares since 1 June 2013 have been issued at a price of \$1,000 per share.

MHT shareholders				
	Ordinary shares	A Class shares	Total shares	% Interest
Bilbo Holdings Pty Ltd ⁽¹⁾	592	641	1,233	64
DP Walker	110	-	110	6
CD Wilson	50	-	50	3
SM Norrell	50	-	50	3
Mr Mobbs (as trustee for the Bilbo Superannuation Fund) ⁽¹⁾	60	-	60	3
Patglide Pty Ltd	55	-	55	3
DJD ORR Pty Ltd	180	-	180	9
LS & MM Woolmer	25	-	25	1
A Perret	10	-	10	1
NJ Cerneaz	64	-	64	3
M Gould	25	-	25	1
Cenika Pty Ltd	11	-	11	1
LM Bresnahan	50	-	50	3
	1,282	641	1,923	100

Note:

- 1 Bilbo Holdings Pty Limited and Mr Mobbs (as trustee for the Bilbo Superannuation Fund) are entities associated with Mr Mobbs.

Commercialisation funding

- 116 MHT received approval for a funding application submitted to the Commonwealth Department of Industry and Science for the commercialisation of DBS pathology testing. This was approved as an Accelerating Commercialisation Project under the Entrepreneurs' Infrastructure Programme. The amount of funds approved pursuant to the Grant is a maximum of \$1.0 million which represents 38.4% of the approved budget of some \$2.6 million. The Grant will help to meet the forecast expenditure requirements of MHT prior to achieving commercialisation and profitability.

Valuation of the current equity of MHT

Valuation methodology

- 117 Given that the DCF methodology is the superior valuation methodology from a technical perspective and the availability of MHT management's cash flow projections (which we have reviewed and amended where appropriate) the primary valuation methodology used to assess the value of MHT is the DCF methodology, incorporating a projected terminal value of MHT as at 30 June 2022. The terminal value of MHT as at 30 June 2022 has been assessed using a capitalisation of projected recurring free cash flow (EBITDA plus research and development (R&D) expenditure less capital expenditure and projected increase in working capital) as at that date.
- 118 Net surplus asset, comprising the Commercialisation Australia funding has been added to the DCF value to determine the value of the MHT equity after allowing for net debt.
- 119 However, we note that there are inherent disadvantages of the DCF valuation technique when applied to the valuation of early stage businesses. These arise from requirement for detailed cash flow forecasts and the need to estimate the "terminal value" and an appropriate risk-

adjusted discount rate. All of these inputs require subjective judgements to be made, and the derived present value amount is often sensitive to small changes in these inputs.

Cross-check for reasonableness

120 As a cross-check for reasonableness, we have also considered:

- (a) the share price reflected in the recent share issue (which represented arm's length transactions involving minority interests)
- (b) the historical spend incurred by MHT in developing and commencing to commercialise its products.

121 These cross-checks are consistent with the International Private Equity and Venture Capital Valuation Guidelines (December 2012 Edition)¹⁰ which outline a number of valuation methods or techniques that may be considered for use in measuring the fair value of unquoted instruments.

Cash flow projections

122 Our DCF valuation assessment is based on the free cash flow projections from a financial model prepared by MHT management, which we have adjusted where considered necessary.

123 It should be noted that in respect of these projections:

- (a) the major assumptions underlying the projections were formulated in the context of prevailing economic, financial and other conditions
- (b) the projections and the underlying assumptions have not been independently reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
- (c) future profits and cash flows are inherently uncertain and in the case of early stage ventures they are subjective and/or speculative
- (d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which MHT will operate
- (e) the achievability of these projections is not warranted or guaranteed by MHT or LEA, as they are predictions by MHT management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of MHT and its management
- (f) actual results achieved by MHT may be significantly more or less favourable than projected.

124 These projections assume ongoing capital expenditure requirements given the establishment of the laboratory for testing DBS. No detailed working capital assumptions have been included in the model on the basis that the HbA1c tests sold by MHT will be sold in packages of four or eight with upfront payment received from the customer. However, the cash flow

¹⁰ We note that the Australian Private Equity and Venture Capital Association Limited asks its members to apply these guidelines when reporting valuations to investors.

projections reflect the revenues on an “earned basis”¹¹, resulting in a more conservative NPV outcome. Further, the operating expenses are also reflected on an “incurred basis” which ignores the deferral of certain expenses which would be subject to trade credit terms.

- 125 We have assumed that EBITDA equals free cash flow before tax. Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments¹², capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.
- 126 LEA’s DCF valuation has been based on the free cash flows to 30 June 2022 and incorporates a terminal value at 30 June 2022.
- 127 MHT management’s projections are based on a five year horizon. However, as the take up rates are assumed to start slowly we have expanded the projections to seven years. Our net present value calculation has been based on the adjusted seven year projections in both a Low Case and a High Case scenario and also incorporates a terminal value at the end of the projection period.
- 128 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

Key assumptions

Market size - diabetes

- 129 MHT’s market estimates are based on the number of people in Australian and New Zealand diagnosed with type 1 and type 2 diabetes:

Region	Market estimates		Peak customer volume ⁽¹⁾	
	Diagnosed diabetics	Accessible market size	Low Uptake	Higher Uptake
Australia / NZ	1,402,000	656,652	224,163	349,828

Note:

1 Peak customer volume refers to total diabetic customers taking MyHealthTest tests in one year and is reached following a five year technology adoption curve (s-curve).

Source: International Diabetes Federation, MHT management analysis.

- 130 Accessible market size was determined by MHT management using several factors including relative wealth and level of public healthcare funding. The estimated accessible market size represents some 47% of diagnosed diabetics. The level of peak customer volume is estimated by MHT management at:
- (a) 34% of the accessible market size based on the low uptake scenario
 - (b) 53% of the accessible market size based on the high uptake scenario.

¹¹ Which defers the recognition of income in comparison to the time at which the cash is received.

¹² Also calculated on an ungeared basis. The calculation of taxation payments incorporate the benefit of carried forward and projected tax losses.

- 131 The accessible market size was estimated to grow at a rate of 2% per annum. We have adopted the total accessible market size and growth rate assumptions but not management's market share assumptions (refer below).
- 132 Each customer is assumed to take the four recommended HbA1c tests per year¹³. Accordingly, the number of peak HbA1c tests sold is 896,652 under management's low uptake scenario and 1,399,312 under their high uptake scenario.

Market share – MyHealthTest HbA1c Test

- 133 A marketing study undertaken by Piazza Research on behalf of MHT¹⁴ suggests that:
- (a) 45% of persons diagnosed with diabetes would seriously consider purchasing MHT's HbA1c test (with some 40% being unsure at the time of the study)
 - (b) of persons diagnosed with diabetes who had the HbA1c test in the past 12 months, 39% had the HbA1c test at the recommended frequency (3-4 times per year) and 57% had the test two or less times
 - (c) 62% of persons diagnosed with diabetes would prefer to use a finger-prick blood test done at home compared to a test requiring a needle in the arm (81% of persons with Type 1 diabetes preferred a finger-prick at home test)
 - (d) 66% of persons diagnosed with diabetes report being very likely to try a new type of HbA1c test if their GP recommended it
 - (e) only a minority (27%) of persons diagnosed with diabetes in the study consider their current HbA1c test somewhat or very inconvenient.
- 134 There are no directly competing products in the Australian marketplace. However, there are similar substitute products as set out in paragraph 108 above.

Market size - cardio

- 135 This is a package of three tests performed annually in addition to the HbA1c testing to monitor cardiovascular risk factors associated with diabetes. The MHT management model assumes that for every four HbA1c tests sold in a given quarter, one Cardio Profile test will be sold in the following quarter.
- 136 MHT management consider that there is a large potential market for the Cardio Profile test. There are 3.5 million Australians with cardiovascular disease (CVD). CVD accounts for 11% of Australia's healthcare expenditure and with an ageing population, these numbers are expected to increase¹⁵. These all represent potential customers for the Cardio Profile test.
- 137 In the alternative, MHT may release a further DBS test other than cardio. However, MHT management do not believe that the adjusted testing volumes would vary significantly.

¹³ The sale of tests in packs of four or eight and the quarterly mail-out / reminder service is expected to support this practice.

¹⁴ Dated June 2014.

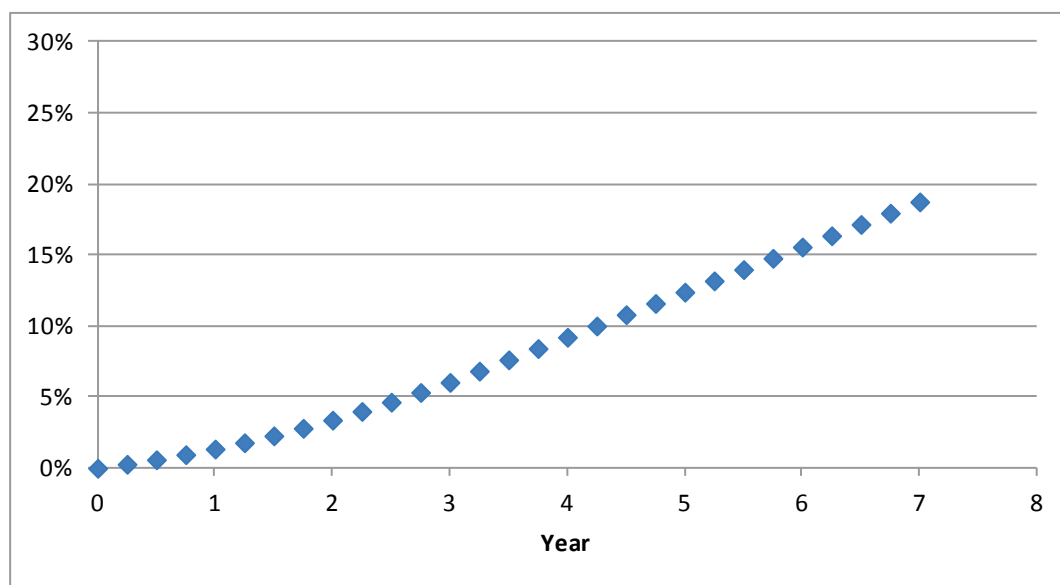
¹⁵ Source: mps.org.au

LEA assessment of market share assumptions

MyHealthTest HbA1c Test

- 138 We consider management's peak market share assumptions to be optimistic and have adopted a maximum market share (as a percentage of accessible market size) of 25% by year seven in the High Case. This allows for factors such as a significant proportion of the potential marketplace not using DBS testing by MHT (but still assumes no additional online competitors). Specifically, the peak market share assumption is based on:
- (a) the percentage of people diagnosed with diabetes that would seriously consider purchasing the HbA1c test
 - (b) the current average frequency at which the traditional HbA1c test has been taken in the past 12 months.
- 139 Further, in the event that the survey based marketing study overstates the true market potential of the MyHealthTest HbA1c test, we have adjusted the High Case market share of 25% by applying a further 25% discount (i.e. 25% times (1 - 25%)) to adopt an 18.75% market share by year seven in the Low Case.
- 140 Our DCF model has a seven year horizon. We have adopted an "s-shaped" / linear take up curve (s-shaped in the first three years, then linear for the next four). The market share percentage adopted by LEA in the Low Case by quarter is as follows:

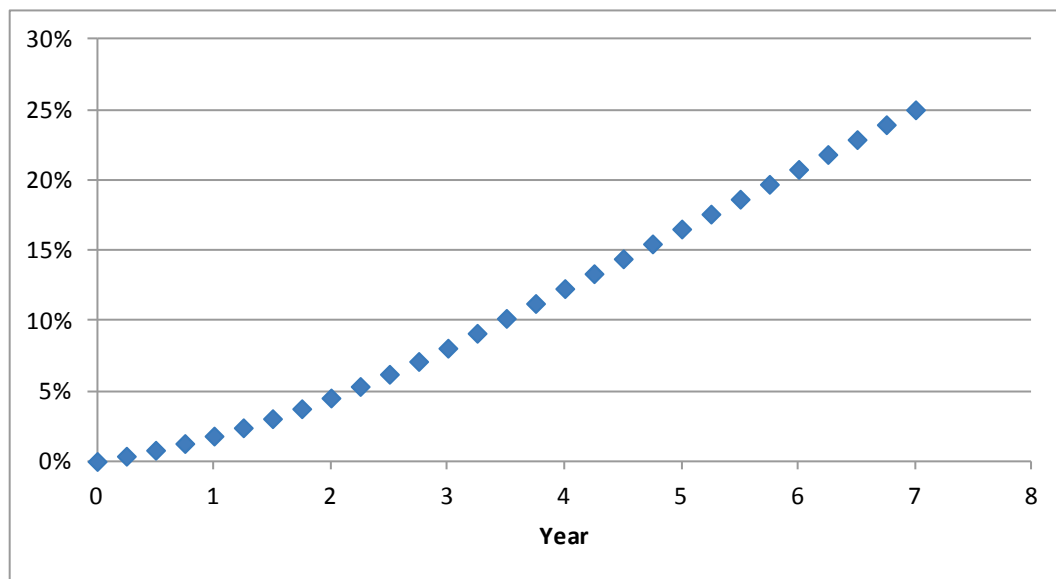
Graph of market share percentage (Low Case)



Source: MHT and LEA analysis.

- 141 The market share percentage adopted by LEA in the High Case by quarter is as follows:

Graph of market share percentage (High Case)



Source: MHT and LEA analysis.

Cardio

- 142 For every customer who takes MHT's HbA1c test four times per annum¹⁶ we have assumed that one Cardio Profile test (or other MHT alternate test) is purchased per year (we note that this may not necessarily be purchased by the same customer). Further, the take up has been deferred by 12 months in the LEA High Case and Low Case as MHT management have indicated that the product is still in development (however it is considered by MHT management to have very low technological and execution risk).
- 143 We note that the number of Australians with CVD is some three times higher than those who are diagnosed diabetics. Accordingly, the assumptions adopted may be conservative in light of this statistic; however no detailed marketing study has been performed on the potential market for the Cardio Profile test. We also note there is still a level of technological and execution risk given that the Cardio Profile test is not as close to release as the HbA1c test.

Product price

- 144 Two products are specifically modelled:
- (a) HbA1c testing – performed four times a year and sold at a weighted average price of \$24 for a single test¹⁷ (excluding GST)
 - (b) Cardio Profile – performed annually and sold at a weighted average price of \$65 per test¹⁸ kit (excluding GST).

¹⁶ This is broadly consistent with management's original assumption of Cardio Profile test take up.

¹⁷ Reflects the wholesale price. Additional revenue will be received by MHT from on-line sales of tests kits.

¹⁸ This test is more expensive as it tests for three different measures of cardiovascular health.

- 145 The above price points are based on those developed by MHT management after discussions with pharmacy chains, DiabetesNSW and DiabetesACT. A similar self test product is sold by ColoVantage / Enterix charging \$40 for a bowel cancer screening test.
- 146 It is proposed to sell the tests via online and traditional channels (e.g. pharmacies). The above prices represent the weighted average price obtained by MHT. While higher margins would be obtained online, the marketing study undertaken by Piazza Research dated June 2014 suggests that the vast majority of patients would prefer to buy the tests via traditional channels (accordingly the weighted average price realised by MHT will be less than the retail price).

Cost of sales

Test kits

- 147 MHT and ITL have entered into a Distribution Agreement¹⁹ whereby ITL has contracted to supply MHT the requisite test kits for a five year period under competitive terms.

Processing costs

- 148 Test processing costs are modelled on a volume basis at a set cost per test. Now that MHT has established its own laboratory for testing and employed a laboratory supervisor, these costs will be in-house rather than outsourced.

Other expenses

- 149 We have adopted management's expense estimates and extrapolated the expenses in Q4 of year five into years six and seven assuming an inflation rate of 0.75% per quarter. The expense estimates appear conservative primarily due to the inclusion of significant discretionary R&D spend related to tests other than the HbA1c and Cardio Profile tests.

Terminal value

- 150 We have estimated the terminal value of the MHT business at the end of the seven year projection period based on the projected EBITDA in Q4 of year seven (annualised) for both the Low Case and the High Case.
- 151 The terminal value of the MHT business in both cases represents 4.5 times historical EBITDA (plus non-recurring R&D expenditure and less an allowance for ongoing capital expenditure) in both the Low Case and High Case respectively. This multiple of 4.5 times historical EBITDA was adopted based on our experience and knowledge of earnings multiples applicable to small businesses generally²⁰.

Discount rate

- 152 We have adopted discount rates in the range of 35% and 45%. The discount rates adopted sit appropriately within the range of early / first stage venture capital discount rates (refer to Appendix D). In considering the rate of return / discount rate research set out in Appendix D, we also note that discount rates in the current economic climate are likely to be lower than the discount rates suggested by our research due primarily to the historically low interest rates (however, we do not expect that these rates can be maintained in the long term).

¹⁹ Dated 19 September 2014.

²⁰ And on the basis that the MHT business will be cash flow positive / profitable after year five.

MHT DCF valuation

153 Based on the above, the MHT business value based on our DCF valuation is as follows:

Value of MHT business based on DCF valuation				
	Low market case		High market case	
	Discount rate		Discount rate	
	45%	35%	45%	35%
	\$m	\$m	\$m	\$m
MHT business value (based on DCF valuation)	2.3	5.1	5.9	10.5

Note:

- 1 In LEA's view, application of higher discount rates to the low case market share and take up scenarios results in a double count of the risks and an understatement of value.

Sensitivity analysis

154 A sensitivity analysis of our DCF valuation key assumptions plus a scenario analysis assuming revenue projections are deferred is set out below for both the Low Case and the High Case:

Value of MHT business based on DCF valuation – sensitivity analysis – key assumptions				
	Low market case		High market case	
	\$m		\$m	
	Low	High	Low	High
Sensitivity parameter	\$m	\$m	\$m	\$m
Sales volume (+ / - 5%)	2.9	4.2	7.0	8.7
Sales price (+ / - 5%)	2.5	4.5	6.6	9.1
Total expenses (+ / - 5%)	3.1	4.0	7.4	8.3
Terminal value multiple (+ / - 5%)	3.3	3.7	7.5	8.2

Note:

- 1 Sensitivities conducted at a mid-point discount rate of 40%.

Value of MHT business based on DCF valuation – sensitivity analysis – deferral of revenue				
	Low market case		High market case	
	Discount rate		Discount rate	
	45%	35%	45%	35%
	\$m	\$m	\$m	\$m
MHT business value (based on DCF valuation)				
Three month deferral of revenue	1.3	3.9	4.6	8.9
Six month deferral of revenue	0.4	2.7	3.4	7.4

Note:

- 1 In LEA's view, application of higher discount rates to the low case market share and take up scenarios, and to scenarios adopting longer periods of delays, results in a double count of the risks and an understatement of value.

155 The sensitivity range is wide because the value of MHT is highly sensitive to uptake / revenue assumptions inherent in the cash flow projections. We note that highly sensitive DCF calculations are not unusual in early stage enterprises given the lack of operating track record which does not allow for the "fine tuning" of assumptions and the high operating leverage from initial development expenditure.

156 Considering the above, LEA has adopted a value for the MHT business of \$2.7 million to \$3.4 million. This range equates to:

- (a) at the low end (\$2.7 million) - the adopted low case market share and take up assumptions with a six month deferral of revenue at a discount rate at of 35%
- (b) at the high end (\$3.4 million) - the adopted high case market share and take up assumptions with a six month deferral of revenue at a discount rate at of 45%.

Value of MHT equity

Net debt

157 Based on the latest balance sheet (refer to paragraph 114), MHT has net debt of some \$194,000²¹.

Surplus assets

158 There are two further cash receivables not disclosed on the MHT balance sheet:

- (a) R&D tax incentive receivable of some \$459,000²²
- (b) the Grant of some \$630,000.

MHT equity valuation – prior to the Proposed Transaction

159 Based on the above, the value of MHT equity is as follows:

Value of MHT equity based on DCF valuation		
	Low \$m	High \$m
MHT business value (based on lowest sensitivity value) ⁽¹⁾	2.70	3.40
Grant ⁽²⁾	0.60	0.60
R&D tax incentive receivable	0.46	0.46
Working capital adjustment ⁽³⁾	(0.42)	(0.42)
Add: cash	0.26	0.26
Less: liability owing to Mr Mobbs	(0.45)	(0.45)
MHT equity value ⁽⁴⁾	3.15	3.85
MHT equity value (rounded)	3.10	3.80

Note:

- 1 Refer to paragraph 156 above.
- 2 Balance of grant remaining present value adjusted.
- 3 The trade creditors balance as at 30 June 2015 is some \$419,000 higher than the prior year. A working capital adjustment has been made to reduce creditors to a level consistent with FY14.
- 4 Prior to any amount received from the Subscription Shares.

160 Based on the above, we have assessed the value for 100% of the equity in MHT at \$3.1 million to \$3.8 million.

²¹ Comprising cash of some \$256,000, less debt owed to Mr Mobbs of \$450,000.

²² This amount was received in October 2015.

Cross-checks for reasonableness

Recent share issues

- 161 As stated above in Section II, we have considered evidence of market value as implied by previous arm's length capital raisings. There have been a significant number of capital raisings by MHT over the past few years.
- 162 The latest share issue for MHT occurred on 10 December 2014 at a price of \$1,000 per ordinary share. Three new shareholders came onto the register, taking a combined 150 ordinary shares out of the 336 ordinary shares issued in the latest tranche. These ordinary shares were issued as payment for services rendered to the company (i.e. in lieu of cash). These services included management consulting, general management, marketing, information technology and R&D tax advice. At the same time that the ordinary shares were issued, 168 Series A shares were issued to the Mobbs Entities for \$1 each in accordance with the rights given to the holder of Series A shares in the shareholder agreement entered between shareholders in MHT. The issue price of \$1,000 to new shareholders is, in our opinion, representative of market value at the time of issue and implies a market capitalisation of some \$1.9 million for MHT given the 1,923 shares currently on issue.
- 163 However, since the time of that issue MHT has secured grant funding and has distributed HbA1c sample kits to prospective customers broadly in line with its business plan. The Grant reduces the funding outlay and lowers the risk for MHT significantly such that a higher valuation is warranted. In our opinion, it is unlikely that shareholders would have attributed any significant value to the Grant at the time.
- 164 Further, we note that the share price of \$1,000 per share is a minority interest value. Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). The ex-post observed control premiums paid in historical transactions is not necessarily determinative of an appropriate premium to apply in all circumstances – the appropriate premium, to apply, if any, is a function of circumstances relevant to each particular company. In our opinion, the nominal to small control premium only is warranted as, in our view, a controlling shareholder would not have the ability to add significant value to MHT (in the absence of that controlling shareholder also being able to bring significant synergy benefits) given that MHT is still at pre-commercialisation stage and there are no net cash flows that can be accessed for some time.
- 165 In contrast, the value per share implied by our 100% equity value for MHT reflects a controlling interest value, includes the value of the Grant and an element of de-risking / discount rate unwinding. The de-risking arises as a result of factors including:
- (a) the receipt of funding via the Grant
 - (b) the technical recognition of the intellectual property via both the Commonwealth Government agreeing to provide the Grant and through the release on a research article from researchers at the ANU JCSM based on MHT's DBS testing entitled "*The use of*

dried blood spot sampling for the measurement of HbA1C: a cross sectional study” in the BMC Clinical Pathology Journal²³

- (c) the intellectual property being ready for commercialisation, as evidenced by the distribution of test kits.

166 In light of the above, our assessment of the value for 100% of the equity in MHT at \$3.1 million to \$3.8 million is considered reasonable.

Historical expenditure

- 167 MHT has retained losses of some \$1.5 million as at 30 June 2015, representing the net expenditure on product research and development and commercialisation to date. These expenses have not been capitalised – some of these expenses relating to development and information technology would be capitalised under AIFRS. We understand that these retained losses include expenses which have been settled by way of share-based payments including consulting fees paid to Mr Mobbs. The level of expenditure has been reduced by the government grants and R&D concessional tax rebates received by the company. These grants and rebates amounted to \$879,000 in the period to 30 June 2015. Thus the total amount expended on product research and development and commercialisation to date is some \$2.4 million.
- 168 The value for the business and intellectual property inferred by our DCF valuation (assuming six month deferral conservatively) represents a multiple of 1.1 to 1.4 times historical expenditure. In our opinion, such multiples are reasonable in light of the conservative assumptions adopted in our analysis of MHT²⁴.

Conclusion – equity value of MHT

- 169 Based on the above, we have adopted a value for the equity of MHT, prior to the recognition of any amounts received for the Subscription Shares, of \$3.1 million to \$3.8 million. In the event that the Proposed Transaction is approved, a further \$450,000 in equity capital will be contributed to MHT by ITL by way of the Subscription Share Consideration. This amount will be applied to pay off the liability owing by MHT to Mr Mobbs. For the purposes of assessing whether the Proposed Transaction is “fair and reasonable”, the analysis should consider the totality of what ITL would acquire, which is the value of MHT including the further equity contribution. For this purpose, there is no difference as to whether this \$450,000 is recognised as additional cash or whether the liability owing to Mr Mobbs is reduced.

²³ Refer announcement to ASX on 8 July 2015.

²⁴ This view is consistent with the view of valuers of mineral exploration projects (which are early stage investments). The prospectively enhancement multiplier (the multiple of past exploration expenditure) used in this context is generally between 0.5 and 3, but can be between 0 and 5, but the average is 1.8. Source: MinEx Consulting.

Value of MHT equity after the Proposed Transaction		
	Low \$m	High \$m
MHT business value (based on lowest sensitivity value) ⁽¹⁾	2.70	3.40
Grant ⁽²⁾	0.60	0.60
R&D tax incentive receivable	0.46	0.46
Working capital adjustment ⁽³⁾	(0.42)	(0.42)
Add: cash	0.26	0.26
Less: liability owing to Mr Mobbs	(0.45)	(0.45)
Subtotal – value of equity of MHT prior to the Proposed Transaction (rounded)	3.10	3.80
Cash from share subscription ⁽⁴⁾	0.45	0.45
MHT equity value	<u>3.55</u>	<u>4.25</u>

Note:

- 1 Refer to paragraph 156 above.
 - 2 Balance of grant remaining present value adjusted.
 - 3 The trade creditors balance as at 30 June 2015 is some \$419,000 higher than the prior year. A working capital adjustment has been made to reduce creditors to a level consistent with FY14.
 - 4 Cash received by MHT from the Subscription Share Consideration will be used to repay the liability of \$450,000 owing to Mr Mobbs.
- Rounding differences exist.

- 170 Accordingly, based on our analysis, the value of MHT after the implementation of the Proposed Transaction is in the range of \$3.55 million to \$4.25 million, being the values of \$3.1 million to \$3.8 million plus the additional \$450,000 Subscription Share Consideration under the Proposed Transaction.

VI Valuation of Sale Share Consideration

Overview

- 171 This section of the report addresses the value of the consideration payable by ITL to acquire all of the existing shares in MHT from its current shareholders under the Sale Share Acquisition, set 10 million ITL shares.

Assessment of value

Liquidity

- 172 We note that the liquidity of recent trading in ITL shares has been low (refer to paragraph 70 in Section III). Accordingly, to ascertain whether there is any prima facie evidence that the traded prices do not reasonably reflect “market”²⁵, as a cross-check, we have also compared the implied EBITA and EBITDA multiples based on share market trading in ITL shares to those of broadly comparable listed companies.

VWAP

- 173 The volume weighted average price (VWAP) of ITL shares in the 1, 3, 6 and 12 months to 31 August 2015 is set out below:

Period	Start date	End date	High \$	Low \$	Close \$	VWAP \$
1 month	1 Aug 15	31 Aug 15	0.26	0.18	0.21	0.23
3 months	1 Jun 15	31 Aug 15	0.28	0.18	0.21	0.24
6 months	1 Mar 15	31 Aug 15	0.28	0.18	0.21	0.24
1 year	1 Sep 14	31 Aug 15	0.28	0.18	0.21	0.24

Source: Bloomberg.

- 174 Based on the above, and given the consistency in the price at which shares in ITL have traded, we have adopted a prima facie value of ITL shares of \$0.23 to \$0.24 per share.

²⁵ That is, whether the lack of depth in the market for ITL securities has resulted in a material mispricing of ITL securities.

ITL earnings

- 175 ITL management has released no guidance for FY16. However, FY15 normalised EBITA and EBITDA are available as set out below:

ITL FY15 EBITA and EBITDA	
	\$m
EBIT from continuing operations	1.6
Add: non-recurring items	0.7
Add: software amortisation ⁽¹⁾	0.1
Normalised EBITA	2.4
Add: balance of depreciation and amortisation	0.9
Normalised EBITDA	3.2

Note:

- 1 We have treated software amortisation as depreciation for the purposes of this calculation, consistent with the calculation of EBITA multiples for the broadly comparable companies.
Rounding differences may exist.

Implied multiples

- 176 The implied EBITA and EBITDA multiples utilising our adopted value of ITL shares of \$0.23 to \$0.24 per share are set out below:

ITL implied EBITA and EBITDA multiples		
	Low \$m	High \$m
ITL number of shares outstanding	84.7	84.7
Price per ITL share (\$ per share)	0.23	0.24
Market capitalisation of ITL shares ⁽²⁾	19.5	20.3
Net debt of ITL	4.5	4.5
Less: loan to Mr Mobbs	(0.5)	(0.5)
Enterprise value of ITL ⁽²⁾	23.5	24.4
 FY15 EBITA ⁽¹⁾	 2.4	 2.4
ITL implied EBITA multiple (x) ⁽²⁾	9.8	10.2
 FY15 EBITDA	 3.2	 3.2
ITL implied EBITDA multiple (x) ⁽²⁾	7.4	7.6

Note:

- 1 We have treated software amortisation as depreciation for the purposes of this calculation, consistent with the calculation of EBITA multiples for the broadly comparable companies.
2 Prior to any premium for control.
Rounding differences may exist.

- 177 Based on the above analysis, the implied historic EBITA and EBITDA multiples based on trading in ITL shares are in the range of 9.8 to 10.2 and 7.4 to 7.6 respectively.

Listed company multiples

- 178 We note that the implied EBITA and EBITDA multiples based on trading in ITL shares are within the range of the listed company multiples set out at Appendix C. Further, most of the companies set out at Appendix C are significantly larger than ITL.

Conclusion

- 179 Based on the above analysis, we have adopted a value of ITL shares as at the date of the announcement of the Proposed Transaction of between \$0.23 and \$0.24 per share. In our opinion, notwithstanding that ITL shares are relatively illiquid, there is no prima facie evidence to suggest that the shares are materially mispriced. Based on the adopted share prices, for the purposes of this analysis, we have adopted the following values per ITL share to value the Sale Share Consideration:

Value of Sale Share Consideration		
	Low	High
Value per share – portfolio basis (\$)	0.23	0.24
Number of shares to be issued (m)	10.0	10.0
Value of Sale Share Consideration (\$m)	2.3	2.4

Value of Sale Share Consideration – Conclusion

- 180 Based on the above, the inferred value of the Sale Share Consideration payable by ITL is as follows:

Sale Share Consideration payable		
	Low \$m	High \$m
Total Sale Share Consideration payable	2.3	2.4

VII Evaluation of the Proposed Transaction

Assessment of fairness

181 In our opinion, the Proposed Transaction, comprising the Subscription Share Acquisition and the Sale Share Acquisition, is fair and reasonable to the non-associated shareholders of ITL. We have arrived at this conclusion for the following reasons.

182 RG 111 requires that where a proposed transaction consists of an asset acquisition by the entity, the proposed transaction is “fair” if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. Further, where the financial benefit given by the entity is securities in the entity and the consideration is securities in another entity held by a related party, the value of the entity’s securities should be compared to the value of the securities it is purchasing.

183 Given that:

- (a) the Subscription Share Acquisition and the Sale Share Acquisition are to occur concurrently
- (b) ITL shareholders will vote on the Proposed Transaction under the one resolution
- (c) the combined effect of the Subscription Share Acquisition and the Sale Share Acquisition is for ITL to acquire 100% of MHT and increase MHT’s capital base,

LEA has evaluated the Proposed Transaction on a combined basis, being a comparison of the total consideration payable by ITL and the value of MHT including the Subscription Share Consideration.

Proposed Transaction – assessment of fairness			
	Para	\$000	\$000
Consideration			
Value of Subscription Share Consideration	26(a)	450	450
Value of Sale Share Consideration	180	2,300	2,400
Total Consideration		2,750	2,850
Value of MHT			
Value of MHT after implementation of the Proposed Transaction	169	3,550	4,250

184 As the financial benefit being offered by ITL is less than the value of the assets being acquired, in our opinion, the Proposed Transaction is fair to non-associated shareholders of ITL.

185 ITL shareholders should note, however:

- (a) **MHT represents a speculative investment.** MHT has no track record of sales and actual financial performance may be considerably worse than expected
- (b) the development of the MHT intellectual property will most likely require further funding than is presently available from within MHT

- (c) if MHT does not perform to expectations, ITL shareholders could face a loss, and possibly a total loss, on the investment made by way of the Subscription Shares and the Sale Shares²⁶.

Assessment of reasonableness

- 186 Under RG 111 the Proposed Transaction is “reasonable” if it is “fair”. The Proposed Transaction may also be reasonable if, despite being “not fair”, the expert believes there are sufficient reasons for securityholders to vote for the proposal.
- 187 As we have formed the opinion that the Proposed Transaction is “fair”, it is also “reasonable”. However, we have also had regard to the following matters.

The financial situation and solvency of ITL

- 188 As at 30 June 2015, ITL had some \$1.1 million in cash, and has undrawn debt facilities of some \$2.0 million. Further, ITL generates cash from its existing operations. In our opinion, the solvency of ITL will not be materially adversely impacted by the Proposed Transaction. However, ITL shareholders should note that further capital will most likely need to be provided by ITL to fund the commercialisation of the MHT pathology tests.

Selective treatment of any securityholder

- 189 Because the market value of the total consideration is less than the market value of the MHT shares to be acquired, in our opinion there is no material advantageous selective treatment to Mr Mobbs or any other securityholder of ITL.

Special value to ITL

- 190 LEA understands that MHT’s pathology tests are complimentary to ITL’s current BioMed business operations. As ITL currently produces the test kits used by MHT, the Proposed Transaction enable ITL to participate in all profits derived from the commercialisation and sale of the test kits.
- 191 Furthermore, the DBS sampling cards that form part of MHT’s core intellectual property were initially developed within ITL prior to MHT being established as a standalone entity.

Liquidity of the market in ITL’s securities

- 192 In our opinion, should the Proposed Transaction proceed, there will be no material impact on the liquidity of the market of ITL’s securities.

Impact of the Proposed Transaction on ownership and control of ITL

- 193 Although the Proposed Transaction will have the effect of increasing Mr Mobbs’ interest in ITL, Mr Mobbs already has a significant interest and is able to veto special resolutions (other than for related party transactions in which he has an interest). Should the Proposed Transaction proceed, it will not result in Mr Mobbs being able to control ITL.

²⁶ In this regard, shareholders should note the sensitivity analysis set out at paragraph 154.

Other advantages and disadvantages

194 In assessing whether the Proposed Transaction is reasonable, we have also had regard to the other advantages and disadvantages to the non-associated shareholders should the Proposed Transaction proceed:

Advantages

- (a) the value of the total consideration payable under the Proposed Transaction infers a value for the MHT intellectual property that represents a discount to the historical expenditure incurred. Whilst historical expenditure incurred is not, in itself, a reliable measure of future cash flow generating potential, given the technological success of MHT's intellectual property it would be reasonable to expect its market value would exceed the historical expenditure incurred
- (b) MHT's pathology tests are complimentary to ITL's current BioMed business operations. As ITL currently produces the test kits used by MHT, the Proposed Transaction enables ITL to participate in all profits derived from the commercialisation and sale of the test kits
- (c) given that Mr Mobbs already holds 39% of ITL shares, the Proposed Transaction does not substantially change the position of the non-associated shareholders or the likelihood of possible takeover of ITL. When combined with the other shareholders of MHT, to the extent that an associate relationship is established, this increases Mr Mobbs' voting interest to some 44%, although:
 - (i) Mr Mobbs does not have a relevant interest in those shares
 - (ii) the other shareholders of MHT would cease to be part of the substantial shareholder group upon completion of the Proposed Transaction

Disadvantages

- (d) it should be noted that to date MHT has not achieved any product sales and can only be described as a speculative investment. If MHT does not perform to expectations, ITL shareholders could face a loss, and possibly a total loss, on the investment made by way of the Proposed Transaction
- (e) whilst costs of commercialisation have been included in the cash flow forecasts for MHT, further capital will most likely need to be provided by ITL to MHT to fund the commercialisation of the MHT pathology tests
- (f) the MHT intellectual property has been internally developed, and cannot be protected by patents. Protection of the MHT intellectual property is therefore only available through common law.

Conclusion

195 Based on the above, in our opinion, the Proposed Transaction is fair and reasonable to the non-associated ITL shareholders.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

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

Financial Services Guide

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

Financial services we are licensed to provide

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

General financial product advice

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

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee for this report estimated at \$50,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

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

Complaints

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

Contact details

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

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Kepler and Ms Planinic, who are each authorised representatives of LEA. Mr Kepler and Ms Planinic have over 20 years and 17 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of ITL (other than Mr Mobbs) to accompany the Explanatory Memorandum to be sent to ITL shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable and in the best interests of ITL shareholders not associated with the parties involved in the Proposed Transaction.

Interests

- 4 At the date of this report, neither LEA, Ms Planinic nor Mr Kepler have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with ITL or the parties involved in the Proposed Transaction prior to the preparation of this report.

Indemnification

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

Consents

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

Appendix C

Broadly comparable ASX listed multiples

- 1 A table summarising our broadly comparable (to ITL) ASX listed multiples for the health medical equipment / services sector in Australia is set out below:

Listed company multiples ⁽¹⁾					
Company	EV ⁽²⁾ A\$m	EBITDA Multiple		EBITA Multiple ⁽⁵⁾	
		Historical ⁽³⁾ FY2015	Forecast ⁽⁴⁾ FY2016	Historical ⁽³⁾ FY2015	Forecast ⁽⁴⁾ FY2016
		x	x	x	x
LifeHealthcare Group Ltd	152	8.7	7.3	10.8	8.7
Paragon Care Ltd ⁽⁶⁾	113	8.3	n/a	n/a	n/a
SDI Ltd	77	6.3	n/a	7.6	n/a
Ellex Medical Lasers Ltd	46	8.2	6.0	9.4	7.1
Compumedics Ltd	35	8.5	7.0	9.7	7.7
Cryosite Ltd	7	6.7	n/a	17.5	n/a

Note:

- Enterprise value and earnings multiples calculated as at 7 September 2015.
- Enterprise value includes net debt (interest bearing liabilities less cash including cash from post balance date placements), net derivative liabilities, deferred consideration, market capitalisation and excludes surplus assets.
- Historical earnings is based on latest statutory full year accounts and excludes non-recurring items and realised investment gains or losses.
- Forecast earnings is based on Bloomberg broker average forecast (excluding outliers and outdated forecasts) or management guidance if available.
- Software amortisation is treated as depreciation for EBITA.
- Assumes acquisition of Western Biomedical, Designs for Vision and Meditron is completed as at 1 July 2014. FY15 earnings are pro-forma assuming no cost synergies.

Source: Bloomberg, ASX announcements, LEA Analysis.

n/a - not available.

LifeHealthcare Group

- 2 LifeHealthcare Group is a distributor of high end medical devices in Australia and New Zealand. The company sells its products to customers including surgeons, hospitals and other medical specialists via 62 specialty focused sales representatives. The company is headquartered in Sydney, Australia and has sales offices in Perth, Adelaide, Melbourne, Brisbane and Auckland, New Zealand.

SDI Limited

- 3 SDI is involved in the research and development, manufacturing and marketing of dental materials including amalgam, composite restorative materials, and other dental materials. Products are manufactured in Australia and distributed through distributors and retailers in over 100 countries. The company has offices and warehouses in Chicago, USA; Cologne, Germany; Dublin, Ireland and Sao Paulo, Brazil.

Appendix C

Ellex Medical Lasers Limited

- 4 Ellex Medical Lasers Limited (ELX) is an Australian-based company which engages in the development, manufacture and sales of lasers and diagnostic equipment for the treatment of eye disease. ELX's businesses include sales to distributors and sales direct. ELX also sells its branded products in Japan, Australia, USA, Germany and France.

Paragon Care Limited

- 5 Paragon Care Limited is a provider of integrated services to Australia's health and aged care markets. The company supplies durable medical equipment to hospitals, medical centres and aged care facilities through its five businesses: AxisHealth, Iona Medical, Volker Australia, Rapini and GM Medical.

Compumedics Limited

- 6 Compumedics Limited is a medical device company involved in the development, manufacture and commercialisation of diagnostics technology for the sleep, brain and ultrasonic blood-flow monitoring applications. The company operates in the Americas, Australia, the Asia Pacific, Europe and the Middle East.

Cryosite Limited

- 7 Cryosite Limited is a biotechnology company providing a range of biological, laboratory and cryogenics services within Australia. These services include cord blood bank, clinical trial logistics operation, biorepository management and specialist services such as storage of adult cells for Peter McCallum Cancer Institute and management consultancies to government, public institutions and the research, pharmaceutical and biotechnology industry sectors.

Appendix D

Venture capital rates of return

- 1 Venture capital required rates of return offer an alternative source of seed and start-up discount rates. The underlying risk faced by venture capitalists is that the companies in which investments are made have at best only a short trading history and, if capital is invested at a very early stage, will often have no revenue or marketing history.
- 2 A number of studies into the required annual rates of return or hurdle rates for venture capitalists have been performed during the last ten years. A summary of the most relevant follow.

London Business School

- 3 The London Business School published their study titled “Venture capital in the United Kingdom” during April 1994.
- 4 The study quoted the following pre-tax rates of return required by venture capitalists in the United Kingdom:

Investment stage ⁽¹⁾	Annual IRR pre tax %	Required after tax return ⁽²⁾ %
Seed	70 – 100	57 – 84
Start-up / early stage	40 – 60	31 – 48
Expansion / later stage	30 – 50	23 – 40
Buy-out	25 – 35	18 – 27

Note:

- 1 The following investment stage definitions were used:
 - (a) **seed** – financing to research and assess a new idea and bring that idea to the point where the idea appears viable, a full business plan has been developed and start-up capital can be raised
 - (b) **start-up** – financing provided to companies for use in product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time, but have not sold their product commercially
 - (c) **early-stage** – financing provided to companies that have completed the product development stage and require further funds to initiate or build commercial manufacturing and sales. They may not yet be generating a profit
 - (d) **expansion** – capital provided for the growth and expansion of an established company. Funds may be used to finance increased production capacity, market and product development and/or provide additional working capital. Capital provided for turnaround situations is also included in this category, as is the refinancing of bank debt
 - (e) **buy-out** – Funds provided to enable current operating management and investors to acquire an existing business.
- 2 Assuming UK capital gains tax rate of 35% applies. We have assumed an investment period of five years, after which capital gains tax is paid, and no dividend income is distributed in the intervening period. However, this approach may understate the after tax required return where the investment is retained for more than five years (which may occur simply because of the period of development and commercialisation) as the payment of capital gains tax would be further deferred. It may also be deferred in paper for paper swaps or by appropriate structuring.
- 3 Given the often high debt levels in such companies it is interesting to note that long term compound rates of returns for diversified share market investors (before personal tax) are approximately 13% to 15%.

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Harvard Business School

- 5 The Harvard Business School published “Insights from the American Venture Capital Organisation” during 1991. This study disclosed the following average pre tax discount rates applied by venture capitalists:

Investment stage ⁽¹⁾	Required pre tax return %	Required after tax return ⁽²⁾ %
Start-up	50 – 70	40 – 58
First stage	40 – 60	31 – 49
Second and third stage	35 – 50	27 – 40
Fourth stage	30 – 40	23 – 31
IPO	25 – 35	19 – 27

Note:

- 1 The following investment stage definitions were used:

- seed** – a small amount of capital is provided to an inventor or entrepreneur to determine whether an idea deserves of further consideration and further investment. The idea may involve a technology, or it may be an idea for a new marketing approach. If it is a technology and may involve building a small prototype. This stage does not involve production for sale. (Note: no required return is stated for seed capital. However it would clearly need to exceed the rates required for start-up capital)
- start-up** – companies that are less than one year old. Money used for product development, prototype testing, and test marketing (in experimental quantities to selected customers). This stage involves further study of market penetration potential, bringing together a management team, and refining the business plan
- first stage (early development)** – investment proceeds through the first stage only if the prototypes look good enough that further technical risk is considered minimal. Likewise, the market studies must look good enough so that management is comfortable setting up a modest manufacturing process and shipping in commercial quantities. First-stage companies are unlikely to be profitable
- second stage (expansion)** – a company in the second stage has shipped enough product to enough customers so it has real feedback from the market. It may not know quantitatively what speed of market penetration will occur later, or what the ultimate penetration will be, but it may know the qualitative factors that will determine the speed and limits of penetration. The company is probably still unprofitable, or only marginally profitable. It probably needs more capital for equipment purchases, inventory, and receivable financing
- third stage (profitable but cash poor)** – for third-stage companies, sales growth is probably fast, and positive profit margins have taken away most of the downside investment risk, but the rapid expansion requires more working capital than can be generated from internal cash flow. New capital may be used for further expansion of manufacturing facilities, expanded marketing, or product enhancements. At this stage, banks may be willing to supply some credit if it can be secured by fixed assets or receivables
- fourth stage (rapid growth toward liquidity point)** – companies at the fourth stage of development may still need outside cash to sustain growth, but they are successful and stable enough so that the risk to outside investors is much reduced. The company may prefer to use more debt financing to limit equity dilution. Commercial bank credit can play a more important role. Although the cash-out point for venture capital investors is thought to be within a couple of years, the form (e.g. IPO acquisition or LBO) and timing of cash-out are still uncertain

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- (g) **bridge stage (mezzanine investment)** – in bridge or mezzanine investment situations, the company may have some idea which form of exit is most likely, and even know the approximate timing, but it still needs more capital to sustain rapid growth in the interim. Depending on how the general stock market is doing, and how given types of high tech stocks are doing within the stock market “IPO windows” can open and close in very unpredictable ways. Likewise, the level of interest rates and the availability of commercial credit can influence the timing and feasibility of acquisitions or leveraged buyouts. A bridge financing may also correspond to a limited cash-out of early investors or management, or a restructuring of positions among investors.
- (h) **liquidity stage (cash-out or exit IPO)** – a point at which investors can gain liquidity for a substantial portion of their holdings in a company. The liquidity may come in the form of an initial public offering. If it does, liquidity is still restricted by holding periods and other restrictions.

Assuming US capital gains tax rate of 34% applies. We have assumed an investment period of five years, after which capital gains tax is paid, and no dividend income is distributed in the intervening period. However, this approach may understate the after tax required return where the investment is retained for more than five years (which may occur simply because of the period of development and commercialisation) as the payment of capital gains tax would be deferred. It may also be deferred as a result of other tax concessions or by appropriate structuring.

Centre for Entrepreneurial Studies, Babson college, Wellesley, Massachusetts

- 6 The 20 October 1997 edition of Business Review Weekly contained an article by William Bygrave, a professor at the above institution, which set out a table showing expected pre tax returns on venture capital investments, which is replicated below:

Stage	Required pre tax return %	Required after tax return %
Seed	80	67
Start-up	60	49
First stage	50	40
Second stage	40	31
Third stage / mezzanine	30	23
Bridge	25	19

Note:

Assuming US capital gains tax rate of 34% applies. We have assumed an investment period of five years, after which capital gains tax is paid, and no dividend income is distributed in the intervening period. However, this approach may understate the after tax required return where the investment is retained for more than five years (which may occur simply because of the period of development and commercialisation) as the payment of capital gains tax would be further deferred. It may also be deferred as a result of other tax concessions or by appropriate structuring.

- 7 Unfortunately, the definition of each investment stage was not provided.

Securities Institute of Australia

- 8 The September 1995 Securities Institute’s member circular, Jassa, published the results of a survey which reviewed the required rates of return of 197 investments made by 66 United

Appendix D

Kingdom venture capitalists. The study concluded that the required rates of return after tax were as follows:

	Median required rate of return %	Required return by majority of respondents
Early stage investments	46 – 55	>45
Management buy-ins	31 – 35	31 – 45
Management buy-outs	31 – 35	26 – 35
Later stage investments	26 – 30	26 – 35
Listed securities		14 – 17

Note:

Investment stages are not defined.

The Valuation of Newly-formed Technology Companies

- 9 Mark White prepared a paper titled “The Valuation of Newly-formed Technology Companies”²⁷ which set out the following table of venture capital required returns:

	Required return after tax %
Seed or start-up	40 plus
First and second stage	30 – 50
Third stage and mezzanine	20 – 30

Growth Company Guide

- 10 Clinton Richardson in his book entitled Growth Company Guide 4.0 provides rates of return required by most venture capitalists to fund a company, which are set out in the following table²⁸:

	Required return after tax %
Seed or start-up	35 plus
First and second stage	20 – 50
Third stage and mezzanine	15 – 30

²⁷ The Valuation of Newly-formed Technology Companies by Mark Cameron White of White & Lee LLP (2000)

²⁸ Richardson (2007) *Growth Company Guide 4.0*.

Appendix D

Summary

- 11 A comparison of the required after tax returns based on the above studies for each of these investment stages is set out below:

	Start-up %	Early stage %
London Business School ⁽¹⁾	31 – 48 ⁽²⁾	31 – 48 ⁽²⁾
Harvard Business School ⁽¹⁾	40 – 58	31 – 49
Centre for Entrepreneurial Studies ⁽¹⁾	49	40
Mark White ⁽³⁾	40+	30 – 50
Growth Company Guide	35+	20 – 50
Securities Institute of Australia	45+	45+
Range	35 – 58 ⁽⁴⁾	20 – 50

Note:

- 1 These studies quoted pre tax rates of return only. It is therefore necessary to adjust the pre tax rates of return for income tax and/or capital gains tax. However, it is important to note that seed and start-up projects generally produce little or no net taxable income to investors during their seed or start-up stage of development. Furthermore, any capital gains tax payable would generally be deferred for at least five years and may be deferred for much longer periods either because of the period of development and commercialisation or because of taxation reasons (e.g. in paper for paper swaps or by appropriate structuring). To derive the above after tax required rates of return we have assumed that the investor divests after five years (at which time capital gains tax is paid) and that no material dividend income is distributed in the intervening period.
- 2 Discount rate range of 31% to 48% relates to both start-up and first / early development stage. In reality the discount rate for the start-up stage could be expected to be at the higher end of the range (i.e. 48%) and the first / early development stage would be at the lower end (i.e. 31%).
- 3 Mark White – The Valuation of Newly-Formed Technology Companies.
- 4 Range adjusted due to (2) above.

General

- 12 The above studies were conducted prior to the Global Financial Crisis and the reduction in bond rates and risk-free interest rates as a result of government intervention to stimulate the economy. However, the historical data nevertheless provides evidence that venture capital rates of return are a multiple of conventional rates of return on a diversified investment portfolio.

Appendix E

Glossary

Term	Meaning
AIFRS	Australian equivalents to International Financial Reporting Standards
ANU	Australian National University
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BioMed	ITL Biomedical
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CVD	Cardiovascular disease
DBS	Dried blood samples
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
Grant	The Accelerating Commercialisation grant issued to MHT of up to \$1.0 million for the Commonwealth Department of Industry and Science
GST	Goods and services tax
HY	Financial half year
IER	Independent expert's report
ITL (or the Company)	ITL Limited
JCSMR	John Curtin School of Medical Research
LEA	Lonerган Edwards & Associates Limited
MHT	MyHealthTest Pty Limited
Mobbs Entities	Mr William Mobbs as trustee for the Bilbo Superannuation Fund and Bilbo Holdings Pty Ltd (ACN 072 906 248) as trustee for the Bilbo Family Trust
Mr Mobbs	Mr William Mobbs, Executive Chairman of ITL
NPV	Net present value
PE	Price earnings
Proposed Transaction	The series of transactions by which ITL will acquire 100% of the equity in MHT
R&D	Research and development
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Sale Share Acquisition	The acquisition of the Sale Shares by ITL in exchange for the Sale Share Consideration
Sale Share Consideration	10 million ITL shares
Sale Shares	100% of the existing shares in MHT including interests held by Mr Mobbs and the Mobbs Entities
Subscription Share Acquisition	The issue of the Subscription Shares to ITL for the Subscription Share Consideration
Subscription Share Consideration	The subscription by ITL of \$450,000 for the issue of the Subscription Shares
Subscription Shares	The issue to ITL of 450 new shares in MHT
US	United States of America
VWAP	Volume weighted average trading price
WANOS	Weighted average number of shares outstanding

All Correspondence to:

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

📠 **By Fax:** +61 2 9290 9655

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

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

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am (AEDT) on Sunday 8 November 2015.**

🖥 TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/itlagm2015

STEP 2: Enter your holding/investment type:

STEP 3: Enter your Reference Number:

STEP 4: Enter your VAC:

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

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

Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

Proxy which is a Body Corporate

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

STEP 3 SIGN THE FORM

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

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

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

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

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

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (AEDT) on Sunday, 8 November 2015.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

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

- 💻 **Online** www.votingonline.com.au/itlagm2015
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

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

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

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

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

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held at **Maxim Chartered Accountants, Level 2, 59 Wentworth Avenue, Kingston ACT 2604 on Tuesday, 10 November, 2015 at 10:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on Resolution 1: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of Resolution 1 even though Resolution 1 is connected with the remuneration of a member of the key management personnel for ITL Limited.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

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

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr William Mobbs as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of On-Market Share Buy-Back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Subscription for MHT Ordinary Shares and acquisition of MHT Shares from Mobbs Entities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Shares to Mobbs Entities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares to other MHT Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2015