

FIRST SUPPLEMENTARY TARGET'S STATEMENT BY HUNTER IMMUNOLOGY LIMITED ABN 92 106 556 094

1. Introduction

This is the First Supplementary Target's Statement issued by Hunter Immunology Limited ABN 92 106 556 094 (**Hunter**) in accordance with section 644 of the *Corporations Act 2001 (Cth)* (**Act**). This First Supplementary Target's Statement relates to and supplements (and is to be read together with) the Target's Statement dated and lodged with ASIC on 13 December 2011 (**Target's Statement**) in respect of the offer by Probiomics Limited (**Probiomics**) to acquire securities in Hunter.

A copy of this First Supplementary Target's Statement was lodged with ASIC and sent to Probiomics on 27 January 2012. In accordance with section 647(3)(c) of the Act, this First Supplementary Target's Statement will also be sent to all holders of bid class securities who have not accepted an offer under Probiomics' Takeover Offers. Neither ASIC nor any of its officers takes any responsibility for the contents of this First Supplementary Target's Statement.

If you are in any doubt about how to deal with this document, you should consult your financial, legal or other professional adviser immediately.

2. Definitions and interpretation

All capitalised terms used in this First Supplementary Target's Statement have the same meaning as given to them in Section 8.1 of the Target's Statement. The rules of interpretation set out in Section 8.2 of the Target's Statement also apply to this First Supplementary Target's Statement, unless the context requires otherwise.

3. Proposed variations to Mr David Radford's employment agreement

3.1 Proposed variation to Mr Radford's employment agreement

As part of Mr David Radford's employment agreement with Hunter, Mr Radford is currently entitled to be issued with that number of Hunter Shares that are equal to 5% of the total number of Hunter's fully paid ordinary shares (including the equivalent number of Hunter Shares to be issued on the acquisition and cancellation of the Tranche 1 Notes, conversion of the Tranche 2 Notes, and in payment of interest accrued on the Hunter Convertible Notes) (**Hunter Share Capital**). That percentage number of Hunter Shares equates to 14,057,821 Hunter Shares, assuming that the acquisition and cancellation, or conversion, of all the Hunter Convertible Notes and completion of the Series of Transactions associated with the Hunter Acquisition takes place on 31 January 2012 (**Hunter Performance Shares**)¹.

The issue of the Hunter Performance Shares was approved by a significant majority of Hunter Shareholders at a general meeting of Hunter held on 9 January 2012. However, at that meeting, there was discussion about the prospects of including performance hurdles that would need to be satisfied as a condition to the issue of the Hunter Performance Shares to Mr Radford, in order to ensure focus upon driving shareholder value.

In response to this discussion, and with a view to maximising the prospect of a sufficient number of Hunter Shareholders and other holders of Hunter securities accepting the Takeover Offers applicable to them, each of Mr Radford, Hunter and Probiomics have agreed that, instead of issuing the Hunter Performance Shares to Mr Radford, Mr Radford will (subject to receiving Probiomics Shareholder approval – see paragraph 3.3 below) be issued with a number of Probiomics Options that would entitle him to be issued, upon their exercise, with that number of Probiomics Shares on a post-Share Consolidation basis (**Consolidated Probiomics Shares**) as is equal to the number of Consolidated Probiomics Shares that he would have been issued if he was issued with 5% of the Hunter Share Capital and accepted the Takeover Offers for all those Hunter Shares (**Probiomics Performance Executive Options**). The final numbers for the Hunter Share Capital, and the number of Probiomics Performance Executive Options to be issued to Mr Radford, are dependent on the timing of the acquisition and cancellation by

¹ Refer to the disclosure in Section 7.4 of the Target's Statement.

Probiomix and conversion of the Hunter Convertible Notes and the number of Hunter Shares to be issued in payment of interest accrued on the Hunter Convertible Notes. Assuming that the acquisition and cancellation, or conversion, of the Hunter Convertible Notes and completion of the Series of Transactions associated with the Hunter Acquisition occurs on 31 January 2012, Mr Radford would be issued with 6,326,020 Probiomix Performance Executive Options. If such conversion and completion were to occur after 31 January 2012, and in order to satisfy Hunter's current obligation to issue to Mr Radford with no less than 5% of the Hunter Share Capital on completion of the Series of Transactions associated with the Hunter Acquisition, Mr Radford would then be entitled to be issued with an additional 545 Probiomix Performance Executive Options in respect of each day after 31 January 2012 until each of the Hunter Convertible Notes are either acquired by Probiomix or converted to Hunter Shares, assuming that those events occur simultaneously.

The Probiomix Performance Executive Options:

- (a) will only vest in Mr Radford and become able to be exercised if and only if, amongst other things, "Successful Commercialisation" of Hunter's HI-164OV product² has occurred on or before 31 December 2015 (**Vesting Condition**);
- (b) will be wholly forfeited, with no recourse against the Merged Group, in the event that either:
 - (i) the Vesting Condition is not satisfied in accordance with its terms; or
 - (ii) Mr Radford ceases to be employed by a member of the Merged Group prior to the vesting of the Probiomix Performance Executive Options in accordance with their terms,(collectively, the **Forfeiture Conditions**); and
- (c) on exercise, will place Mr Radford in the same position as he would have been, had he been issued with the Hunter Performance Shares (as he is currently entitled to receive) and then subsequently accepted the Takeover Offers for those Hunter Performance Shares (as is his stated intention).

Importantly, in agreeing to the terms of the Probiomix Performance Executive Options³ – in particular, the Vesting Condition and Forfeiture Condition as summarised above – Mr Radford has agreed to put his entitlements under the Probiomix Performance Executive Options 'at risk'.

For the purposes of the Probiomix Performance Executive Options, the expression "*Successful Commercialisation*" will mean the entry by a member of the Merged Group into a commercial agreement that allows for the next stage in the commercialisation of the HI-164OV product to occur. Such an agreement may include, but is not limited to:

- (a) a trade sale of Probiomix;
- (b) a trade sale of a wholly-owned subsidiary of Probiomix;
- (c) a sale, disposal or licensing, or an arrangement that is in all material respects the same as a sale, disposal or licensing, of or in relation to the proposed commercialisation of the HI-164OV product;
- (d) a joint venture, or an arrangement that is in all material respects the same as a joint venture, to further develop the HI-164OV product;

² HI-164OV is a drug containing killed bacteria (*Haemophilus influenzae*), which is designed to treat Chronic Obstructive Pulmonary Disease (COPD), a serious lung disease that, over time, makes it hard for sufferers to breathe. Hunter is currently conducting Phase IIb clinical trials to test whether the HI-164OV compounds are effective to treat COPD at selected doses.

³ See paragraph 3.2 of this First Supplementary Target's Statement for the full terms of the Probiomix Performance Executive Options.

- (e) any form of partnership, or an arrangement that is in all material respects the same as a form of partnership, to further develop the HI-164OV product;
- (f) any other form of material investment by a third party that has the effect or consequence of assigning a value to the Merged Group that is derived on an independent and arm's length basis; and
- (g) such other commercialisation agreement, arrangement or understanding as agreed between the board of directors of Probiomics and Mr Radford.

The Independent Hunter Directors and the directors of Probiomics believe that this proposed arrangement will better align the interests of Mr Radford and the shareholders of the Merged Group.

3.2 Terms of the Probiomics Performance Executive Options

The material terms of the Probiomics Performance Executive Options are as follows:

- *Issue*

Subject to completion of the Series of Transactions associated with the Hunter Acquisition, Mr Radford will be entitled to a number of Probiomics Performance Executive Options that will entitle Mr Radford to be issued, upon their exercise, that number of Consolidated Probiomics Shares as is equal to the number of Consolidated Probiomics Shares that he would have been issued if he was - as he is currently entitled to be on completion of the Series of Transactions associated with the Hunter Acquisition – issued with 5% of the Hunter Share Capital and accepted Takeover Offers for all those Hunter Shares.

- *Issue Price*

No cash consideration will be payable in connection with the issue and allotment of any Probiomics Performance Executive Option.

- *Entitlement upon Exercise*

Each Probiomics Performance Executive Option entitles Mr Radford to be allotted with one (1) Consolidated Probiomics Share upon exercise of that Probiomics Performance Executive Option.

- *Exercise Price*

No cash consideration will be payable in connection with the exercise of any Probiomics Performance Executive Option.

- *Exercise Period*

Each Probiomics Performance Executive Option will expire upon the earlier of the date of its exercise in accordance with its terms or 5.00 p.m. (AEDST) on 31 January 2016.

- *Conditions to the vesting and exercise of Probiomics Performance Executive Options*

Successful Commercialisation of the HI-164OV product on or before 31 December 2015.

- *Forfeiture*

Each Probiomics Performance Executive Option will be forfeited, with no recourse to the Merged Group, in the event that either:

- (a) Successful Commercialisation does not occur on or prior to 31 December 2015; or
- (b) Mr Radford ceases to be employed by a member of the Merged Group prior to the vesting of the Probiomics Performance Executive Options in accordance with their terms.

- *General Terms*

Consolidated Probiomics Shares issued and allotted pursuant to the exercise of the Probiomics Performance Executive Options will rank equally in all respects with the then existing Consolidated Probiomics Shares on issue in the capital of Probiomics and will be subject to the provisions of Probiomics' Constitution.

Subject to the following paragraphs, a Probiomics Performance Executive Option would not confer upon Mr Radford the right to participate in new issues of securities by Probiomics without Mr Radford first exercising that Probiomics Performance Executive Option. However, Probiomics will ensure that for the purpose of determining entitlements to any such issue, Probiomics will notify Mr Radford of the details of any proposed new issue(s) by the relevant date for the particular issue(s) as determined in accordance with the Listing Rules.

Adjustments to the number of Consolidated Probiomics Shares underlying each Probiomics Performance Executive Option will be made in accordance with the requirements of the Listing Rules to take account of changes to the capital structure of Probiomics by way of pro-rata bonus and cash issues.

The terms of the Probiomics Performance Executive Options do not prevent the Probiomics Performance Executive Options being reconstructed as required by the Listing Rules on a reconstruction of Probiomics' issued capital. The rights of Mr Radford with respect to a Probiomics Performance Executive Option may be changed to the extent necessary to comply with the Listing Rules that apply to a re-organisation of capital at the time of the re-organisation.

In the event of any reconstruction of Probiomics' issued capital, the Probiomics Performance Executive Options will be treated in the following manner:

- in the event of a consolidation of the Consolidated Probiomics Shares, the number of Probiomics Performance Executive Options will be consolidated in the same ratio as the Consolidated Probiomics Shares;
- in the event of a subdivision of the Consolidated Probiomics Shares, the number of Probiomics Performance Executive Options will be subdivided in the same ratio as the Consolidated Probiomics Shares;
- in the event of a pro-rata cancellation of the Consolidated Probiomics Shares, the number of Probiomics Performance Executive Options will be reduced in the same ratio as the Consolidated Probiomics Shares; and
- in the event of any other reconstruction of the issued capital of Probiomics, the number of Probiomics Performance Executive Options will be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Mr Radford which are not conferred on Probiomics Shareholders.

Probiomics will apply to ASX for, and will use its best endeavours to obtain, Official Quotation of all Consolidated Probiomics Shares issued and allotted on the exercise of the Probiomics Performance Executive Options, on a post-Share Consolidation basis, but gives no assurance or undertaking that such quotation or listing will be granted or maintained.

If Probiomics is liquidated, all unexercised Probiomics Performance Executive Options will lapse.

All other terms and conditions of the Probiomics Performance Executive Options will be in accordance with the requirements of the Listing Rules.

3.3 **Probiomics shareholder approval**

The issue of Probiomics Performance Executive Options to Mr Radford will require the approval of Probiomics' shareholders pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act. To this end, Probiomics has lodged with ASX and ASIC a proposed notice of general meeting to convene a meeting of Probiomics' shareholders to be held on 16 March 2012, which it proposes to dispatch to Probiomics shareholders on or about 13 February 2012.

3.4 Changes to capital structure

The proposed variation to the terms of Mr Radford's employment will result in the following changes to Hunter's indicative capital structure immediately prior to completion of the Takeover Bid and the issue of Bid Consideration Securities pursuant to the Takeover Bid as disclosed in Section 4.9.4 of the Target's Statement, namely there will be no Hunter Shares issued to Mr Radford prior to the close of the Takeover Bid Period.

Accordingly, Hunter's indicative capital structure immediately prior to completion of the Takeover Bid and the issue of Bid Consideration Securities pursuant to the Takeover Bid is as follows:

	Hunter Shares	Bid Consideration Shares	
		Pre Consolidation	Post Consolidation
Total existing Hunter Shares	165,158,131	1,486,423,179	74,321,159
Probiomics Shares to be issued as Bid Consideration for the Tranche 1 Note Interests	N/A	454,545,455	22,727,273
Hunter Shares to be issued on conversion of Tranche 2 Notes	60,000,000	540,000,000	27,000,000
Hunter Shares to be issued in consideration for payment of accrued interest on Hunter Convertible Notes ¹	5,493,242	49,439,182	2,471,959
Total		2,530,407,816	126,520,391
<p>1. Based on assumed conversion of Hunter Convertible Notes effective 31 January 2012. Should the date of conversion of the Hunter Convertible Notes be later than this date additional Bid Consideration Shares will be issued as a consequence of additional interest accruing on the Hunter Convertible Notes. The rate of additional Bid Consideration Shares that would need to be issued is set out in Section 4.9.2 of this Target's Statement, in respect of both Tranche 1 Note Interests and Tranche 2 Notes.</p>			

3.5 Effect on Key Dates

As a result of the need to convene the Probiomics shareholders meeting as referred to in paragraph 3.3 above, and in anticipation of the consequences of the resolution to be put to and voted upon by Probiomics shareholders at that meeting being either adopted or rejected, it is necessary to amend the timetable of "Key Dates", as set out at the commencement of the Target's Statement, to the following extent:

Event	Originally Proposed Date	Amended Date
Close of Takeover Bid Period	9 March, 2012	16 March, 2012
Issue of: <ul style="list-style-type: none"> Bid Consideration, being Consolidated Probiomics Shares and Replacement Probiomics Options; and Public Offer Shares, Public Offer Options, Director Options and Probiomics Performance Executive Options 	14 March, 2012	19 March, 2012
Share Consolidation takes effect	21 March, 2012	26 March, 2012
Completion of dispatch of new holding statements to all Probiomics Securityholders to reflect:	28 March, 2012	2 April, 2012

<ul style="list-style-type: none"> • issue of Probiomics Securities (see row 2 above); and • changes in holdings of Probiomics Securities as a result of the Share Consolidation 		
Change in Probiomics' name to "Bioxyne Limited" becomes effective	30 March, 2012	4 April, 2012

As at the date of this First Supplementary Target's Statement, it is not proposed to alter the date of any Event as stated in the "Key Dates" at the commencement of the Target's Statement, other than those Events referred to in the table above.

However, the Hunter Directors reserve the right to vary the date of any Event referred to in the "Key Dates", including the date of any of the Events referred to in the table immediately above.

3.6 Effect on Bid Conditions

The Bid Condition set out in Section 11(i) of Appendix 2 of the Bidder's Statement provides that it is a condition of the Takeover Offers that, during the Takeover Bid Period, no member of the Hunter Group, without the written consent of Probiomics, "*enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager... or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee or consultant ...*". Probiomics has confirmed that it has provided its consent to the variation of the terms of the Hunter Employment Agreement as set out in this Supplementary Target's Statement. Therefore, such variation will not constitute a breach of the Bid Conditions.

Furthermore, Probiomics has confirmed that the Bid Condition set out in Section 18 of Appendix 2 of the Bidder's Statement regarding the approval of the Hunter Shareholders to the issue of the Hunter Performance Shares was satisfied on 9 January 2012. The satisfaction of this Bid Condition is not affected by the proposed variations to Mr Radford's employment, as outlined in this First Supplementary Target's Statement.

4. Contact details

If you have any queries about this First Supplementary Target's Statement, you may contact Hunter's Takeover Offer Information Line on 02 9793 7267 from within Australia or on +61 2 9793 7267 from outside Australia.

5. Authorisation

This First Supplementary Target's Statement has been approved by a unanimous resolution of the Hunter Independent Directors.

Signed for and on behalf of Hunter by Ian Mutton, who is authorised to sign pursuant to a unanimous resolution passed by all Hunter Independent Directors.



Ian Mutton

Chairman

Dated: 27 January 2012