

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

THE MATTERS RAISED IN THIS DOCUMENT WILL AFFECT YOUR SHAREHOLDING IN THE COMPANY. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE THE GENERAL MEETING REFERRED TO BELOW IS CONVENED.

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Probiomics Limited
ABN 97 084 464 193

proposed to be renamed, subject to Shareholder approval,

“Bioxyne Limited”

Notice of General Meeting
and
Related Documentation

NOTICE OF GENERAL MEETING TO BE HELD AT 10.00 A.M. (AEDST) ON 7 FEBRUARY, 2012 IS INCLUDED WITH THIS INFORMATION MEMORANDUM. TO BE VALID, ALL PROXY FORMS FOR USE AT THIS MEETING MUST BE COMPLETED AND RETURNED TO THE COMPANY BY NO LATER THAN 10.00 A.M. (AEDST) ON 5 FEBRUARY, 2012.

Legal Advisers



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PART A: ABOUT THIS DOCUMENT

Shareholders in Probiomics Limited (**Company** or **Probiomics**) are requested to consider this Document, in its entirety. Specifically, Shareholders will be asked to consider and if entitled to do so, vote upon each of the Resolutions at the Meeting of the Company to be held on 7 February, 2012 at 10.00 a.m. (AEDST) at Level 4, 175 Macquarie Street, Sydney New South Wales, 2000.

You can vote by:

- personally attending and voting at the Meeting; or
- appointing someone, including the Chairman of the Company, as your proxy to attend and vote at the Meeting on your behalf, by completing and returning the Proxy Form to the Company in the manner set out on the Proxy Form (see Part I of this Document).

The Company must receive your duly completed Proxy Form by no later than 10.00am (AEDST) on 5 February, 2012. Proxies received after that time or date will be deemed invalid.

Defined Terms

A Glossary of the key terms used throughout this document is contained in Part H of this Document.

ADVICE TO SHAREHOLDERS

Shareholders have been supplied with copies of this Document and the Prospectus. In addition, a copy of the Bidder's Statement can be downloaded from the Company's website – www.probiomics.com.au - and a copy of the Target's Statement can be downloaded from the Target's website – www.hunterimmunology.com.

If any Shareholder has not received a copy of the Prospectus, they should either:

- (a) download a copy of the Prospectus from the Company's website – www.probiomics.com.au; or**
- (b) immediately contact the Company Secretary, being Ashok Jairath on 02 9844 5422 (toll free) from within Australia or on + 61 2 9844 5422 from outside Australia who will arrange for a copy of the Prospectus to be sent to that Shareholder, free of charge.**

This Document contains important information.

Shareholders are advised to read this Document carefully and in its entirety before the convening of the Meeting and voting upon any Resolution or all Resolutions.

This Document does not take into account the individual investment objectives, financial situation and particular needs or objectives of any individual Shareholder.

QUESTIONS FROM SHAREHOLDERS

If any Shareholder has any questions regarding this Document or the proposed Series of Transactions, they should:

- (a) consult their independent financial adviser, stockbroker, lawyer or accountant;**
- (b) contact the Company Secretary, being Ashok Jairath on 02 9844 5422 (toll free) from within Australia or on + 61 2 9844 5422 from outside Australia; and/or**
- (c) visit the Company's website at www.probiomics.com.au.**

PART B: IMPORTANT INFORMATION

Series of Transactions Timetable

Set out below are the proposed key dates relating to the Series of Transactions. These dates are indicative only and are subject to possible change.

Event	Anticipated Date
ASX announcement of Series of Transactions	11 October, 2011
Notice of Meeting lodged with ASX	13 December, 2011
Dispatch of Notice of General Meeting and Prospectus	5 January, 2012
Record Date for voting at the Meeting	5 February, 2012
Close of Public Offer period	6 February, 2012
Convening of Meeting	7 February, 2012
Notify ASX of results of Meeting	7 February, 2012
Lodge application to ASX for re-admission of the Company's securities	8 February, 2012
Close of Takeover Bid Period †	9 March, 2012
Issue of Bid Consideration, Public Offer Shares, Public Offer Options and Director Options	14 March, 2012
Last day for trading in the Company's securities on a pre-Share Consolidation basis	14 March, 2012
Commencement of trading on a deferred settlement basis	15 March, 2012
Last day to accept registration of transfers of the Company's securities on a pre-Share Consolidation basis	21 March, 2012
Share Consolidation takes effect	21 March, 2012
Last day for trading on a deferred settlement basis	28 March, 2012
Company completes dispatch of new holding statements to Shareholders. Company to advise ASX prior to noon that the dispatch has occurred	28 March, 2012
Normal trading (i.e. with an obligation to settle on a trade date plus 3 business days) in the Company's securities on a post-Share Consolidation basis commences	29 March, 2012
Change in Company name becomes effective	30 March, 2012

****Notwithstanding the above timetable, it is anticipated that, on the day of the Meeting, the ASX will suspend the Official Quotation of the Shares and the suspension will continue until**

such time as the Company has satisfied Chapters 1 & 2 of the Listing Rules. The duration of the period of suspension of the Shares from quotation by ASX is expected to be 20 Business Days, but could be longer.

Please note that the above timetable is indicative only and are likely to be varied in consultation with ASX. Any changes to the above timetable will be released to ASX.

† In particular, and as is required under the Corporations Act, permission for Re-admission must be granted no later than 7 days after the end of the Takeover Bid Period (see Section 19 in Appendix 2). As the Company has no effective control over if and when such permission is granted, the above stated date for the close of the Takeover Bid Period is only a “good faith” estimate by the Directors and may have to be delayed.

All references to time in this Document are references to Australian Eastern Daylight Saving time (AEDST).

Record Date

The Directors have determined that for the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the persons eligible to attend and vote at the Meeting are those persons who are registered as Shareholders at 7.00 p.m. (AEDST) on 5 February, 2012.

Responsibility for information

Subject to the comments below, the information contained in this Document, the Prospectus and the Bidder’s Statement (collectively, the **Transaction Documents**), including financial information and information as to the views and recommendations of the Directors, is the responsibility of the Company and the Directors.

However all the information in:

- Part F, Paragraph B (insofar as it relates to Hunter), Part F, Paragraph C, subparagraphs 7 to 12 (inclusive) and Part G, Sections 2.2, 2.3, 2.4, 3.2 and 5.3 of this Document;
- Sections 1.2 (insofar as it relates to Hunter), 1.2.3, 1.4, 3.2, 4.2, 5.3, 6.2.2 and 6.4 of the Prospectus; and
- the Target’s Statement,

is, subject to any disclaimers contained therein, the responsibility of Hunter and the Hunter Directors; and

- the information in the Independent Expert’s Report is, subject to any disclaimers contained therein, the responsibility of the Independent Expert.

Foreign Jurisdictions

The distribution of the Transaction Documents in jurisdictions outside Australia may be restricted by law and persons who come into possession of any of those documents should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. None of the Transaction Documents constitutes an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

Forward looking Statements

Some of the statements appearing in the Transaction Documents are in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events.

You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to matters to which the statements relate. Forward looking statements and statements in the nature of forward looking statements are only predictions and are subject to inherent risks and uncertainties before actual outcomes are achieved. Those risks and uncertainties:

- are not all within the control of the Company or Hunter and cannot be predicted with assured accuracy by the Company or Hunter;
- include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which the Company or Hunter, their respective related bodies corporate and/or joint ventures and associated undertakings operate or propose to operate; and
- general economic conditions, acts of terrorism, acts of nature, health epidemics, prevailing exchange rates and interest rates and conditions in the financial markets that may cause objectives to change or may cause outcomes not to be realised or realised differently than originally contemplated or described.

Although the Company believes that the expectations reflected in any forward looking statements included in the Transaction Documents are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual outcomes, events or results are likely to differ – possibly to a material extent - from the outcomes, events or results expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in the Transaction Documents.

None of the Company nor their respective officers, or persons named in a Transaction Document with their consent or any person involved in the preparation of the Transaction Documents makes any representation or warranty (expressed or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any outcomes expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in a Transaction Document.

All Shareholders are cautioned not to place undue reliance on any forward looking statement or any statement in the nature of a forward looking statement having regard to the fact that the outcome may not be achieved. The forward looking statements and statements in the nature of forward looking statements in the Transaction Documents reflect views held only as at the date of the relevant Transaction Document.

PART C: LETTER FROM THE CHAIRMAN

5 January, 2012

Dear Shareholder

This letter forms part of a group of documents containing details of proposals for Probiomics Limited (**Company**).

We request your careful consideration of this Document in arriving at a decision as to how you wish to vote in respect of any and all of the proposed resolutions that are intended to authorise the Company to engage in the proposed Series of Transactions referred to below.

Proposed Series of Transactions

It is proposed that:

- (a) the Company make an “off” market takeover bid for all of:
 - (i) the Hunter Shares and any Hunter Shares that are issued pursuant to the conversion of a Hunter Convertible Note or the exercise of any Hunter Option, at any time from and including the Takeover Record Date to and including the last day of the Takeover Bid Period;
 - (ii) the Tranche 1 Note Interests; and
 - (iii) the Hunter Options,

(Takeover Bid), subject to conditions that will include the Company receiving acceptances in respect of no less than 90% (by number) of all the Hunter Shares, the Tranche 1 Note Interests and the Hunter Options **(90% Condition)**;
- (b) the Company issuing approximately 2.656 billion Shares and 150.3 million Options, as the consideration offered by the Company in the Takeover Bid to Hunter Securityholders will be:
 - (i) 9 Shares (prior to the Share Consolidation) for each 1 Hunter Share held;
 - (ii) 9 Shares (prior to the Share Consolidation) for each 1 Tranche 1 Note Interest; and
 - (iii) 9 Replacement Options (prior to the Share Consolidation) for each 1 Hunter Option,held at the Takeover Record Date;
- (c) during the course of the Takeover Bid, the Company will also use its best endeavours to raise new capital of up to a minimum of \$2,200,000 and a maximum of \$4,400,000 **(Public Offer)** through the issue of a minimum of 200,000,000 and a maximum of 400,000,000 Shares **(Public Offer Shares)** at an issue price (prior to the Share Consolidation) of \$0.011 per Public Offer Share, together with the issue for no additional consideration of 1 Public Offer Option for each 3 Public Offer Shares issued under the Public Offer,

exercisable at \$0.0165 each on or before 31 March, 2013 (**Public Offer Options**). The issue of the Public Offer Shares and Public Offer Options will be conditional upon:

- (i) the Takeover Bid being declared Unconditional; and
 - (ii) the occurrence of the Re-admission Notification Date;
- (d) subject to the completion of the Takeover Bid and Public Offer, the Company proposes to seek to change its name to “Bioxyne Limited”;
- (e) the Company will be re-organising its capital structure after completion of the Takeover Bid and Public Offer (and assuming that the Company receives the Maximum Subscription under the Public Offer) by effecting a 1 for 20 Share consolidation in order to reduce its share capital from approximately 3.384 billion Shares to approximately 169.22 million Shares (on an undiluted basis) and 185.38 million Shares (on a fully diluted basis) (**Share Consolidation**) - assuming 100% acceptance of the Takeover Bid and the issue of the Maximum Subscription of Public Offer Shares and Public Offer Options;
- (f) immediately prior to the Share Consolidation being implemented, the Company issue 20,000,000 Director Options to the current Directors and Company Secretary, in consideration of their past services to the Company; and
- (g) Ian Mutton, David Radford, Jeremy Curnock Cook, Doug Wilson, Glenn Crisp and William Harrison be appointed to the board of the Company.

Purpose and Expected Benefits of Series of Transactions

The purpose of this Public Offer is to raise sufficient funds to enable the merged company to complete Phase IIb clinical trials to test whether its compound HI-164OV, an enteric-coated tablet containing killed bacteria (*Haemophilus influenzae* or *H. influenzae*), which demonstrated positive results in Phase IIa trials¹ (particularly on patients with moderate to severe Chronic Obstructive Pulmonary Disease (**COPD**)), is effective to treat COPD at selected doses. COPD is a serious lung disease that, over time, makes it hard for sufferers to breathe. The condition is often known by other names like emphysema or chronic bronchitis.

The funds raised under the Public Offer will also allow the merged company to pursue further applications of Probiomics’ proprietary PCC® strain of *Lactobacillus fermentum* in vaccines, veterinary and over the counter (**OTC**) products.

Expected benefits arising from the proposed merger include:

- a near term value enhancement step for investors, being the outcomes from Hunter’s HI-164OV Phase IIb trials, which are expected to be available in the second quarter of calendar 2012;
- similar modes of action between the Probiomics PCC® strain and Hunter HI-164OV compounds, and the opportunity to create an expanded company

¹ Phase IIa trials are clinical trials in patients conducted for the purpose of identifying the most appropriate dosage of a drug.

focused on probiotics² and therapeutic technologies as currently exist within the Company and Hunter, under the guidance of an experienced Board of Directors, management and Medical Advisory Board with material prior experience in probiotics and therapeutic treatments; and

- synergies to be obtained through the Newcastle-based Hunter research facilities and leveraging the management of Hunter.

Suspension and re-admission of the Company to ASX

In light of the fact that the proposed Series of Transactions will, in the opinion of ASX, result in a significant change to the scale of the Company, it will be necessary for the Company to apply to ASX, immediately prior to the convening of the Meeting, for the suspension of the Official Quotation of its Shares. That suspension will commence on the day of the Meeting.

Immediately after the Meeting, and irrespective of whether or not the Essential Resolutions are passed at the Meeting, the Company will apply to ASX for the Company to be re-admitted to the Official List and for the termination of that suspension. Assuming that all the Essential Resolutions are passed at the Meeting, Re-admission will only occur when and if ASX has accepted that certain conditions set out in Chapters 1 and 2 of the Listing Rules have been satisfied, including:

- (a) the Company having at least 400 Shareholders each with Shareholdings of no less than \$2,000, and of which no more than 25% in number are held by Shareholders who are related parties of each other;
- (b) the value of the Shares being at least \$0.20 per Share, at the time upon which the termination of the suspension of the trading of the Shares occurs;
- (c) the provision to ASX of audited or reviewed accounts of the Company for the last 3 financial years; and
- (d) the Company having a market capitalisation of at least \$10,000,000 and working capital of at least \$1,500,000.

The duration of the period of suspension of the Shares from quotation by ASX is expected to be 20 Business Days, but could be longer.

If any or all of the Essential Resolutions are not passed at the Meeting, it is expected that the Company in its present form – and without completing the Takeover Bid or the Public Offer, and hence without issuing any of the Bid Consideration, Public Offer Shares, Public Offer Options or Director Options– is expected to be re-admitted to the Official List relatively quickly, as it will no longer be required to satisfy any of the requirements of either Chapter 1 or Chapter 2 of the Listing Rules.

² Probiotics are living natural microorganisms that have been shown to be supportive of health and well being. They support the immune system and are usually ingested in the form of fermented foods, such as yoghurt.

Recommendations of Directors

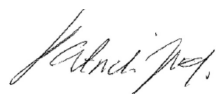
Each of the current Directors – being myself, Simon Taylor and Simon O’Loughlin - recommend that you vote in favour of each of the Resolutions (other than the Fifth Resolution) set out in the Notice of General Meeting. We each confirm that, in our capacity as a Shareholder, we will be casting all the votes that we are entitled and permitted to cast in respect of all our Shares, in favour of each of the Resolutions (other than the Fifth Resolution).

For the reasons outlined in Part G, Section 7.1, we do not make any recommendation in relation to the Fifth Resolution, which relates to the proposed issue of the Director Options to each of current Directors in consideration for their past services to the Company. Furthermore, we will not be permitted to vote in respect of the Fifth Resolution.

In addition, I also ask that you have regard to the other personal interests that I have in the Company – as set out in Part G, Section 7.1 below - before you decide how to vote in regard to any Resolution and whether or not you will participate in the Public Offer or accept an offer under the Takeover Bid.

Your vote is very important and you are encouraged to either personally attend the Meeting or complete the Proxy Form accompanying the Notice of General Meeting and return it in accordance with the directions provided.

Yours faithfully



Patrick Ford
Chairman

PART D: REASONS TO VOTE IN FAVOUR OF AND AGAINST THE RESOLUTIONS

IN FAVOUR

The reasons as to why the Directors recommend that you vote in favour of all Resolutions (other than the Fifth Resolution) should be read together with the detailed information set out elsewhere in this Document.

You should read this Document in its entirety before deciding whether to vote in favour of any or all of the Resolutions.

The major benefits associated with the proposed Series of Transactions that are expected to arise are:

1. Synergistic benefits

- creation of a common focus upon building both a therapeutic and consumer focused business that have a similar platform on which they can grow;
- the research facilities that Hunter utilises in Newcastle will assist the Company in its pursuit of the development of new probiotic opportunities for sale both in Australia and internationally;
- the merger between the Company and Hunter will offer some synergies in the management of their respective businesses;
- there will be greater liquidity in the Shares due to the increased number of Shareholders and volume of Shares on issue; and
- the Company's balance sheet will be considerably strengthened through the receipt of funds pursuant to the Public Offer, which the Directors believe would be unlikely to succeed without the prospect of the proposed merger of businesses between the Company and Hunter.

2. **Technological Synergies:** set out below is a summary of the comparisons between the Company and Hunter that shows that the technologies and scientific approaches adopted by both are almost identical in their overall requirements and methodologies. It should also be noted that the commercialisation model for both businesses is very similar, with both businesses looking to develop a technology and then enter into a partnership or licence agreement with a significant global partner.

Comparator	Company	Hunter
Mucosal immunology-based science	✓	✓
Scientific skills required to manage the business and develop business partnerships	✓	✓
Core competency in the identification and	✓	✓

Comparator	Company	Hunter
development of bacteria to be used in products which are then commercialised by partners		
Mechanism of action of products – absorption of bacteria through mucosa to trigger immune response at the Peyer’s Patches ³	✓	✓
Isolation and selection of bacteria using similar techniques of isolation/identification/ characterisation	✓	✓
Fermentation for the culturing of bacteria, utilising outsource partners	✓	✓
Clinical evaluations to justify the clinical efficacy of products	✓	✓
Regulatory requirements for product claims and quality of manufacture	✓	✓

3. **Experienced Board and Management Team:** The prospect of having an experienced board of directors and medical advisory board with material prior experience in probiotics and therapeutic treatments is expected to enable management to build a business that leverages business skills and assist in identifying, acquiring, developing and operating assets in the health and research industries.
4. **Recommendation by Hunter Directors:** The Hunter Directors – other than David Radford, who is unable to make a recommendation due to having a material personal interest in the outcome of the proposed Series of Transactions – have unanimously recommended that Hunter Securityholders accept the Takeover Bid in the absence of a superior offer. Furthermore, all of the Hunter Directors have indicated their intention to accept the Takeover Bid in respect of their personal holdings in the absence of a superior offer.

AGAINST

1. Dilution of Shareholdings and Optionholdings

Once the proposed Series of Transactions have been completed, and all other issues of Shares and Options that are the subject of the Resolutions are effected, Shareholders will have their respective Shareholdings and Optionholdings materially diluted.

³ Peyer’s Patches are dense collections of specific immune cells, i.e. lymphocytes, which act as staging posts for the initiation of immune reactions. They are found at a number of different sites in the body, such as in the walls of the small intestine.

2. Uncertainty surrounding Hunter’s intellectual property

Shareholders may be of the view that the value being attached to the Hunter Shares, the Tranche 1 Note Interests or the Hunter Options and indirectly the commercial potential of Hunter’s intellectual property – as reflected in the terms of the offers proposed to be made under the Takeover Bid – is excessive.

3. Risks with commercialisation of Hunter’s intellectual property

Shareholders may believe that the risks associated with the Series of Transactions in general or the proposed commercialisation of Hunter’s intellectual property in particular, are too great to be acceptable. In this regard, attention is drawn to Part G, Section 5 of this Document, which sets out a detailed description of the risks associated with the Series of Transactions.

PART E: NOTICE OF GENERAL MEETING

NOTICE is hereby given that a general meeting of members of Probiomics Limited ABN 97 084 464 193 (**Company**) will be held at Level 4, 175 Macquarie Street, Sydney on 7 February, 2012 at 10.00 a.m. (AEDST).

Definitions

Unless expressly provided otherwise, each capitalised term used in this Notice of General Meeting has the same meaning as is ascribed to it in Part H of this Document.

BUSINESS

1. To be passed as an Ordinary Resolution - change in scale of Company

Subject to all other Essential Resolutions being passed, to consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That in accordance with ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a change to the scale of its activities, in the manner described in the Explanatory Memorandum.”

(First Resolution)

2. To be passed as an Ordinary Resolution – Excluded Offer

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

“That in accordance with Listing Rule 7.4 and for all other purposes, approval is given in respect of the issue and allotment of 33,333,334 Excluded Offer Shares that were issued at \$0.006 per Excluded Offer Share pursuant to the provisions of the Excluded Offer.”

(Second Resolution)

3. To be passed as an Ordinary Resolution – Public Offer

Subject to all other Essential Resolutions being passed, to consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That in accordance with Listing Rule 7.1 and for all other purposes, approval is given for the Company, on and from the Completion Date, to issue and allot:

- *no less than 200,000,000 Public Offer Shares at \$0.011 per Public Offer Share to raise no less than \$2,200,000.00 and no more than 400,000,000 Public Offer Shares at \$0.011 per Public Offer Share to raise no more than \$4,400,000.00; and*
- *one Public Offer Option, exercisable at \$0.0165 each on or before 31 March, 2013, and issued for no additional cash consideration, for every 3 Public Offer Shares issued to an applicant under the Public Offer,*

and each otherwise pursuant to the provisions of the Public Offer.”

(Third Resolution)

4. To be passed as a Special Resolution – Change of name

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

“That in accordance with Section 157 of the Corporations Act and for all other purposes, but subject to the occurrence of the Completion Date, the Company change its name from “Probiomics Limited” to “Bioxyne Limited”.”

(Fourth Resolution)

5. To be passed as an Ordinary Resolution – Issue of Director Options

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

“That in accordance with Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, approval is given for the Company, but subject to the occurrence of the Completion Date, to issue and allot up to 20,000,000 Options to Directors and the Company Secretary, on the terms and conditions and otherwise as set out in the Explanatory Memorandum.”

(Fifth Resolution)

6. To be passed as an Ordinary Resolution - Share consolidation and adjusting terms of Existing Options

Subject to all other Essential Resolutions being passed, to consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That pursuant to Section 254H of the Corporations Act, 2001 (Cth), but subject to the occurrence of the Completion Date, the Company be authorised to:

- (a) consolidate the number of Existing Shares in the ratio of twenty (20) for one (1); and*
- (b) immediately upon effecting the consolidation referred to in paragraph (a), adjust the terms and conditions of any Existing Option in accordance with Listing Rule 7.22.1,*

which consolidation will take place immediately after the issue of the Public Offer Shares, Public Offer Options, Bid Consideration and Director Options.”

(Sixth Resolution)

7. To be passed as an Ordinary Resolution - Appointment of Ian Mutton as a Director

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

“That Ian Mutton having consented to act as a director of the Company, and being eligible, be elected as a Director with effect on and from the Completion Date.”

(Seventh Resolution)

8. **To be passed as an Ordinary Resolution - Appointment of David Radford as a Director**

Subject to all other Essential Resolutions being passed, to consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That David Radford having consented to act as a director of the Company, and being eligible, be elected as a Director with effect on and from the Completion Date.”

(Eighth Resolution)

9. **To be passed as an Ordinary Resolution - Appointment of Jeremy Curnock Cook as a Director**

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

“That Jeremy Curnock Cook having consented to act as a director of the Company, and being eligible, be elected as a Director with effect on and from the Completion Date.”

(Ninth Resolution)

10. **To be passed as an Ordinary Resolution - Appointment of Glenn Crisp as a Director**

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

“That Glenn Crisp having consented to act as a director of the Company, and being eligible, be elected as a Director with effect on and from the Completion Date.”

(Tenth Resolution)

11. **To be passed as an Ordinary Resolution - Appointment of William Harrison as a Director**

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

“That William Harrison having consented to act as a director of the Company, and being eligible, be elected as a Director with effect on and from the Completion Date.”

(Eleventh Resolution)

12. **To be passed as an Ordinary Resolution - Appointment of Douglas Wilson as a Director**

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

“That Douglas Wilson having consented to act as a director of the Company, and being eligible, be elected as a Director with effect on and from the Completion Date.”

(Twelfth Resolution)

Dated: 5 January, 2012

By order of the Board

A handwritten signature in black ink, appearing to read 'Ashok Jairath', with a horizontal line drawn underneath the name.

.....
Ashok Jairath
Company Secretary

PART F: NOTICE REQUIREMENTS FOR RESOLUTIONS

A. Background to applicable Listing Rules

(i) Listing Rule 7.1

Listing Rule 7.1, known as the “15% rule”, limits the capacity of a company to issue securities without the approval of its shareholders. In broad terms, that Listing Rule provides that a company may not, in a twelve month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period unless the issue is approved by shareholders or otherwise it comes within one of the exceptions to Listing Rule 7.1.

(ii) Listing Rule 7.4

A company in general meeting can ratify, by passage of an ordinary resolution, a previous issue of securities that was within the above 15% limit so that the previous issue can be treated as having been made with shareholder approval for the purposes of Listing Rule 7.1.

Listing Rule 7.4 known as the “*Subsequent approval of an issue of securities*” rule, validates an issue of securities made without approval under Listing Rule 7.1 as if it had been made with approval for the purposes of Listing Rule 7.1 if the following applies:

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

(iii) Listing Rule 10.11

Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities to any of the following persons without the approval of holders of ordinary securities:

- (a) a related party; or
- (b) a person whose relationship with the entity or a related party is, in the ASX’s opinion, such that approval should be obtained.

If shareholder approval is obtained under Listing Rule 10.11, further approval is not required under Listing Rule 7.1 (see Listing Rule 7.2, Exception 14).

(iv) Listing Rules 11.1, 11.2 and 11.3

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

- (a) the entity must give ASX information regarding the change and its effect on future potential earnings and any other information that ASX asks for;

- (b) if ASX requires, the entity must get the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, the entity must meet the requirements in Chapters 1 and 2 of the Listing Rules as if the entity were applying for admission to the official list.

Listing Rule 11.2 provides that if the significant change involves the entity disposing of its main undertaking, the entity must get the approval of holders of its ordinary securities and comply with any requirements of the ASX in relation to the notice of meeting.

Listing Rule 11.3 permits the ASX to suspend the official quotation of an entity's securities until the latter has satisfied the requirements of Listing Rules 11.1 or 11.2.

In light of the nature of the Series of Transactions, the Directors believe that:

- (a) the Company is obliged to comply with the provisions of Listing Rule 11.1; and
- (b) in all likelihood, the ASX will suspend the official quotation of the Company's securities until the Company has satisfied the applicable requirements of Chapters 1 and 2 of the Listing Rules.

(v) **Corporations Act, section 208(1)**

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party, the company must obtain the approval of its members, unless an exception applies.

(vi) **Corporations Act, section 254H(1)**

Section 254H(1) permits a company to convert all or any of its shares into a larger or smaller number by resolution passed at a general meeting.

B. Background to Probiomics Limited and Hunter Immunology Limited

Probiomics Limited

Formerly known as VRI BioMedical Limited, the Company was incorporated in 1998 and listed on ASX in December 2000, to fund the research and development of a portfolio of projects in mucosal immunology.

In late 2003, the Company resolved to focus primarily on the commercialisation and further development of its proven probiotic technology, with its lead probiotic, PCC®, a novel and patent protected strain of *Lactobacillus fermentum*. Probiomics' proprietary probiotic strain PCC® has been patented in a range of countries around the world, and there is strong evidence that PCC® maintains intestinal health by inhibiting disease-causing micro-organisms, restoring a healthy balance of friendly bacteria, and boosting the immune system. By way of background, Probiomics' probiotic strain PCC® is absorbed through the Peyer's Patches in the human gut,

which then activates an immune response targeting ailments such as those indicated above.

For further information on the Company and its activities, please see section 4.1 of the Prospectus, a copy of which accompanies this Document and can be viewed and/or downloaded from the Company's website – www.probiomix.com.au.

Hunter Immunology Limited

Hunter Immunology Limited ABN 92 105 556 094 (**Hunter**) was incorporated in October, 2003 and is an unlisted public company with approximately 283 individual shareholders.

Hunter operates as a clinical-stage biotechnology company to develop a range of orally-administered vaccines to reduce the number and severity of exacerbations in patients with Chronic Obstructive Pulmonary Disease (**COPD**), a serious lung disease characterised by chronic inflammation of the airways causing irreversible damage, and in turn shortness of breath, wheezing and coughing, which progressively gets worse over time. People with COPD are susceptible to sudden 'flare-ups' (or exacerbations) – that is, a sudden worsening of symptoms – which result in increased use of drugs such as corticosteroid drugs⁴, administration of antibiotics and often hospitalisation. Exacerbations are often but not always triggered by infections of the airways.

The origins of this technology stem from pioneering work conducted in the mid 1980s at the Newcastle Mucosal Immunology Group (**NMIG**) led by Emeritus Professor Robert Clancy AM. This group recognised that oral administration of inactivated microbes could stimulate the immune system and potentially prevent infections in the airways, middle ear, sinuses, reproductive tract and the gut, that in general are not well addressed by available therapies.

Early work by Professor Clancy and NMIG led to the development of an experimental product (**Broncostat**), an enteric-coated tablet containing killed *H. influenzae* which was shown to be safe and effective in a number of published clinical trials in COPD.⁵

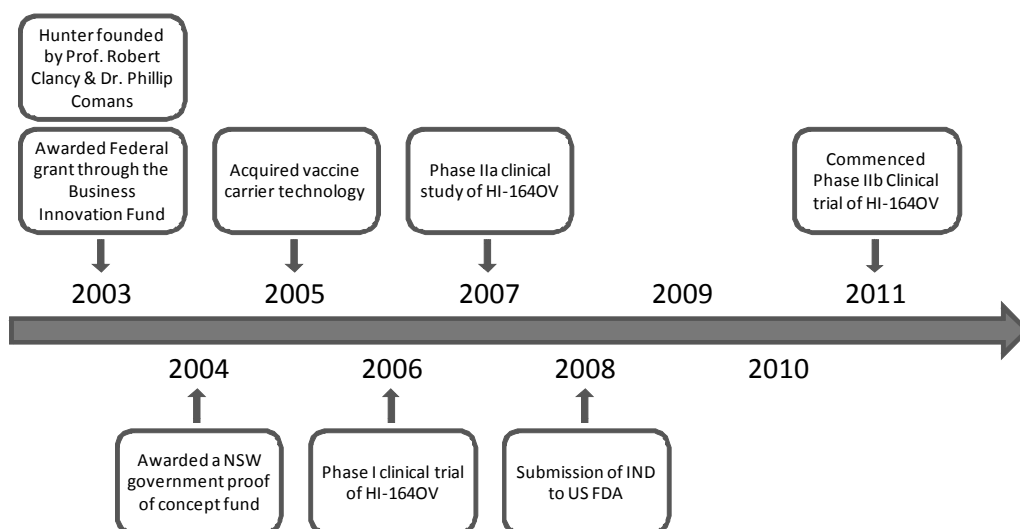
Broncostat was marketed as an OTC product for about 4 years in Australia only. Following on from the development of Broncostat, Hunter developed novel technologies leading to development of an improved active ingredient in a new version of the oral vaccine.

Subsequent research efforts led to the development of HI-164OV and its subsequent clinical evaluation. HI-164OV is an enteric-coated tablet containing killed bacteria (*Haemophilus influenzae*) that has demonstrated positive Phase IIa data, particularly in patients with moderate to severe COPD. Recent study results have indicated that use of HI-164OV may enable a significant reduction in antibiotic usage.

⁴ Corticosteroids are long established drugs which control inflammation derived from natural hormones.

⁵ *H. influenzae* bacteria in the vaccine tablet were killed so that it would not infect, but would rather immunise and thereby protect, the patient.

A time line of Hunter's activities and developments over the last 8 years are set out below:



For further information on Hunter and its activities, please see section 4.2 of the Prospectus.

C. The Resolutions

1. First Resolution – change in scale of the Company

The Company has made a takeover bid to acquire all of the Hunter Shares, the Tranche 1 Note Interests and the Hunter Options (**Takeover Bid**). It is a condition of the Takeover Bid that Shareholders approve, by passing the First Resolution, the change in scale of the Company's activities as a result of the acquisition of all the Hunter Shares, the Tranche 1 Note Interests and the Hunter Options under the Takeover Bid.

After completion of the Takeover Bid in accordance with its terms, it is expected that:

- (a) the Company will have acquired a relevant interest in no less than 90% (by number) of all:
 - (i) Hunter Shares and accordingly, be entitled to acquire compulsorily all Hunter Shares (if any) that were not the subject of an acceptance under the Takeover Bid;
 - (ii) Tranche 1 Note Interests and accordingly, be entitled to acquire compulsorily all Tranche 1 Note Interests (if any) that were not the subject of an acceptance under the Takeover Bid; and
 - (iii) Hunter Options and accordingly, be entitled to acquire compulsorily all Hunter Options (if any) that were not the subject of an acceptance under the Takeover Bid;

- (b) the Company will have issued approximately 2,656,928,206 Shares and 150,329,079 Options to Hunter Securityholders, prior to the issue of any Public Offer Shares and Public Offer Options;
- (c) the current Hunter Securityholders will collectively hold 89.0% of all Voting Shares, on a fully diluted basis, prior to the issue of any Public Offer Shares and Public Offer Options;
- (d) subject to the passage of the Seventh Resolution, Eighth Resolution, Ninth Resolution, Tenth Resolution, Eleventh Resolution and Twelfth Resolution, the board of Directors will be constituted by Ian Mutton, David Radford, Jeremy Curnock Cook, Glenn Crisp, William Harrison and Douglas Wilson as nominees of Hunter, as well as Patrick Ford from the current Directors; and
- (e) Simon Taylor and Simon O'Loughlin will retire from their office as Director.

Part G of this Document contains an Explanatory Memorandum in relation to the Series of Transaction, which sets out:

- the background of the Hunter business;
- the consideration being paid by the Company in connection with the Takeover Bid, including the terms of the Hunter Options, the Tranche 1 Note Interests and the Replacement Options; and
- the proposed activities of the Company following completion of the Series of Transactions.

A pro-forma balance sheet of the Company after the completion of the Series of Transactions is set out in Part G, Section 4.2.

The ASX has indicated to the Company that:

- (a) if the Takeover Bid is successful, the Company will have effected a significant change in the scale of its activities; and
- (b) in light of the extent of that change and all the surrounding circumstances, the Company will be obliged to seek the approval of Shareholders to the proposed acquisition of all the Hunter Shares, Tranche 1 Note Interests and Hunter Options (see Listing Rule 11.1.2).

It is for this reason that the Shareholders are being asked to consider and vote upon the First Resolution.

In addition, Shareholders should be aware that:

- (a) in light of the fact that the proposed Series of Transactions will result in a significant change to the scale of the Company, it will be necessary for the Company to apply to ASX, immediately prior to the convening of the Meeting, for the suspension of the Official Quotation of its Shares. That suspension will commence on the day of the Meeting; and

- (b) immediately after the Meeting, and irrespective of whether or not the Essential Resolutions are passed at the Meeting, the Company will apply to ASX for the Company to be re-admitted to the Official List and for the termination of that suspension. Assuming that all Essential Resolutions are passed at the Meeting, Re-admission will only occur when and if ASX has accepted that certain conditions set out in Chapters 1 and 2 of the Listing Rules have been satisfied, including:
- (i) the Company having at least 400 Shareholders each with Shareholdings of no less than \$2,000, and of which no more than 25% in number are held by Shareholders who are related parties of each other;
 - (ii) the value of the Shares being at least \$0.20 per Share, at the time upon which the termination of the suspension of the trading of the Shares occurs;
 - (iii) the provision to ASX of audited or reviewed accounts of the Company for the last 3 financial years; and
 - (iv) the Company having a market capitalisation of at least \$10,000,000 and working capital of at least \$1,500,000.

The duration of the period of suspension of the Shares from quotation by ASX is expected to be 20 Business Days, but could be longer.

Before making a decision as to how a Shareholder may wish to vote in respect of the First Resolution, the Directors recommend that all Shareholders carefully review each of:

- (a) this Document, particularly the Explanatory Memorandum in Part G of this Document; and
- (b) the Prospectus, a copy of which accompanies this Document.

Voting Exclusion Statement

In accordance with Listing Rule 11.1.2, the Company will disregard any votes cast on the First Resolution by:

- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the First Resolution is passed; and
- any Associate of any such person.

However, the Company will not disregard a vote if:

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

2. Second Resolution – Excluded Offer

In order to enable the Company to pay for the significant professional costs and disbursements that it expects to incur in the course of seeking to effect and complete the Series of Transactions, on 3 November, 2011 the Company announced that it will raise \$200,000.00 through the issue and allotment of 33,333,334 Shares at \$0.006 per Share (**Excluded Offer**). The Excluded Offer will be underwritten by Veritas Securities Limited and Taylor Collison Limited on a best endeavours basis and will be effected by issuing and allotting the abovementioned Shares (**Excluded Offer Shares**) only to Sophisticated Investors, thereby materially decreasing the disclosure obligations that the Company would otherwise be required to comply with – as well as the consequential time and costs involved in such an offering.

In accordance with the requirements of ASX and the Listing Rules, the Directors advise that, upon or after the closing of the Excluded Offer:

- (a) a trading lock will be imposed over all Excluded Offer Shares from the date of their issue and allotment under the Excluded Offer until the Re-admission Date;
- (b) each allottee of Excluded Offer Shares (each an **Excluded Offer Allottee** and as detailed in the table set out in paragraph (c) below) has given or will be required to give the Company a written undertaking that it will not dispose of or encumber their relevant interest in any of the Excluded Offer Shares that it holds until the Re-admission Date; and
- (c) all of the Excluded Offer Shares will not be able to be traded until the second anniversary of the Re-admission Date.

In accordance with the disclosure requirements of Listing Rule 7.5:

- (a) 33,333,334 Shares were allotted and issued by the Company to the Excluded Offer Allottees on 3 November, 2011;
- (b) the consideration paid by the Excluded Offer Allottees was \$0.006, payable in full prior to issue and allotment, for each Excluded Offer Share;
- (c) the allottees of the Excluded Offer Shares (each an **Excluded Offer Allottee**) were:

Excluded Offer Allottees	Number of Excluded Offer Shares
Taycol Nominees Pty Limited	16,666,667
Penson Australia Pty Limited (Veritas Account)	16,666,667

- (d) the terms of the Excluded Offer Shares were, upon issue and allotment, and remain identical to the terms of all other Shares, and the material terms of which are summarised as follows:

(i) Share capital

Subject to the Constitution, Corporations Act and Listing Rules, the Directors may issue, or grant options in respect of, Shares on such terms as the Directors think fit. The Company may also issue preference shares (including preference shares that are liable to be redeemed).

(ii) Voting rights

At a general meeting of the Company, every Shareholder present in person, by an attorney, representative or proxy has one (1) vote on a show of hands and every Shareholder present has one (1) vote on a poll, for each fully paid Share held, and, in respect of each partly paid Share, a fraction of a vote equal to the proportion that the amount(s) paid (not credited) on the Share bears to the total amount(s) paid and payable on that Share (excluding amounts credited).

Where, in respect of a resolution, there is an equality of votes, the chairperson will have the casting vote.

(iii) Dividend rights

Subject to the Corporations Act, the Directors may resolve to pay dividends on the Shares as the financial position of the Company justifies.

Dividends in respect of a partly-paid Share will be paid proportionately to the amount(s) paid (not credited) on that Share.

(iv) Rights on winding-up

If the Company is wound up:

- (A) any surplus assets of the Company will, subject to the Constitution and any rights or restrictions attached to any shares issued in capital of the Company, be divided among the Company's shareholders in proportion to the number of shares held by them in the Company (reduced by any amount unpaid on those shares); and
- (B) the liquidator may, with the authority of a special resolution, divide the property of the Company amongst its shareholders in kind and determine how the division is to be carried out as between the shareholders or different classes of shareholders.

(v) Transfer of Shares

Shares in the Company may be transferred, subject to the requirements of the Constitution, the Corporations Act, the Listing Rules and the other market and clearing rules of the ASX.

The Directors may refuse to register a transfer of Shares where the instrument of transfer is not in accordance with the requirements of the Constitution or where otherwise permitted by the Listing Rules.

(vi) Variation of rights attaching to Shares

The rights attaching to any class of shares in the Company may only be varied or cancelled by a special resolution passed at a meeting of the holders of the shares of that class, or, with the written consent of the holders of seventy-five percent (75%) of the shares of that class.

(vii) General meeting

Each Shareholder, each Director and the Company's auditor is entitled to receive notice of, and to attend, general meetings of the Company;

- (e) \$200,000.00 in immediately payable funds were received on allotment of the Excluded Offer Shares; and
- (f) the funds referred to in sub-paragraph (e) immediately above will be applied towards the payment of professional costs and disbursements that the Company expects to incur in the course of seeking to effect and complete the Series of Transactions and any balance will be retained as working capital of the Company.

Voting Exclusion Statement

The Company will disregard any votes cast on the Second Resolution by:

- an Excluded Offer Allottee; and
- any Associate of an Excluded Offer Allottee.

However, the Company will not disregard a vote if:

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

3. Third Resolution – Public Offer

It is proposed to raise no less than \$2,200,000.00 and no more than \$4,400,000.00 in the course of the Public Offer, through the issue and allotment of no less than 200,000,000 Public Offer Shares and no more than 400,000,000 Public Offer Shares, each at an offer price of \$0.011 per Public Offer Share, together with the issue for no additional cash consideration of 1 Public Offer Option for every 3 Public Offer Shares issued under the Public Offer, exercisable at \$0.0165 each on or before 31 March 2013.

The Public Offer will include a priority entitlement offer to Shareholders of, in aggregate, ten per cent. (10%) of all Public Offer Shares offered under the Public

Offer, subject to the limitations that no individual Shareholder and its Associate(s) will have a priority entitlement to more than the greater of:

- (a) 5% (by number) of all Public Offer Shares offered under the Public Offer; and
- (b) the number of Public Offer Shares that that Shareholder would have been entitled to subscribe for under a pro-rata offer by the Company of all the Public Offer Shares.

Details of that priority entitlement are more fully set out in Sections 2.5 and 2.8.2 of the Prospectus.

Of the funds raised under the Public Offer, and depending upon the amount of funds raised in the course of the Public Offer, it is intended that:

- \$2,000,000 will be spent in connection with completion of clinical Phase IIb trial;
- between \$600,000 and \$700,000 will be spent in connection with the commercialisation of the merged company's intellectual property; and
- between \$1,272,000 and \$1,549,000 will be spent in connection with the costs of effecting the Public Offer.

Further details of how these funds will be expended are set out in Section 2.3 of the Prospectus.

The Directors consider that the proceeds of the Public Offer should provide the Company with sufficient working capital to achieve its business objectives as described in the Transaction Documents.

In accordance with the disclosure requirements of Listing Rule 7.3:

- (a) the maximum number of:
 - (i) Public Offer Shares that are intended to be issued and allotted by the Company pursuant to the Public Offer will not exceed 400,000,000;
 - (ii) Public Offer Options that are intended to be issued and allotted by the Company pursuant to the Public Offer will not exceed 133,333,333;
- (b) the Public Offer Shares and Public Offer Options will be allotted and issued immediately on or after the Completion Date, which is expected to occur within three (3) months after the date of the Meeting, or such later date as approved by the ASX;
- (c) the consideration payable by the allottees of the Public Offer Shares (each a **Public Offer Allottee**) will be \$0.011 per Public Offer Share, payable in immediately available funds upon application under the terms of the Public Offer. No cash consideration will be payable in respect of the issue of the Public Offer Options;

- (d) the Public Offer Shares and Public Offer Options will be issued and allotted to those persons or entities that successfully apply for and are allotted Public Offer Shares and Public Offer Options under the Public Offer as set out in the Prospectus. The identity of those Public Offer Allottees is unknown at the date of dispatch of this Document;
- (e) the terms of the:
 - (i) Public Offer Shares will be, upon issue and allotment, identical to the terms of all other Shares, and the material terms of which are set out in Part F, Section C, Paragraph 2; and
 - (ii) Public Offer Options will be:
 - (A) one (1) Public Offer Option will be issued for every three (3) Public Offer Shares issued to an applicant under the Public Offer;
 - (B) upon exercise of the Public Offer Option, the holder will be entitled to be issued with one (1) Share;
 - (C) issue price – no cash consideration, other than the consideration payable in respect of the Public Offer Shares, which entitles the relevant subscriber thereof to be issued and allotted with the prescribed number of Public Offer Options;
 - (D) exercise price - \$0.0165 per Public Offer Option; and
 - (E) exercise period – each Public Offer Option will expire upon the earlier of the date of its exercise in accordance with its terms and 5.00pm AEDST on 31 March 2013; and
- (f) the funds raised under the Public Offer will be applied in the manner set out above.

4. Fourth Resolution – Name Change

Section 157 of the Corporations Act requires the Company to pass a special resolution in order to adopt a new name. The Directors have recommended for Shareholder approval that the name of the Company be changed to “Bioxyne Limited”.

The Directors believe that the name of the Company needs to reflect the additional new direction of the business that will result from the implementation of the Series of Transactions. Accordingly, the Directors recommend that Shareholders approve the name change to reflect the future direction of the business of the Company that will be expected to occur as a result of the acquisition of all Hunter Shares.

5. Fifth Resolution – Issue of Director Options

It is proposed that the Company issue 20,000,000 Director Options to the current Directors and the Company Secretary, in consideration of the provision of their past and current services to the Company. The Directors feel that the proposed issue and allotment of these Director Options to the current Directors and Company Secretary as set out below, is both deserved for past efforts and, in the case of Patrick Ford and

Ashok Jairath who have agreed to continue to serve as a Director and Company Secretary (respectively), greatly assist to secure and reward their future services.

In accordance with the requirements of Listing Rule 10.11 and section 208 of the Corporations Act, the proposed issue of the Director Options must first be approved by the requisite majority of un-associated Shareholders. If that Shareholder approval is given, there is no need for additional Shareholder approval to that issue under Listing Rule 7.1 (Listing Rule 7.2, Exception 14).

For the reasons stated in the Part G, Section 7.1, none of the Directors make any recommendation as to how Shareholders should vote on this Fifth Resolution.

In accordance with the disclosure requirements of Listing Rule 10.13:

- (a) the only persons who will be issued and allotted with Director Options (each a **Director Option Allottee**) are:
 - (i) Patrick Douglas Ford (Director) or his nominee – 5,000,000 Director Options;
 - (ii) Simon O’Loughlin (Director) or his nominee - 5,000,000 Director Options;
 - (iii) Simon James Robson Taylor (Director) or his nominee - 5,000,000 Director Options; and
 - (iv) Ashok Jairath (Company Secretary) or his nominee - 5,000,000 Director Options;
- (b) a maximum of 20,000,000 Director Options will be allotted and issued by the Company;
- (c) the Director Options will be allotted and issued immediately on or after the Completion Date, which is expected to occur within one (1) month after the date of the Meeting, or such later date as approved by the ASX;
- (d) no cash consideration will be payable by the Director Option Allottees, for the issue and allotment to them of any Director Options;
- (e) the material terms of the Director Options will be, upon issue and allotment:
 - (i) issue price – no cash consideration;
 - (ii) exercise price – \$0.02 per Director Option;
 - (iii) expiry date – 1 January, 2015; and
 - (iv) entitlement upon exercise – one (1) Share.

Assuming that the Fifth Resolution is passed at the Meeting, after the completion of the Share Consolidation, the number of Director Options will be reduced to 250,000, their exercise price will be increased to \$0.40 each and their expiry date will remain as 1 January, 2015; and

- (f) no funds will be received on issue and allotment of the Director Options.

Voting Exclusion Statement

In accordance with Listing Rule 10.13, the Company will disregard any votes cast on the Fifth Resolution by:

- any Director Option Allottee; and
- any Associate of any Director Option Allottee.

However, the Company will not disregard a vote if:

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

In accordance with the disclosure requirements of section 219 of the Corporations Act:

- (a) the passing of the Fifth Resolution would permit a financial benefit to be given to Patrick Douglas Ford, Simon O'Loughlin, Simon James Ronson Taylor and Ashok Jairath;
- (b) the nature of the financial benefit is the issue and allotment of 5,000,000 Director Options to each of the Director Option Allottees;
- (c) given that each of the current Directors and company secretary of the Company are Director Option Allottees and will each potentially receive a financial benefit on the passing of the Fifth Resolution by virtue of the issue and allotment to them of Director Options, none of the Directors make a recommendation in relation to the Fifth Resolution;
- (d) the Directors have been independently advised that the Director Options are valued at between \$0.093 and \$0.195 on a post discount basis with a 20% discount and between \$0.116 and \$0.244 per Director Option on a pre-discount basis. The basis of this valuation and the principal assumptions behind this valuation are set out below:

No. of Director Options	Expiry Date	Option Volatility Factor	Post-discount @ 20% per Director Option (cents)	Pre-discount per Director Option
20,000,000	31 March, 2013	70	0.093	0.116
20,000,000	31 March, 2013	85	0.143	0.179
20,000,000	31 March, 2013	100	0.195	0.244

Assumptions used in this valuation were:

- (i) the valuation was based on the Black and Scholes option valuation methodology;
 - (ii) closing price of Shares was \$0.01 per Share on 2 November, 2011 when valuation was determined – to be more accurate, the valuation should be re-determined on the proposed date of the grant of the Director options, being the date of the passage of the Fifth Resolution;
 - (iii) the 2 year Australian Government bond rate of 3.71%, as at 2 November, 2011 was applied;
 - (iv) the Director Options will be issued for no cash consideration, will vest immediately and there will be no dividends paid by the Company during the term of the Director Options;
 - (v) an annualised option volatility calculator of the Share price to 2 November, 2011 of 85%, as a result of very thin trading in Shares and relatively large percentage movements in the traded prices of the Shares. However, the valuation has also provided a plus and minus 15% volatility factor as set out above;
- (e) the reasons for giving this financial benefit to the Director Option Allottees are to:
- (i) recognise the past services of each of the Director Option Allottees in favour of the Company; and
 - (ii) supplement the relatively low remuneration that the Directors have received in cash consideration for their services and the responsibilities that they have assumed, whilst seeking to preserve the Company's presently low cash reserves. The Directors and Company Secretary have spent considerable time in addition to their normal duties in assessing and reviewing various strategic and merger and acquisition opportunities, without the assistance of any other management or staff;
- (f) the cash remuneration paid to the Directors and the Company Secretary for their services during the year ended 30 June 2011 was as follows:

Officeholder	Fees Paid \$	Superannuation \$	Total \$
Patrick Ford, Non-executive Chairman	26,160	-	26,160
Simon O'Loughlin, Non-executive Director	24,000	2,160	26,160

Officeholder	Fees Paid \$	Superannuation \$	Total \$
Simon Taylor, Non-executive Director	24,000	2,160	26,160
Ashok Jairath, Company Secretary	99,000	-	99,000

- (g) it is proposed that in the next financial year, Patrick Ford will receive \$43,600, in annual director fees (including superannuation) and Ashok Jairath will receive fees of \$106,000 in payment for the provision of all company secretarial services to the Company. Assuming Simon Taylor and Simon O'Loughlin resign as Directors, it is not expected that they will be receive any remuneration in the next financial year;
- (h) the dilution effect of the issue of the Director Options on all existing Shareholders would be 0.54% (assuming 100% acceptance of the Takeover Bid and the achievement of the Maximum Subscription under the Public Offer and on a fully diluted basis);
- (i) details of the trading history of the Shares for the preceding 12 month period are as follows:
- (i) in the 12 months to 12 October, 2011, the Shares have traded in the range of \$0.006 to \$0.017;
- (ii) the closing price of the Shares on 12 December 2011 was \$0.010;
- (j) the current holdings of Shares by the Directors and Company Secretary, are:

	Number of Shares (pre Share Consolidation)
Patrick Ford	3,935,999
Simon O'Loughlin	2,000,000
Simon Taylor	2,400,000
Ashok Jairath	nil
Total	8,335,999

- (k) the current holdings of Options by the Directors and Company Secretary, and the material terms of those Options, are:

	Grant date	Number granted	Value per Option at grant date	Number of Options exercised	Number of Options lapsed during year	Last Exercise date	Exercise price
Patrick Ford, Non-executive Chairman	26.11.2008	5,000,000	\$0.02	Nil	Nil	25.11.2013	\$0.02
Simon O'Loughlin Non-executive Director	26.11.2008	5,000,000	\$0.02	Nil	Nil	25.11.2013	\$0.02
Simon Taylor Non-executive Director	26.11.2008	5,000,000	\$0.02	Nil	Nil	25.11.2013	\$0.02
Ashok Jairath, Company Secretary	4.12.2008	2,000,000	\$0.01	Nil	Nil	3.12.2013	\$0.01

6. Sixth Resolution – Share Consolidation

Section 254H of the Corporations Act provides that in order for a company to consolidate the number of its issued shares into a smaller number, a resolution of shareholders approving that consolidation must be passed. Subject to the occurrence of the Completion Date, the Directors propose to consolidate the number of Shares such that, leaving aside the treatment of fractions, every twenty (20) Existing Shares are consolidated into one (1) Consolidated Share.

Where dividing an individual's Shareholding by twenty (20) results in a fraction, the number of Consolidated Shares held by that Shareholder will be rounded up to the nearest whole Consolidated Share.

The reasons for effecting the Share Consolidation are:

- (a) under the Listing Rules, a company seeking quotation on the ASX is required to have shares with an issue price of at least 20 cents (see Listing Rule 2.1, Condition 2). Without effecting the Share Consolidation in the manner contemplated, it is unlikely that the Company would be able to satisfy this requirement and therefore its re-admission to the ASX would be materially jeopardised; and
- (b) on the assumption that all the Essential Resolutions are passed in accordance with their respective terms, the Takeover Bid and the Public Offer are each completed in the manner contemplated in the Transaction Documents and the Company receives the Maximum Subscription under the Public Offer, immediately prior to the proposed implementation of the Share

Consolidation, the Company will have on issue approximately 3.384 billion Shares as well as approximately 323 million Options. The Directors believe that such a capital structure would have the practical effect of depressing the traded price of Shares and hence not be in the best interests of Shareholders and Optionholders.

The proposed Share Consolidation will not, of itself, alter the value of the Shares or any other issued capital of the Company. It will merely reduce the number of Shares on issue. Consolidated Shares held after the Share Consolidation will theoretically be worth twenty (20) times the value of the Existing Shares held immediately before Share Consolidation (all other matters being equal). However, the price at which the Consolidated Share may be traded after the implementation of the proposed Share Consolidation may not equal or exceed that multiple of the sale price of an Existing Share prior to the Share Consolidation.

As a result of the Share Consolidation, certain material terms of issue of the Options will be amended. A comparison of the material terms of the Options, pre-Share Consolidation and post-Share Consolidation, is set out in Section 2.7 of Part G. The respective periods of time in which the Options must be exercised will not change.

An indicative timetable with respect to the Share Consolidation is set out below:

Event	Date
Last day for trading in the Company's securities on a pre-Share Consolidation basis	14 March, 2012
Share Consolidation takes effect	21 March, 2012
Company completes dispatch of new holding statements to Shareholders. Company to advise ASX prior to noon that the dispatch has occurred	28 March, 2012
Normal trading (i.e. with an obligation to settle on a trade date plus 3 business days) in the Company's securities on a post-Share Consolidation basis commences.	29 March, 2012
Change of Company name becomes effective	30 March, 2012

Notwithstanding the above timetable, it is anticipated that, on the day of the Meeting, the ASX will suspend the Official Quotation of the Shares and the suspension will continue until such time as the Company has satisfied Chapters 1 & 2 of the Listing Rules. The duration of the period of suspension of the Shares from quotation by ASX is expected to be 20 Business Days, but could be longer.

Background to the Seventh Resolution, Eighth Resolution, Ninth Resolution, Tenth Resolution, Eleventh Resolution and Twelfth Resolution

In accordance with the provisions of the Series of Transactions and the Constitution, and effective upon the Completion Date, each of Simon Taylor and Simon O'Loughlin will resign their office as a Director.

It is intended that Patrick Ford will remain a Director.

In addition, the Proposed Directors will become directors of the Company on the Completion Date. Their respective professional and academic profiles are as follows:

7. Seventh Resolution – Appointment of Ian Mutton as a Director

Ian Mutton, LLB, is a non-practicing lawyer with an extensive background in competition and product liability laws. He now assists firms to define their ethics so as to ensure alignment with the laws that govern their operations. He also assists with the development and implementation of programs aimed at ensuring compliance with the competition laws. He spent 10 years with the Commonwealth Crown Solicitor on continuous secondment to the (then) Trade Practices Commission with occasional secondment to an inter-department committee responsible for containing product liability exposure. Ian also spent fifteen years with CSR Limited devising and implementing product liability defence and asset protection strategies in Australia, New Zealand and the US. Ian currently sits on a number of boards of emerging listed and unlisted Australian and UK companies engaged in the energy, recycling, minerals, finance, technology and resource exploration sectors in Australia, Chile and China.

8. Eighth Resolution – Appointment of David Radford as a Director

David Radford holds a BSc Honours degree in Applied Biological Sciences from Bristol Polytechnic (UK) specialising in microbiology, and an Executive Masters of Business Administration degree from the Australian Graduate School of Management.

He has executive responsibility for the overall leadership of the business of the Hunter Group and the implementation of its strategic plans, specifically to build strategic partnerships and exploit opportunities in product innovation and business development. He is also responsible for Hunter's investor relations. David has over 20 years international business experience in the medical device and healthcare industries. He has held senior positions within GE Healthcare, Brambles Australia and Cobe Laboratories. More recently David was the Chief Executive Officer of Nanosonics Limited (ASX:NAN).

David has skills in marketing, business strategy, change management, organisational structure and has been involved in the successful global roll-out of new products and services.

9. Ninth Resolution – Appointment of Jeremy Curnock Cook as a Director

Jeremy Curnock Cook is managing director of the IB Fund and chairman of its Investment Committee. He established the Rothschild Bioscience Unit (UK) and was responsible for its life science funds including Biotechnology Investments Limited and the International Biotechnology Trust plc, which by the year 2000 together had more than \$1 billion in net asset value. Jeremy was also responsible for Rothschild establishing Australia's first dedicated biotechnology fund (now GBS Ventures). Most recently Jeremy founded and was executive chairman of Bioscience Managers Limited, a corporate and investment advisory firm based in the UK. Jeremy's previous directorships include AMRAD Corporation, Cantab Pharmaceuticals,

Inflazyme Pharmaceuticals, GlycoDesign Therapeutics, Sirna Therapeutics, Sugem, Targeted Genetics and Vernalis.

10. Tenth Resolution – Appointment of Glenn Crisp as a Director

Glenn, a Non-Executive Director of Hunter, founded Crisp Legal in 1995 as a specialist property construction and development law firm in order to provide clients with an alternative to the legal services then being offered in the Sydney market. Glenn has 22 years experience in legal services. His experience covers the assessment of opportunities/risks of development proposals, the negotiating of large scale engineering and construction projects including project participants and alternatives for the raising of equity and debt finance. Glenn regularly lectures to, and conducts workshops for, clients, industry groups and professional associations in particular on project administration/management, compliance and risks issues and director's duties. Glenn chairs the audit and remuneration committees of Hunter.

11. Eleventh Resolution – Appointment of William Harrison as a Director

William Harrison is an Australian citizen who qualified in medicine in the United States and received his FRCP Glasgow after training in the United Kingdom. He did his subspecialty training in Rheumatology and Rehabilitation in Perth, Western Australia receiving both the FRACP and FAFRM. William was formally a Consultant Physician at Royal Perth Hospital. He has spent over 20 years in the pharma industry holding executive positions in both Clinical Development and Business Development for Novartis Pharma AG. He is a Graduate of the Australian Institute of Company Directors and served on the Board of the Swiss biotech, ESBATech, from 2003-2006. ESBATech was subsequently acquired by Alcon in 2009. He is currently Head of Business Development Operations for the Novartis Pharma Region Asia, Middle East, and Africa and resides in Basel Switzerland.

12. Twelfth Resolution – Appointment of Douglas Wilson as a Director

Dr Doug Wilson MB, ChB, PhD, FRACP, FRCPA, a Non-Executive Director of Hunter, has been a clinical immunologist and has trained in New Zealand, the UK, and at the Walter and Eliza Hall Institute Melbourne with Sir Gustav Nossal, and was also Associate Professor of Medicine at the Auckland Medical School. In 1987, he joined the international pharmaceutical industry by becoming Senior Vice President and head of Medicine and Regulatory Affairs for a major drug company, Boehringer Ingelheim, in the USA. In that role, Doug was responsible for all the clinical aspects of drugs in development, and for most interactions with the FDA. He then took over those functions for the company globally, whilst being based in Germany. During that time Doug was either part of or led teams which saw over 10 drugs approved by FDA in the USA and many others worldwide. He was Chairman of the Boehringer Ingelheim's International Medical Committee, and of the International Labelling Committee and part of the group overseeing all drugs in development supervising teams in the USA and Germany. During that time, Doug participated in the development of over 80 drugs in many different jurisdictions. Boehringer Ingelheim has been very active in the treatment of COPD for over 30 years. Since returning to New Zealand in 2002 he has been consulting for a number of biotech companies and is also non-executive Chairman of Phylogica Limited, an ASX listed company.

PART G: EXPLANATORY MEMORANDUM

Section 1: Introduction

1.1 Background

The information in this Explanatory Memorandum is provided to Shareholders in respect of various corporate actions and transactions that are submitted to Shareholders for their approval in compliance with various regulatory requirements.

1.2 Action required of Shareholders

The information contained in this booklet is important in deciding how a Shareholder should vote on all or any of the Resolutions.

Please read this Document carefully and in its entirety. If you do not understand any part of this Document or are in any doubt as to the course of action you should follow, you should contact your financial or other professional adviser immediately.

1.3 Vote on the Resolutions

You are encouraged to attend and vote at the Meeting. If you are unable or do not wish to attend, the Directors urge you to vote by completing and returning the enclosed Proxy Form.

Section 2: Description of the Series of Transactions

2.1 Description of the Takeover Bid

The merger is proposed to be effected by means of the Company making an off market takeover offer for all:

- (a) all of the Hunter Shares and any Hunter Shares that are issued pursuant to the conversion of a Hunter Convertible Note or the exercise of any Hunter Option, at any time from and including the Takeover Record Date to and including the last day of the Takeover Bid Period;
- (b) all of the Tranche 1 Note Interests; and
- (c) all of the Hunter Options,

(Takeover Bid), subject to conditions that will include the Company receiving acceptances in respect of no less than 90% (by number) of all the Hunter Shares, the Tranche 1 Note Interests and the Hunter Options **(90% Condition)**.

The consideration offered by the Company in the Takeover Bid to Hunter Securityholders will be:

- (a) 9 Shares (prior to the Share Consolidation) for each Hunter Share held;
- (b) 9 Shares (prior to the Share Consolidation) for each Tranche 1 Note Interest; and

- (c) 9 Replacement Options (prior to the Share Consolidation) for each Hunter Option,

held at the Takeover Record Date.

Assuming 100% acceptance of the Takeover Bid by all Hunter Securityholders, the Company will be required to issue 2.656 billion Shares and 150.3 million Options as consideration for the Takeover Bid.

The full terms and conditions of the Takeover Bid are set out in the Bidder's Statement, which can be accessed on the Company's website www.probiomics.com.au.

2.2 Hunter Shares

The Company has been advised by Hunter that, as at the date of this Document, Hunter currently has 165,158,131 Hunter Shares on issue.

As outlined above, under the Takeover Bid, the Company is offering the Hunter Shareholders 9 Shares (prior to the Share Consolidation) for every 1 Hunter Share held on the Takeover Record Date, subject to the satisfaction of the Bid Conditions.

Assuming 100% acceptance by the Hunter Shareholders of the Takeover Bid, the Company would be required to issue to the Hunter Shareholders 1,486,423,179 Shares.

2.3 Hunter Convertible Notes

The Company has been advised by Hunter that the following Hunter Convertible Notes are on issue as at the date of this Document:

(a) Tranche 1 Notes

25,000,000 convertible notes issued by Hunter dated on or about 20 January 2010 of which:

- (i) 20,000,000 convertible notes are issued to and held by Pacific Assets Management Limited (**PAM**) with an aggregate face value of \$4,000,000; and
- (ii) 5,000,000 convertible notes are issued to and held by PT Soho Industri Pharmasi (**Soho**) with an aggregate face value of \$1,000,000.

These convertible notes entitle PAM and Soho to interest which accrues at the rate of \$1,095.93 per day. In accordance with the provisions of the Tranche 1 Notes, Hunter is permitted to pay that accrued interest by means of issuing additional Hunter Shares (**Tranche 1 Hunter Share**), on the same terms as existing Hunter Shares, at the rate of \$0.099 per Tranche 1 Hunter Share, that being the equivalent of an additional 11,070 Tranche 1 Hunter Shares per day. The applicable Takeover Offer will extend to all Tranche 1 Hunter Shares.

(b) Tranche 2 Notes

3,000,000 convertible notes issued by Hunter dated on or about 26 October 2011 and 14 November 2011 of which:

- (i) 1,250,000 convertible notes issued to and held by PAM with an aggregate face value of \$1,250,000;
- (ii) 500,000 convertible notes issued to and held by Soho with an aggregate face value of \$500,000;
- (iii) 1,000,000 convertible notes issued to and held by Cherryoak Investments Pty Ltd ATF C&N Family Trust with an aggregate face value of \$1,000,000; and
- (iv) 250,000 convertible notes issued to and held by 7 private investors with an aggregate face value of \$250,000.

These convertible notes entitle the holders of the Tranche 2 Notes to interest which accrues at the rate of \$657.50 per day. In accordance with the provisions of these convertible notes, Hunter is permitted to pay that accrued interest by means of issuing additional Hunter Shares, on the same terms as those above, at the rate of \$0.05 per Hunter Share, that being the equivalent of an additional 13,150 Hunter Shares per day.

In accordance with the applicable Takeover Offer:

- (a) the Company is offering the Hunter Tranche 1 Noteholders, 9 Shares (prior to the Share Consolidation) for every Tranche 1 Note Interest held on the Takeover Record Date, subject to the satisfaction of the Bid Conditions. Assuming 100% acceptance by the Hunter Noteholders of the applicable Takeover Offer for all the Tranche 1 Note Interests, the Company would be required to issue to the Hunter Noteholders 454,545,455 Shares. This number of Hunter Shares is based on the assumption that all Tranche 1 Notes will be acquired under the applicable Takeover Offer on 31 January, 2012 and accordingly includes all Tranche 1 Hunter Shares that would be required to be issued up to and including that date; and
- (b) it is a condition of the Takeover Bid that the Tranche 2 Notes must be exercised, cancelled or transferred to the Company or be subject to agreements or arrangements entered into by the Company and the relevant holder of the Tranche 2 Notes, that will cause them to be cancelled or transferred to the Company.

2.4 Hunter Options

The Company has been advised by Hunter that the following Hunter Options are on issue as at the date of this Document:

Expiry Date	Exercise Price	Number
30 September, 2012	\$0.35	525,600

Expiry Date	Exercise Price	Number
21 December, 2012	\$0.39	900,000
31 March, 2013	\$0.35	1,917,631
1 September, 2013	\$0.12	2,360,000
14 May, 2014	\$0.35	6,000,000
		<u>11,703,231</u>

In addition, Hunter proposes to issue 5,000,000 Hunter Options exercisable at \$0.35 on or before 31 March, 2013 (**MPS Options**) to Martin Place Securities Pty Limited after, and conditional upon, the passage of all the Essential Resolutions at the Meeting. The MPS Options are to be issued in payment for advisory and other professional services provided by Martin Place Securities Pty Limited to Hunter.

As outlined above, under the Takeover Bid, the Company is offering the Hunter Optionholders 9 Replacement Options (prior to the Share Consolidation) for every 1 Hunter Option held on the Takeover Record Date, subject to the satisfaction of the Bid Conditions. The terms and conditions of issue of a Replacement Option offered to a Hunter Optionholder under the Takeover Bid in consideration for the transfer by that Hunter Optionholder to the Company of a Hunter Option, will be the same terms and conditions of issue as apply to that Hunter Option, other than the exercise price of that Replacement Option which will be one tenth of the exercise price of that Hunter Option. The terms of the Replacement Options are set out below in Section 2.5.

2.5 Replacement Options

The terms of the Replacement Options will be, upon issue and allotment, and prior to the Share Consolidation, as follows:

Expiry Date	Exercise Price	Number
30 September, 2012	\$0.035	4,730,400
21 December, 2012	\$0.039	8,100,000
31 March, 2013	\$0.035	17,258,679
31 March, 2013*	\$0.035	45,000,000
1 September, 2013	\$0.012	21,240,000
14 May, 2014	\$0.035	54,000,000
		<u>150,329,079</u>

* Represents the MPS Options referred to in **Section 2.4**.

After completion of the Share Consolidation, the terms of the Replacement Options will be as follows:

Expiry Date	Exercise Price	Number
30 September, 2012	\$0.70	236,520
21 December, 2012	\$0.78	405,000
31 March, 2013	\$0.70	862,934
31 March, 2013	\$0.70	2,250,000
1 September, 2013	\$0.24	1,062,000
14 May, 2014	\$0.70	2,700,000
		<u>7,516,454</u>

Upon exercise of each Replacement Option in accordance with its respective terms, the holder of that Replacement Option would be entitled to receive one Share.

2.6 Description of the Public Offer

During the course of the Takeover Bid, the Company will also use its best endeavours to raise new capital of up to a minimum of \$2,200,000 and a maximum of \$4,400,000 (**Public Offer**) through the issue of a minimum of 200,000,000 and a maximum of 400,000,000 Shares (**Public Offer Shares**) at an issue price (prior to the Share Consolidation) of \$0.011 per Public Offer Share, together with the issue for no additional consideration of 1 Option for each 3 Public Offer Shares issued under the Public Offer, exercisable at \$0.0165 each on or before 31 March, 2013 (**Public Offer Options**). The issue of the Public Offer Shares and Public Offer Options will be conditional upon:

- (a) the Takeover Bid being declared Unconditional; and
- (b) the occurrence of the Re-admission Notification Date.

The full terms and conditions of the Public Offer are set out in the Prospectus, which can be accessed on the Company's website at www.probiomics.com.au.

2.7 Capital Structure after completion of Series of Transactions

Following the completion of the Series of Transaction, and assuming 100% acceptance under the Takeover Bid and achievement of the Maximum Subscription under the Public Offer, the Company's capital structure will be as follows. The table below summarises Probiomics Shares on issue before and after the Takeover Bid and Public Offer.

	Minimum Subscription under Public Offer	Maximum Subscription under Public Offer
Current Probiomics Shares on issue	327,568,410	327,568,410

	Minimum Subscription under Public Offer	Maximum Subscription under Public Offer
Total number of Bid Consideration Shares to be issued to Hunter Securityholders assuming 100% acceptance of the Takeover Bid	2,656,928,206	2,656,928,206
Total number of Public Offer Shares issued under the Public Offer	200,000,000	400,000,000
Total number of Probiomics Shares on issue on completion of the Takeover Bid and Public Offer	3,184,496,617	3,384,496,617
Post 20:1 Share Consolidation		
Post Share Consolidation number of Probiomics Shares	159,224,831	169,224,831
Equivalent post 20:1 consolidation Probiomics Share price	\$0.22	\$0.22
Market Capitalisation at the Public Offer Price	\$35,029,463	\$37,229,463

In addition the following Probiomics Options will be on issue immediately after the Re-admission Notification Date:

	Pre Share Consolidation		Post Share Consolidation	
Expiry	Exercise Price	Closing Balance	Exercise Price	Closing Balance
Replacement Probiomics Options				
30/09/2012	\$0.0350	4,730,400	\$0.700	236,520
21/12/2012	\$0.0390	8,100,000	\$0.780	405,000
31/03/2013	\$0.0350	17,258,679	\$0.700	862,934
31/03/2013 ^{††}	\$0.0350	45,000,000	\$0.700	2,250,000
01/09/2013	\$0.0120	21,240,000	\$0.240	1,062,000
14/05/2014	\$0.0350	54,000,000	\$0.700	2,700,000
Probiomics Options				
25/11/2013	\$0.0200	15,000,000	\$0.400	750,000
3/12/2013	\$0.0100	2,000,000	\$0.200	100,000
24/05/2014	\$0.0200	2,500,000	\$0.400	125,000
31/03/2013	\$0.0200	20,000,000	\$0.400	1,000,000
31/03/2013	\$0.0165	133,333,333 [†]	\$0.330	6,666,667 [†]
		323,162,412		16,158,121
[†] Assumes the Maximum Subscription Amount is subscribed under the Public Offer. If the Minimum Subscription Amount is subscribed under the Public Offer, then the Public Offer Options issued would reduce to 66,666,667 (reducing in number to 3,333,333 after the proposed Share Consolidation).				
^{††} Represents the MPS Options referred to in Section 2.4 .				

2.8 Substantial Shareholdings

Following completion of the Series of Transactions, assuming the Public Offer is fully subscribed and 100% acceptance of the Takeover Bid, and after implementation of the Share Consolidation, Shareholders with more than 5% of the Company's capital would be as follows:

Shareholder's Name	Shares	%
Phillip Asset Management Limited as trustee for IB Australian Bioscience Fund	31,206,750	18.44
Wigram Trading Pty Ltd as trustee for The WT Trust	14,357,625	8.48
Prof Robert Llewellyn Clancy & Mrs Christine Mary Clancy as trustees for Clancy Superannuation Fund	9,564,390	5.65
PT Soho Industri Pharmasi	9,524,102	5.63
Cherryoak Investments Pty Limited as trustee for C&N Family Trust	9,174,704	5.42

The above excludes any person who pursuant to the Public Offer or the Takeover Bid, acquires a Shareholding that in combination with any existing Shareholding, equals or exceeds 5% of all Shares, as this is not able to be known to the Company at the date of this Explanatory Memorandum.

2.9 Details of Proposed Directors

Upon completion of the Series of Transactions, the existing Directors (other than Patrick Ford) will resign and three new Directors will be appointed. Details of their background are set out in Part F, Section C, Paragraphs 8 to 11 (inclusive).

Section 3: Overview

3.1 Probiomix Limited

Probiomix is an Australian biotechnology company developing commercial applications in consumer health based on its proprietary probiotic⁶ strain PCC®. Its flagship products include treatments for irritable bowel syndrome (IBS),⁷ diarrhoea, intestinal health and atopic dermatitis⁸ in infants.

Probiomix' proprietary probiotic strain PCC® has been patented in a various countries. There is strong evidence that PCC® maintains intestinal health by inhibiting disease-causing micro-organisms, restoring a healthy balance of friendly

⁶ Probiotics are living natural microorganisms that have been shown to be supportive of health and well being. They support the immune system and are usually ingested in the form of fermented foods, such as yoghurt.

⁷ Irritable bowel syndrome is a functional disorder characterised by chronically recurring abdominal pain or discomfort and altered bowel habits.

⁸ Atopic dermatitis, or eczema, is a skin disease where inflammation causes rashes and itching. It is non-contagious and often associated with asthma.

bacteria, and boosting the immune system. By way of background, Probiomics' proprietary probiotic strain PCC® is absorbed through the Peyer's Patches⁹ in the human gut, which then activates an immune response targeting ailments such as those indicated above.

Probiomics also has a global distribution agreement with Chr. Hansen A/S of Horsholm, Denmark to manufacture and market its proprietary probiotic strain, *Lactobacillus fermentum* PCC® globally in dietary supplements, OTC drugs, sports nutrition, slimming products, clinical nutrition, beverages, and dairy products.

3.2 Hunter Immunology Limited

Hunter is a clinical-stage biotechnology company formed in 2003 to develop a range of orally-administered vaccine to reduce the number and severity of exacerbations in patients with Chronic Obstructive Pulmonary Disease (**COPD**), a serious lung disease characterised by chronic inflammation of the airways causing irreversible damage, and in turn shortness of breath, wheezing and coughing, which progressively gets worse over time. People with COPD are susceptible to sudden 'flare-ups' (or exacerbations) – that is, a sudden worsening of symptoms – which result in increased use of drugs such as corticosteroid drugs¹⁰, administration of antibiotics and often hospitalisation. Exacerbations are often but not always triggered by infections of the airways.

Focused research efforts led to the development of HI-164OV and its subsequent clinical evaluation. HI-164OV, is an enteric-coated tablet containing killed bacteria (*Haemophilus influenzae*) that has demonstrated positive Phase IIa data, particularly in patients with moderate to severe COPD.

The global COPD drug market was worth US\$7.2 billion in 2009, growing at 7.4% to US\$11.9 billion in 2016. However, the cost of drugs is the lesser component of the cost of treating COPD, relative to the broader cost to the healthcare system, especially hospitalisation

Hunter is currently an unquoted Australian public company with 283 Hunter Securityholders, as at the date of this Document.

3.3 The Merged Group

After the completion of the Hunter Acquisition, the merged company – then proposed to be called Bioxyne Limited - will pursue a two pronged strategy:

- focus on the value enhancement step offered by Hunter's HI-164OV trials. The combined entity will be able to focus upon completion of the HI-164OV Phase IIb trial and subsequent expected commercialisation of HI-164OV upon completion of the relevant clinical trials, assuming that they are successful. In parallel, the Company will be seeking to expand the existing Probiomics

⁹ Peyer's Patches are dense collections of specific immune cells, i.e. lymphocytes, which act as staging posts for the initiation of immune reactions. They are found at a number of different sites in the body, such as in the walls of the small intestine.

¹⁰ Corticosteroids are long established drugs which control inflammation derived from natural hormones.

product range and distribution channel in order to provide the business with an opportunity to effectively become “self sustaining” at some stage in the near future. It is the Company’s ultimate goal to develop a business model that offers Shareholders an investment with diversified and reduced risk, when compared to pure research and development business models; and

- increase the level of sales of the Probiomix PCC® product, including Progastrim® and proTract® (both of which contain the PCC® probiotic strain), and potentially introduce other revenue generating lines of business in aligned segments.

Essentially the business plan for the proposed merged company involves the merger of the existing Probiomix business with the activities of Hunter and is directed at establishing a research and development biotechnology company that is also supported by a cash generating OTC pharmaceutical business.

Section 4: Operating Performance and Financial Position

4.1 Operating Performance

Set out below are the audited balance sheets of the Company for the last 3 financial years ending 30 June on each of 2009, 2010 and 2011.

	2011	2010	2009
	\$	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	111,628	237,997	85,925
Trade and other receivables	106,480	56,399	393,020
Total current assets	218,108	294,396	478,945
Non-current assets			
Plant and equipment	2,625	4,187	6,684
Total non-current assets	2,625	4,187	6,684
TOTAL ASSETS	220,733	298,583	485,629
LIABILITIES			
Current liabilities			
Trade and other payables	96,390	125,294	371,755
Government Grants			20,729
Financial liabilities	-	50,000	50,000
Total current liabilities	96,390	175,294	442,484
TOTAL LIABILITIES	96,390	175,294	442,484
NET ASSETS	124,343	123,289	43,145
EQUITY			
Issued capital	27,761,399	27,761,399	27,761,399
Reserves	289,212	289,212	289,212
Accumulated losses	(27,926,268)	(27,927,322)	(28,007,466)
TOTAL EQUITY	124,343	123,289	43,145

Income statements

Set out below are the audited income statements of the Company for the last 3 financial years ending 30 June on each of 2009, 2010 and 2011.

	2011	2010	2009
	\$	\$	\$
Sales Revenue	939,644	751,897	1,103,288
Interest revenue	231	432	3,226
Revenue	939,875	752,329	1,106,514
Cost of sales	(513,473)	(282,456)	(583,446)
Gross profit	426,402	469,873	523,068
Other income	45,338	114,414	44,407
Research and development expenses	(1,612)	(19,860)	(76,232)
Intellectual property expenses	(18,603)	(81,393)	(96,175)
Administrative and corporate expenses	(445,120)	387,292	(567,525)
Finance costs	(5,351)	(15,598)	(38,449)
Profit /(Loss) before income tax	1,054	80,144	(210,906)
Income tax refund	-	-	-
Profit (Loss) after tax attributable to members	1,054	80,144	(210,906)
Other Comprehensive Income	-	-	-
Net Comprehensive Profit (Loss)	1,054	80,144	(210,906)
Basic profit (loss) per share (cents per share)	0.00	0.03	(0.10)
Diluted profit (loss) per share (cents per share)	0.00	0.03	(0.10)

4.2 Pro-forma statement of financial position

The pro-forma statement of financial position reflects the anticipated financial position of Probiomics assuming a successful completion of the issue of Bid Consideration Shares proposed to be issued under the Bidder's Statement, the issue of the Public Offer Shares and Public Offer Options proposed to be issued under the Prospectus (on the basis of a Maximum Subscription) and completion of all other transactions anticipated in the Prospectus and this Notice of Meeting to occur subsequent to the completion of the Takeover Bid.

The financial positions of Probiomix and Hunter at 30 June 2010 are as follows:

	Probiomix Audited	Hunter Audited	Subsequent	Pro-forma	Unaudited Pro-forma
	30-Jun-11	30-Jun-11	Events	Adjustments	30-Jun-11
	\$	\$	\$	\$	\$
Current assets					
Cash and cash equivalents	111,628	705,692	2,482,680	3,171,200	6,471,200
Current tax receivable	-	909,534	(909,534)	-	-
Trade and other receivables	106,480	131,077	-	-	237,557
Total current assets	218,108	1,746,303	1,573,146	3,171,200	6,708,757
Non current assets					
Deposits	-	200,000	-	-	200,000
Intangible Assets	-	-	-	2,952,794	2,952,794
Plant property and equipment	2,625	-	-	-	2,625
Total non current assets	2,625	200,000	-	2,952,794	3,155,419
Total assets	220,733	1,946,303	1,573,146	6,123,994	9,864,176
Current liabilities					
Trade and other payables	96,390	796,357	-	-	892,747
Total current liabilities	96,390	796,357	-	-	892,747
Non Current liabilities					
Interest bearing liabilities	-	4,581,444	3,000,000	(7,581,444)	-
Deferred tax liability	-	260,751	-	(260,751)	-
Total non current liabilities	-	4,842,195	3,000,000	(7,842,195)	-
Total liabilities	96,390	5,638,552	3,000,000	(7,842,195)	892,747
Net assets	124,343	(3,692,249)	(1,426,854)	13,966,189	8,971,429
Equity					
Issued capital	27,761,399	16,767,001	921,029	(10,534,505)	35,094,924
Option reserve	289,212	654,146	-	(234,212)	709,146
Accumulated losses	(27,926,268)	(21,113,396)	(2,347,883)	24,554,906	(26,832,641)
Total equity	124,343	(3,692,249)	(1,426,854)	13,966,189	8,971,429

The Pro-forma Statement of Financial Position represents the Audited Statement of Financial Position as at 30 June 2011 adjusted for the events outlined in the Investigating Accountant's Report (IAR) – see Section 8 of the Prospectus - and the pro-forma transactions outlined the IAR relating to the Takeover Bid and the issue of Public Offer Shares and Public Offer Options pursuant to the Prospectus.

Section 5: Risk Factors

The proposed business activities of the Company are subject to risks. These risks include those which apply generally to investments in equity markets, and those which apply specifically to the Company's business and proposed business. Some of the specific risks can be mitigated through the use of safeguards and contingency plans. However many risks are outside the control of the Company and its Directors and cannot be mitigated. The following matters should be carefully considered in evaluating the prospects of the Company.

5.1 General Risk Factors

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There are also a range of specific risks associated with the Company's proposed business and its involvement in the medical technology industry. Investment in the Company should be considered speculative.

Some of these risks can be mitigated by the use of safeguards and appropriate commercial action. However, many are outside the control of the Company and cannot be mitigated.

This section identifies circumstances that the Directors regard as the major risks associated with the Company's proposed acquisition of Hunter and should be considered by Shareholders when deciding how to vote at the Meeting.

Shareholders should:

- read the whole of this Section in order to fully appreciate such matters and the manner in which the Company intends to operate before making any decision on how to vote with respect to the Resolutions;
- appreciate that the trading price of the Company's securities is likely to be volatile and could be subject to wide fluctuations in response to factors such as additions or departures of key personnel, litigation, press newspaper and other media reports, actual or anticipated variations in the Company's operating result and results of the Company's research and developmental activities;
- specifically consider each of the factors contained in this section in light of their investment objectives and financial circumstances in order to fully appreciate the risks associated with an investment in the Company;
- if in any doubt about what to do, seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding how to vote on the Resolutions.

5.2 Specific Risk Factors

(a) Additional Requirements for Capital

The Company's capital requirements depend on numerous factors, including the results of the Phase IIb trials and the execution of a commercial deal with a development partner. Should either of these circumstances not be favourable, the Company may decide to raise capital to fund other pipeline projects which are at earlier stages of development. Depending on the Company's ability to generate income from Hunter's products, the Company may require further financing in addition to amounts raised from the public under the Public Offer. Any additional equity financing will dilute Shareholders, and debt financing, if available, may involve restrictions on the Company's financing and operating activities. On the other hand, if the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and reduce its research and development programs as the case may be. Section 5.3(c) discloses additional potential risks in relation to the Company's capital requirements for Phase III trials, if the Company elects to proceed with such trials.

(b) Managing Growth

The Company's success will depend on its ability to expand and manage its operations and facilities. Following the successful completion of the Hunter Acquisition, the Company will be in an expansion phase. This may result in new and increased responsibilities for management and additional demands on management, operating and financial systems and resources. If the Company is unable to successfully manage the expansion of its business, its financial condition and results of operation could be materially adversely affected.

(c) Research and Development

The Company can make no representations that any of its research and development will be successful or that the Company will develop products that are commercially exploitable.

There are many risks inherent in the development of novel medical products, particularly where these are in an early stage of development. Projects can be delayed or fail or research may cease to be viable for a range of unexpected scientific and commercial reasons.

A failure of the Phase IIb clinical trial to demonstrate statistically significant benefits in the HI-1640V compounds may result in a less attractive, or potentially unattractive, offering to a potential trade partner. This could have a material negative effect on the value of the Company.

(d) Regulatory Issues & Government Regulation

Products derived from the research and development of the Company's and Hunter's products may be subject to numerous government regulatory approvals and controls throughout the world and these will affect both the timing and the cost of bringing these products to market.

Delays or failures in obtaining regulatory approval for a product would be likely to have a serious adverse effect on the value of the Company and have a consequent impact on the financial performance of the Company and the value of its securities.

The Company's operations are also subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury and environmental protection. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of the Company.

(e) Intellectual Property Rights

Securing rights to intellectual property, and in particular to patents, is an integral part of securing potential product value in the outcomes of biotechnology research and development. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.

Patent applications may be rejected by the Commissioner of Patents or by third parties. The patent applications may not proceed to grant. Furthermore, the granting of a patent does not guarantee that it will not subsequently be challenged or found to be invalid by a Court, nor does the grant of a patent mean that the rights of others are not infringed or that the competitors will not develop competing intellectual property that circumvents such a patent. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

Because the patent positions of medical technology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in diagnostic screening nor their enforceability can be predicted. There can be no assurance that any patents that the Company or Hunter may own or control or licence now and in the future will afford the Company commercially significant protection of its intellectual property or its projects or have commercial application.

There is always a risk of third parties claiming involvement in technological and medical discoveries and if any such disputes arise, these could adversely affect the Company.

(f) Dependents on Outside Parties for Manufacture

One of the Company's strategies will be to form strategic business relationships with other organisations for the manufacture and distribution of products developed by the Company. The Company sees the manufacture and global distribution of its products as very important to its overall success. There can be no assurance that the Company will be able to attract and negotiate appropriate terms and conditions with these organisations.

Failure to source and secure suitable organisations for the manufacture and distribution of the Company's products will materially affect the business and future profitability of the Company.

(g) Reliance on Key Personnel and Need to Attract Qualified Staff

The Company is and will remain dependent on its management and its team of scientists – as well as those currently engaged by Hunter - the loss of whose services could materially and adversely affect the Company and impede the achievements of its research and development objectives.

Because of the specialised nature of the Company's business, the ability to commercialise its products and maintain its research program will depend in part upon its ability to attract and retain suitably qualified management, scientists and research people over time.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis, retain its key scientific and management personnel, or maintain its relationship with key scientific organisations.

(h) Risk of Product Liability & Uninsured Risks

The Company's business exposes it to potential product liability risks that are inherent in the research and development, manufacturing, marketing and use of its products. It will be necessary for the Company to secure sufficient levels of insurance to cover various product liability risks in the course of maintaining its business.

However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of the Company.

(i) No Profit to Date and Uncertainty of Future Profitability

Because the Company has incurred immaterial profits or losses to date it is not possible to evaluate its future prospects based on past performance, due to the large number of possible variables noted herein.

The Company's ability to operate profitably in the future will depend on its ability to commercialise its products with other organisations on commercial terms for onward sale to customers. This will depend on the ultimate demand for its products by consumers, which cannot be guaranteed. There is no certainty that the Company can successfully commercialise its projects.

Other factors that will determine achievement of any future profitability of the Company are its ability to manage its costs, execute its development and growth strategies, economic conditions in the markets in which the Company operates and proposes to operate, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of such profitability cannot be predicted and may vary significantly from quarter to quarter.

(j) Industry Risk

The Company's current and future potential competitors include, among others, major medical technology companies, with substantially greater resources than those

of the Company. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the Company's current products or any of those being developed by the Company or which would render the Company's products obsolete and/or otherwise uncompetitive.

In addition, the Company may not be able to compete successfully against the current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position.

(k) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in complementary companies, products or technologies, although no such acquisitions or investments are currently planned, other than as disclosed in this Document. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies.

(l) Probability of Achieving Profitability

As the Company is still in the pre-commercialisation stage and not yet earning material revenues, the Company's most important task is to achieve commercialisation profitably with the diagnostic tests and from other products developed through further research and development.

Virtually every person associated with the Company is a contributor to it achieving profitability. Therefore the probability of the Company achieving profitability depends on the organisation as a whole. Failure to achieve successful commercialisation of the diagnostic tests will have a material adverse effect on the Company and its prospects.

(m) Uncertain Market Acceptance of the Company's Products

The Company believes that its long term growth and ultimate profitability will be influenced by the measure of acceptance of the Company's products worldwide, particularly in the developed markets of the US and Europe and on its ability to penetrate the medical technology markets for diagnostic testing.

There can be no assurance that the Company's products will be more widely accepted by the general population as an alternative to other methods of reduction in both the number and severity of exacerbations in patients with Chronic Obstructive Pulmonary Disease (**COPD**).

The acceptance of the Company's products may be affected adversely by concerns relating to its safety and effectiveness, the effectiveness of alternative methods of reduction in COPD, the lack of long term follow up data and incorrect diagnoses. There can be no assurance that long term follow up data will not reveal errors of diagnoses that may have a material adverse effect on the acceptance of the Company's products.

Any future reported adverse events or other unfavourable publicity involving consumer outcomes from the Company's products could also adversely affect its acceptance whether or not the market accepts the product. The failure of the Company's products to achieve or maintain broad market acceptance would have a material adverse effect on the Company's business, financial condition, profit results and results of operations.

The Company's ability to operate profitably will depend in part on its ability to increase demand for its products and control costs, its ability to execute development and growth strategies, economic conditions in the Company's markets, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve sustained profitability is uncertain. Moreover, the level of such profitability cannot be predicted and may vary significantly from period to period.

In addition, the Company, as a pre-commercial stage company, faces the difficulty of applying a potentially advantageous technology into a commercial business. There is no certainty that the Company can successfully "commercialise" the Company's intellectual property.

(n) No Strategic Alliance Partner & possible termination of Strategic Alliance (including distribution) if any is set up

The Company sees the effective distribution of the Company's products in the US and European markets as important to its prospects. The Company does not expect any technological advantage by being first to develop and introduce to the market its products (should it be so) to last indefinitely.

The Company aims to penetrate the medical technology market for its products through use of key strategic alliances and/or a distribution network as a means of increasing market penetration.

The Company may not be able to identify suitable candidates with whom to enter into a strategic alliance or other arrangements, which may have a material adverse effect on the Company's business, financial condition and results of operations.

(o) International Markets

There are certain risks inherent in the Company's proposed international operations, such as unexpected changes in regulatory requirements (including taxation), tariffs, customs, duties and other trade barriers, longer payment cycles, problems in collecting amounts receivable, political instability, war and other political risks.

Any fluctuations in currency exchange rates, foreign exchange controls that restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions, seasonal reduction in business and potentially adverse tax consequences, could adversely impact on the success of the Company's proposed international operations.

Companies doing business in foreign countries may be required to obtain operating licences in new and uncertain legal environments. Such licences could prove to be difficult to obtain and retain, depending on government policies, customers, changes in political leadership and other factors.

Failure or inability to comply with foreign regulations or obtain the necessary authorisations to operate its business in the international market may constrain the ability of the Company to expand its business and accordingly, could have material adverse effects on its future prospects.

(p) General Economic Conditions

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, interest rates and the rate of inflation.

5.3 Specific Risks relating to Hunter

(a) Commercial viability

As HI-164OV is still in the pre-commercialisation stage and not yet earning material revenues, Hunter's most important task is to achieve commercialisation profitably with a significant global partner that has the scope and focus to commercialise HI-164OV.

Hunter's ability to operate profitably in the future will depend on its ability to commercialise its products with other organisations on commercial terms for onward sale to customers. This will depend on the ultimate demand for its products by consumers, which cannot be guaranteed. There is no certainty that Hunter can successfully commercialise its projects.

Other factors that will determine achievement of any future profitability of Hunter are its ability to manage its costs, execute its development and growth strategies, economic conditions in the markets in which the Company operates and proposes to operate, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of such profitability cannot be predicted and may vary significantly from quarter to quarter.

(b) Development of COPD vaccine

Hunter is a research and development stage company and as such there can be no guarantee that its projects will meet their technical objective or exceed the forecast costs, or achieve commercial objectives. Forward forecasts of objectives, expenditure and revenue should not be relied on.

Hunter can make no representations that any of its research and development will be successful or that Hunter will develop products that are commercially exploitable.

There are many risks inherent in the development of novel medical products, particularly where these are in an early stage of development. Projects can be delayed or fail or research may cease to be viable for a range of unexpected scientific and commercial reasons.

(c) Development Risk

Hunter is in Phase II clinical stage development of its lead product HI-164OV. There are inherent risks involved with the ongoing development of pharmaceutical products, including failure during clinical trials due to poor safety or efficacy of the product. Should the current clinical trial demonstrate equivocal results, there is a risk that a potential partner may make a decision not to partner through to a Phase III trial, with its attendant costs and timeframes for finalisation of the study. In those circumstances, it is unlikely that Hunter would be able to successfully fund a Phase III trial without significant capital from either a capital raising or a partnership deal. Furthermore, commencement of a Phase III trial does not guarantee success, and will need to be considered in light of the commercialisation opportunities available. Hunter does not represent that Hunter's research and development activities will lead to the development and successful commercialisation of its products.

(d) Regulatory Risk

All pharmaceutical products must undergo approval by the appropriate regulatory authority in each target market prior to the sale of the product. Hunter or its partners must prove that their products are both safe and effective for use according to the claims and indications.

A key focus for the business as it proceeds through the Phase IIb trial is to develop a suitable information package that can be presented to the FDA, and conduct a new toxicology study, as Hunter seeks to have the FDA clinical hold released. This information will include a complete regulatory and production assessment as developed for this Phase II trial.

There can be no guarantees that large-scale clinical trials will reinforce the findings of earlier clinical trials or prove the products to be safe and effective. Unexpected delays to regulatory approval or unexpected denial of registration may occur.

(e) Commercialisation Risk

Hunter intends to commercialise HI-164OV through a license agreement, partnership or outright sale to a pharmaceutical or biotechnology company. Hunter aims to penetrate the medical technology market for its products through use of key strategic alliances and/or a distribution network as a means of increasing market penetration.

Hunter believes that its long term growth and ultimate profitability will be influenced by the measure of acceptance of Hunter's products worldwide, particularly in the developed markets of the US and Europe and on its ability to penetrate the medical technology markets for diagnostic testing. It is the Company's understanding that Hunter is in discussions with several multi-national organisations to ensure that it is fully informed about potential partners' requirements.

There can be no assurance that Hunter's products will be more widely accepted by the general population as an alternative to other methods of reduction in both the number and severity of exacerbations in patients with COPD.

In addition, Hunter, as a pre-commercial stage company, faces the difficulty of applying a potentially advantageous technology into a commercial business. There is no certainty that Hunter can successfully "commercialise" its intellectual property.

(f) Market Risk

The novel positioning of HI-164OV as a prescribed oral preventative therapeutic vaccine for COPD means that there is a risk that the product, once commercialised, has a slow or limited adoption in the market. Hunter's ability to obtain premium pricing for HI-164OV depends on many factors such as government reimbursement policies, effectiveness of marketing campaigns and competition.

(g) Competitive Risk

Whilst Hunter is not currently aware of any direct competition from a *Haemophilus influenzae* product similar to HI-164OV, there is no guarantee that a better resourced competitor will not emerge that has a more effective or more efficiently marketed product.

Hunter's current and future potential competitors include, among others, major medical technology companies, with substantially greater resources than those of Hunter or the Company. There is no assurance that competitors will not succeed in developing products that are more effective or economic than Hunter's current products or any of those being developed by Hunter or which would render Hunter's products obsolete and/or otherwise uncompetitive.

In addition, Hunter may not be able to compete successfully against the current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect Hunter's future business, operating results and financial position.

(h) Loss of Value of Investment

There is no guarantee that the Phase IIb clinical trial will produce statistically significant results. As this is Hunter's lead project, failure to achieve the objectives of the trial is likely to affect the attractiveness of the project to pharmaceutical companies and investors. This could have a material adverse effect on the likely price or success of future capital raisings by the Company. It is possible that investors may lose part or all of the value of their investment.

(i) Product liability

Hunter's business activities could result in claims against Hunter including product liability claims from manufacturing, marketing and use of Hunter's products. Hunter will seek to maintain adequate product liability insurance and other legal risk measures.

However, adequate insurance coverage may not be available and any product liability claim could be substantial. In addition, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts. In the event of a product liability claim, insufficient insurance coverage could have a material adverse effect on Hunter's financial condition and value. There is also a risk of damage to Hunter's reputation and image.

(j) Litigation

Hunter may face litigation due to claims for various reasons such as personal injury or infringement of intellectual property. In addition, as Hunter is conducting clinical trials it is possible it may face claims from patients in trials or from institutions conducting trials. Hunter has taken out clinical trial insurance for the Phase IIb trial of HI-164OV. Where possible, and if available at reasonable cost, Hunter takes out other appropriate insurance.

(k) Regulatory Issues Surrounding the Development of HI-164OV

In July 2008, Hunter submitted an Investigational New Drug Application (**IND**) to the Food and Drug Administration (**FDA**) to conduct a Phase III clinical study in the US. In September 2008, Hunter was advised that the FDA had placed Hunter's application on "Clinical Hold" which prevents Hunter from conducting clinical trials in the US until the issues raised by the FDA have been resolved.

The major issues raised in the Clinical Hold letter were:

- there had not been a preclinical toxicology study performed on HI-164OV according to Good Laboratory Practice (GLP) – Hunter had conducted an in-house non-GLP toxicology study in rats and there was the suggestion of possible cardiac inflammation in some animals; and
- there was insufficient information on the manufacturing of HI-164OV to Good Manufacturing Practice (**GMP**) at a commercial scale – Hunter had commenced a GMP manufacturing development program in Europe but this could not be completed before the IND was lodged with the FDA.

More recent communications with the FDA have indicated that Hunter's toxicology study on HI-164OV in an appropriate animal species has been accepted prior to conducting further studies.

The tablets used for clinical trial studies have been manufactured in conditions which are GMP compliant. The information relating to these batches may assist Hunter to address FDA concerns relating to the lack of previous data on the consistency of production of HI-164OV for clinical trials.

Hunter cannot guarantee that the FDA clinical hold will be lifted as a result of the above program as there may be additional issues the FDA raises that Hunter will need to address. The FDA clinical hold may not affect Hunter's ability to conduct further clinical studies on HI-164OV outside the US.

Section 6: Summary of Material Agreements

6.1 Offer Management Agreement

Veritas Securities Limited

By letter agreement dated 4 November 2011, Veritas Securities Limited ABN 94 117 124 535 (**Veritas**) agreed with the Company to act as joint lead manager to the Public Offer and to use its best endeavours to place Public Offer Shares under the Prospectus.

In consideration for providing those services, Veritas will be paid the following fees:

- capital raising fee equal to 5% of the value of the Public Offer Shares and Public Offer Options allotted pursuant to Application Forms lodged or procured by Veritas and that are received by the Company under the Public Offer in respect of successful Applications (exclusive of GST);
- a management fee which is equal to 1% of the Application Monies that are received by the Company under the Public Offer in respect of successful Applications (exclusive of GST); and
- the Company will also reimburse Veritas for all reasonable out of pocket expenses in relation to its provision of the above services, including legal fees (up to maximum of \$15,000) and expenses incurred by Veritas in travel, accommodation, roadshow preparation and presentations, and other expenses (up to a maximum of \$5,000). However, Veritas may not incur any individual expense greater than \$1,000 without the prior approval of the Company.

Under the agreement, Veritas' appointment as joint lead manager is for a term of 3 months commencing from the date of the agreement. If, for any reason, the Company decides to postpone or defer the capital raising under the Prospectus, Veritas has a first right of refusal to act as joint lead manager for any capital raising announced by the Company within 6 months of the date of its appointment as a Lead Manager under the abovementioned agreement.

The Company may terminate this agreement immediately on giving written notice to Veritas if, amongst other things, Veritas is in breach or default of its obligations under this agreement or otherwise in relation to its appointment. In the event that this occurs, Veritas will not be entitled to any fees, reimbursement of expenses or other amounts incurred up to the time of termination.

Taylor Collison Limited

By letter agreement dated 7 November 2011, Taylor Collison Limited ABN 53 008 172 450 (**Taylor**) agreed with the Company to act as a joint lead manager to the Public Offer, together with Veritas, and to use its best endeavours to place Public Offer Shares and Public Offer Options under this Public Offer.

In consideration for providing those services, the Company has agreed to pay Taylor Collison the following fees:

- a capital raising fee equal to 5% of the value of the Public Offer Shares and Public Offer Options allotted pursuant to Application Forms lodged or procured by Taylor Collison and that are received by the Company under the Public Offer in respect of successful Applications;

- a management fee equal to 1%, of the Application Monies that are received by the Company under the Public Offer in respect of successful Applications (exclusive of GST); and
- the Company will also reimburse Taylor Collison for all reasonable out of pocket expenses in relation to its provision of the above services. However, Taylor may not incur individual expenses of greater than \$1,000 or any legal costs without the Company's prior approval.

Under the agreement, Taylor Collison's appointment as joint lead manager is for a term of 3 months commencing from the date of the agreement. Taylor Collison has first right of refusal to act as a joint lead manager for any capital raising announced by the Company within 12 months of the date of its appointment as a Lead Manager under the abovementioned agreement.

6.2 Terms of Employment of David Radford

David Radford has been engaged as Managing Director of Hunter since 2 May 2011, under a written executive employment agreement with Hunter (**Hunter Employment Agreement**).

It is intended that David Radford will be employed as Managing Director of the Merged Group under an amended Hunter Employment Agreement, upon completion of the Hunter Acquisition and the Re-admission of Probiomics, amongst other things (**Amended Hunter Employment Agreement**).

Other than as indicated below, the terms of the Amended Hunter Employment Agreement will be, in all material aspects, the same as the terms of the Hunter Employment Agreement. The material terms of the proposed Amended Hunter Employment Agreement are proposed to be as follows:

- Mr Radford's fixed annual base salary (exclusive of superannuation and other entitlements) will be \$400,000, reviewable on an annual basis.
- Mr Radford will also be entitled to such performance bonuses as are agreed between Mr Radford and Hunter from time to time. The parties have agreed not to pre-determine Mr Radford's performance hurdles and bonuses on achievement of those hurdles, as was the case under the Hunter Employment Agreement.
- The agreement will not have a fixed term. However, Hunter may, subject to the requirements of the Corporations Act, terminate the agreement at any time on giving 6 months' prior written notice, payment in lieu of notice, or a combination of the foregoing, to Mr Radford. Further, Hunter will be entitled to terminate the agreement immediately if Mr Radford commits a serious or persistent breach of his obligations, is found to have made a false or misleading representation as to a material fact during negotiations of this agreement, becomes bankrupt, is convicted of a crime, becomes of unsound mind or becomes incapacitated by reason of accident or illness.

Mr Radford may also terminate the agreement at any time by giving 3 months' prior written notice to Hunter.

- (d) For a period of 6 months after termination of this agreement, Mr Radford agrees not to compete with any member of the Hunter Group (**Group Company**), canvass, solicit or entice away any person who is or was an employee of a Group Company at any time after the date that is 6 months prior to the date of termination of the Amended Hunter Employment Agreement to leave that Group Company, or interfere in any way with the relationship between a Group Company and its clients, customers, prospective customers, employees, consultants or suppliers.

The Directors believe that David Radford's remuneration as Managing Director of the Merged Group is appropriate for the duties allocated to him, the size of the combined businesses of the Company and Hunter and the industry in which the Company and Hunter operates.

6.3 Datapharm

On 28 April 2011, Hunter entered into a consultancy agreement with Datapharm Australia Pty Ltd ABN 32 067 956 576 (**Datapharm**) under which Datapharm provides clinical research, analysis and reporting services to Hunter for the purposes of conducting a clinical study into the effectiveness of the HI-164OV vaccine tablet in patients with chronic obstructive pulmonary disease (**Services**).

Under this agreement:

- (a) Datapharm is required to provide Services to Hunter in accordance with Hunter's protocol and applicable guidelines and regulatory requirements in respect of clinical trials.
- (b) Datapharm is required to follow a broad timetable, under which the final clinical study report produced by March 2012.
- (c) Hunter may at any time suspend the provision of Services by Datapharm by giving prior written notice.
- (d) Hunter is required to make payments to Datapharm for all work done and recorded, up to the total planned expenditure amount of approximately \$2 million. Any additional work must only be performed with the prior approval of Hunter.
- (e) Hunter has ownership of all of the results of the Services provided by Datapharm, and has title to all intellectual property in or arising out of those results.

Hunter may terminate the agreement at any time by giving one month's prior written notice to Datapharm. If a party commits a substantial breach of the agreement, and that party fails to show cause within the required time, then the other party may terminate the agreement by written notice to the first party.

On expiry or termination of the agreement, Datapharm must deliver to Hunter all materials and property of Hunter that are within its possession or control.

The agreement expires at the end of May 2012, but may be extended by agreement.

6.4 TUNRA Agreement

On 25 November 2003, Hunter entered into a services agreement with Newcastle Innovation Limited (under its former name, The University of Newcastle Research

Associates Limited) ABN 97 000 710 074 (**TUNRA**). Under that agreement, Hunter currently procures the services of:

- Dr Margaret Dunkley and her research team, to conduct clinical trials and explore product development and enhanced commercial production opportunities in respect of the H1164-IV product, amongst other things (**Research Services**); and
- Mr Paul Handsaker, who is responsible for payroll, account processing and other financial management duties (**Accounting Services**).

Under the agreement:

- TUNRA must provide the Services in accordance with the directions of a Hunter representative. The Hunter representative must be available at all reasonable times for consultation with TUNRA or its representative.
- Hunter is required to pay TUNRA fees (revised every 6 months from the date of the agreement) for the term of the agreement, in respect of the provision by TUNRA of the Research Services and the Accounting Services. For the year ended 30 June, 2011, Hunter paid \$660,000 (excluding GST) in consideration for the Research Services and \$45,000 (excluding GST) in consideration of the provisions of Accounting Services.
- Hunter will also reimburse TUNRA for any expenses incurred with Hunter's prior approval.
- All intellectual property created, developed or otherwise arising as a result of the provision of the Services, including all copyright in reports and materials prepared by TUNRA, is the property of Hunter.

The agreement does not have a fixed term, but continues until terminated by a party in accordance with the provisions of the agreement.

Either party may at any time terminate the agreement by providing three months' written notice to the other party. A party may also terminate the agreement by notice in writing if the other party is in breach of the agreement and fails to remedy that breach within the required time.

TUNRA has excluded all liability to Hunter in respect of the provision of Services and the use or exploitation by Hunter of any intellectual property arising out of the Services, except where TUNRA has been wilful or grossly negligent, or has provided an express warranty.

Where TUNRA is in breach of an express warranty, its liability is limited to the higher of the aggregate amount of fees and reimbursements received by TUNRA from Hunter and the amount recoverable under TUNRA's professional indemnity insurance.

6.5 Exclusive Distribution Agreement – Chr. Hansen

On 19 November 2009, the Company entered into an exclusive distribution agreement with Chr. Hansen (**CH**). Under this agreement, the Company grants exclusive rights to CH to market, supply and distribute on a worldwide basis (other

than Latin America) the probiotics strain *Lactobacillus fermentum* PCC® (VRI-003) in dietary supplements, OTC drugs, prescription drugs in India, sports nutrition, slimming products, clinical nutrition, beverages and dairy products, except:

- Infant Formula Products as defined in European Commission Directive 91/321/EC;
- Infant Medical Products as defined in European Commission Directive 1999/21/EC;
- Infant Nutrition Products defined as a growing up milk, an infant cereal and infant meal;
- via the Multi Level Marketing distribution channel;
- Prescription drugs outside India;
- Veterinary and animal health applications.

CH is also granted the first right of refusal to sell and distribute products outside the above scope of products in the event they become available in the future.

This agreement is to continue until 19 November 2019, unless terminated earlier in accordance with the terms of the agreement. Either party may terminate the agreement with immediate effect on:

- the occurrence of certain insolvency events in connection with the other party;
- if the other party has committed a material breach of the agreement which is incapable of remedy or, if capable of remedy, is not remedied within 30 days of receiving notice to do so; or
- if the other party ceases or threatens to cease its business or to perform its obligations under the agreement.

Furthermore, the Company may make the agreement non-exclusive at any time if CH fails to achieve the minimum target volume of PCC® in products used by CH prescribed under the agreement on 2 consecutive occasions.

Section 7: Additional Information

7.1 Personal Interests of Directors

Patrick Ford – *current Non Executive Chairman of the Company*

The details of Patrick Ford's personal interests in the outcome of the Public Offer and the Takeover Bid are:

- (i) he is an employee of, and holds a relevant interest in, approximately 3% of the issued capital in Veritas Securities Limited ABN 94 117 124 535 (**Veritas**);
- (ii) Veritas will be acting as a broker to the Public Offer and in that role the Company has agreed to pay to Veritas 6% of the value of the Public Offer Shares and Public Offer Options allotted pursuant to Application Forms lodged or procured by Veritas and that are received by the Company under the Public Offer in respect of successful Applications;
- (iii) if the Fifth Resolution, is passed in accordance with its terms, Patrick Ford

- will be personally allotted with 5,000,000 Director Options, in consideration for his past and current services to the Company; and
- (iv) he will remain as a non-executive director of the Company.

As a result Patrick Ford is likely to personally benefit – both indirectly and directly – from the successful completion of the Public Offer and the Takeover Bid.

Simon Taylor and Simon O’Loughlin – *current non-executive Directors*

Both Messrs Taylor and O’Loughlin will, if the Fifth Resolution is passed by Shareholders at the Meeting, be issued with 5,000,000 Director Options, in consideration for their past and current services to the Company.

The Current Directors are of the opinion that none of the above interests referred to in this Section 7.1 constitute “material personal interests” (as that term is applied under the Corporations Act) that would prohibit any of them from being entitled to express an opinion or recommendation in respect of the Public Offer and the Takeover Bid.

7.2 Relevant interests and voting power in Hunter Securities

Neither the Company nor the Directors, nor any of their respective Associates, holds any Hunter Securities and accordingly, does not have any relevant interest or voting power in any Hunter Securities or any other securities issued by Hunter, other than pursuant to the Pre-Bid Acceptance Agreements entered into between the Company and each of the following Hunter Securityholders:

Name	Hunter Shares	% Holding †
Prof Robert Llewellyn Clancy and Mrs Christine Mary Clancy <Clancy Superannuation Fund>	21,254,200	12.9%
Hirst Shabian & Hirst Advisory Services Pty Limited <Shabian A/C>	7,929,816	4.8%
Total	29,184,016	17.7%
† Calculated based on the total issued capital of Hunter as at 13 December 2011, being the date of lodgment of this Document with ASIC.		

Under the Pre-Bid Acceptance Agreements, each of the aforementioned Hunter Shareholders have agreed to accept the applicable Takeover Offer in respect of all their respective Hunter Shares if, in consideration for the transfer of their Hunter Shares to Probiomics, each Hunter Shareholder is entitled to received at least 9 Shares for each Hunter Share transferred under the terms of the relevant Takeover Offer.

In addition, each of the Hunter Shareholders and Hunter Noteholders in the table below has indicated to the Hunter Directors that, in the absence of a superior proposal, they intend to, as is applicable:

- (a) accept the applicable Takeover Offer in respect of all their respective Hunter Shares; or

- (b) convert their Tranche 2 Notes into Hunter Shares, receive Hunter Shares for the accrued interest under both their Tranche 1 and Tranche 2 Notes, and accept a Takeover Offer for all the resulting Hunter Shares,

prior to or upon the occurrence of the Re-admission Notification Date.

However, none of the following Hunter Securityholders is or will become legally bound to accept any such Takeover Offer and remains free to change its mind at any time in the future. Accordingly, the Company does not have a relevant interest in any of the following Hunter Securities.

Name	Hunter Securities	% Holding †
Shareholders		
Wigram Trading Pty Ltd	32,905,834	13.8%
Newcastle Innovation Limited	10,400,000	4.5%
Paul Bolt		2.9%
Noteholders – Tranche 1		
Phillip Asset Management Limited as trustee for IB Australian Bioscience Fund	28,944,292	12.5%
Cherryoak Investments Pty Ltd as trustee for C&N Family Trust	22,138,231	9.6%
PT Soho Industri Pharmasi	11,363,662	4.9%
Total	111,414,519	48.3%
† Assumes the conversion of the Tranche II Notes and allotment of Hunter Shares in exchange for accrued interest on the Tranche I Notes and Tranche II Notes on 31 January 2012. Should the date of conversion of the Hunter Convertible Notes be later than this date, additional Hunter Shares will be issued as a consequence of the additional interest accruing on the Hunter Convertible Notes. The rate at which additional Hunter Shares would need to be issued is set out in Section 2.3 in respect of both Tranche I Interests and Tranche II Notes.		

Each of the Hunter Directors has also informed the Company that they intend to accept the applicable Takeover Offers in respect of all their respective Hunter Securities that they hold no later than two Business Days prior to the end of the Takeover Bid Period. However, no agreement to that effect has been entered into by any of the Hunter Directors.

PART H: GLOSSARY OF TERMS

Definitions

For the purposes of this Document:

AEDST means Australian Eastern Daylight Saving Time.

Applicant means a person who submits an Application Form (paper or electronic) to subscribe for Public Offer Shares under the Prospectus.

Application means a valid application made by an Applicant to acquire Public Offer Shares and Public Offer Options pursuant to the Public Offer.

Application Monies means monies received from Applicants in respect of their Applications.

Associate has the meaning ascribed to that term in Section 12(2) of the Corporations Act.

ASX means ASX Limited, or where the context requires, the financial market it operates.

Bid Conditions means the conditions of the Takeover Bid, as set out in Appendix 2 of the Bidder's Statement and summarised in Section 1.1.1 of the Prospectus.

Bid Consideration means the consideration that the Company will be required to provide upon, and in accordance with the terms of, the Takeover Bid, being, subject to the satisfaction of the Bid Conditions:

- (a) in respect of the offer to Hunter Shareholders, 9 Shares for each Hunter Share held by a Hunter Shareholder on the Takeover Record Date;
- (b) in respect of the offer to Hunter Noteholders, 9 Shares for each 1 Tranche 1 Note Interest held by a Hunter Noteholder on the Takeover Record Date; and
- (c) in respect of the offer to Hunter Optionholders, 9 Replacement Options for each 1 Hunter Option held by the Hunter Optionholder on the Takeover Record Date.

Bidder's Statement means the bidder's statement dated 13 December, 2011 for and in connection with the Takeover Bid.

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in the Sydney metropolitan area.

Company or **Probiomics** means Probiomics Limited ABN 97 084 464 193.

Completion Date means the first Business Day succeeding the last day of the Takeover Bid Period, where the Takeover Bid has been declared Unconditional.

Consolidated Share means a Share after the implementation of the Share Consolidation.

Constitution means the constitution of the Company, as varied or amended from time to time.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Director means a member of the board of directors of the Company.

Director Options means the 20,000,000 Options that are the subject of the Fifth Resolution and the terms of which are set out in Part F, Section C, Paragraph 5, sub-paragraph (e) of this Document.

Document means each of the Notice of General Meeting, Explanatory Memorandum, Proxy Form and all other documents, that each constitute part of this booklet and that accompany each other when sent to each Shareholder.

Essential Resolution means each of the First Resolution, Third Resolution, Sixth Resolution and Eighth Resolution.

Excluded Offer means the issue that was made of 33,333,334 Shares, each at \$0.006 per Share to Sophisticated Investors, the details of which are set out in more detail in Part F, Section C, Paragraph 2 of this Document.

Excluded Offer Shares means all those Shares that were issued pursuant to the Excluded Offer.

Existing Option means an Option on issue at the Completion Date.

Existing Share means a Share on issue at the Completion Date.

Explanatory Memorandum means the explanatory memorandum set out in Part G of this Document.

Group means the Company and each of its related bodies corporate or controlled entities, and Associate of any of the foregoing.

Hunter means Hunter Immunology Limited ABN 92 106 556 094.

Hunter Acquisition means the proposed acquisition of the Hunter Securities pursuant to the Takeover Offers.

Hunter Convertible Note means the Tranche 1 Notes and the Tranche 2 Notes.

Hunter Director means a director of Hunter.

Hunter Noteholder means a holder of a Tranche 1 Note.

Hunter Option means an option to acquire a Hunter Share, including those described in Part G, Section 2.4.

Hunter Optionholder means the holder of a Hunter Option.

Hunter Security means either or any of:

- (a) a Hunter Share;
- (b) a Tranche 1 Note Interest;

- (c) a Hunter Share that is issued pursuant to the conversion of a Hunter Convertible Note or the exercise of any Hunter Option, at any time from and including the Takeover Bid Record Date to and including the last day of the Takeover Bid Period; or
- (d) a Hunter Option.

Hunter Securityholder means a Hunter Shareholder, a Hunter Noteholder and a Hunter Optionholder.

Hunter Share means a fully paid ordinary share in the issued capital of Hunter.

Hunter Shareholder means a holder of a Hunter Share.

Hunter Tranche 1 Noteholder means the holder of a Tranche 1 Note and a Tranche 1 Note Interest.

Independent Expert means DMR Corporate Pty Limited of Level 7, 470 Collins Street, Melbourne Victoria.

Listing Rules means the listing rules of ASX.

Maximum Subscription means the Company receiving valid applications and application monies for 400 million Public Offer Shares to raise \$4,400,000 during the Public Offer Period.

Meeting means the general meeting being convened by the Directors pursuant to the Notice of General Meeting, or any adjournment thereof.

merged company means the Company after it has completed the Hunter Acquisition and the Public Offer.

Merged Group means the Group after Hunter becomes a wholly owned subsidiary of the Company.

Minimum Subscription means the Company receiving valid applications and application monies for 200 million Public Offer Shares to raise \$2,200,000 during the Public Offer Period.

Notice of General Meeting means the Notice of General Meeting of the Shareholders that accompanies and forms part of this Document.

Official List means the official list of entities that ASX has admitted and not removed.

Official Quotation means official quotation of a security on a market operated by ASX.

Option means an option to acquire a Share.

Optionholder means the holder of an Option.

OTC means 'over the counter'.

Proposed Director means each of Ian Mutton, David Radford, Jeremy Curnock Cook, Glenn Crisp, William Harrison and Douglas Wilson.

Prospectus means the prospectus issued by the Company in connection with the Public Offer and any supplementary or replacement prospectus in relation to that document.

Proxy Form means the proxy form more particularly set out in Part I, and that forms part of this Document.

Public Offer means the invitation to apply for Public Offer Shares and Public Offer Options made pursuant to the Prospectus, subject to the Minimum Subscription and Maximum Subscription requirements of the Company.

Public Offer Options means Options issued under the Prospectus, being 1 Option for every 3 Public Offer Shares, on the terms described in Part G, Section 2.6 of this Document.

Public Offer Period means the period from the opening date of the Public Offer, which is expected to be 5 January, 2012 to the closing date of the Public Offer, which is expected to be 6 February, 2012.

Public Offer Price means \$0.011 per Public Offer Share.

Public Offer Shares means Shares issued under the Prospectus.

Re-admission means the re-admission of the Company to the Official List and termination of the suspension from Official Quotation of the Shares.

Re-admission Date means the date on which ASX re-admits the Company to the Official List and terminates the suspension from quotation of the Shares following the Series of Transactions.

Re-admission Notification Date means the date upon which the Company receives from ASX written confirmation that ASX will re-admit the Company to the Official List and termination of the suspension from Official Quotation of the Shares, subject to the performance of such terms and conditions (if any) as are prescribed by Listing Rules.

relevant interest has the meaning given to that term in section 608 and section 609 of the Corporations Act.

Record Date means 7.00 p.m. (AEDST) on 5 February, 2012.

Replacement Option means an Option that is to be issued to the Hunter Optionholders as consideration under the Takeover Bid, as more fully described in Part G, Section 2.5.

Resolution means any one of the resolutions set out in the Notice of General Meeting.

Series of Transactions means each of the Excluded Offer, Public Offer, Takeover Bid and passage of each of the Essential Resolutions at the Meeting.

Share means ordinary shares in the capital of the Company including all Existing Shares, and for the sake of clarity, will mean after the completion of the Share Consolidation, the Consolidated Shares.

Share Consolidation means the consolidation of the capital of the Company in the manner referred to in Part F, Section C, Paragraph 6 of this Document.

Shareholder means the holder of a Share.

Sophisticated Investor means a person who satisfies any of the criteria referred to paragraphs (a), (b), (c) or (d) of Section 708 of the Corporations Act.

Takeover Bid means a bid by the Company to acquire all the Hunter Securities in accordance with the terms and conditions set out in the Bidder's Statement.

Takeover Bid Period means the period commencing on 13 December, 2011 and currently scheduled to end at 5.00 p.m. (AEDST) on 9 March, 2012, unless withdrawn or extended pursuant to the Corporations Act.

Takeover Offer means Probiomics' offer to acquire a Hunter Security on the terms and conditions set out in **Appendix 1** and **Appendix 2** of the Bidder's Statement as they relate to that Hunter Security and as such offer may be varied in accordance with the Corporations Act.

Takeover Record Date means 13 December, 2011.

Target's Statement means the target's statement issued by Hunter in response to the Bidder's Statement and in the course of the Takeover Bid, which includes a report by the Independent Expert that, in the Independent Expert's opinion, the Takeover Bid is fair and reasonable to Hunter Securityholders.

Tranche 1 Notes means the tranche 1 convertible notes issued by Hunter, which are convertible into Hunter Shares and as more fully described in Part G, Section 2.3.

Tranche 1 Note Interest is an interest in a Tranche 1 Note, which is determined by dividing the face value of a Tranche 1 Note, being \$0.20, by \$0.099.

Tranche 2 Notes means the tranche 2 convertible notes issued by Hunter, which are convertible into Hunter Shares and as more fully described in Part G, Section 2.3.

Transaction Documents means this Document, the Prospectus and the Bidder's Statement.

Unconditional means in relation to the Takeover Bid becoming unconditional, the date upon which the Company issues a notice in accordance with section 630(3) of the Corporations Act that declares that the Takeover Bid is freed from any defeating conditions otherwise applicable to that bid.

Voting Share means a Share that entitles the Shareholder thereof to voting power (as that term is defined in section 610 of the Corporations Act) in respect of that Share.

Interpretation

In this Document, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;

- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;
- (f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (g) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (h) the terms “included”, “including” and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) a reference to a statute or statutory provision includes but is not limited to:
 - (1) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (2) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (3) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (j) reference to “\$”, “A\$”, “Australian Dollars” or “dollars” is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (k) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise;
- (l) a reference to time is to AEDST.

PART I: PROXIES AND PROXY FORMS

- (a) **Right to appoint:** Each member entitled to vote at the meeting has the right to appoint a proxy to attend and vote for the member at the meeting. To appoint a proxy, use the Proxy Form sent out with this Document.
- (b) A proxy or attorney is not entitled to vote while the member appointing them is present at the meeting.
- (c) **Who may be a proxy:** A member can appoint anyone to be their proxy. A proxy need not be a member of the Company.
- (d) **Two proxies:** A member who is entitled to 2 or more votes at the meeting, may appoint 2 proxies. Where 2 proxies are appointed:
- (1) a separate Proxy Form should be used to appoint each proxy; and
 - (2) the Proxy Form may specify the proportion, or the number, of votes that each proxy may exercise, and if it does not do so each proxy may exercise half of the votes.
- (e) **Lodgement place and deadline:** Proxy forms must be received by the Company with the original or a certified copy of the authority under which the Proxy Form is signed (if the Proxy Form is signed by an attorney or other representative):
- c/o Computershare Investor Services Pty Ltd
GPO Box 242
Melbourne VIC 3001; or
 - by facsimile on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia),
- by no later than **10.00am (AEDST) on 5 February, 2012**. Please mark them to the attention of the Company Secretary.

CORPORATE REPRESENTATIVES

A body corporate may appoint an individual to act as its representative to exercise any of the powers the body may exercise at meetings of a company's members. Unless otherwise stated, the corporate representative may exercise all of the powers the appointing body can exercise. The certificate evidencing the appointment of a corporate representative (or a photocopy or facsimile of it) must be received by the Company prior to admission at the Meeting.

MEMBERS WHO ARE ENTITLED TO VOTE

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the registrar of members as at 7.00 p.m. (AEDST) on 5 February, 2012.

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INTENTIONALLY BLANK

Probiomics Limited

ABN 97 084 464 193

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 PCC
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 10:00am (AEDST) on Sunday, 5 February 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box, your proxy may vote as they choose. If you mark more than one box on an item, your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy, write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of Probiomics Limited ("Company").

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

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

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting, you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons, it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Probiomix Limited ("Company") hereby appoint

☐

the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of the Company to be held at Level 4, 175 Macquarie Street, Sydney, New South Wales 2000 on Tuesday, 7 February, 2012 at 10:00am and at any adjournment of that Meeting.

☐

IMPORTANT FOR MOTIONS BELOW

If the Chairman of the Meeting is to be your proxy and you have not directed your proxy to vote on any of the motions below, please place a mark in the adjacent box.

By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of a motion and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on any motion and your votes will not be counted in computing the required majority if a poll is called on a motion.

The Chairman of the Meeting intends to vote undirected proxies in favour of each motion.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Terms used in this form has the meaning given to them in the Notice of General Meeting unless otherwise defined.

	For	Against	Abstain		For	Against	Abstain
1 Approval of change in scale of the Company through the Hunter Acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 20 for 1 Share Consolidation to be effected immediately after completion of the Series of Transactions on or after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ratification of issue of 33,333,334 Excluded Offer Shares at \$0.006 each	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Appointment of Ian Mutton as a Director effective on and after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of issue on or after the Completion Date of no less than 200,000,000 and no more than 400,000,000 Public Offer Shares at \$0.011 each and no less than 66,666,667 and no more than 133,333,334 Public Offer Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Appointment of David Radford as a Director effective on and after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Change of name of the Company to "Bioxyne Limited", effective on and after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Appointment of Jeremy Curnock Cook as a Director effective on and after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of 20,000,000 Director Options to the Directors and Company Secretary on or after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Appointment of Glenn Crisp as a Director effective on and after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				11 Appointment of William Harrison as a Director effective on and after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				12 Appointment of Douglas Wilson as a Director effective on and after the Completion Date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /